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FACULTY OF ECONOMICS

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**REWARD SYSTEM AND STAFF DEVELOPMENT IN THE
MICROFINANCE INSTITUTION, KEP TRUST**

Ljubljana, July 2017

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INTRODUCTION

Kosovo, the newest independent state in Europe, has faced a series of social and economic transformations after a decade of intensive conflict during the nineties. A specific characteristic of economy of Kosovo during the nineties is the expulsion of workers from state/public owned enterprises and public-sector jobs, thus creating an employment crisis and human capital gap that was very difficult to overcome after the war. During this period, entrepreneurship initiatives flourished with firms operating in hostile and extraordinary circumstances.

Kosovo transition is specific and differs from other European Transition Economies (hereinafter: ETE) due to several factors. Zupan and Kaše (2005, p. 883) refer to ETE-s as those economies from “Central and Eastern European countries that started their transition from centrally planned (Soviet bloc) or labour-managed economies (ex-Yugoslavia) to market economies at the start of the 1990s”. First, building of Kosovo institutions was influenced by the international administration set up by the United Nations Mission in Kosovo (hereinafter: UNMIK) until Kosovo declared its independence in 2008. Second, Kosovo depended heavily on international aid and remittances due to the low budget capacity, war destruction effects and high un-employment rates. Third, Kosovan economy experienced a transformation through an intensive privatization process, lack of Rule of Law (hereinafter: RoL), including implementation of labour legislation and complete transformation of financial institutions. Taking into consideration these political and economic circumstances, Kosovo transition is complex, thus emphasising the influence of external factors in the stabilisation of business and changes in management practices.

One of the sectors that has been strongly influenced by changes in the business environment, changes in the technology and changes in the society, is the financial sector. Financial institutions have experienced most rapid transformations in comparison to other sectors. Besides extensive reforms in the legal and governance framework, the banking sector has developed steadily and is one of the most stable and technologically up to date sector. In addition, the micro finance institutions (hereinafter: MFI) have emerged to fill in the gap regarding access to finance. MFI’s business is focused on lending to micro and small businesses with a wide range of lending products. Hence, MFIs do not offer other services such as deposits and other financial products. According to the Central Bank of Kosovo (2016), there are currently 18 MFIs in Kosovo, from which 12 have international ownership. The number of employees in this sector is around 917 experiencing rapid trend in the development peak followed by downsizing policies with the increase of the number of banks and lending products as well as with the introduction of new technologies. Thus, the financial sector operates in a changing business environment and technology requiring special attention in the management and development of the people.

In this respect, **Human Resource Management** (hereinafter: HRM) process, according to Zupan and Kaše (2005), gets influenced not only by the company's strategic approach but also by the context in which the company operates. In Kosovo context, it is argued here, financial institutions created a new HRM culture not found in other public and private institutions, due to the fast expansion and technological advancement the sector faced. While HRM practices were introduced in the financial sector, at the same time, their development was influenced by intensive changes in the environment. Therefore, it is of research interest to understand developments and challenges of HR in Kosovo context through a case study of a micro financial institution that developed HR practices influenced by international practices, as well as changes in the internal environment.

While HR practices include a number of HR functions and activities, the purpose of this research is to evaluate the **Reward System** and **Staff Development** at **KEP Trust**, a micro finance institution, operating in Kosovo since 1999. The study focuses on Reward System and Staff Development drawing from HRM theoretical framework and its impact on Organizational Development (hereinafter: OD) taking into consideration factors such as environment, people and the process of change. More specifically, the study will measure staff satisfaction with the current reward structure and staff development practices in KEP and propose recommendations for future reward and staff development strategies.

The following research questions are posed:

- What is the current Reward system in KEP Trust and which criteria have been considered?
- How satisfied are staffs at KEP Trust with current Reward System and what are the areas proposed for improvement?
- What are the current Staff Development activities in KEP Trust and what organizational development areas they address?
- How satisfied are staff at KEP Trust with the current development activities and what are their Staff Development preferences and needs?

The study is motivated by the experience of one of the authors who works at KEP Trust and the experience of the second author with HRM practices at an international organization that emphasizes staff development and performance within the concept of organizational development. More specifically, the study is motivated by reported staff dissatisfaction with current Reward System at KEP Trust regarding differences in reward for the same job and lack of training and development within this institution. The study is also motivated by the plan to introduce performance indicators, new Reward System and Staff Development opportunities.

Based on the literature reviewed, survey results, interviews conducted and previous managing experience related to this field, a guidance will be provided to KEP management in relation to a more effective management and implementation of both Reward System and Staff Development Plans and Strategies, as well as proposals addressing the issues to

be considered in terms of a creation of effective plans and programmes that would lead to a better overall organisational performance in the future.

Therefore, the study has applicable relevance since it will provide to KEP management the perceptions of staff regarding the reward system and staff development, as well as assist in their plans by proposing a salary scale scheme for KEP Trust Head Office and branches which would upgrade the Reward System within the institution involving reward for work, monetary and non-monetary reward, employment contracts, performance evaluation and legal compliance. This will contribute to the employees' perspectives, which stand on motivation, job security and commitment towards an equal and transparent reward system. It will also benefit the advancements in Staff Development Program in KEP Trust departments and branches and the identification of the training needs within the framework of KEP Trust institution resulting in a training plan proposal based on the requirements discovered during this study.

The structure of the thesis consists of five chapters. **The Introduction** presents the purpose of the study and the research questions. **The first chapter** reviews the literature on Reward System and Staff Development in the context of Human Resource Management. **The second chapter** describes the KEP Trust. **The third chapter** explains the research methodology, the research approach and research procedures, including data collection and data analysis methods. **The fourth chapter** presents the analysis of the results and findings from the research including survey and interview data. **The fifth chapter** discusses the key research findings, implications and further recommendations, which are summarized further with the study overview in the **Conclusions chapter**.

1 HUMAN RESOURCE MANAGEMENT LINK TO ORGANISATIONAL PERFORMANCE

1.1 People as a Source of Competitive Advantage

The business environment today is viewed in the context of globalization, competition and huge social and technological transformations. According to BCG and WFPMA (BCG & WFPMA, 2012) the economic crisis and its employee downsizing has pressured businesses to use less human resources to do same or more business activities. People working in the organization have become the main competitive advantage in the organization as new processes and technologies require advanced level of performance to reach the three capabilities: ability to work in global environment, ability to work with advanced technology and ability to manage change (BCG & WFPMA, 2012).

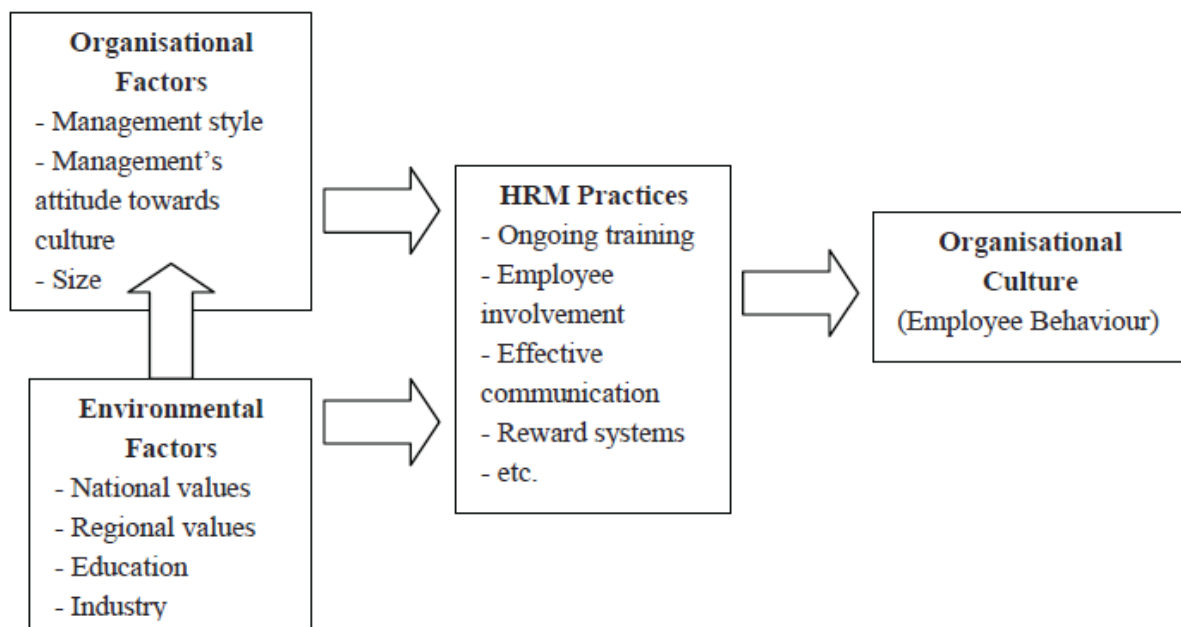
This environment, according to Du Plessis (2016), in organization of human resources systems is essential to develop a competitive advantage and in case of long term conflict, political turmoil and underdevelopment of human capital as in the case of Laos similarly to

the case of Kosovo, where the overall context influences human capacities in organization, including the management practices.

While, long term deficiencies are addressed through systemic changes such as education reform, economic reforms seeking to create a competitive advantage through resourcing and managing talent. Managing talent was ranked in the BCG and WFPMA (2012) as the first most critical urgency followed by improving leadership and strategic workforce planning. According to this report, these topics highlight the awareness of the role of people as a competitive advantage. In other words, businesses are using reward systems and staff development strategies to attract, train and retain talent. Talent management becomes a strategic approach to human resource management which according to David Guest (Armstrong, 2010, p. 203) has basically the same meaning with a new label.

During a research in HRM, Pfeffer and Veiga (1999) suggest a direct link between people management practices and economic results. The benefit stems from the way people are treated, engaged, rewarded and developed within the organizations. In other words, rather than using people to gain results, *“putting people first develops a perspective where people are viewed as talented and trusted individuals who can grow together with the organization”* (Pfeffer & Veiga, 1999, p. 47).

Figure 1. Models of Factors Influencing Organisational Culture



Source: Z. Senyucel, *Managing the human resource in the 21st century*, 2009, p. 46.

Literature suggests that organisational culture is “important in shaping organisational practice” (O'Donnell & Boyle, 2008, p. ix) and is related to employee behaviour, explaining the influence of the employee experiences gained through trainings and other values to the organisation's business strategy, performance, and stability (Senyucel, 2009). Moreover, Gomez (2004) describes the role of HRM on organisational culture as a “fit between the style of management and the overall business strategy”, also highlighting that HRM practices such as: “ongoing training, creating continuous communication channels, involving employees, establishing clear goals, creating a fair reward system, developing employees” effect employee behaviour and organisational performance (Gomez, 2004 in Senyucel, 2009, pp. 44-45). Furthermore, Senyucel (2009) explains the model of factors influencing organisational culture, after Gomez (2004), shown in figure 1.

Besides these factors influencing organisational culture, Jack et al. (2006) contend that “organisational rules and norms are informal and can be interpreted differently according to the situation with high levels of management tolerance” (Jack et al., 2006 in Senyucel, 2009, p. 45). This infers that culture is developed over time through formal and informal practices. Additionally, Hickson et al. (1971) refers to some important features related to the employees while modifying HR practices:

“Ability to cope with uncertainty, Low sustainability, Highly pervasive workforce and immediacy, High interdependency” (Hickson, Hinings, Less, Schneck, & Pennings, 1971).

These key features emphasise the role of people in the organisation rather than procedures. Therefore, characteristics of people within the organisation can influence the success and organisational culture depending on the relationship within the employees or between different divisions.

1.2 Definition of HRM

Human resource management is the key competence of managers and organizations for creating competitive advantage as a complex combination of people values, practices and processes in the organization. Armstrong (2006a, p. 3) contends that: *“Human resource management is defined as a strategic and coherent approach to the management of an organization's most valued assets – the people working there who individually and collectively contribute to the achievement of its objectives.”* Similarly, Boxall et al. (2007) state that HRM is *“the management of work and people towards desired ends”* arguing that *“this is the fundamental activity in any organisation with human beings as employees”*.

Furthermore, Storey (1989) states that HRM is a *“set of interrelated policies with an ideological and philosophical underpinning”* highlighting the importance of human resources role in achieving organisation's enhancement and increase competition.

Additionally, Storey (1989) describes that *“treating employees as valued assets, a source of competitive advantage through their commitment, adaptability and high quality (of skills, performance and so on)”*.

For organizations, employees are both expense and resources. In terms of expense, employee costs include rewards and other working conditions such as equipment, facilities and tools. In terms of resources, employees bring knowledge, values and other qualities that contribute to production and customer satisfaction (Noe, Hollenbeck, Gerhart, & Wright, 2011). In other words, people working in an organization make up the human capital on whom the success of the business depends. According to Armstrong the people in the organization make the organization strive:

“Human capital can be regarded as the prime asset of an organization and businesses need to invest in that asset to ensure their survival and growth. HRM aims to ensure that the organization obtains and retains the skilled, committed and well-motivated workforce it needs” (Armstrong, 2006a, p. 8).

According to Noe et al. (2011) *“an organization can succeed if it has a sustainable competitive advantage”* (Noe, Hollenbeck, Gerhart, & Wright, 2011, p. 4). Sustainability here refers to the ability of the organisation to perform in the long term and therefore, human resources would be considered as an advantage, if they have the following qualities: ability to perform critical functions, critical knowledge and skills, have scarce and high-level qualities that cannot be imitated by competitors, and have high performance that cannot be easily substituted. Therefore, to develop a competitive advantage, the organisation’s challenge is to recruit, develop and maintain human resources through providing the environment and systems that enable the realisation of their full potential as well as offer development opportunities and rewards that ensure their satisfaction. Unlike the approach of costs, human resource management is not only a job of human resources department that organises some of the main administrative functions, but also the job of management and line managers or supervisors.

Managing people in the organization goes beyond simple employee relations and personnel administration and includes employee motivation, performance and development. Human Resource Management (HRM) is considered to be an important organizational development strategic process, whereas peoples’ management skills are ranked among top skills in workplace (World Economic Forum, 2016). The general purpose of HRM is to ensure that people within organizations are capable to achieve objectives and meet the organizational goals. For example, Ulrich and Lake (1990) contend that *“HRM systems can be the source of organizational capabilities that allow firms to learn and capitalize on new opportunities”* (Armstrong, 2006a, p. 8). Furthermore, Armstrong remarks:

“The assumption underpinning the practice of HRM is that people are the organization’s key resource and organizational performance largely depends on them. If, therefore, an

appropriate range of HR policies and processes is developed and implemented effectively, then HR will make a substantial impact on firm performance”(Armstrong, 2006a, p. 20).

Similarly, Cappelli and Crocker-Hefter (1996) contend that “*distinctive human resource practices shape the core competencies that determine how firms compete*” (Armstrong, 2006a, p. 8). Purcell et al. (2003) indicate that HRM practices in addition to performance management now deal with knowledge and talent management. In this regard, people make the human capital that includes the people abilities, skills, values and attitudes as business opportunity for innovation and resilience in the competitive market as the main resource and asset of the organization. In relation to this, Purcell et al. (2003) state:

“HRM strategies aim to support programmes for improving organizational effectiveness by developing policies in such areas as knowledge management, talent management and generally creating ‘a great place to work’”(Purcell, Kinnie, Hutchinson, Rayton, & Swart, 2003).

In other words, rather than having an absolute function, HR department is influenced by external and internal aspects of the particular industry, business environment, as well as institutional history of employee capability. According to Reucroft and Scott (2015), the Human Resource department requires not only good professionals, but also staff with communication skills that are able to create prosperous conditions for employees; harmonising institution’s needs, and achieving the reputation of a great value within the institution. That is to say, the creation of HR department is recognised as an essential provider for the benefits of the future improvements of the business.

In the context of HR functions in Kosovo, businesses are in an early development phase as they are hardly involved in organizational strategic development and mainly exercise functions of recruitment, employee relations, administration and performance. Although, in Kosovo, there is no data that document HRM practices, fifty largest businesses in Kosovo, which have experienced expansion and diversification of services, contend that family businesses, that make up 85% of Kosovo business, have very basic managerial structure creating intrinsic challenges to attract, recruit and retain qualified staff (Riinvest Institute, 2015). Similarly, Zupan and Kaše (2005, p. 889), analysing the case of Slovenia, argue that administrative model is present with strategic HRM models existent only in international companies.

While the importance of HRM has been well documented in research over the last two decades, the recent literature suggests that the HRM, influenced by globalization trends and change in demographics, includes new challenges. The Boston Consulting Group (BCG) and the European Association for Personnel Management (EAPM) in their publication “*The future of HR in Europe: Key challenges through 2015*” list the following as key challenges of HR: “*managing talent, managing demographics, becoming a learning*

organization, managing work-life balance, and managing change and cultural transformation” (BCG and EAPM, 2015, p. 2). The report argues that these challenges should address the internal and external environment and consider HRM as strategic approach towards facing globalization and technological challenges to come.

Similarly, Timms (2013) states that, “*HR is dependent on the entire ecosystem and psychology of people which is incredibly unpredictable*”. Referring to the future of HR, and the changes that HR will go through in order to be competitive with the rest of the modern world advancements, he contends that “*HR is already (generally) behind the curve*” and that HR particularly “*has to focus on gaining ground and then getting ahead of it*” (Timms, 2013, p. 8).

1.3 Strategic HRM

Strategic HRM refers to strategic approach to managing employees. According to Delery & Doty (1996), “*Strategic human resource management (hereinafter: SHRM)) focuses on issues of linking HRM to the business strategy, designing high-performance work systems and adding value through good people management in an attempt to sustained competitive advantage*” highlighting the importance of linking the business strategy with HRM.

The SHRM concept has evolved from personnel administration to a more complex concept of people and organization management strategy with two main approaches: the soft approach (*‘people friendly’*) and hard approach (*‘people as a resource to be deployed, utilized, and, if need be disposed of’*) (Collings & Wood, 2009, p. 3). In other words, the strategic approach is aligned with organizational values and culture regarding how people are perceived to contribute to organizational development. Therefore, strategic HRM is one of the functions which is incorporated in the overall business strategy and goals to achieve commitment, productivity and performance (Zupan & Kase, 2005).

Armstrong (1987) suggested a metaphor of “*old wine in new bottles*” referring to different ways HRM strategies are developed depending on functions and roles. For example, Guest (1987) argues that HRM departments have changed names from personnel departments, while maintaining personnel roles that include pay, promotion, and development and recruitment procedures. According to Armstrong (2006a), staff development is minimally organized within HRM strategy and is only present in few companies (Armstrong, 2006a, p. 42). Furthermore, Armstrong (2006a) highlighted the similarities and differences between HRM and personnel management shown in table 1, pointing out the substantial difference between the two and signifying that an appropriate HR process can make a positive impact on the performance of the institution (Armstrong, 2006a, pp. 19-20).

Table 1. Similarities and Differences between HRM and Personnel Management

| Similarities | Differences |
|---|---|
| <ol style="list-style-type: none"> 1. Personnel management strategies, like HRM strategies, flow from the business strategy. 2. Personnel management, like HRM, recognizes that line managers are responsible for managing people. The personnel function provides the necessary advice and support services to enable managers to carry out their responsibilities. 3. The values of personnel management and at least the ‘soft’ version of HRM are identical with regard to ‘respect for the individual’, balancing organizational and individual needs, and developing people to achieve their maximum level of competence both for their own satisfaction and to facilitate the achievement of organizational objectives. 4. Both personnel management and HRM recognize that one of their most essential functions is that of matching people to ever-changing organizational requirements – placing and developing the right people in and for the right jobs. 5. The same range of selection, competence analysis, performance management, training, management development and reward management techniques are used both in HRM and personnel management. 6. Personnel management, like the ‘soft’ version of HRM, attaches importance to the processes of communication and participation within an employee relations system. | <ol style="list-style-type: none"> 1. HRM places more emphasis on strategic fit and integration. 2. HRM is based on a management and business orientated philosophy. 3. HRM attaches more importance to the management of culture and the achievement of commitment (mutuality). 4. HRM places greater emphasis on the role of line managers as the implementers of HR policies. 5. HRM is a holistic approach concerned with the total interests of the business – the interests of the members of the organization are recognized but subordinated to those of the enterprise. 6. HR specialists are expected to be business partners rather than personnel administrators. 7. HRM treats employees as assets not costs. |

Source: M. Armstrong, *A handbook of human resource management practice*, 2006, p. 19.

The difference between HRM and Personnel management lies in the strategic approach of the organisation where HR department and any other department have shared responsibilities to manage people under the assumption that people are assets that share organisation vision which is implemented through strategic management. According to Boselie (2010, p. 19) there is need for alignment between HR practices and other organisation factors such as the strategy and production or service system.

For this reason, the context of the strategy formulation and implementation should be considered. Although, the strategic plan is a written document which indicates a purposeful

organisation, the period in which the strategic plan and the business plan, including business operations are aligned, depends on the development and the culture of the organisation with people being essential. According to Boxall and Purcell (2003, p. 35) the strategy is competitive when the multiple strategies of the “functional silos of the business” are integrated and coordinated.

The approaches although influenced by the structure of the organization, are mainly influenced by valuation of employees. The soft approach, generally associated with the Harvard School (Beer, Spector, Lawrence, Quinn Mills, & Walton, 1984; Beer & Spector, 1985; Walton & Lawrence, 1985), considers employees as assets and as a competitive advantage. This approach focuses on competences and capabilities as main drives of organization development and therefore, emphasizes the employee competences, adaptability and quality as factors for the organization competitiveness (Legge, 1995; D'Art, 2002). In other words, the soft approach rather than looking at people as a resource in terms of relative value to maximize quick profit and return (Fombrun, Tichy, & Devanna, 1984), stresses motivation and commitment as contributing to development of human capital value in long term (Collings & Wood, 2009).

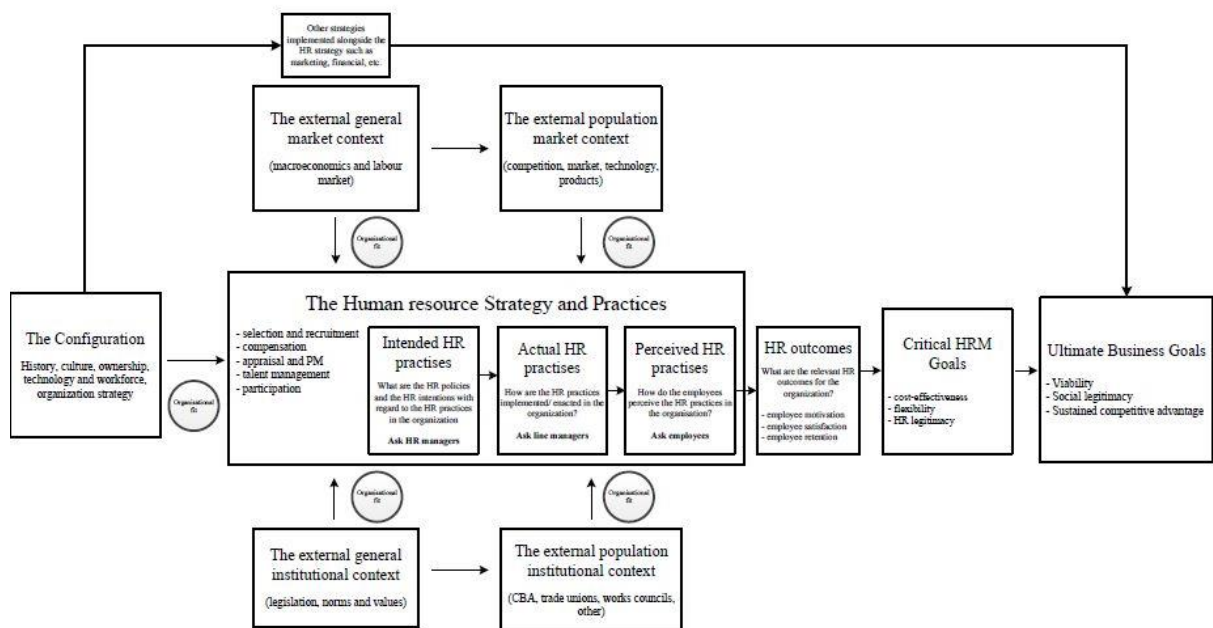
The shift to the strategic HRM is influenced by changes affected by globalisation in which organisations need to change organisation at management and HRM level. According to Parry et al. (2013), the overall organisation performance is affected by the senior management roles in terms of staff attraction, development and retention. They argue that in the future “*HRM might be expected to take the centre stage in organisations*” (Parry, Stavrou, & Lazarova, 2013, p. 13). Similarly, many authors suggest that the link of HRM objectives and overall business objectives has placed HR managers within the top management team (Schuler & Jackson, 2007; Ulrich, 1997; Ulrich & Brockbank, 2005; Gratton & Truss, 2003).

Adaptations in the HR department, including the involvement in more activities that are strategic, and the changes in HR, should contribute to the organization’s improvement, meaning that HR should be involved in “transformation” and involved additionally in relations with other departments of organisations. While line departments (finance, marketing sales, etc.) are crucial to the existence of the organisation, HR department function is to support these departments, as it is a staff department, not a direct product related department. Quinn (2016) contends:

“The transformational HR department is one that is recognized by the organisation as being an important contributor to the company’s future and is engaged in activities that will help move the organization forward. The top person in the HR department has a senior title, similar to the other top Executives and will report to the President or CEO. S/he will be involved in strategic decisions of the organization, will be a true “business partner” and help promote a competitive advantage”(Quinn, 2016, p. 13).

According to Singh & Smith (2005), there is a “need for HR practitioners to ensure that they have a “strategic” thinking style”. Furthermore, they contend: “The credibility of human resources as a valued business partner rests on the quality of the advice and service provided” (Singh & Smith, 2005, p. 18). HR managers must understand the organisation and be well educated and experienced to assist other organisation’s managers in achieving their targets and goals.

Figure 2. The HR Strategy Scan - The Six-Component Model Representing Four External Factors and Two Internal Factors



Source: PREZI, 2016 (official website). Retrieved February 16, 2017, from: https://prezi.com/fe4nswwg_54q/the-six-component-model/

According to Boselie (2010, p. 37), there are four components or external factors representing the external context: “the external general market component, the external population market component, the external general institutional component and the external population institutional component”. The internal factors are influenced by the external factors and thus shape the practices of HR and alignment. The underlining assumptions lie in the interconnection between the external and internal factors suggesting a configuration affect. For example, the general market context such as the labour market affects the competition, technology and product or services and the HR practices (Boselie, 2010, p. 37).

The relationship between the six components of the HR strategy relating to the configuration and HR strategy as organizational fit is presented in figure 2.

The theoretical debate over the fit of HRM and strategic management for the last two decades was expressed through the two competing approaches: the best fit and the best practice (Boxall & Purcell, 2008). The “best-fit” approach suggests that HRM is aligned with the internal and external context. The approach justifies pragmatic HRM perspective where the context dictates people management. The “best-practice” approach promotes a universalistic perspective (Delery & Doty, 1996). In other words, the best practice in people management will shape current and future culture and competitiveness of the organisation (Boxall & Pucell, 2003, p. 47). For example, Pfeffer (1998) suggests seven HR best practices that create competitiveness through people management prioritisation: “employment security, selective hiring, self-managed team or team working, high pay contingent on organisational performance, extensive training, reduction of status differences and sharing information (Boselie, 2010, p. 21).

1.4 HRM Function

The HRM practice is the exercise of the HRM function in the internal and external context shaping HR policies, procedures and activities. The policies define not only how the organisation operates but also how the organization fulfils its social role and responsibilities towards employees and stakeholders. The HRM processes refer to all activities where HR function is exercised such as: strategic planning, recruitment, selection, employee relations, performance management and staff development.

The overall function is described by Armstrong (2010) as follows:

“The role of the HR (human resources) function is to take initiatives and provide guidance, support and services on all matters relating to the organization’s employees. Essentially, the HR function is in the delivery business – providing the advice and services that enable organizations to get things done through people”(Armstrong, 2010, p. 19).

The HR function according to Armstrong (2010, p. 19) recognizes the need to deal with several other functions related to people management. In addition, the function is described as enabling organizational performance, assuming a direct relationship between organization effectiveness and people management. Similarly, the Chartered Institute of Personnel and Development (CIPD, 2007), besides caring for business performance, suggests that the wellbeing of employees should remain in focus, thus keeping the HR function within the ethical responsibility.

In terms of practice, the function depends on the role of HR practitioners. Consequently, Ulrich and Brockbank (2005) proposed the following HR roles: “*employee advocates, human capital developers, financial experts, strategic partners and leaders*”. Furthermore, Armstrong suggests that there may be generalist roles, specialist roles and strategic roles.

The roles influence the practice, policies and activities and often depend on the competences of the HR practitioners and methods (Armstrong, 2010).

HR policy and procedures are shaped by values and the culture of the organisation operating in context. The values according to Armstrong (2010, p. 58) shape the approaches to equity, consideration, respect, organisational learning, performance, quality of working life and working conditions. Armstrong (2010, p. 19) contends: *“HR policies and procedures are required to ensure that human resource management issues are dealt with consistently in line with the values of the organization on how people should be treated, and that legal requirements are met. HR policies should be distinguished from procedure”*.

According to Armstrong (2010), equity has to do with fair treatment whereas consideration refers to making decision while taking into consideration specific and individual circumstances. Respect has to do with appropriate treatment and consistency in pay structure.

Quality of work and working conditions refer to employee satisfaction with the job and their own contribution creating a balance between routine and creativity, and work and life balance. Equity means treating employees fairly and justly by adopting an ‘even-handed’ approach. This includes protecting individuals from any unfair decisions made by their managers, providing equal opportunities for employment and promotion, and operating an equitable payment system.

These components are influenced by external and internal environment that increase or decrease the value of these components. For example, external regulation towards health and safety may impose organisational standards for health and safety. Similarly, tax incentives for training and development may influence organisation decision. In whatever context, the people in the organisation will build values over time which will translate into practice.

1.4.1 HR policy

The Human Resource Policy has to apply correct, impartial, equal and non-discriminatory treatment during the employment referring to (KEP-Trust, 2012a). Depending on context, the HR policy typically covers age and employment, health risk policy, bullying, discipline, diversity management, communication etiquette and the use of electronic data, employee relationships, employee development (Armstrong, 2010).

According to Armstrong (2010, pp. 58-59) elements of policies are translated in values and practices. He contends:

“Values such as these are espoused by many organizations in one form or another. But to what extent are they practised when making ‘business-led’ decisions, which can, of course be highly detrimental to employees if, for example, they lead to redundancy? A fundamental dilemma facing all those who formulate HR policies is “How can we pursue policies that focus on business success and fulfil our obligations to employees in such terms as equity, consideration, respect, quality of working life and working conditions?” To argue, as some do, that HR strategies should be entirely oriented to supporting the achievement of business objectives implies that human considerations are unimportant. An over-emphasis on HRM as being about supporting the business strategy and on HR specialists as ‘strategic business partners’, which is a strong feature of current CIPD pronouncements, encourages businesses to ignore their responsibilities for the human rights of the people they employ. Organizations have obligations to all their stakeholders, not just their owners”.

Some elements of HR Policy are summarised below:

- **Age** regulation for employment and retirement are set with legislation, HR policies that prevent age related discrimination and age-related rewards.
- **Health and safety** regulations prescribed by laws, extra precautions and procedures are set in high risk environments such as hospitals, laboratories and factories. More specific regulation in some countries require non-discrimination related to AIDS and other illnesses and disability.
- **Anti-Bullying and Sexual Harassment** are specific policies that emphasise non-tolerance for such behaviour. These policies have specific focus to ensure that they are reported and individuals are protected.
- **Disciplinary Procedures** regulate organisation rule infringement while ensuring just procedures.
- **Grievance Procedures** enable employees to raise their concerns and appeal. In order to support grievance reports, the procedure is specifically designed to protect the employees.
- **Diversity Management** focuses on recognising, valuing and respecting individual differences.
- **Communication Etiquette** and the use of electronic data policies regulate communication expectations and specific approvals and use of electronic data and devices. For example, the use of telephones, and email, including the rights of the company to access information used and distributed by employees.
- **Employee Development** outlines organisation’s approach and plan to development of employees.
- **Employee Relations** sets out the rights of employees and other issues such as minimum wage, working time, over time, and other rights guaranteed by legislation. It also covers details of redundancy which may be specific procedures.

- **Equal Opportunity** policy should spell out the organization's determination to give equal opportunities to all, irrespective of sex, race, creed, disability, age or marital status. The policy should also deal with the extent to which the organization wants to take 'affirmative action' to redress imbalances between the numbers employed according to sex or race or to differences in the levels of qualifications and skills they have achieved.
- **Reward** policy usually covers payment system and the aspects of equity, equality, performance, sharing, payment rates, benefits and non-financial rewards.
- **Work-life Balance** policies tend to arrange flexibility issues regarding hours, time contracts, working from home, special leave and child care.
- Overall HR policies mirror organisation values and strategy. Although these policies may initially be imposed by best practice or contextual circumstances, they are part of the organisation culture developed over time. Therefore, overtime they may change from declarative implementation to actual implementation.

1.4.2 HR procedures

The Human Resource Procedures are the guidelines for making day to day human resources related decisions on all matters pertaining to human resources management. They describe and define the relationship between the employer and the employee. Procedures have to be transparent, fair, objective, explainable and consistent (KEP, 2012b).

Different authors argue that HR Procedures define the responsibilities and processes related to HR activities such as recruitment, employment contracts, reward and benefits, staff development and health and safety welfare in relation to the workplace. Armstrong (2010) states:

"HR procedures set out the ways in which certain actions concerning people should be carried out by the management or individual managers. In effect, they constitute a formalized approach to dealing with specific issues arising in the employment relationship. Procedures are more exacting than policies. They state what must be done as well as spelling out how to do it" (Armstrong, 2010, p. 66)

Differently from HR Policies, HR Procedures detail the actions for each policy and accompanying documents, methods or tools to implement these policies. The procedures also determine people responsibilities for each phase in the procedure, ensuring that responsibilities are shared and carried out by functions in the organisation ensuring a formalised and accountable procedures. For example, disciplinary procedures are important as they not only regulate employee relations but also have consequences into courts procedure if the procedure does not satisfy any party. In most of the cases, aspects

of the procedures are regulated by law and organisations practices and they also portray organisation health regarding legislation and regulatory compliance.

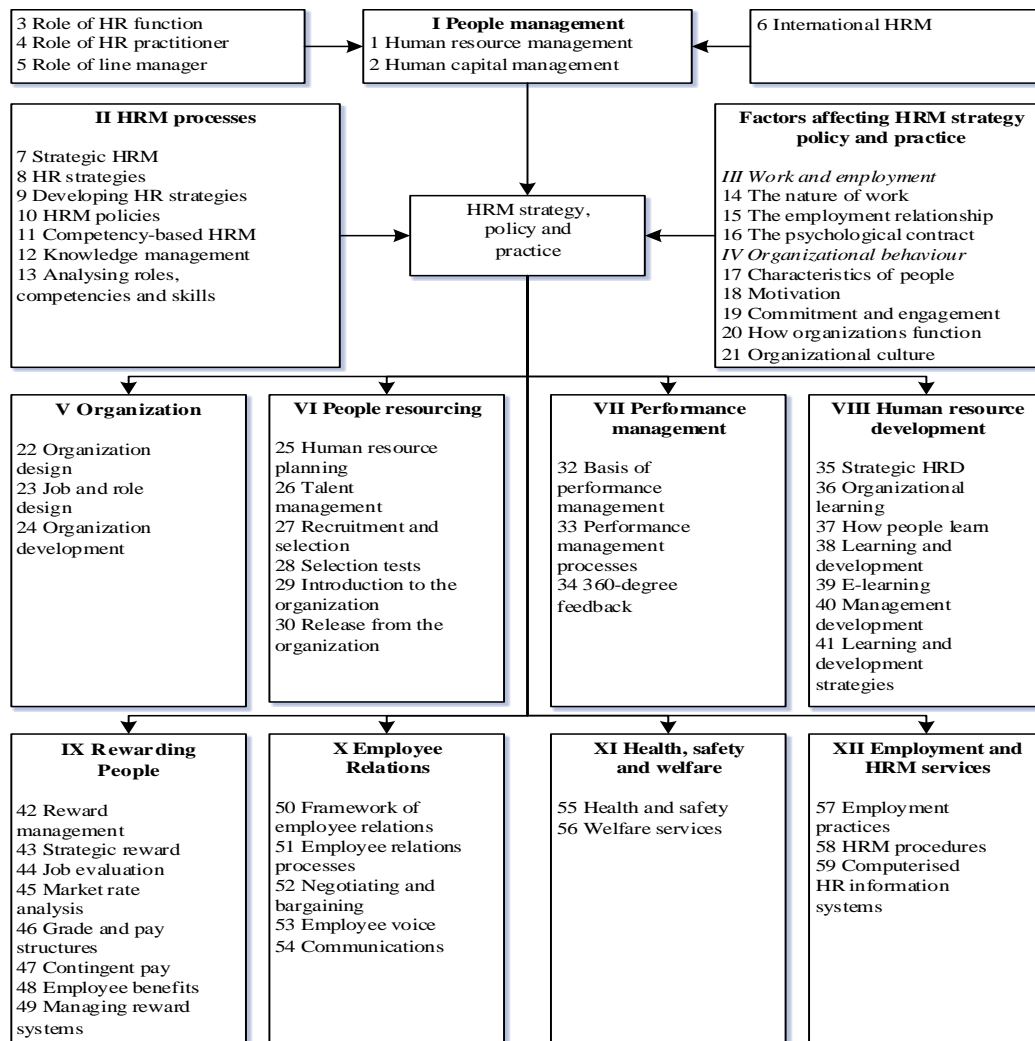
Some fields that need to be covered by certain HR Procedures are listed below:

- **Human Resources Committee** is generally the decision-making body and the key responsibilities are to support and coordinate the development of human resources within organization which includes but is not limited to review staff transfers, reassignments, promotions, to ensure that the performance evaluation of employees is done in a proper and accurate manner and to ensure smooth running of the selection, recruitment, training and all other HR issues and procedures throughout organization.
- **Recruitment** procedure describes the internal and external employment standards/regulations within Human Resources Department. These standards start with the identification and assessment of needs for new staff capacities, to continue with the vacancy announcements, screening of application, short listing, and testing selected applicants, interviewing potential candidates, decision making.
- **Employment Contract** procedure is the responsibility of Human Resources Department anticipating the preparation of the contracts for all employees in the organisation.
- **Training and development** is an integral part of organisation to offer opportunities to all employees to seek and achieve high standards of performance. The training policy and procedure should offer to the employees such qualification programs which enable the staff to improve and make career.
- **Reward and benefits** procedure is a responsibility of Human Resources Department, and includes the preparation of monetary and non-monetary package benefits for all organization employees.
- **Disciplinary procedure** is generally a set of rules and principles under the organisation's codes of ethics which are required to be obeyed by every employee.
- **Grievance** is a procedure that describes how to handle and address the grievance occurrences by the organisation's employees.

1.4.3 HR activities

Human resources are people with feelings, emotions, interests, norms and values. Their behaviour in and outside the organisation is not solely determined by economic rationality (Paauwe, 2004). Therefore, employees are more than just resources for creating organisational success. HRM can contribute to the organisation's success in terms of increased financial performance (e.g. reflected higher sales, profits, market share and market value), but the HR function has a much broader responsibility, including stakeholder management (managing works councils and trade unions) and relating (labour) legislation to the employment relationship within the organisation (Boselie, 2010, p. 6).

Figure 3. Route Map



Source: M. Armstrong, *A handbook of human resource management practice*, 2006a, p. XXVI

Figure 3 shows main HRM activities and their connections in the form of a route map of people management functions, processes and practices.

The HRM process includes activities of strategic planning, resourcing, performance management, motivation, engagement, employee relations, talent management, retention, and reward system and staff development. In other words, it includes several processes from planning the resources needed to achieve organizations' goals, attract and select talent, ensure processes that regulate relationship in the framework of the legal, competition and internal environment, as well as manage employee performance and satisfaction.

Moreover, HRM practice influences organizational innovation as Park et al. (2014, p. 18) suggest "it plays an important mediating role in transforming individual creativity into organizational innovation". As such, the HRM is more complex process where Reward

System and Staff Development are part of the system consisting values and strategic decisions from the whole system and specifics of the processes.

The main HRM activities are:

- Resourcing
- Performance Management
- Motivation
- Engagement
- Employee Relations
- Talent Management
- Retention
- Employee Rewards
- Employee Development.

While the thesis will focus more specifically in Rewards System and Staff Development, the HRM activities are connected and influence one another, therefore, they are elaborated below.

1.4.3.1 Resourcing the organisation

According to Armstrong (2010), resourcing includes the process of recruiting, selecting and engaging employees. While selection is part of the aspect of recruiting these two are specified as two distinct processes in which the first aims to attract employees and the second to select the best employees from a pool of applicants (Hollings & Rimmer, 2005). As such the recruitment process has strategic and planning aspects with increased complexity over the years due to the complexity of job roles and technological requirements.

Furthermore, Armstrong (2010) explains that the attraction phase deals with planning job roles and person specifications after careful analysis of needs, competence requirements and future plans. This process requires strategic thinking on where the organisation will go in the future and what kind of people it will need. The other aspect of attraction deals with terms and conditions of employment. To attract talent, the organisation branding becomes important, as talented people will seek for organisations that suit them. Therefore, attraction of candidates has changed from simple advertising to different methods of recruiting such as recruiting, outsourcing recruitment and head hunting. In other words, companies invest in branding campaigns to attract talent.

Resourcing the organisation is part of strategic management. All departments of the organisation are involved through a process of needs analysis and forecasting. This is translated in creation of new posts, modification of posts, replacement strategies or retraining. One of the steps recognised by the HRM literature is the job and role analysis (Roberts & Roberts, 1991). The purpose of job analysis is to justify the creation of the

post, nature and the scope of the job, including responsibilities and duties and reporting line. The job analysis serves also as the basis for job evaluation or monitoring of performance, and therefore, it includes a process of data collection such as organisation procedures, interviews with managers, comparison with similar jobs elsewhere. The role analysis includes competency requirements and accountability. Differently from describing tasks, the role takes an outcome based approach giving a higher-level analysis.

Job and role analysis form the basis of the job description which is used for recruiting and contracting purposes. Compared to the analysis, job descriptions are prescriptive in terms of tasks and duties. According to Armstrong (2010, pp. 179-180), job descriptions give opportunity to job holders to say 'It's not in my job description', meaning that they only need to do the tasks listed in the job description. Another alternative to job descriptions is person specification. There needs to be a balance between short term needs and long term needs as well as the design of specific roles and technological requirements. These planning activities create a sort of benchmarking for behavioural and technical competencies and the types of qualifications and experience that are likely to generate these competencies. According to Armstrong (2010), the different criteria are in play in the resourcing activity such as: 1) quality of the specification, 2) the speed of recruitment and 3) the costs of recruitment.

Selection of candidates includes a series of processes that are compatible with organisation recruitment and selection policies, followed up with employee relations activities. Selection activities include most of the times CV analysis, short listing and interviewing. According to Meija et al. (2012), the purpose of selection is to determine if the applicants possess the characteristics outlined in the job specification. Rather, than just a process, selection needs to be carried out professionally as not to allow nepotism or other employment irregularities and/or selection bias.

Roberts G. and Roberts C. (1991) suggest that the selection process involves screening, interviewing, testing and checking references and CVs. One of the most frequent mistakes in the selection process is the inappropriate screening and interviewing techniques (Hollings & Rimmer, 2005). Asking the right questions and organising appropriate questioning and testing technique determine the success of the hiring process.

The following major errors are suggested by Roberts and Roberts (1991, p.10): "Failure to analyse the requirements of the job in sufficient detail to generate valid questions. Failure to ask candidates the right questions to determine their strengths and weaknesses, and their fit with the job. Too much reliance on gut reaction instead of objective evaluation of candidates based on criteria established in the job specification".

For that reason, selection processes include more than HR engagement but also line manager engagement. According to Boss-Nehles (2013) selection should be given

appropriate time and methods as final stage can compromise the planning and costs undertaken. In case of irregularities, it can damage also the organisation reputation.

1.4.3.2 Performance management

Performance Management is the process of planning, executing and evaluating job results. Following the job and role analysis and contracting, performance management is about making sure the job is done and results are accomplished. According to Bernardin et al. (1995, in Armstrong, 2010, p. 274), the outcomes of work should be linked to *“the strategic goals of the organization, customer satisfaction, and economic contributions”*. Brumbach (1988, in Armstrong, 2010, p. 248) suggests that performance management deals with both behaviour and results as to recognise the effort one gives to goal achievement.

According to Gheorghe and Hack (2007, in Armstrong, 2010, p. 253), Performance Management process is the *“cycle of planning, executing, measuring results and planning the next actions”*. Similarly, Purcell et al. (1998) argue that it bridges individual and organisational goals. Therefore, the performance management system raises awareness among individuals for their contribution towards achieving organisational goals and provides comparisons with others conducting similar jobs.

To put it in another way, Performance Management is a complex process as it encompasses multiple aspects of the overall organisation performance. For example, Alharbi and Alyahya (2013) suggest that the efficiency of the performance management system is dependent on the processes of resourcing and organisation culture. In this case, both these factors determine the adequacy of job/role expectations and result measurements. That is to say, performance management is not only a strategic approach of accountability towards management and stakeholders, but it is also a tool for continuous improvement.

The objective of performance management activity is to align the resources with organisational strategic goals and activities. As such, it involves a range department and individual roles within the organisation. Organisational performance depends mainly on performance of employees and therefore, the organisation benefits from recruiting and retaining the right employees. In the context of constant organisational and societal changes, the organisation depends on the performance of teams which can face challenges of competition and innovation and therefore, team building and team management becomes an important factor of organisation performance. For this reason, managers are required to possess not only the professional expertise but also the ability and willingness to contribute to the development of goals and trust, to the definition of roles and expectations, to the identification of strengths and weaknesses, to encouragement of innovation (MTD, 2010).

Although, performance management aims to develop and measure individual performance, it is a complicated matter as it includes processes of management by line managers and supervisors who have distinct managerial styles and group/team dependency in executing work. As Newton (2015) explains, managers are not usually trained in monitoring and improving performance, leaving them without guidance in this crucial area and as a result, they usually interpret the evaluations based on the appraisal process and organisational culture. What is more, Newton contends:

“The process of ensuring your performance management is effective, it begins with shared understanding of what your organisation is trying to achieve. This means communicating the organisation’s mission in such a way that your team members can relate it to their roles. You need to interpret the organisational targets so that they can be communicated in a way that relates to the contribution each division, department, team, and individual makes towards achieving them”(Newton, 2015, p. 19).

Furthermore, Newton (2015, pp. 9-19) argues that the correlation of employee engagement and higher levels of performance is beneficial for both, the employee and the organisation itself. In order to be successful during the performance management process, he proposes to maximize engagement using the main principles to determine the rating such as: “...set SMART goals that provide clear objectives; assign competencies to match responsibilities and agree appropriate competency with each member of the team; assess performance against role description by comparing what has actually occurred with predetermined standard; review based on contribution to the organisation by judging an individual’s performance based on their role’s contribution to the organisation”.

1.4.3.3 Motivation

One of the issues that is included in the performance management systems is employee motivation. Therefore, an important role in achieving organisational performance and goals is the level of staff motivation. It is a force and energy that makes people dynamic and capable for the daily tasks and activities. Armstrong (2010, p. 136) defines motivation as “a reason for doing something”. Furthermore, he states that “*Motivation is concerned with the strength and direction of behaviour and the factors that influence people to behave in certain ways*”. It has to do with goals employees have and the way they perform them.

Motivation can be intrinsic and extrinsic. The literature, although drawing on multiple theories, defines motivation as a drive or reason for doing something. According to Armstrong (2010), motivation is determined by factors that influence the strength and direction of behaviour. In terms of employee performance, it is about the quality and efficiency of the job in relationship to employee response to incentives or punishment. This infers that employee responds to work environment and stimulus as well as their desires and needs.

Furthermore, Armstrong (2010, p. 136) contends: “Motivation is the force that energizes, directs and sustains behaviour. It provides the personal and dynamic element in the concept of engagement. High performance is achieved by well-motivated people who are prepared to exercise discretionary effort”.

The literature recognises a number of motivation theories. These theories have been produced to explain the process of motivation. The main ones are summarized in table 2. While these theories differ from the unit of analysis such as the needs (Maslow, 1954) or factors (Herzberg, Mausner, & Snyderman, 1957), they all recognise the two basic assumptions on motivation. First, motivation is internal, and comes from the person. Second, the work environment is essential in creating the working and social conditions for persons to work efficiently. Therefore, motivation theories are important for HRM and performance management as they can provide a foundation for the design and review of HRM policies in general and specifically performance management.

Table 2. Theories to Explain the Process of Motivation

| Category | Type | Theorist(s) | Summary of theory | Implications |
|-------------------------------|------------------------|---------------|---|--|
| Instrumentality | Taylorism | Taylor (1911) | If we do one thing it leads to another. People will be motivated to work if rewards and punishments are directly related to their performance. | Basis of crude attempts to motivate people by incentives. Often used as the implied rationale for performance related pay although this is seldom an effective motivator. |
| Reinforcement | The motivation process | Hull (1951) | As experience is gained in satisfying needs people perceive that certain actions help to achieve goals while others are unsuccessful. The successful actions are repeated when a similar need arises. | Provide feedback which positively reinforces effective behaviour. |
| Content (needs) theory | Hierarchy of needs | Maslow (1954) | A hierarchy of five needs exists: physiological, safety, social, esteem, self-fulfilment. Needs at a higher level only emerge when a lower need is satisfied. | Focuses attention on the various needs that motivate people and the notion that a satisfied need is no longer a motivator. The concept of a hierarchy has no practical significance. |

Source: M. Armstrong, *Armstrong’s essential human resource management practice*, 2010, p. 138.

Literature suggests that motivation of employees is created by diverse needs and depends on various factors of work and life in general (Herzberg, Mausner, & Snyderman, 1957; Maslow, 1954). Joshi (2015), in his analysis of manager’s responsibilities, concludes that managers’ responsibilities include their awareness of the motivators that drive their subordinates. Moreover, Joshi (2015, p. 24) explains that even though the “*financial reason*” or “*job satisfaction could be the main motivating force for many people*”, the managers must “*recognize what the correct motivation for each member is*”. Furthermore, he states: “A manager needs to be an understanding person and to be willing, within

reason, to assist his/her team members with their personal problems as well as problems concerning their work”(Joshi, 2015, p. 70)

Therefore, managers are accountable for the creation of positive working environments, constructive preformation system, good communication, job security and fairness approach in order for the employees to work willingly, be satisfied and perform according to plan (Joshi, 2015). According to Bagshawe (2011, p. 17), the two fundamental principles of motivation are “desire for pleasure” referring to positive motivators and “avoidance of pain and discomfort” referring to negative motivators. He considers that money as a form of compensation is the most significant motivator.

1.4.3.4 Engagement

Rather than just performance measurement, performance management deals with driving commitment and engagement. It is about making employees feel positive about their role and performance in the organisation. An effective performance management system will have staff involved in reaching organisation objectives and performance management as a tool to identify obstacles and opportunities for improvement. According to Boss-Nehles et al. (2013), managers’ ability to apply HRM practices increases the effectiveness of performance.

Kahn (1990) was one of the first to theorize about work engagement. He described “*engaged employees as being fully physically, cognitively, and emotionally connected with their work roles*”. Moreover, Macey et al. (2009) state that “*engagement refers to focused energy that is directed toward organizational goals. Engaged employees are more likely to work harder through increased levels of discretionary effort than are those who are disengaged*” (Macey, Schneider, Barbera, & Young, 2009). Furthermore, the definition of engagement according to Schaufeli and Bakker (2003) is that “*an active, positive work-related state that is characterized by vigour, dedication, and absorption*” (Schaufeli & Bakker, 2003, p. 295).

The term engagement gives another connotation to job satisfaction, as it implies that employees are agentic and excited about their jobs, they take initiative and have high expectations about themselves. In terms of performance management, the activity is not only about measurement but about providing opportunities to thrive. The role of the organisation is not only to ensure commitment but also identification with the organisational goals and values (Armstrong, 2010, p. 155).

O’Donnell and Boyle (2008, p. 80) explain that “*employee engagement and empowerment is crucial to ensure that the culture is effectively managed and aligned with the cultural assumptions of the organisation as a whole*”. Additionally, Mayes (2017), describing the

“relationship between the organisation and employees”, highlights the employee engagement definition of The Society for Human Resource Management (SHRM)¹:

“Employee engagement is typically defined by the actual conditions in the workplace (the environment and the work itself) and workers’ opinions and behaviours (how the employees perceive their relationship with their works), as well as how they view others around them relating to their work” (Mayes, 2017, p. 9).

1.4.3.5 Employee relations and wellbeing

Another element of HRM is employee relations and wellbeing. While the first deals with the contracting and ensuring legal compatibility regarding relations with employees and managing working conditions, the concept of wellbeing takes a more holistic approach to include the needs, conditions of work, support for work life balance. In other words, the employee relations and wellbeing practices are about how employees are treated in the workplace. In relation to this, Armstrong (2010) defines the work environment as consisting of a number of elements that influence employee relations and wellbeing:

“The work environment consists of the system of work, the design of jobs, working conditions, and the ways in which people are treated at work by their managers and co-workers. Wellbeing is achieved when account is taken of the needs of the people concerned, in designing the work system and the jobs in it. Working conditions need to meet health and safety requirements. The way people are treated is a matter of managerial behaviour, achieving work–life balance and dealing with issues such as stress, harassment and bullying” (Armstrong, 2010, p. 313).

For companies that value their employees and talent, working conditions are more that compatible. They are conducive to achievement and in line with employee needs. In other words, sometimes employees value the opportunity for training and sometimes they value the opportunity for flexible schedule. These aspects may be different for various categories of employees such as the young from those with parental responsibilities.

Another aspect of employee wellbeing is stress management. In designing jobs and working conditions, stress factors should be monitored regularly to ensure effective and productive employees. Where, there is job ambiguity, conflict, pressure to reach targets, or overload and inadequate performance management, they may increase stress levels among employees and prevent the organisation to reach objectives. Serious organisations take care of stress factors during performance evaluation and through counselling and training programmes. In this respect, the policies and regulation that regulate employment relationships serve to assure appropriate working environment and employee well-being.

¹ SHRM is the world’s largest association devoted to human resource management. Representing about 260,000 members in more than 140 countries; it serves the needs of HR professionals and advances the interests of HR profession. <http://www.shrm.org/>

For example, anti-harassment and anti-bullying policies serve to prevent and deal with these issues that cause enormous stress to those that experience them.

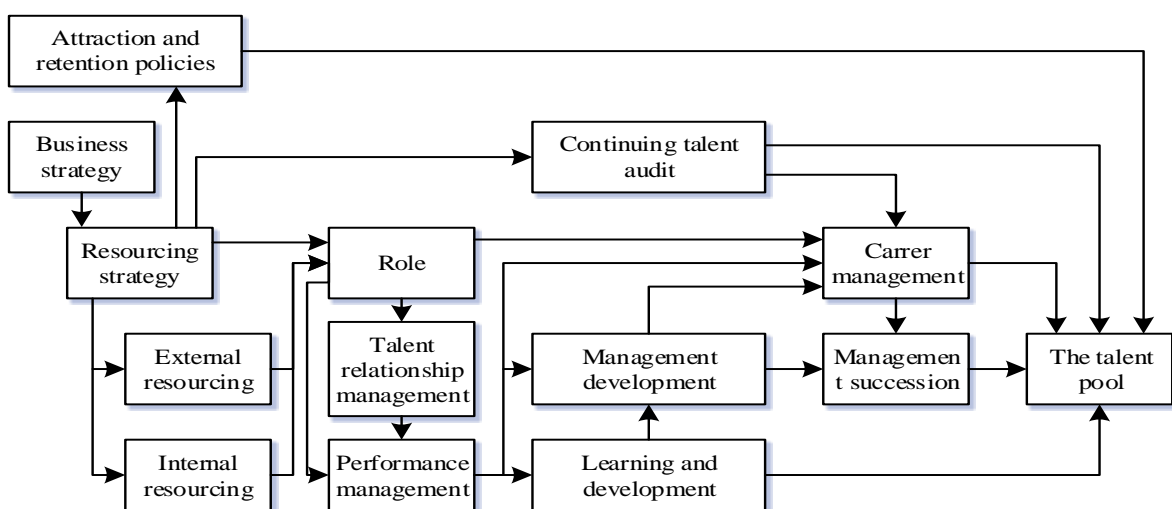
Another important aspect of employee wellbeing is counselling. Giving individuals the opportunity to talk about their problems with a member of the HR department, or through an employee assistance programme which provides counselling services to employees (Armstrong, 2010, pp. 313-314). Similarly addressing work life balance needs may help organisations design more conducive schedule and working environment. In the same way addressing health and safety requirements will decrease the risk of work related stress, hazards and accidents. Overall, employee relations should not be defined narrowly to include contractual obligations but should include other elements covering employee wellbeing.

1.4.3.6 Talent management

The concept of talent management refers to an integrated HRM processes to ensure that people have abilities, motivation and commitment to perform effectively and innovatively. CIPD (2007, p. 3) defines talent as “those individuals who can make a difference to organizational performance, either through their immediate contribution or in the longer term by demonstrating the highest levels of potential”. This infers that organisations compete for talent through their recruitment and management strategies. Michaels et al. (2001) referred to the fierce competition for talent as “the war for talent”. This concept assumes that companies invest into intake without exploiting at the opportunities to develop people and processes.

Figure 4 explains the process of creating the talent pool.

Figure 4. The Process of Talent Management

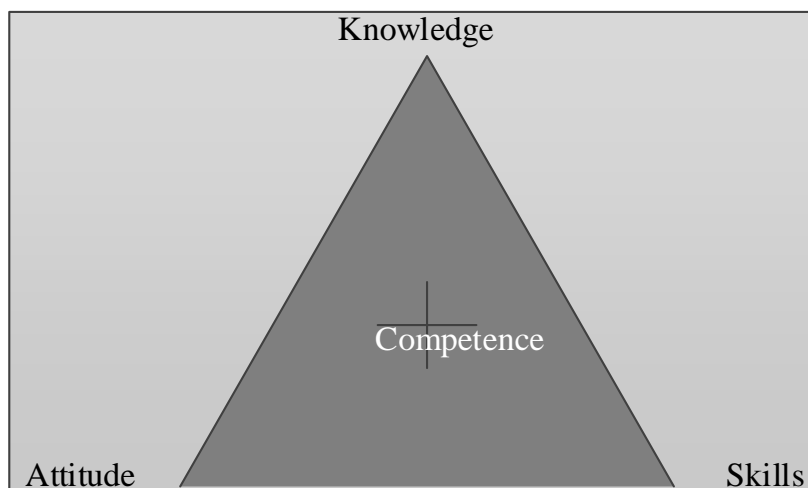


Source: M. Armstrong, *Armstrong's essential human resource management practice*, 2010, p. 205.

As the figure shows, talent management is similar to the concept of Human Resources Management. The difference is in the assumptions made for the availability and development of talent and the role of people in the organization. Talent Management has a pronounced strategic approach towards resourcing the organization.

According to Marlevede (2014), in order for the organisation to be successful, talent management ought to be linked to the organisations strategy. Moreover, he states that even when employees are talented, the success depends on how well they work together. In other words, the selected team members have to have the right attitude, knowledge and skills to achieve the desired impact on the outcomes. To that end, he clarifies that talent management includes the process beginning with “*hiring people with the right attitude and values*”, training them with “*the necessary knowledge and skills*” and mentoring “*their attitude and the actions they take*”. In figure 5 is shown the talent triangle.

Figure 5. Talent Triangle



Source: P. Marlevede, *Talent management: A focus on excellence*, 2014, p. 17.

Besides possessing the required skills, the training by managers has a crucial role during the process. Likewise, Marlevede (2014) affirms that “*The task of a Talent Manager is to identify which attitude, knowledge and skills are necessary for each of the key functions of the organization, and to take this into account throughout the lifecycle of staff throughout the organization*” (Marlevede, 2014, p. 22).

Additionally, according to Rachel et al. (2016) Talent Management is “*the science of using strategic human resource planning to improve business value and to make it possible for companies and organizations to reach their goals.*” Furthermore, as a new concept, its goal is to increase employee performance with the aim to achieve organisational goals through the advancement of “*motivation, commitment, job satisfaction, increased knowledge, career development*” for the improvement of organizations “*productivity,*

reduced level of employee turnover, employee commitment". In addition, they state that "*A talent management system must be worked into the business strategy and implemented in daily processes throughout the company as a whole*" (Rachel, Pavithra, & Imran, 2016).

1.4.3.7 Retention

Besides working conditions, companies should pay attention to the retention plan and strategy. Retention planning is an important aspect of the organisation with the role to create a challenging work place with an atmosphere to make employees stay. Its procedures involve the planning and tracking the number of people that leave the organisation, identify why they leave, and what are the most important aspects that the organisation should concentrate on keeping the employees that are worth to be kept. Obviously, a big turnover is bad for the business of the organisation, specifically, if the number of employees that leave includes good performers.

In today's rapid changing work environments and market globalization with lots of opportunities and job challenges, every employee is continually more open and flexible to various job opportunities. In regard to this, Reed (2001) claims that "Every worker is five minutes away from handing in his or her notice, and 150 working hours away from walking out of the door to a better offer. There is no such thing as a job for life and today's workers have few qualms about leaving employers for greener pastures". One of the reasons that affects retention are challenges that the company is facing, but besides this, Cappelli (2000) claims that, also the movements in labour market can influence the staff turnover and retention rate.

HR function includes planning, management and development components needed to achieve organization goals including staff planning, attracting and selecting talent, regulating employee relationship in the framework of the legal, competition and internal environment as well as manage employee performance and satisfaction. Moreover, HRM practice influences organizational innovation as Park et al. (2014, p. 88) suggest: "*...it plays an important mediating role in transforming individual creativity into organizational innovation*". As such, the HRM is complex process where Reward System and Staff Development are also parts of this function consisting of values and strategic decisions from the whole system.

1.5 Reward System

Due to the rapid technological advances, many institutions are reviewing Staff Reward systems and Staff Development strategies in order to follow and meet the market needs and trends. The organizational development depends not only in recruiting strategies and attracting talent but also on strategies to retain and develop them. Enhancement of skill levels provides sense of satisfaction, which is a fundamental motivator for all employees

within the organization. For this reason, updating Reward System and investing in Staff Development increases employee commitment to their job and their organization.

Reward Systems, on the other hand, are a complex design. As they are influenced by external and internal factors, they should not be approached in a form of a general recipe. The Reward System should be designed through a careful analysis of the labour market and its competitors, and several internal processes involving job analysis, job/role specification and competency profiles among other planning of the Human Resource activities. In addition, rewards should also consider different types of motivators for different types of employees and performance aspects of the job. Therefore, prior research on employee needs and performance indicators may contribute to the design of a more effective reward system.

Reward System, as a term, is often used interchangeably with the term payment system and compensation to refer to monetary and non-monetary payments for work. Payment system includes all aspects of monetary and non-monetary payments such as salary, bonuses, maternity and sick leave, pension, profit share commendation, travel, gifts, vouchers and combinations (Hollings & Rimmer, 2005). According to Milkovich et al. (2014, p. 13): *“Compensation refers to all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship”*.

Satisfaction with compensation depends on people’s needs and behaviour. The different perspectives depend from the angle compensation is viewed. For example, compensation is viewed differently from the perspective of a member of society, a stockholder, a manager, or an employee (Milkovich, Newman, & Gerhart, 2014). Depending on the perspective, reward is viewed as an entitlement, return, and reward. Milkovich et al. (2014) argue that whatever employees’ value, they expect to be paid and that other factors such as attitudes, performance, and job choice, as well as their standard of living influence their expectations. Therefore, one of the main purposes of compensation is to influence employee attitudes and behaviours (Barr, 1998).

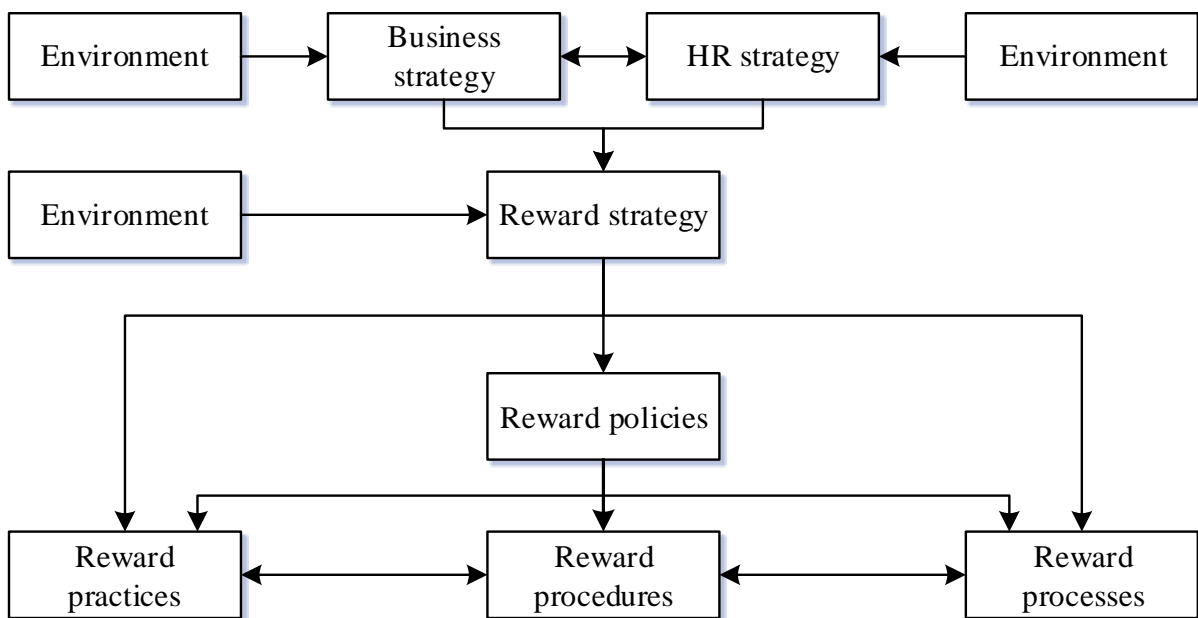
Both payment and compensation are mostly associated with the measurement of time and effort spent at work activities and financial and non-financial return associated with measured value of work performed. In addition to payment and compensation, reward system covers also aspects of control and incentives that support employee commitment and performance. Thus, besides measurements, the term reward system encapsulates terms payment and compensation as well as the aspect of voluntary and motivating aspects of work.

Reward System can be defined as an organization’s approach to manage employee relationship through monetary and non-monetary rewards for the work done. According to Armstrong (2007), the Reward System consists of the following interrelated elements: 1)

the business strategy; 2) reward strategy; 3) reward policy; 4) reward practices; 5) reward processes, and 6) reward procedures. Armstrong (2007) contends that the Reward System is driven primarily by business strategy which shapes the goals, culture and accountability responsibilities of an organization. Depending on the business drive, the reward strategy will define the pay structure, employee benefits and different incentives.

As such, Reward System is part of the business strategy pursued by organizations to manage the employment relationship through the processes of quantifying fair and appropriate monetary and nonmonetary reward for the work (Collings & Wood, 2009). According to Armstrong (2010, p. 231), “the reward system is developed and managed to achieve equity, fairness and consistency in all aspects of pay”.

Figure 6. How a Reward System Operates



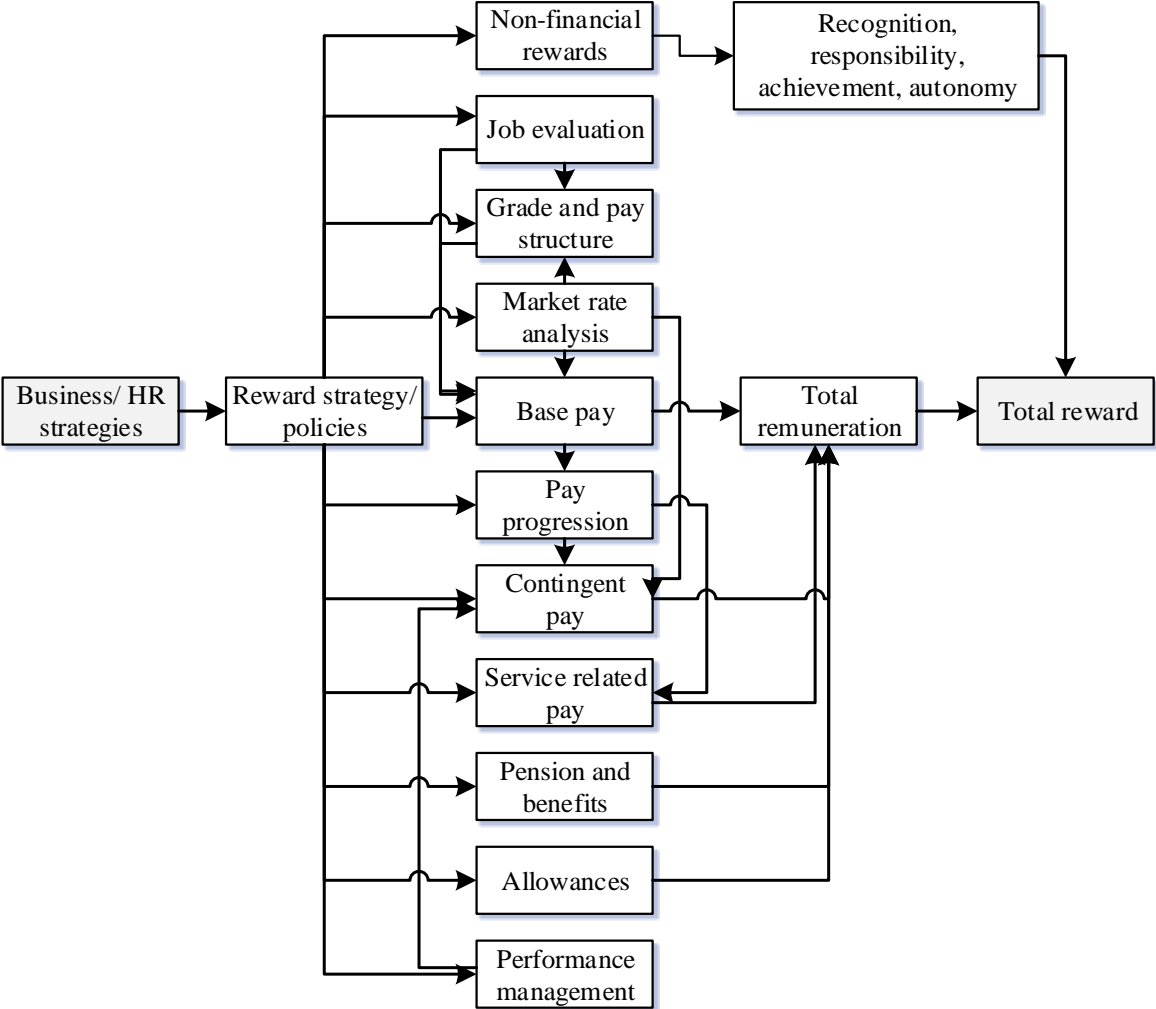
Source: M. Armstrong, *Armstrong’s essential human resource management practice*, 2010, p. 270.

In essence, Reward System is not only concerned with pay and employee benefits but also with non-financial rewards such as recognition, learning and development opportunities and increased job responsibility (Armstrong, 2010). Moreover, according to Ghoshal and Bartlett (1995), reward system should not only “add value to people but also support the achievement of business goals” (Barlett & Beamish, 2013). The Reward System should take into account the performance mechanisms and staff development strategy to support the organization’s culture and strategic goals.

The components of a reward system and the interrelationships between them are shown in figure 7, by Armstrong in *Armstrong’s essential Human Resource Management practice*, (2010).

Both Reward System and Staff Development contribute to enhancing individual capacity to contribute to the organizational effectiveness. They both should respond to the organizational expansion, market changes and technological innovations. Moreover, organisational performance is highly influenced by the reward strategy and reward system decisions made by the organisation itself (Tremblay & Chênevert, 2008). Furthermore, the increase of the job opportunities in certain sectors, stresses the pressure of businesses of that segment to improve reward policies to retain employees (Balkin & Bannister, 1993).

Figure 7. Reward System Components and Interrelationships



Source: M. Armstrong, *Armstrong’s essential human resource management practice*, 2010, p. 271.

1.5.1 Determinants of reward system

Reward System is influenced by a range of factors. According to Foot, Jenkins and Hook (2005), Reward System is influenced by the state of the economy, payment rates for similar work in the local industry, employee gap, legislation, and technological expertise. In addition to external factors, there are internal factors such as the organization’s financial

strength, job specification that includes job role, competences and job category within the organization. The effectiveness of Reward System is measured with employee and employer satisfaction, and retention rates. Therefore, more than mere payment for services, reward systems include extrinsic and intrinsic incentives for people in the organization (Armstrong, 2010).

Herzberg, Mausner and Snyderman (1957), make a distinction between extrinsic factors (hygiene factors) and intrinsic factors (motivators) (Armstrong, 2006b, p. 256); (Collings & Wood, 2009, p. 211). The hygiene factors do not guarantee satisfaction but avoid dissatisfaction, because they provide the conditions to prevent dissatisfaction. According to Herzberg (1957), the absence of motivators does not automatically result in dissatisfaction, whereas their presence ensures satisfaction.

Other motivation theories, such as those of Maslow's needs theory (Legge, 1995) and McClelland's Theory of Learned Needs (www.netmba.com, 2016), suggest that while needs are individual, they also can change over time depending on internal and external incentives that shape learning and work experience. In other words, the traditional approach of monetary awards does not necessarily lead to employee satisfaction and achievement, because other factors such as culture, job design, and relationships influence the productivity and satisfaction of employees (Collings & Wood, 2009).

The intrinsic factors suggested by the literature employ satisfaction not only to salary rate and job security, but also to the development opportunity, work pleasure and autonomy. The rewards are linked to the surrounding context of the work such as independence, creativity and flexibility (Collings & Wood, 2009).

Although, Maslow (1954) suggested a hierarchy of needs where the individual will prioritise basic physiological needs and safety towards the needs for esteem, and self-fulfilment, it generalizes needs for all individuals, thus not recognizing individual differences.

While we agree that the intrinsic rewards are important to individuals and should be built into any Reward System, we also suggest that their importance should not be overplayed to the expense of work conditions as they would change motivational strength over time. In other words, employee relationships including Reward System are dynamic and they may change over time depending on the changes in the work environment and people competences and goals (Rousseau, 1998; Rousseau, 2001).

1.5.2 Monetary and non-monetary rewards - basic classification

The basic classification of Reward System is monetary and non-monetary rewards. Monetary rewards include rewards compensated with money and make up the total income

for the job performed. Non-monetary rewards include other rewards from pay and benefits that are offered in form of recognition or praise.

According to Armstrong (2010, p. 275), monetary rewards include: “*base pay, pay contingent on performance, contribution, competency or skill, pay related to service, financial recognition schemes, and benefits such as pensions, sick pay and health insurance*”. Employee benefits are aligned with legislation regarding pension, health insurance and paid leave. The Reward System in this context is the organizing of how these monetary rewards are structured, graded and implemented. It is how the organization defines the hierarchy according to job roles and how it defines progression in which the employer moves within the hierarchy. Additionally, the system requires policies and processes to organize, monitor and evaluate the performance and the effectiveness of Reward System.

Considering the dimensions of attracting and retaining talent, the new Reward Systems are becoming more fluid to respond to changing demands of a dynamic environment. It is more than flexibility in terms of reward types, but also change in the approach of how individuals and groups achieve organizational objectives through involvement and cooperation (Etzioni, 1975; Agarwal, 1998; Collings & Wood, 2009). By focusing on the objectives, reward systems are related to targets and performance results within the overall strategy of the organization. The belief is that this competitive strategy will secure high performance and merit based pay and therefore, encourage the raise of employee expectations and goals (Collings & Wood, 2009).

Non-monetary rewards include recognition schemes that may contain formal and non-formal commendation, gifts, travel and or cafeteria style reward, whereas employees choose themselves their own non-monetary reward (Hook & Foot, 2005). According to Armstrong (2006a, p. 629) non-financial rewards are those that focus on the needs of people regarding achievement and self-realization.

Depending on individual needs and organizational culture, non-monetary rewards may also include rewards that focus on improving work environment, work life balance and the professional development (Silverman, 2004; Hook & Foot, 2005; Armstrong, 2010). Silverman (2004) argues that managers should be giving non-monetary rewards anyway as part of their role, as a praise, work-life balance and other rewards that do not require any cost can be easily incorporated in the everyday management style. Although, non-monetary awards respond to intrinsic factors, they cannot replace monetary rewards.

According to Lazear (1986) and Gerhart (2003), “*pay has an indirect, but important, influence via a sorting effect on the composition of the workforce*”, therefore, the different level of pay structure helps organizations to attract more qualified candidates during the selection processes, reasonably improving retention within the organization (Milkovich,

Newman, & Gerhart, 2014). For this reason, developing a reward strategy requires a careful approach in the design and implementation where research and implementation evaluation need to be considered to measure their effectiveness (Brown, Sturman, & Simmering, 2003).

1.5.3 Reward approaches

Reward is further classified according to a purpose based on what organizational values and objectives are. Although these develop and change, they form the classification based on measuring time (time rates), measuring skills (skill rates) and measuring performance (merit rating). Although reward type reflects an output based approach, the differences reflect organizational culture and strategy to recruit, develop and retain staff (Collings & Wood, 2009).

In this regard, maximizing output through designing reward strategies according to time (hours, weeks) and job category, neglects the importance of intrinsic rewards, in terms of the pleasure of performing the job itself and the fact that competences and skills need to be updated continuously in order to respond to developments in technology and in processes. This brings into the calculation not only compensation of time for particular job role, but also planning for attracting talent and developing staff inside the organization (Collings & Wood, 2009).

Like any other area of HRM, Reward Approaches are complex as they are difficult to maintain objectivity and address individual and collective aspects in job performance. According to Collings and Wood (2009), for most of the organizations, the reward system is influenced from context, history and vision. In this section, we will mention five most important reward approaches recognizing the multiple approaches and their combination. These are:

- Time rates approach
- Skill rates approach
- Performance approach
- Team approach, and
- Total reward approach.

1.5.3.1 Time rates approach

Time rates approach is the simplest form of rewarding employees. The approach assigns a value for hour, day, week or monthly rate for a specific job role (Hook & Foot, 2005). As the reward focuses on time and salary, it should be high enough to fulfil the hygiene factor (Herzberg, Mausner, & Snyderman, 1957) in terms of pay for the same job in the industry (Armstrong, 2010, p. 278).

As it does not take into consideration other factors such as performance, job conditions, employees would seek to satisfy other needs in other organization thus, it risks high staff turnover. On the other hand, time rates approach responds positively to equality principle and collective approach where people for the same job are paid the same rate. However, it does not consider other elements such as effort, results and other differences in the individual contributions to the organization.

1.5.3.2 Skill rates

According to Agarwal (1998), skill rates approach is a type of reward that is based on skill set of employees. This kind of pay ensures a category reward based on qualification and skill requirements for specific job roles. The skill rate rewards are well embedded in the planning where job roles are aligned with employee skill set and make up the job specification. While this method ensures equality principles in the reward system, it does not ensure that the skill set of employees matches the actual requirements on the job and the employee performance. Thus, measurement of the skill set in the planning process and selection strategies are vital for the successful skills rate reward system.

The positive side associated with this system is the possibility of the development programme designed to achieve business goals, where employers design recruitment and placement strategies to attract and retain employees on the basis of initial training and where employees are encouraged to improve their skill set in order to contribute to organizational goals. Nevertheless, at least in developing countries such as Kosovo, data on employer satisfaction with employee skill set based on qualification has raised the issue of qualification and skills mismatch and skill gap, thus increasing the demand for alignment of educational sector with market needs or increasing the role and expenses of staff development programmes.

1.5.3.3 Performance appraisal strategy

Performance appraisal is designed according to merit philosophy which stands for rewarding people not on the basis of time spent or qualifications acquired but on the basis of performance measured by results. While Performance management activities according to Noe et al. (2011, p. 8) “include specifying the tasks and outcomes of a job that contribute to the organization’s success”. This infers that reward system should reflect outcomes of performance appraisal and other performance measurement.

The performance appraisal reward is becoming popular as companies are facing fierce competitiveness that has driven change in the traditional reward system (Beer & Cannon, 2004). This method takes an individual approach to rewards and values equity. Thus, employees are rewarded not only for the amount of work, but also for the quality and results they produce. This approach makes workplace environment more competitive and

team results are also measured as performance aspect. As an approach, pay for performance is aligned with strategic planning and additionally gears towards continuous improvement.

Although this type of reward promotes systematic assessment, researchers agree that there may be problems in how performance is assessed. For example, Beer and Cannon (2004) suggest that there are other factors that may influence the employee performance output and there may be disagreements in measuring performance. Additionally, Richer (2012) identifies lack of clarification whether performance pay refers to the base reward of the employee or to the bonus or incentive measures for performance.

Furthermore, Richer (2012) also argues that motivational factors are poorly studied in pay for performance research, therefore, without studying rigorously the workplace context, individual responses and preferences to rewards may differ. As such, the performance pay is very difficult to translate in exact monetary reward, but it should be combined with other forms of monetary and non-monetary rewards.

1.5.3.4 Team rewards

According to Conroy and Gupta (2016), team reward is one of the new reward approaches. Conroy and Gupta (2016) argue that individual and team rewards differ in terms of process and result measurement complexity because teams are interdependent, they share goals and the results. Thus, although groups and teams are part of everyday organization processes, team rewards are complex as they need to consider input, motivational aspects, outcomes and task interdependence (Conroy & Gupta, 2016). While employees are expected to work in groups and teams, team rewards focus on team performance and tend to be used to achieve specific objectives. As a reward, it remains very complex and worth of further research (Conroy & Gupta, 2016).

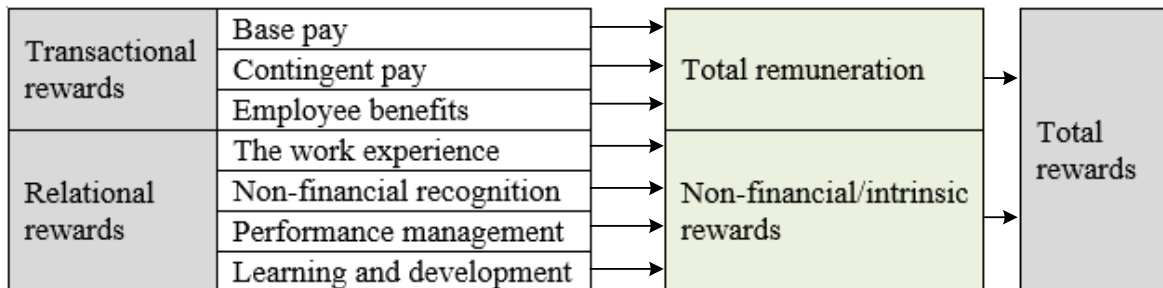
The team is paid based on team's performance and may be assigned bonuses, target awards or profit sharing. According to Tremblay & Chênevert (2008), group contributions to the organisational performance depend on the performance of all individuals consisting the group. Furthermore, Chen et al. (1999) contend that "*group rewards were perceived as having greater organizational benefits than individual incentive plans*", referring to the more effective team reward plans in comparison with the individual bonuses schemes in certain organisations.

1.5.3.5 Total rewards

The Reward systems evolve in interdependence with context, organizational culture and employee structure. Armstrong (2010, p. 273) proposes the concept of total reward as a reward management approach which considers "*all aspects of the work experience of value*

to employees, not just a few such as pay and employee benefits. It aims to blend the financial and non-financial elements of reward into a cohesive whole”. The components of a reward system and the interrelationships between them are shown in figure 8, by Armstrong in “*Armstrong’s essential Human Resource Management practice*”, (2010).

Figure 8. The Elements of Total Rewards



Source: M. Armstrong, *Armstrong’s essential human resource management practice*, 2010, p. 274

Armstrong (2010) suggests that the business strategy should address strategic reward management as a “*process of planning the future development of reward practices through the formulation and implementation of reward strategies*”. Strategic reward, according to Armstrong (2010), reflects beliefs and values of the organization to achieve long-term objectives. The total reward approach foresees all reward policies that shape the employee relationship leading to employee satisfaction with pay and benefits and opportunity to develop progress and be recognized.

1.6 Staff Development

Staff Development Strategy is a part of the functions of HRM that aims to provide learning and development opportunities for employees to enhance organizational performance. The type of opportunities offered depends on organizational objectives and people needs for training and development to achieve these objectives. The concept of goals and needs at individual and organizational level are main factors that shape the Staff Development strategy. If goals and needs are identified strategically than these can contribute to individual and organizational performance in long term.

Staff development is viewed as a part of human capital development. Keeley (2007, p. 29) defines human capital as “*people abilities, knowledge, and competences*”. According to Blundell et al. (1999) human capital determines the productivity of the work force and income generation ability that brings social and private returns (Blundell, Dearden, Costas, & Sianesi, 1999). In this respect, human development is about enlarging people’s choices.

Differently from the human capital perspective, where people are assets of the organization, human development refers to the kind of development where “*people live a*

long and healthy life, acquire knowledge through training, and have access to resources needed for a decent standard of living” (Olaniyan & Ojo, 2008, p. 327). Furthermore, according to Olaniyan and Ojo (2008), if people have no possibility for these choices than they may not access many development opportunities. Staff development strategy is not only an expansion of income and wealth, it involves creation of a culture where staff performance and development goals contribute to the overall organization’s development.

Learning is defined by Illeris (2007, p. 3) as “*any process that in living organisms leads to permanent capacity change and which is not solely due to biological maturation or ageing*”. According to Illeris, people learn in social situations in which content of learning (knowledge, skills) and incentive (motivation, emotion and volition) gain functionality and sensibility in interaction with others and in context. As such, employees join an organization with their human capital in terms of knowledge, skills and attitudes, as well their relationship with learning. According to Peterson (2013, p. 26), workplace contributes to almost 70% of learning opportunity and professional development.

For this reason, learning has become part of overall organization development strategy for successful businesses. For example, Armstrong (2010, p. 217) suggests that “*Learning is a continuous process which not only enhances existing capabilities but also leads to the development of the knowledge and skills that prepare people for enlarged or higher-level responsibilities in the future*”. Therefore, learning increases the development potential for individuals and organizations and enables progress towards future capabilities required in the workplace (Armstrong, 2010).

Training, on the other hand involves a formal process that imparts knowledge, skills and values for employees to do work efficiently (Armstrong, 2010). In this sense, while learning refers to a more general concept involving individuals or groups engaged formally or informally, training is organized by the organization for its own purpose (Sloman, 2003). In any training, individual learning preferences are taken into consideration as training needs to be relevant and to provide incentives to engage learners effectively.

Training and Development play an important role in the process of performance appraisal (Brown & Benson, 2003; Boswell & Benson, 2000). Mullins (2002) links training and development with performance appraisal as a method of performance improvement. When training and development are properly linked with the performance appraisal, they are considered as one of the main motivators (Mullins, 2002). Additionally, training and development increase commitment to the organisation when properly matched with rewards (Harel & Tzafirir, 1999; Purcell, Kinnie, Hutchinson, Rayton, & Swart, 2003; Lawler & Jenkins, 1992). Therefore, training and development are not considered as separate but as integral part of HRMD.

Although individuals have their intrinsic drives to learn, develop and train, the organisational responsibility lies into making available the opportunities for them to grow (Grote, 1996). In this respect, the HR department should not design training programmes tailored superficially to their strategic planning, because for training to be successful it should be based on staff needs and should be related to jobs (Alnaqbi, 2011). As training is distinguished from learning due to institutional drive, it cannot guarantee that people are motivated to learn without properly tied to future development of employees, performance improvement and rewards (Ducharme, Singh, & Podolsky, 2005).

1.6.1 Staff development - wider context

Staff Development in the wider context of business environment is influenced by the need for new skills and competences in the market and new ways to engage with learning. Zeuch (2016, p. 207) refers to the current decade as the big “i-factors” decade referring to the need for “internet, internationality and intercultural awareness”. He further argues that people should be agile and quick to react to the environment changes. He contends:

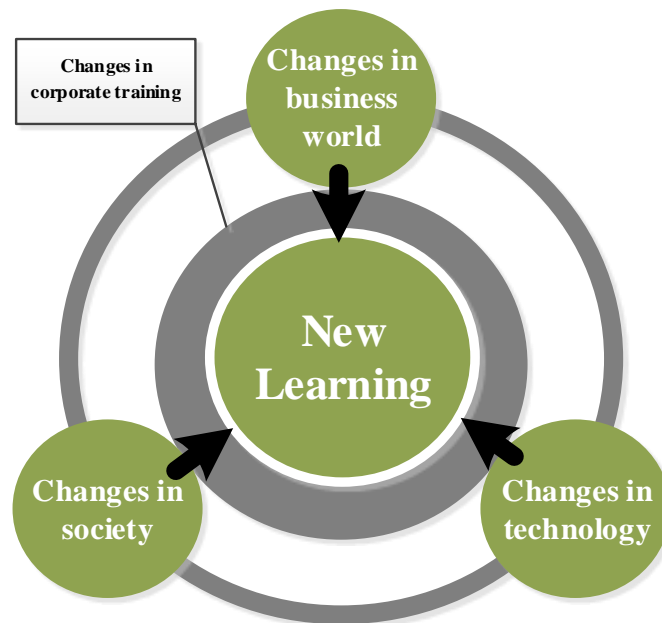
“In today’s business world, nimbleness has become an essential survival skill for organizations. The ability to adapt to new circumstances – new competitors, new technologies, new markets, and new customer needs – is a, if not the, critical competitive edge. It is determined by the pace and depth of change across all organizational levels. These two factors – pace and depth – are particularly strong in organizations that have found efficient, effective tools and methods for organizational learning. This is a key competitive advantage that can be unlocked by acquiring the capabilities of a learning organization. That raises the stakes for corporate training immensely.”(Zeuch, 2016, p. 295)

While leadership skills are essential for leading organizations, the way people work in the environment influenced by the “i-factors” requires that despite the discipline, employees practice project management skills and therefore, need to know how to manage people and tasks in hand within this environment. According to Zeuch (2016), every time there are changes in the business world, in technology or society, there are inevitable changes in the learning opportunities for people. The Figure 9 highlights this influence.

The interrelationship of these factors gives rise to a different role in the HRM practices. That is, if these three factors drive learning opportunities, then learning should be viewed as a life-long process and as major activity in the organization. In other words, rather than managing people, organizations themselves become learning organizations with constant changes in the way they plan and deliver training and manage innovation. Technology as a factor becomes a tool for learning, whereas changes in the business are managed through innovation and futuristic visions. In a learning organization, changes become opportunities

for individuals and teams and HR managers not only take a strategic decision-making function but also a competency development one.

Figure 9. Changes that Affect Corporate Training



Source: M. Zeuch, *Handbook of human resources management*, 2016, p. 295.

In a wider context, Staff Development is driven by the strategic competency planning and targeting. The strategic decisions for the future orientation heavily rely on the competences of the organization drawn from the competences of people. In this respect, industry developments drive long term HRD plans in order to discover, use and develop the current potential of employees and participate actively in the process of change. Thus, changes in technology, society and in the business environment create self-directed learning experiences for employees and organizations, where readiness to learn and flexibility to change are considered as a competitive advantage for creating more opportunities for expansion, restructuring and innovation (Erpenbeck & Sauer, 2001).

1.6.2 Staff development - HRM context

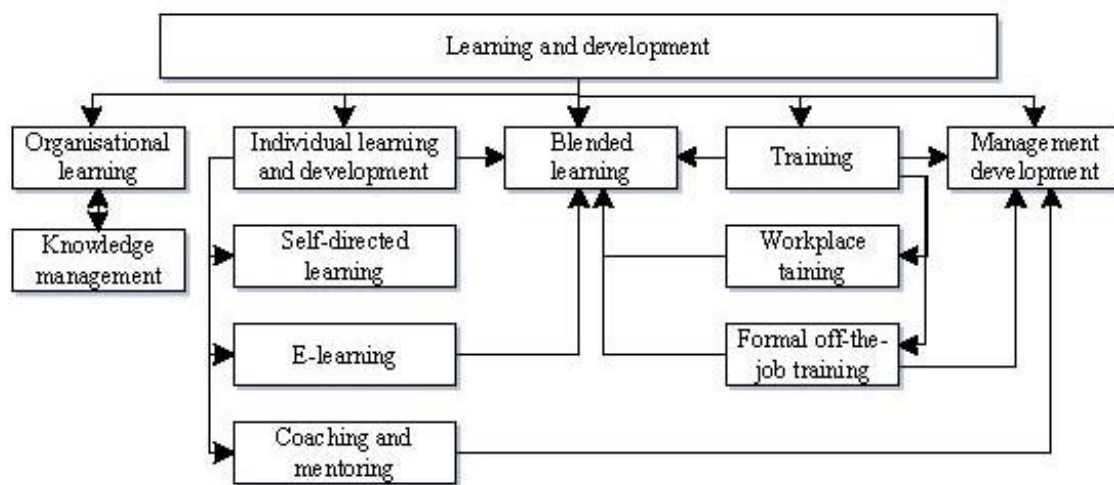
In HRM context, Learning and Development are integrated to provide different opportunities for individuals, groups and organizations to learn. The figure 10 from Armstrong (2010) describes the interconnections.

As the figure describes, organizational learning and knowledge management contribute to the overall HRD strategy. Individual learning takes many forms such as individual engagement in different programmes physically or online, coaching, and mentoring. The

essence of these types of learning is self-direction, although in case of coaching and mentoring support from experienced staff is provided.

Blended learning is a combination of physical and online learning to provide both interaction and learning at own pace. Training, on the other hand, while it may also involve physical, online or blended learning, it is organized in specific sessions that address specific function or skill and it can be organized on the job or off the job. Finally, management of development is management of learning and development opportunities for the benefit of employees and the organization in a systematic way.

Figure 10. Elements of Learning and Development



Source: M. Armstrong, *Armstrong's essential human resource management practice*, 2010, p. 218.

For HRM, the importance of staff training and development has increased with time. With every new function, innovation, new technology and new market, organizations need to manage the update of knowledge and skills to remain competitive. Learning, development and training contribute to organizational efficiency and effectivity. However, in order to organize an effective training system, (Rollinson & Young, 2010) suggests a four-step approach which includes assessing training needs, planning training, carrying out training and evaluating training.

Assessing the training needs is linked to job analysis and standards of the specific work in one hand, and on the other hand assessing current staff skills concerning the planned standards. While the staff compliance with required standards cannot be measured with a test, a combination of HR tools such as appraisal system, analysis of mistakes, and surveys could be used to facilitate the process.

As a result of staff needs analysis, the training is planned further based on training techniques, training types, learning preferences of employees, availability of trainers and training cost. According to Taylor et al. (1998, p. 29), “decisions about whether or not to

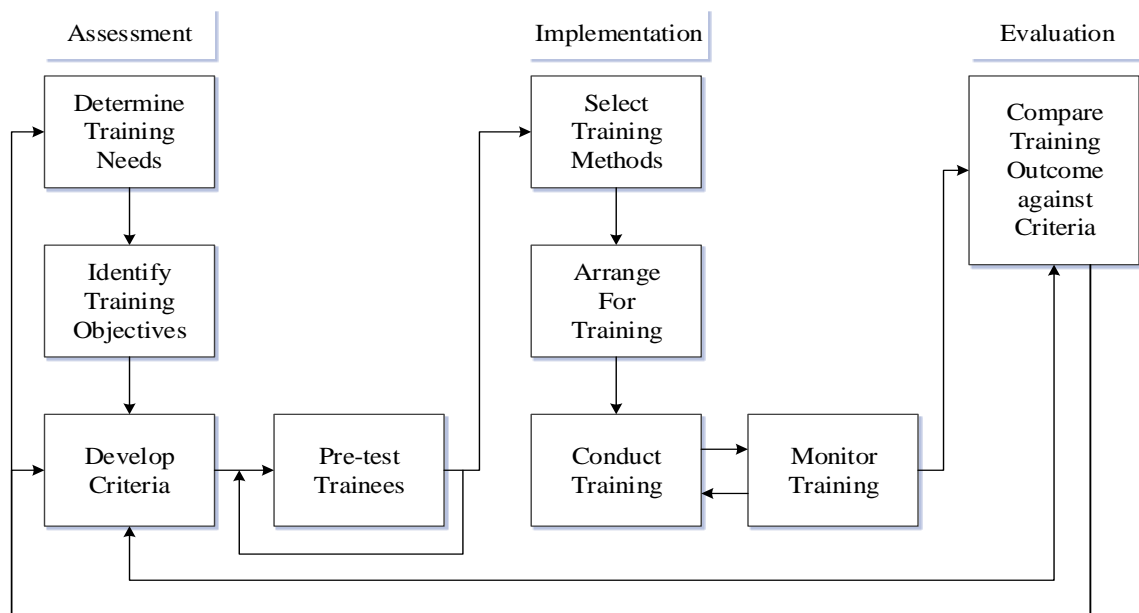
provide training for employees, and what type of training should be provided, have typically been based on the determination of training needs within the organisation”. In this context, they suggest that the training needs assessment and analysis should result in “training decisions”.

Similarly, the Goldstein and Ford (2001) propose a model of a training system consisting of three phases: the assessment phase, the training and development phase and the evaluation phase. The Assessment phase according to Goldstein and Ford (2001) is used to determine training needs. The assessment is used to evaluate if the training will contribute to the solution of the problem.

If the training offers a solution, the training needs match training objectives, thus identifying “discrepancies between knowledge, skills, or competencies required in a targeted job and the knowledge, skills, or competences possessed by current job-holders” (Goldstein & Ford, 2001, p. 125). This exercise requires an identification of training outcomes which can be measured in terms of achievement criteria.

According to Goldstein’s model of training a pre and post training test can assist to measure the effectiveness of the training system. Goldstein’s model of training is shown in figure 11.

Figure 11. Goldstein Model of Training



Source: L. R. Mathis & H. J. Jackson, Human Resource Management, 2009, p. 278, Figure 10-1.

Training is not only a method of following procedures and principles but it also involves the understanding how people learn and how training can support their learning. According

to this method, in the **Training and Development** phase, the needs are translated into processes of training in terms of design of training methods, arrangement of the training events and delivery of training in the planned formats and methodologies. In the **Evaluation** phase, the Goldstein and Ford (2001) model foresees two types of quality measures: monitoring and post-training evaluation. The monitoring phase is done throughout the training delivery to ensure that training is conducted according to the plan and that any obstacle in the process is overcome. The evaluation phase may include satisfaction with training and achievement testing according to measurable outcomes and pre-test data. The findings from evaluation will facilitate the organization of a similar programme in the future and the measurement of a specific change in knowledge, skills and behaviour resulting from training. This type of measurement is referred to by Campbell and Stanley (1963) as – “*internal and external validity. The first focuses on the changes resulting from training, and the second, on the generalizability of the usefulness of training in other settings in the future*” (Campbell & Stanley, 1963, p. 129).

Likewise, Armstrong (2010) suggests that the quality of the training programmes depends on the assessment phase, arguing that not all problems can be solved through training solutions. In this phase, according to Goldstein et al. (2001, p. 125), a consideration of sources and inputs should be considered to define training objectives carefully.

Another element of training quality is linked with the assessment of knowledge, skills, ability and values related to job tasks and the methods used to develop these through training. Training programmes should address the competency gap and should be able to demonstrate that these gaps have been filled. Goldstein et al. (2001, p. 129) argue that to make sure that quality and effectiveness is achieved, training programmes should be evaluated systematically and evaluation should measure the internal and external validity to determine the outcomes of changes in competency resulting from training.

In terms of strategic HRM, training and development approaches are viewed from the business planning perspective where costs and benefits are weighted in the design of Training and Development Approaches. Fombrun et al. (1984, p. 37) suggest that “*The critical management task is to align the formal structure and the human resource systems so that they drive the strategic objectives of the organization.*” More concretely, this approach suggests that Training and Development are an integral function of HRM (Harrison & Kessells, 1984; Horwitz, 1999; Ulrich & Brockbank, 2005) and that reflects company policy and strategic direction (Harrison, 2005).

Despite costs, another important factor in the training and development approaches is technology. This is particularly important for the financial sector where management systems are linked with the innovation of products that in the long term may require less people to do the operation, and the life length of the technological product due to the risk of becoming obsolete (Smith, Sadler-Smith, Robertson, & Wakefield, 2007). In addition to

technology application, the training takes into consideration people friendliness, ease of use and necessary guidance to make the product functional. Therefore, the training requires not only to change behaviour of the employees but also to address the needs of customer (Smith, Sadler-Smith, Robertson, & Wakefield, 2007). Therefore, training and development approaches take into consideration the larger view of organization operations.

1.6.3 Training and development approaches

Depending on the availability of training skills and training purpose, there are two main types of training: On the job/internal training and Off the job/external training. Before organizing any training, the organization should analyse strength and benefits of such trainings and the associated costs. The first thing to consider is if the organization has the needed competences in-house to organize the training. The second element to be considered is the appropriate venue and group composition for the training. The third element is the timing of the training that will involve individuals or groups in the organization and the organization processes and activities affected by their absence.

1.6.3.1 On the job/ internal training

On the job training is a training approach that helps workers to gain experience over time. According to (Pitfield, 1982) the objective of training is to “*provide the skills, knowledge and aptitudes necessary to undertake required job efficiently*”. This infers that the training should develop worker’s potential to progress and increase efficiency. Oribabor (2000) and Isyaku (2000) claim that training and development should be continuous and multiple, and at the same time helping the development of technical, human, conceptual and managerial competences. Depending on the specifics of training, on the job training can be organized in the form of graduate training schemes, induction programme, coaching and mentoring and expert training events.

1.6.3.2 Graduate training schemes

Graduate Training schemes are schemes that target successful undergraduate students to engage them in the workplace. These schemes function as a part of cooperation of businesses and universities to finance scholarships for students who in return engage in practice placement at the business, or as in the dual system in Germany undertakes a combined undergraduate programme (Higher Education Compass, 2016).

A similar model of internship is also used in Kosovo from banks (ProCredit Bank, 2016; Raiffeisen Bank, 2016) which recruit undergraduate students through their internship scheme with the plan to employ them. They usually offer a training programme and an internship. A similar method is introduced by other companies (Buqaj, 2016; KEDS, 2016)

through so called academies in which students are recruited for a specialized course and then retained in the company.

1.6.3.3 Staff induction

Staff Induction Programme is a type of training that is organized for new members of staff. This type of training is particularly important for big organizations where settling into a job requires familiarization with workplace environment, values and procedures (Rollinson & Young, 2010). Although some of the information may be given through handbooks or information leaflets, the induction programme intends to make new employees comfortable and ready to work. In some cases, it may need specific procedures to access sites, equipment and procedures. An induction programme could increase efficiency by resolving settling problems, avoid misuse of machines and lessen physical risks. Staff Induction training is specific and only aims for initial orientation and also can be used by HR officers to take other data from participants such as learning styles, preferences and further training needs.

1.6.3.4 Coaching and specialized training

Coaching is an internal training method provided by experienced employees. The method requires that the trainee is assigned a coach who follows a specific programme for a specific time. The aim of coaching is to familiarize employees with the job or facilitate the change process in the organization (Hook & Foot, 2005). While the first type is clear in terms of objectives, the second type is a kind of learning in progress, where solutions are sought.

Specialized internal trainings are those training programmes that are organized by specialists/managers within the workplace. They may have different objectives such as modifying and upgrading the internal procedures and manuals or technical training. The training is offered inside the premises of the organization. While this type of training may be cost effective for the organization, the employees are not totally detached from their daily work which may interrupt their training experience. Therefore, this kind of training should be carefully planned to be beneficial for both employees and the organization.

1.6.3.5 Off the job/ external training

Off the Job/External Trainings are organized by outsourcing specialized Institutions outside the organization. Off the job training is carried out in professionalized training areas like: Universities, Polytechnics and Professional Institutes (Olaniyan & Ojo, 2008). Off the job training should be planned to offer not only the right training techniques appropriate for the group of employees but also to meet the objectives of Staff Development strategy. Therefore, rather than just sending employees to take training

courses in specialized institutions, the training programme should be designed together with the manager of the particular group and HR department. The HR manager should select experienced institutions and evaluate continuously the outcomes of training programmes for future training plans.

According to Foot and Hook (2005), the training should be followed up with supervisor and trainee interview to evaluate if there is any change in behaviour or skills of the trainees resulting from trainings. Although, external training provides a possibility to “*get away*” from work and focus on learning, they may be very expensive, thus during the planning process, cost benefit of training programme should be taken into consideration.

2 DESCRIPTION OF KEP TRUST

2.1 KEP Trust Mission, Vision and Organisational Culture

KEP Trust formerly known as KOSOVO ENTERPRISE PROGRAM (hereinafter: KEP Trust) is the largest MFI in the country and aims to offer financial services both to micro and small entrepreneurs and to the marginalized and underprivileged groups of the society such as women and minorities. KEP Trust started as an economic program of the International Catholic Migration Commission (hereinafter: ICMC) in September 1999, to serve the credit needs of refugees, returnees, the internally displaced and migrant people in Kosovo immediately after the conflict (KEP, 2014). KEP has been registered with the Banking and Payments Authority of Kosovo (BPK) since 2000, (now CBK – Central Bank of Kosovo) (BQK, 2016).

KEP's mission and vision is to:

“KEP Trust’s mission is to improve living standards and support the country’s economic development by providing financial services to individuals and businesses. At the same time, it looks forward in achieving its vision to provide a world of inclusive financial services” (AMIK, 2017).

KEP, as the largest micro financial institution in Kosovo, serves its clients with a wide range of financial products and services. Meeting clients' financial goals as well as building strong continual ties with them is at the centre of KEP Trust's aspiration. In this way, it contributes directly in creating many jobs, thus giving a great effort in the development of country's overall economy.

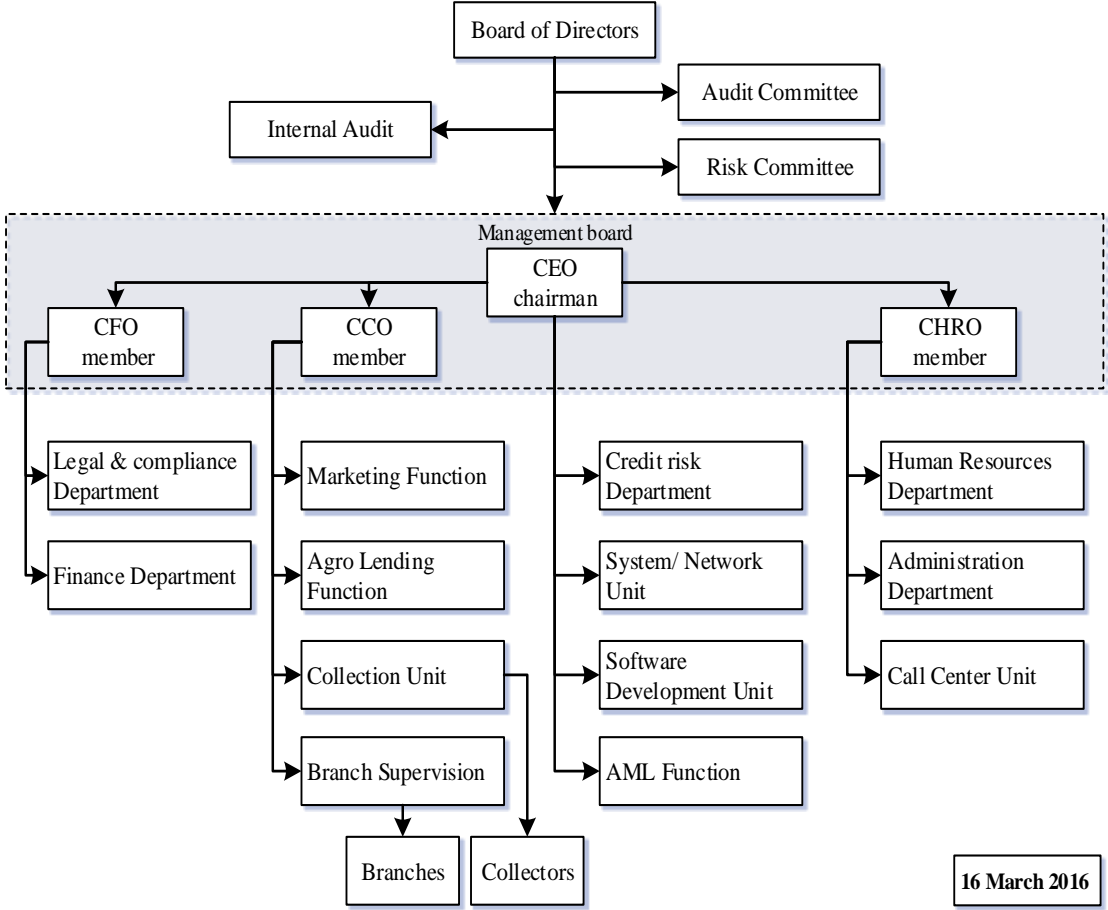
According to the AMIK, KEP management is described as following:

“KEP has always been managed by a strong and dynamic management team, highly qualified branch managers, well skilled motivated loan officers, and administrative staff which ensure KEP’s mission is fulfilled”(AMIK, 2017).

KEP’s strategy is based on the belief that "one size fits all" does not apply to financial service needs. Being aware that every person is unique with distinctive needs, KEP's management and overall staff work hard to be as flexible as possible in order to create products that fulfil everyone's needs” (KEP, 2014).

KEP Trust has targeted the economically active poor and low-income groups who have the capacity for self-employment and who will potentially make the most use of the loans it offers. Special focus will be given to the needs of micro enterprises making the transitions to small enterprises and the latter making the transition to medium enterprises (KEP, 2014)

.Figure 12. KEP Trust Organization Structure



Source: KEP Trust, 2016 (official website). Retrieved January 20, 2017, from: http://www.keptrust.org/repository/docs/Organization_Structure_16_March_2016_393502.pdf

Currently, KEP Trust's main centre is located in Prishtina; it has created a network of 31 modern branches all over the country and it has 214 staff members. Referring to AMIK (2017), *“KEP is always committed to create long term and sound relationships with its clients, in this regard its loan products are designed to fulfil the client’s distinctive needs”*. The actual products that are provided by KEP are: Express Loan/Business, Express Loan/Household, Business Loan, Agricultural Loan and Housing Loan & Express Housing Loan. The figure 12 below shows the current organization structure of KEP Trust.

In KEP Trust, the highest authority body is the Board of Directors which is composed by local and international members. According to the status of the organisation, they are responsible for wellbeing of the institution while operational day-to-day business is delegated to the Management Board. The Management Board consists of Chief Executive Officer (hereinafter: CEO) as the Chairman, Chief Commercial Officer (hereinafter: CCO) in charge of business, Chief Financial Officer (hereinafter: CFO) in charge of Finance and Chief Human Resource Officer (hereinafter: CHRO) in charge of HR. Each of the members are responsible for the specific areas of the organisation as shown in figure 12 above.

Being in charge of management of the institution, depending on sectional division managed, the formal meetings help in order to plan and decide the further steps of implementation of various activities and tasks within the responsible lines. In this context, there are few committees organised in formal timelines as per rules and regulations, for example, HR Committee, Procurement Committee, Head Quarter Credit Committee, and other. Additionally, all decisions being made in these committees are ratified in the Management Board Meeting. Each member of the Management team is responsible to follow up all these decisions with Heads of Departments and make sure that those decisions are implemented. Business plan and budgeting is prepared by Management team and Heads of Departments to be presented further on the regular Board of Director’s meetings (KEP, 2016-2018).

Internal Audit is independent function within the organisation responsible for internal control and to ensure the institutional compliance with internal and external legislation and regulation. This function reports directly to Board of Directors quarterly and additionally, as required depending on sensitive occasions.

The Board of Director’s meetings are held quarterly where the most important and strategic decisions are made. In addition, there are two Committee meetings, Audit Committee and Risk Committee that report directly to Board of Directors and have the same hierarchical level of responsibility of specific areas.

2.2 Human Resource Management in KEP Trust

KEP reputation, prestige, and standing in the community is primarily determined by the appearance, conduct, and ethical standards of its employees. Therefore, the functioning of the HR Department has a crucial role in meeting KEP's objectives and strategies. The role of HR Department is to create the climate and conditions in which management throughout KEP will enable to optimize the individual and collective contribution of all employees to the short and long-term success of (KEP, 2012b).

Main responsibilities and functions of HR Department include:

- Human Resources planning and remuneration
- Recruitment
- Training

Currently, HR Department within KEP Trust institution consists of three people. The department is divided in two units: Administration Unit and Recruitment Unit. The HR Department is managed by CHRO and the functions are delegated to other members of this department. Senior HR Officer is responsible for HR administration, while HR officer is responsible for recruitment activities (Appendix F).

Administration unit deals with payroll, employee contracts, maintaining of employee database, and the main employee statistics and reports. This involves preparation of payroll lists of all employees that are under contractual agreement with KEP Trust as well as managing all employment contract extensions, terminations, upgrading, revisions. Administration unit ensures that all these tasks are performed within the timelines and as per the deadlines defined by the internal and external regulations.

Recruitment unit is responsible for hiring, managing the leave applications, maintaining the employee files and all other HR reports. The recruitment process within this unit is well defined in HR Procedures (KEP, 2012b). After the initiation phase of a new hiring process done by other Departments, the responsibility for managing and completing all other phases lies within this unit. Process is carried out in compliance with the yearly recruitment plan, and it comprises general recruiting procedures beginning with the Terms of Conditions preparation, vacancy announcements, interviewing and selection process up to the request for approval from interviewing panel to CEO. The responsibilities of Recruitment unit, besides hiring, involve the management of the employee files which need to be organised and updated properly and according to internal procedures. In addition, Recruitment unit is in charge of maintaining the online leave system for all employees.

Training currently does not have a person in charge, therefore, it is under CHRO. During the last three years, due to budget constraints and other institutional difficulties, KEP

organized only internal trainings and very few external ones. Those trainings were prepared and delivered by senior managers in regards to lending, credit risk and cash operations. There were very few positions in Head Office such as Internal Audit, Finance Department and Credit Risk which were participating in limited and very specific external trainings. Considering the lack of staff training and development in KEP Institution, one of the main objectives of HR Department and KEP Management Board for upcoming years is investment in all levels of KEP Staff Development.

Human Resources Department is in charge of management function of employees in all Branches and Departments within KEP network. One of the duties to be highlighted is to address all issues and problems related to KEP Trust employees. As a result, HR Department is engaged in regular contacts with branch managers and heads of departments assisting them in different issues with the aim to reach satisfying end results. On a daily basis, CHRO is involved in advising the managers on diverse matters concerning employee requirements with reference to various approvals and needs.

As stated above, HR is part of the Management Board and as consequence, it is accountable to ensure that all employees are professionally prepared and committed to understand and implement the Institutional strategy. Thus, HR plays strategic role in this institution being a decision-making authority part of Institutional strategy establishment and plan implementation.

KEP HR Department is regulated by internal Policy, Procedure, Code of Conduct as well as Kosovo Labour Law, and all other external related legislation comprising of tax, pension, and Occupational Health and Safety. The main responsibility of HR is to ensure that those are well presented and fully respected by all employees of KEP Trust.

As far as performance is concerned, HR Department plays a crucial role in successively running the Performance Appraisal Process. This process is initiated by HR yearly and it has the previously designed method to be followed up. As a part of this practice, HR has trained all KEP Managers on how to perform the fulfilment of Performance Appraisal (KEP-HR, 2016). Once the process is completed by Managers, the forms are delivered to HR Department to further analyse and evaluate the outcomes. The results are represented by CHRO to the HR Committee for further review leading to approval or rejection of certain requests.

3 RESEARCH REGARDING THE EFFECTIVENESS OF CURRENT REWARD SYSTEM AND STAFF DEVELOPMENT AT KEP TRUST

3.1 Research Methodology

This study uses a case study approach to assess Rewards System and Staff Development strategy at KEP Trust in Kosovo. According to Yin (2013, p. 13) a case study is a comprehensive research strategy “which investigates a contemporary phenomenon within its real-life context”. Yin contends that case studies can use different research methods but focus in depth research. According to Freebody (2003), case studies may contain more than one unit of analysis and they can apply multi-level analysis in order to make interpretations.

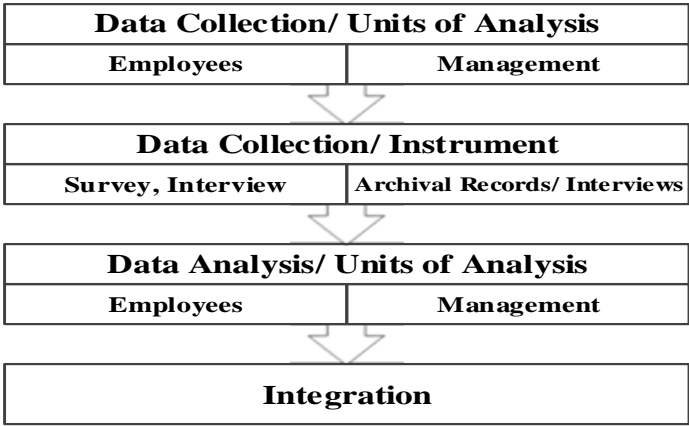
Similarly, Creswell (2003, p. 15) refers to case study as a qualitative research strategy where “the researcher explores in depth a program, an event, and activity, a process or one or more individuals”. In this research, case study provides a strategy to both address the specific context of KEP Trust operating in Kosovo as one of the leading microfinance institutions as well as to address the two levels of analysis concerning Rewards System and Staff Development from the perspectives of management and employees.

In order to implement the case study approach in this study, we adopted a three-phase sequential data collection approach with equal priority given to quantitative and qualitative data using two units of analysis (Yin, 2013).

3.2 Case Study Approach Used in this Study

The data were collected sequentially in three phases. The first phase involved collecting data from survey and archival records such meeting minutes, staff development plans and salary structure.

Figure 13. Data Results Comparison and Integration



The second stage involved separate analysis from survey, documents and interviews. The third phase analysis was integrated by integrating findings from separate instruments and units of analysis. The process is visualised in the Figure 13 below.

The phased approach enabled a process of focused data collection, fact checking and synthesis. The details of data collection, sample characteristics and data analysis are described below.

3.2.1 Data collection

Data was collected from two target groups or units of analysis: KEP employees and KEP Management. The data collection methods utilised for the groups were different. For employees, including line managers, survey and interviews were utilised. Key Management was interviewed, who also provided archival data.

Three data collection methods were utilized: 1) Documentary Research; 2) Survey, and 3) Interviews. Permission was granted from KEP Trust Management Board for access to data, survey and interviews. These methods are described below.

Documentary research was carried out throughout the project and includes official statistics, records regarding HR strategic decisions and staff development, internal reports and data on the web page.

One questionnaire was designed in Albanian language in Survey Monkey and is shown in Appendix B. The first section in the questionnaire contained 10 statements or questions which asked participants to indicate their responses regarding reward system. Questions 1-6 contained closed-ended Likert scale response options: 1) Strongly agree; 2) Agree; 3) Neutral; 4) Disagree and 5) Strongly disagree, and question 8 response options: 1) Very important; 2) Important; 3) Neutral; 4) Partially important and 5) Not important at all. Questions 7, 9 and 10 asked participants to select preferred option from options given in the survey.

The second part of the survey addressed the Staff Development strategy and contained mainly statements/questions of closed-ended Likert-scale response type. Questions 21 to 24 requested demographic information such as age, gender, position and qualification.

The questionnaire was piloted with three KEP Trust employees and two other colleagues. The aim of piloting was to ensure that questions were easy to understand and follow as well as assess time and online interaction.

Interview was conducted with six KEP Trust employees as a form of member checking strategy as well as a way to understand why employees responded as they did and elicit

ideas on how should KEP Trust address those areas where employee dissatisfaction or disagreement was found. Interview questionnaire is shown in Appendix C and the transcript is shown in Appendix E.

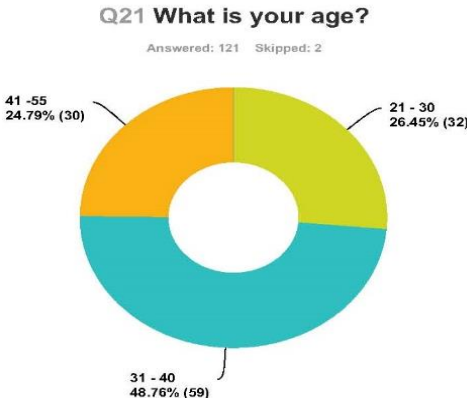
3.2.2 Sample characteristics

The population for this study is 160 employees in 31 branches in Kosovo. The survey intended to include the entire population (98 males and 62 females). A total of 120 employees responded to the survey. This percentage is particularly high in online surveys. The sample included 59.17% (N71) males and 40.83% (N49) females. Almost half of respondents (48%, N59) were aged between 31 and 40; 24% (N30) were aged between 41-55 and 26% (N32) were aged between 21-30.

Regarding qualifications of respondents, majority of respondents 55.37% (N67) hold an undergraduate degree, 27.27% (N33) hold a Master's degree and 16.53% (N20) hold a High school degree or equivalent. Only one respondent holds a PhD degree. Majority of respondents (73.55%, N81) have non-managerial positions and 26.45% (N32) have a managerial position. The percentage represents age distribution of the population in KEP Trust.

The survey was sent to as an email link through survey monkey. No identifying data were kept, thus safeguarding the anonymity of respondents. The tool provided the possibility to analyse data as they are filled in by the participants and extract charts for data presentation, and make comparisons with demographic variables. The responses to survey and comparisons are presented in Appendix B.

Figure 13. Q21: Information Regarding Age



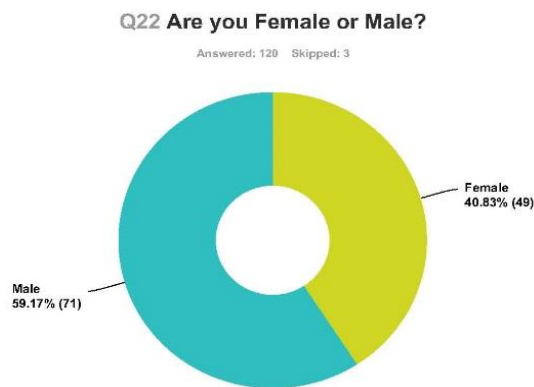
The survey was followed up by interviews with managerial and non-managerial staff. The interviews were conducted in Albanian language with the interview questions presented in Appendix C. Interviewees were asked for their consent, research notes were taken during the interview and full interview was written immediately afterwards.

Participants were asked to provide information regarding their age. The results show that 48.76% of employees are between 31-40 years, 26.45% are between 21 to 30 years old, and 24.79% are between 41-55 years old.

This shows that the majority of KEP staff is of young age with approximately 75% of them being 40 years or younger.

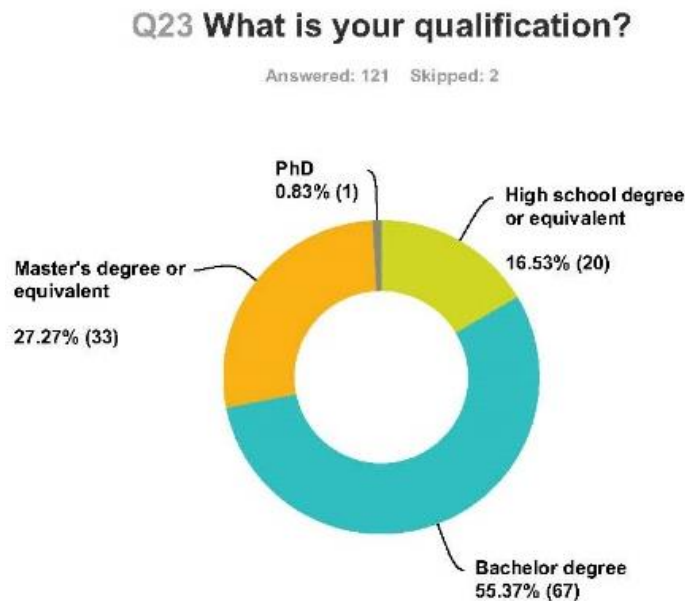
Participants were asked to provide information regarding their gender. The results show that 59.17% are male employees while 40.83% are female employees.

Figure 14. Q22: Information Regarding Gender



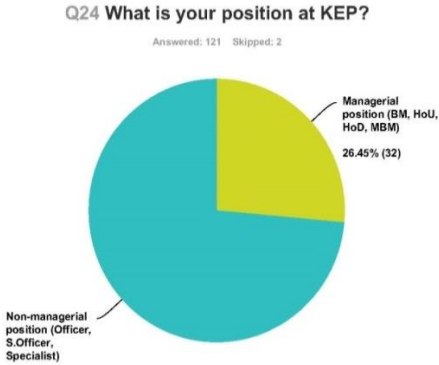
Participants were asked to provide information regarding their qualification. The results show that 16.53% hold High school degree, 55.37% have Bachelor's degree, 27.27% have Master's degree or equivalent and 0.83% have PhD.

Figure 15. Q23: Information Regarding Qualification



Participants were asked to provide information regarding their position at KEP. The results show that 26.45% hold Managerial positions and 73.55% hold Non-managerial positions.

Figure 16. Q24: Information Regarding the Position in KEP



3.2.3 Data analysis

A descriptive analysis which calculated the number of responses and percentages is extracted from survey monkey. Comparisons with demographic variables were conducted to identify differences in responses according to age, gender, position and qualifications. Interviews were analysed according to themes outlined in the research questions and compared with survey response. Additionally, documentary data were checked again to identify any other relevant information identified through survey and interviews.

4 RESULTS AND DISCUSSION

This section reports research results from data obtained through the survey, questionnaire and documentary research. The results are presented in order of research questions and survey responses.

4.1 Reward System at KEP Trust

The study aimed to evaluate the current Reward System and main criteria that were considered. Additionally, the study aimed to assess employment satisfaction with the Reward System and identify areas for improvement as proposed by respondents and KEP Trust management. Participants in the study operate in different positions and branches within the institution. They are of different profiles; their level of education varies and they perform numerous tasks holding diverse responsibilities.

The KEP Trust Board of Directors Minutes and Decision (KEP, 2012b) regarding rewards reveals a change in reward strategy and structure in 2012, when management analysed and

restructured positions in Head Office and in the branches.² Until this change was implemented, in KEP there was no meaningful salary structure as well as no adequate positions of human resource capacities. Therefore, it was of a high priority for new Board of Directors and Management to improve both: Human resource allocation and salary structure compilation (KEP, 2012b).

According to the interview with KEP HR Officer, this was a very challenging process as it involved the re-shaping of all positions in the Staff structure and harmonisation of salaries in Institutional level. As a result of this change, staff in Head Office was grouped according to the positions as follows: assistant, officer, senior officer, specialist, deputy head of department, and head of department. The change in positions had an impact on employee salary change (increase or decrease). The aim was creation of salary structure and harmonisation in wages based on new redefined positions. Hence, the salary structure was re-designed in accordance with changes made in staff structure.

The reward system proposed salary and position restructure as shown in table 2.

Table 3. KEP Head Office Staff Restructuring

| Assistant | Officer | Senior Officer | Deputy HoD/ Supervisors/ Head of Unit | Head of Department |
|-------------------------------|---------------------------|-----------------------|--|-------------------------------|
| Building & Maintenance | Call Center Coordinator | Senior Legal Officer | Procedure Manager | Head of B. Supervision |
| Call Center Agent | Marketing Officer | Senior HR Officer | Branch Supervisor | Head of Credit Risk |
| Executive Assistant | MIS Officer 1b | Senior Admin. Officer | Head of Accounting | Head of Legal |
| Logistics (Officer) Assistant | MIS & Reporting Officer | (Senior) Accountant | | Head of Administration |
| HR Assistant | Legal Officer/ Collection | Underwriter | | Head of IT |
| | Procurement Officer | Agro Product Manager | | Head of HR |
| | Support Officer | | | Head of IA |
| | Accountant | | | |

Source: KEP Report, *KEP Restructuring Proposal*, 2012

Besides restructuring in Head Office staff, similar restructuring was also implemented in the branch level. Here the restructuring was focused on existing four support positions: cashier, database operator, administration and regional accountant. All these were merged

² Board of Directors meeting minutes 10 December 2012.

into one position titled Branch Support Officer (BSO). The reason behind this merger was documented in the report (KEP, 2012b) which outlined that the support structure was not efficient.

Similarly, to Head Office approach, the management considered that there was a need to harmonize the salary structure for the existing positions, in order to ensure equality, and as much as possible decrease the existing salary differences for the employees working on the same positions with the same responsibilities and job descriptions. Consequently, positions such as Branch Manager, Loan Officer and Collection Officer were not restructured, but the salary harmonisation for them was performed.

One of the incentives for this strategic move was linked to the KEP Trust ambition to be transformed and positioned as a bank. For this change to take place, one of the requirements was to create better operational capacities in the branches following the institution’s strategy. Thus, KEP Trust envisaged that branches should change to multi-functional roles which would be able to perform all banking services. KEP Trust intended to improve effectiveness through centralizing key operations (accounting and administration) and redeploying support staff in the branches in the roles of Branch Support Officers (BSOs).

Table 4. BSO Deployment in KEP Branches

| BSO Deployment plan | | | |
|----------------------------|------------|---------------|---------------|
| Office | BSO | Needed | Excess |
| Gjilan | 2 | 1 | 1 |
| Prishtina | 2 | 1 | 1 |
| Istog | 3 | 2 | 2 |
| Peja | 5 | 2 | 3 |
| Mitrovica | 3 | 1 | 2 |
| Suhareka | 2 | 1 | 1 |
| Ferizaj | 4 | 2 | 2 |
| Skenderaj | 2 | 1 | 1 |
| Klina | 2 | 1 | 1 |
| Malisheva | 4 | 1 | 3 |
| Total | 29 | 13 | 17 |

Source: KEP Trust, *KEP Restructuring Proposal*, 2012.

The envisioned transformation process would demand additional staff in the future to cater for banking operations such as: account opening, perform money transfers, open additional branches in larger towns, etc. Following this, KEP Trust’s decision was to keep all support staff on part-time basis until they take the full-time positions in role of banking officers.

The BSO deployment plan in branches is presented in table 3.

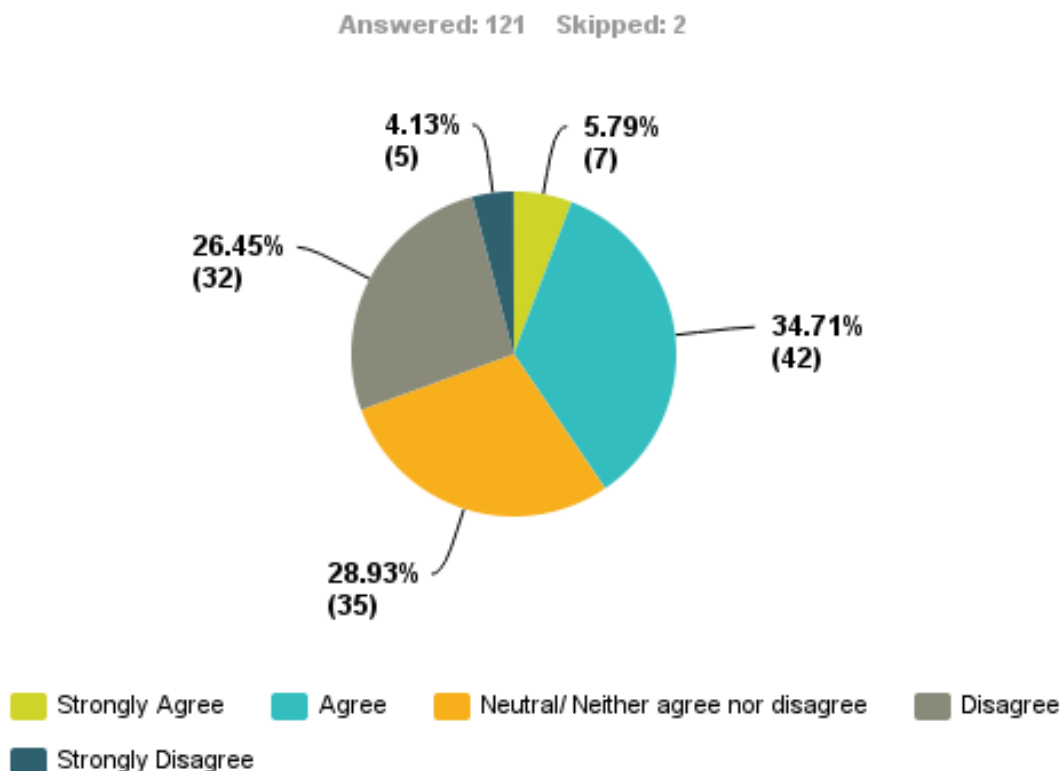
The KEP reward system was based on the following components: skill rate, employment contract, performance evaluation and legal compliance. The restructuring process had a huge impact on staff motivation and overall business performance of the institution (interview with HR Department at KEP).

The restructuring process required cutting rewards thus, influencing a conservative approach to reward. Since between 2010 and 2011, KEP Trust underwent through business difficulties, it influenced more the conservative approach regarding reward thus, some monetary and non-monetary rewards were removed from the system (Appendix F).

4.2 Reward System in KEP - Survey results

Participants were asked to provide choice of agreeability to the statement “I have a fair compensation for my position relative to the local market”. The results show that 34.71% respondents agree and 5.79% strongly agree, 28.93% are neutral, 26.45% disagree and 4.13% strongly disagree.

Figure 17. Q1: Fairness of the Reward Compared to Local Market



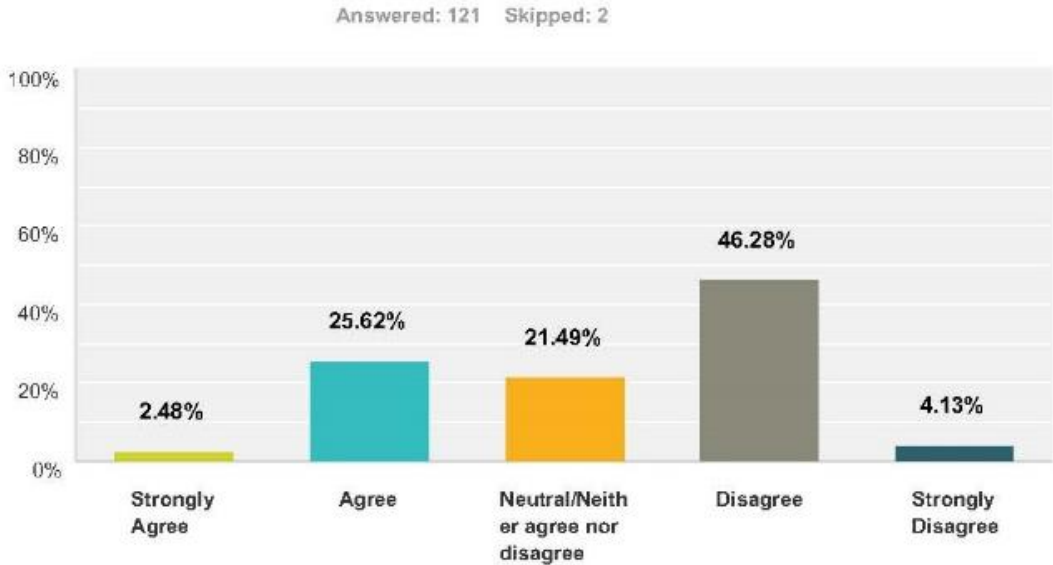
The results show that although 40% of employees generally believe that are rewarded fairly compared to the labour market, the high percentage of neutrality and a similar share on agreement and disagreement signals the need for further analysis for rewards for similar jobs through different analysis such as reward analysis in the local market and interviews.

There seems to be no difference regarding gender, position and qualification and a slight difference regarding age. Those aged between 41-55 reported higher levels of disagreement (42%) and neutrality (30%). Comparison statistics are attached in Appendix D. In the interviews, the respondents commented on KEP fairness of the reward compared to local market. One employee stated:

“I can say that this result could be as a consequence of comparison of salaries with the employees in the local market i.e.: employees in banks and microfinance institutions in the same position and similar experience have higher salaries which means that in this response our staff were based on individual salaries” Interviewee 1, 2016.

Further, participants were asked to provide choice of agreeability to the statement “I am satisfied with my salary”. The results show that 25.62% respondents agree and 2.48% strongly agree, 21.49% are neutral, 46.28% disagree and 4.13% strongly disagree.

Figure 18. Q2: Satisfaction with Salaries



The results show that while 28% of employees are satisfied with their salaries, 21.19% are neutral and the high percentage of disagreement of more than 50% of the employees signals the need for further analysis of the dissatisfaction of employees with their current salaries.

Higher levels of disagreement were reported from respondents aged between 41-55 (56%) and neutrality (23%). Employees in non-managerial positions reported higher level of dissatisfaction (52%) and neutrality (20%). Regarding the qualification of employees, those holding Master’s degree or equivalent reported higher levels of dissatisfaction (60%). Comparison statistics are attached in Appendix D.

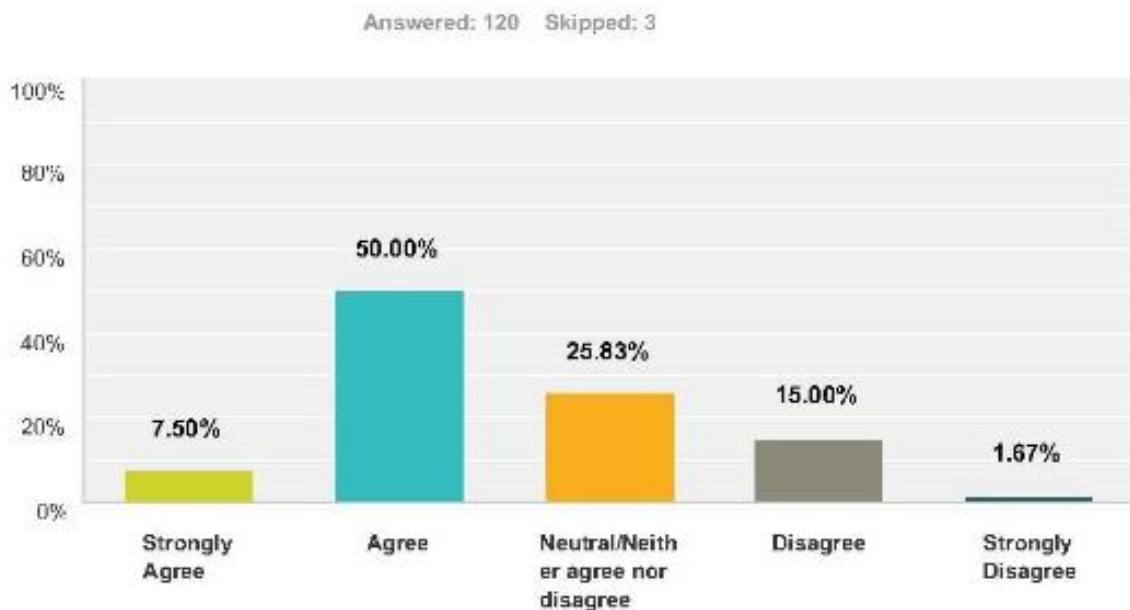
In the interviews, the respondents commented on KEP fairness of the reward compared to local market. One employee stated:

“Besides the comparison with the local competition, one of the arguments that staff was referring is that base salary should be higher since the business results were very positive during the last two years” Interviewee 1, 2016.

Regarding the overall compensation including staff benefits (Health insurance, Promotion, Leave days, Recognition and Socializing events), participants were asked to provide choice of agreeability to the statement “I am satisfied with my overall compensation (including staff benefits)”. The results show that 50% agree and 7.5% strongly agree, 25.83% are neutral, 15% disagree and 1.67% strongly disagree.

Compared to previous question, results show that 57.5% of employees are satisfied with the overall compensation.

Figure 19. Q3: Satisfaction with Overall Compensation (Including Staff Benefits)



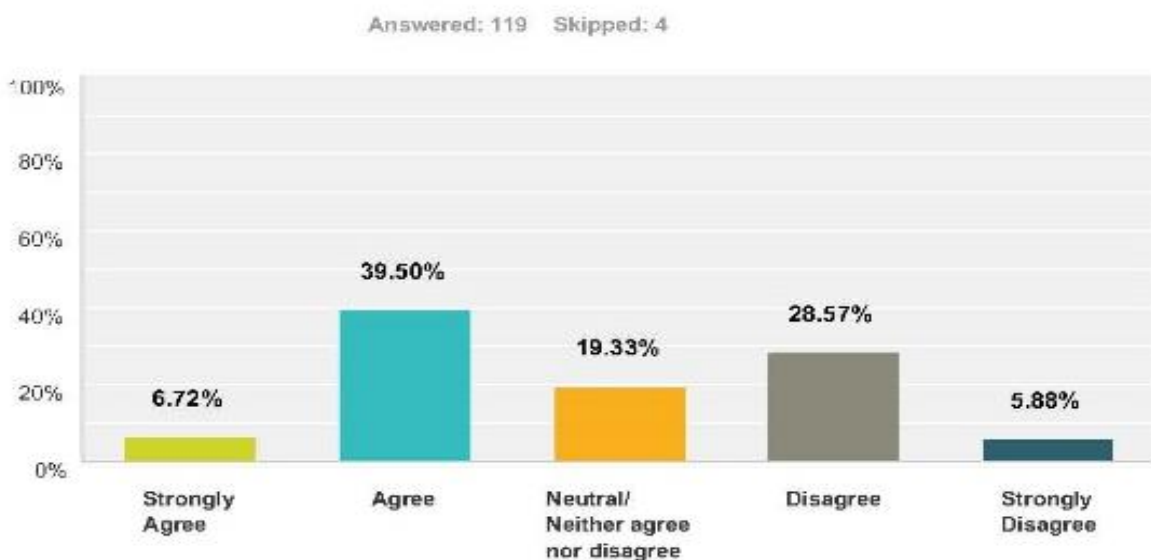
The majority of employees aged between 21-30 reported higher level of satisfaction with the overall compensation (65%) and female employees have showed higher level of satisfaction (61%). The results indicate that 52% of employees in non-managerial positions showed dissatisfaction with 20% neutrality. Comparison statistics are attached in Appendix D.

In the interviews, the respondents commented on satisfaction with overall compensation. One Branch supervisor stated:

“From what we can understand form the discussions in branches, dissatisfaction comes from those employees that are currently working outside their home city and need to pay transport costs. They were forced by the institution to work outside of the city without covering the transport expenses and without offering them any other compensation like food or flexibility in working hours” Interviewee 2, 2016

Participants were asked to provide their choice of agreeability to the statement “In KEP, there is an equal salary for same position”. The results show that 39.50% agree and 6.72% strongly agree. 19.33% are neutral, 28.57% disagree and 5.88% strongly disagree.

Figure 20. Q4: Salary Equality for the Same Position



The results show that more than 35% of employees believe that there is an equal salary for the same position within the institution, 19% of neutrality and high percentage of the disagreement signals the need for further analysis of the salary equality for same position within KEP, through different analysis such as interviews with KEP staff and board members. Comparison statistics are attached in Appendix D.

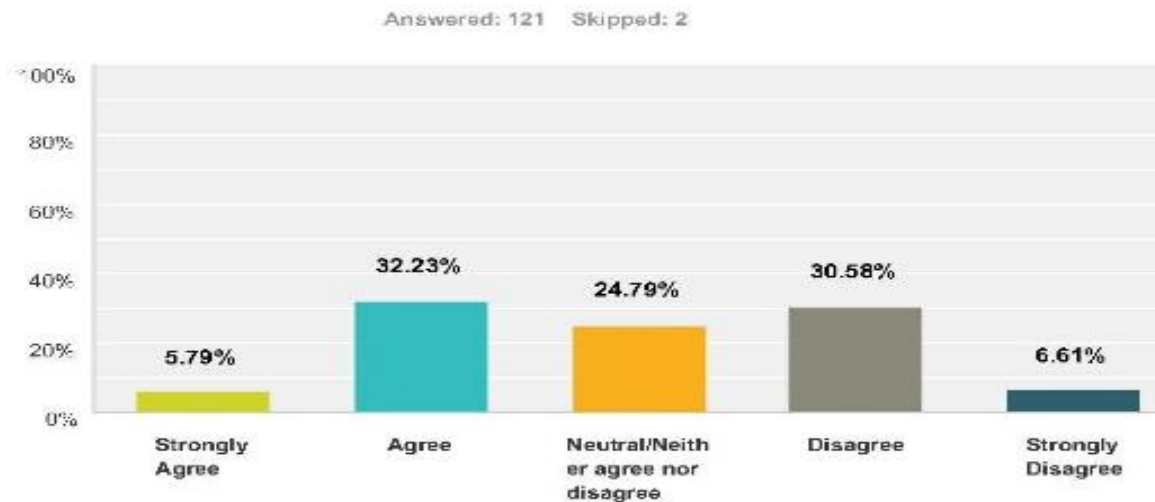
In the interviews, the respondents commented on salary equality for the same position within KEP. One Branch supervisor stated:

“The employee dissatisfaction derives from the fact that there are still employees in the same position which are being paid differently, without being based on the institution’s criteria” Interviewee 2, 2016.

Participants were asked to provide their choice of agreeability to the statement “In KEP, employees within the same position, those with higher performance are paid better.” The

results show that 32.23% agree and 5.79% strongly agree. 24.79% are neutral, 30.58% disagree and 6.61% strongly disagree.

Figure 21. Q5: Higher Performance Rewards within the Same Position



The results show that although 38% of employees generally believe that within the same position, those with higher performance are paid better, the high percentage of neutrality and a similar share on agreement and disagreement signals the need for further analysis for rewards for higher performance payment within the same position through different analysis such as reward analysis within the institution.

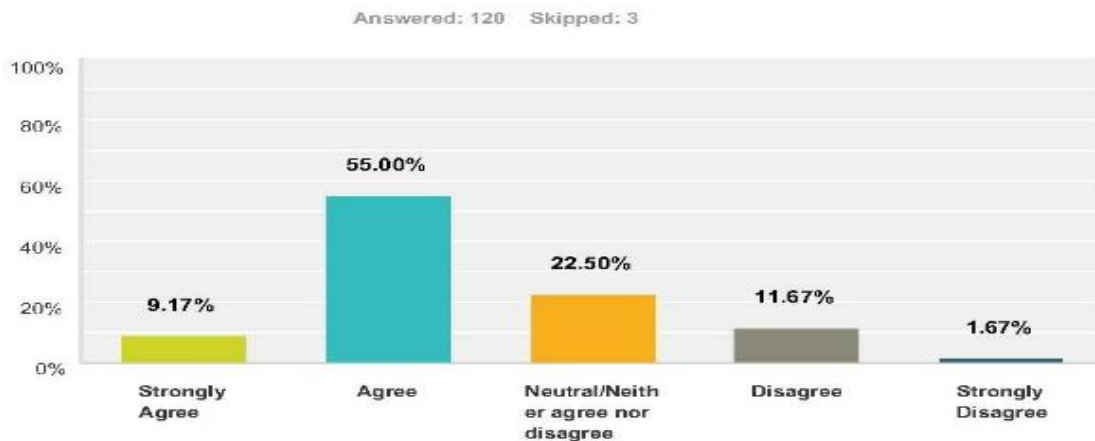
There seems to be no difference regarding gender and position, but there is a slight difference regarding age and qualification. Those aged between 31-40 reported higher levels of disagreement (42%) and neutrality (29%), those with Master’s degree or equivalent reported higher levels of disagreement (42%) and those holding Bachelor’s degree reported 40% disagreement with 25% neutrality. Comparison statistics are attached in Appendix D.

In the interviews, the respondents commented on the higher performance rewards within the same position. One employee stated:

*“The bonus scheme is a very good tool to make differences between good performers but as it seems in our institution, the base salary is being valued more, therefore, if a salary matrix would be implemented this problem would be solved ”*Interviewee 3, 2016.

Participants were asked to provide their choice of agreeability to the statement “In KEP, there is a good alignment between organization’s success and employee compensation/ rewards.” The results show that 55% agree and 9.17% strongly agree. 22.5% are neutral, 11.67% disagree and only 1.67% strongly disagree.

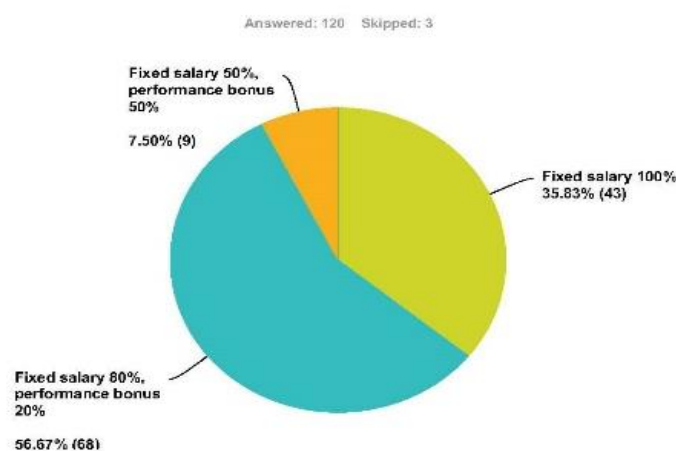
Figure 22. Q6: Organizational Success Alignment with Employee Compensation/ Rewards



The results show that 64% of employees believe that KEP’s success is shared with employees through rewards with lower level of neutrality (22%) and disagreement (13%). There seems to be no difference regarding gender and position, but there is a slight difference regarding age and qualification. Those aged between 31-40 reported higher levels of neutrality (30%) and disagreement (13%). Those with Master’s degree or equivalent reported higher levels of neutrality (21%), disagreement (18%) and strong disagreement (3%). Comparison statistics are attached in Appendix D.

Participants were asked to choose their preferred option of proportion between salary and performance based bonus in monthly compensation. The results show that the majority of employees in KEP (56.67%) prefer to receive the proportion of 80% salary and 20% bonus, 35.83% prefer to receive 100% fixed salary while 7.50% prefer to receive 50/50.

Figure 23. Q7: Preference on Proportion between Salary and Performance Based Bonus



The results show that there seems to be a slight difference regarding age and qualification. Those aged between 21-30 and those with High school degree reported higher level of

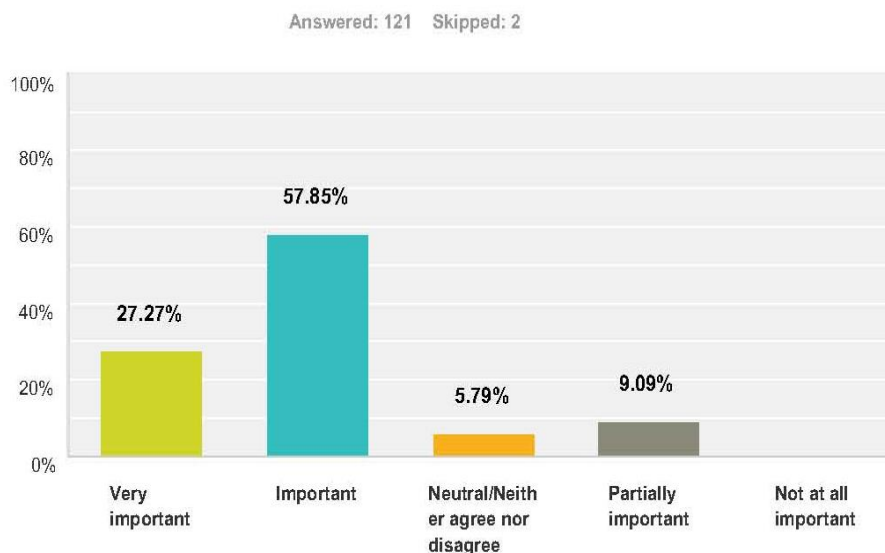
preference for 100% salary; those aged between 31-40 and those with Bachelor’s degree reported higher levels of preference for 80/20 salary. Regarding gender, female employees have reported higher level of preference for 80/20 salary compared to the male employees and compared to the overall KEP preference level (66%). Those with Master’s degree or equivalent have reported slightly higher preference for 50/50 salary compared to the rest. Comparison statistics are attached in Appendix D.

Participants were asked to provide their choice regarding the importance of non-financial incentives. The results show that 57.85% reported that they are important and 27.27% reported that they are very important. 5.79% are neutral, 9.09% reported that they are partially important and there was no response for not at all important.

The results show that for 85% of employees reported that non-financial rewards are important confirming the significance of non-monetary rewards.

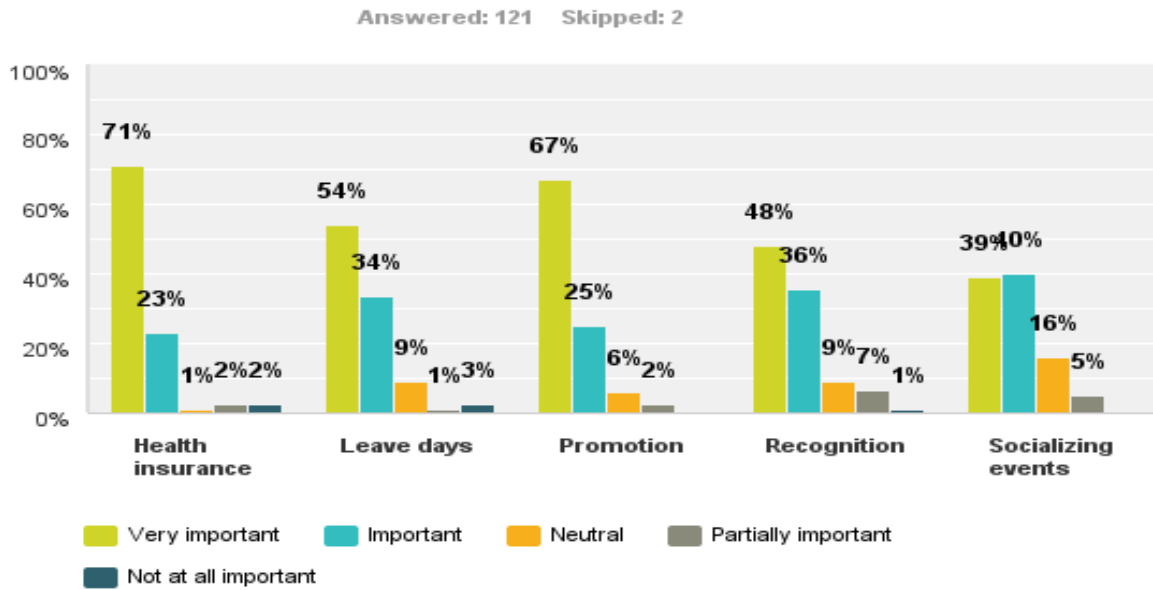
There seems to be no difference regarding gender and position, and a slight difference regarding age and qualification. Those aged between 21-30 have reported higher rate of importance for the non-financial incentives (93%) and those with bachelor degree (88%). Comparison statistics are attached in Appendix D.

Figure 24. Q8: Non-Financial Incentives Importance



Next question further elaborates the specific non-monetary rewards importance assessment. Comparison statistics are attached in Appendix D. Participants were further asked to specifically indicate the importance between the five incentives: Health insurance, Leave days, Promotion, Recognition and Socializing events.

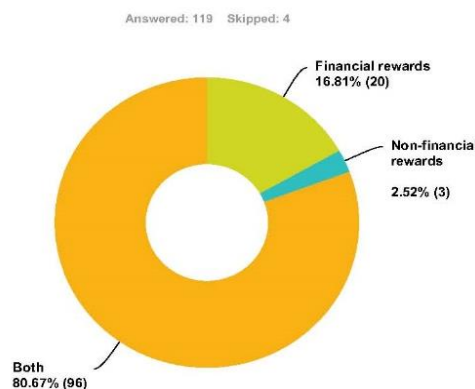
Figure 25. Q9: Specific Non-Financial Incentive Importance Comparison



Results regarding the further significance of specific incentives show that amongst five incentives Health insurance and Promotion are important for approximately 90% of employees compared to Leave days, Recognition and Socializing events which have been reported to be important as well but less than the first two (more than 80%). Comparison statistics are attached in Appendix D.

Participants were asked to choose the importance of financial rewards, non-financial rewards or preference of both. The results show that the majority of employees, 80.67% of them prefer both financial and non-financial rewards, 16.81% reported that financial rewards are more important and only 2.52% choose non-financial rewards.

Figure 26. Q10: Importance of Financial or Non-Financial Rewards



There seems to be no difference regarding age, gender, position and qualification. Comparison statistics are attached in Appendix D.

4.3 Staff Development at KEP Trust

Staff development in KEP institution in the past had considerable attention and it was very well organized. Previously KEP used to have a subsidiary institution which was created by the institution itself with the aim to conduct various training for KEP staff. The trainers who were engaged were combined, local and international professionals, and all KEP staff went through different trainings offered by them.

Table 5. 2016 Trainings

| KEP TRUST TRAININGS IN 2016 | | | | |
|-----------------------------|---------------------------------|---------------------------------------|-----------------------|--|
| No. | Training Title | Type of Training (In-house/ External) | Dates of the training | Conducted By |
| 1 | 2nd Annual HR Minds Forum | External | 29-30 Jan 2016 | GLC Europe |
| 2 | Microfinance certified expert | External | 27-Mar-2016 | Frankfurt school of finance and management |
| 3 | Credit Risk Management | External | 11-13 Mar 2016 | AMIK |
| 4 | Strategic HR management | External | 01-02 April 2016 | WIFI (Tirana) |
| 5 | Audit of credit risk management | External | 02-04 June 2016 | Albanian Institute of Internal Auditors |
| 6 | Training for interns | Internal | 15-Jul-2016 | KEP |
| 7 | Cash management | Internal | 23-Jul-2016 | KEP |
| 9 | Changes on tax legislation | External | 21-Jul-2016 | AMIK |
| 10 | Lending / Credit risk | Internal | 1-Sep-2016 | BS and Head of C.Risk |
| 11 | AML Training | External | 22-Oct-2016 | AMIK |
| 12 | Strategic HR management | External | 3-4 Dec 2016 | WIFI (Tirana) |
| 13 | MTI-colateral registration | Internal | 22-24 Dec 2016 | KEP |

Source: KEP Trust, *KEP HR Department plans*, 2016.

By the end of 2011 due to Institutional strategic plans, KEP decided to terminate subsidiary company which resulted on losing the focus on staff development. Therefore, from 2011 KEP managed to organize only few internal trainings, which were mainly refreshment of lending, credit risk and cash manuals. External training was more in accounting, internal audit, HR, IT, etc. Being aware of such a necessity, KEP management has determined and approved staff development as one of the main objectives of HR department for future (KEP, 2017).

Currently KEP is performing the assessment phase and managers are in the process of conducting a needs assessment to implement the staff development program in different KEP departments/branches. Despite internal assessment with Human Resources officers, there are two external training institutions involved in the assessment phase in order to better identify the training needs and continue further development of designing an appropriate staff development program within the framework of KEP institution (Appendix F). According to this, KEP is carrying out the first phase of training and development, which is needs assessment. As per the KEP HR Officer, assessment phase initially was

planned to be accomplished by the end of May 2016, but this was postponed until March 2017, and it was followed by the second training phase which is implementation, and this is currently ongoing (interview with KEP HR Officer shown in Appendix F).

Table 6. 2017 Trainings

| KEP TRUST TRAININGS IN 2017 | | | |
|-----------------------------|---|--|-----------------------|
| No. | Training Title | Type of Training (In-house/ External) | Dates of the training |
| 1 | Advnace course on Risk Management-for risk and internal audit | External | 20-21 Apr 2017 |
| 2 | Soft Management Skills | External | 23-24 May 2017 |
| 3 | Audit manager tools and techniques | External | 26-27 May 2017 |
| 4 | Strategic role of internal audit | External | 26-27 May 2017 |
| 5 | Human resources management | External | 27-28 May 2017 |
| 6 | Soft Management Skills | External | 09-11 Jun 2017 |
| 7 | Soft Management Skills | External | 23-25 Jun 2017 |
| 8 | Trajnim per keshilltare | External | 22-24 Aug 2017 |
| 9 | Train the trainers | External | 25-26 Aug 2017 |

Source: KEP Trust, *KEP HR Department plans, 2017*

The following analysis focuses on the following research questions:

- What are current staff development activities in KEP Trust and what organizational development areas they address?
- How satisfied are staff at KEP Trust and what are their staff development preferences and needs?

In table 4, which presents trainings organised during 2016, can be noted that there was an increase in HRM training organised from external trainers, aiming at a strategic change in which the HRM is integrated in the organisation culture. Internal trainings were related to lending, credit risk and cash policy. Credit risk and Branch supervision departments were responsible for preparing and delivering those trainings. These trainings were dedicated to all front office staff (Branch Managers, Loan Officers and Branch Support Officers). To this date, it is known that external trainings will be focused on soft skills training for managers, sales and customer care for Branch Managers and Loan Officers and executive coaching for Senior Managers.

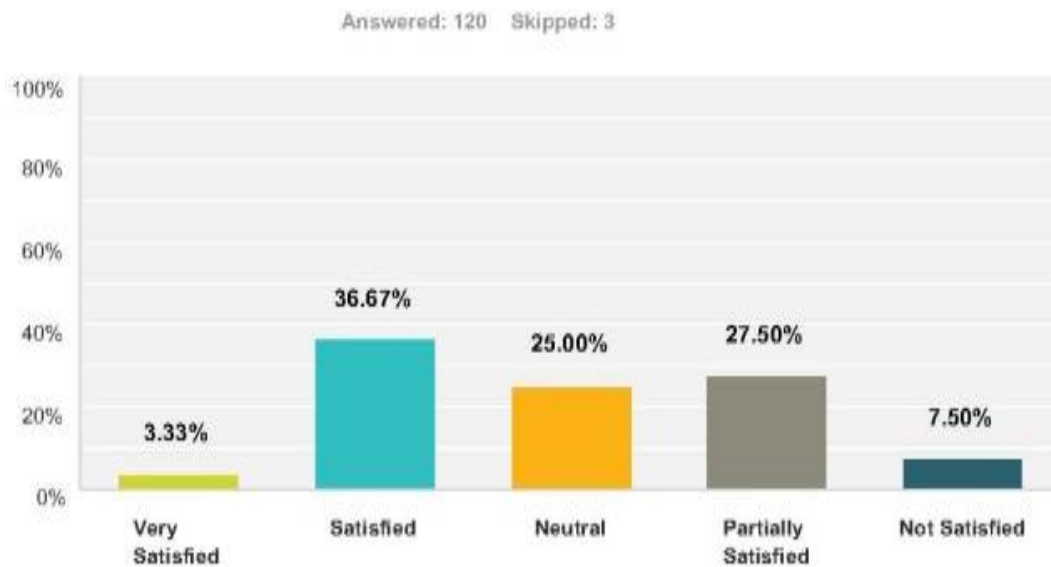
4.4 Staff Development in KEP - Survey Results

Participants were asked if they were satisfied with professional development opportunities offered by KEP. Respondents reported moderate satisfaction with opportunities that KEP offers for them. Only 3.33% resulted as very satisfied, 36.67 % satisfied while 27.50% partially satisfied, respectively 7.5% not satisfied.

The results show that although 40% of employees generally believe that there are professional development opportunities offered by KEP, the high percentage of neutrality and a similar share on agreement and disagreement signals the need for further analysis of the professional development opportunities offered by KEP in the future.

There seems to be no difference regarding gender, position while there is a slight difference regarding age and qualification. Those aged between 31-40 reported higher levels of partial satisfaction (35%) and dissatisfaction (10%) and neutrality (24%), while employees holding Bachelor’s degree and those with Master’s degree or equivalent reported higher level of dissatisfaction 10%). Comparison statistics are attached in Appendix D.

Figure 27. Q11: Satisfaction with Staff Development Opportunities

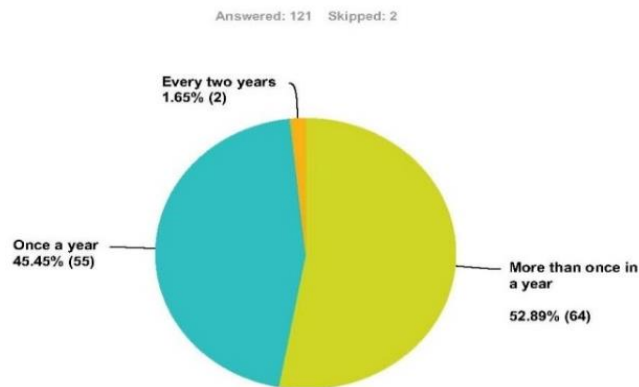


In the interviews, the respondents commented on satisfaction with Staff Development Opportunities. One employee stated:

“I consider that on this question the level of dissatisfaction comes from the fact that people are more interested to have financial support in advanced courses, MBA programs and other different courses that are in their personal interest” Interviewee 1, 2016

Participants were asked how often they would prefer to attend training. Majority of them 52.89% preferred to attend professional trainings more than once in a year, while 45.45% are in favour of having once a year training.

Figure 28. Q12: The Preference of Training Occurrence

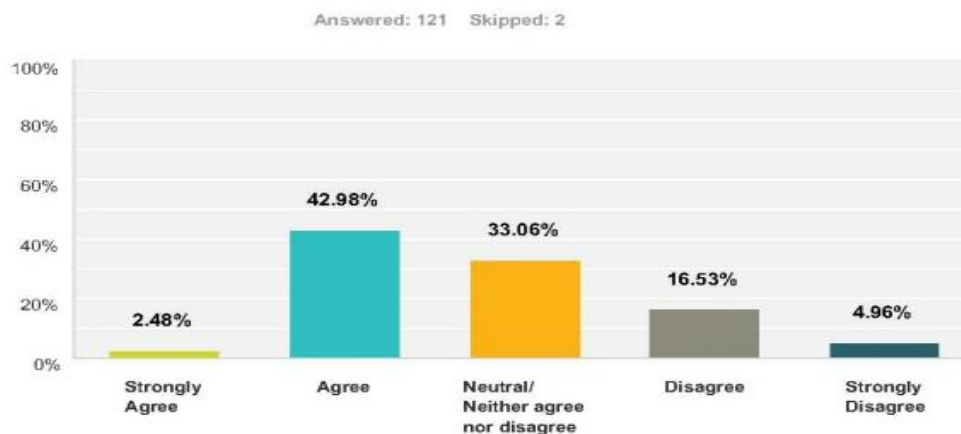


The results show that although around 53% of employees prefer training more than once a year, those aged between 21-30 reported higher interest (65%) to attend training more than once a year and those holding High school degree prefer training only once a year. Comparison statistics are attached in Appendix D.

In the interviews, the respondents commented on their Preference of Training Occurrence. One employee stated:

“My preference on training occurrence depends form the type of training. I prefer to attend external trainings more often whereas internal trainings would be sufficient to attend once a year” Interviewee 5, 2016.

Figure 29. Q13: Career Development Opportunities



Participants were asked to provide choice of agreeability to the statement “KEP offers good career development opportunities”. The results show that 42.98% respondents agree and 2.48% strongly agree, 33.06% are neutral, 16.53% disagree and 4.96% strongly disagree.

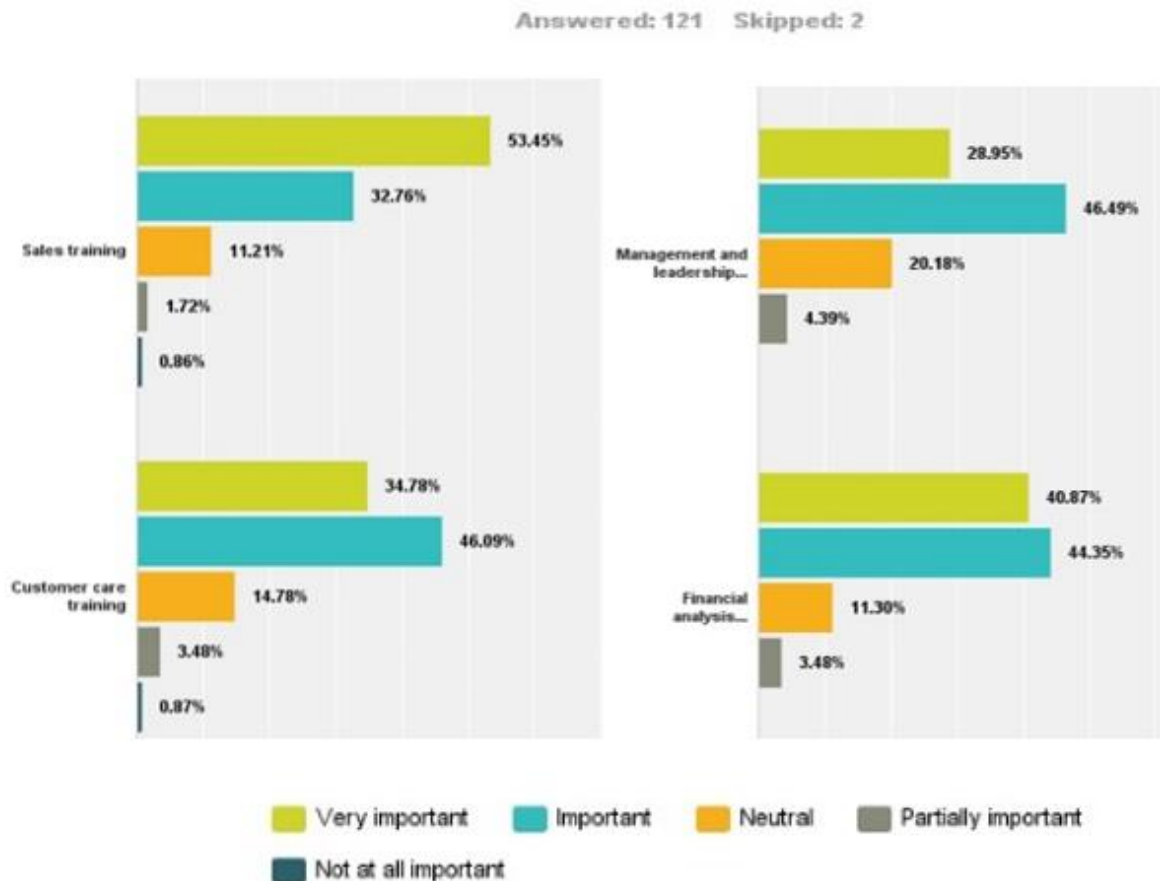
The results show that although 45% of employees generally believe that there are good career development opportunities within KEP, the high percentage of neutrality (33%) and

the 20% of disagreements signals the need for further analysis for improving the career development opportunities.

There seems to be no difference regarding gender, age and qualification and a slight difference regarding position. Those employees in non-managerial positions have reported higher rate of disagreement (25%). Comparison statistics are attached in Appendix D.

In the interviews, the respondents commented on career development opportunities within KEP. One employee stated:

Figure 30. Q14: Importance of the Training Areas



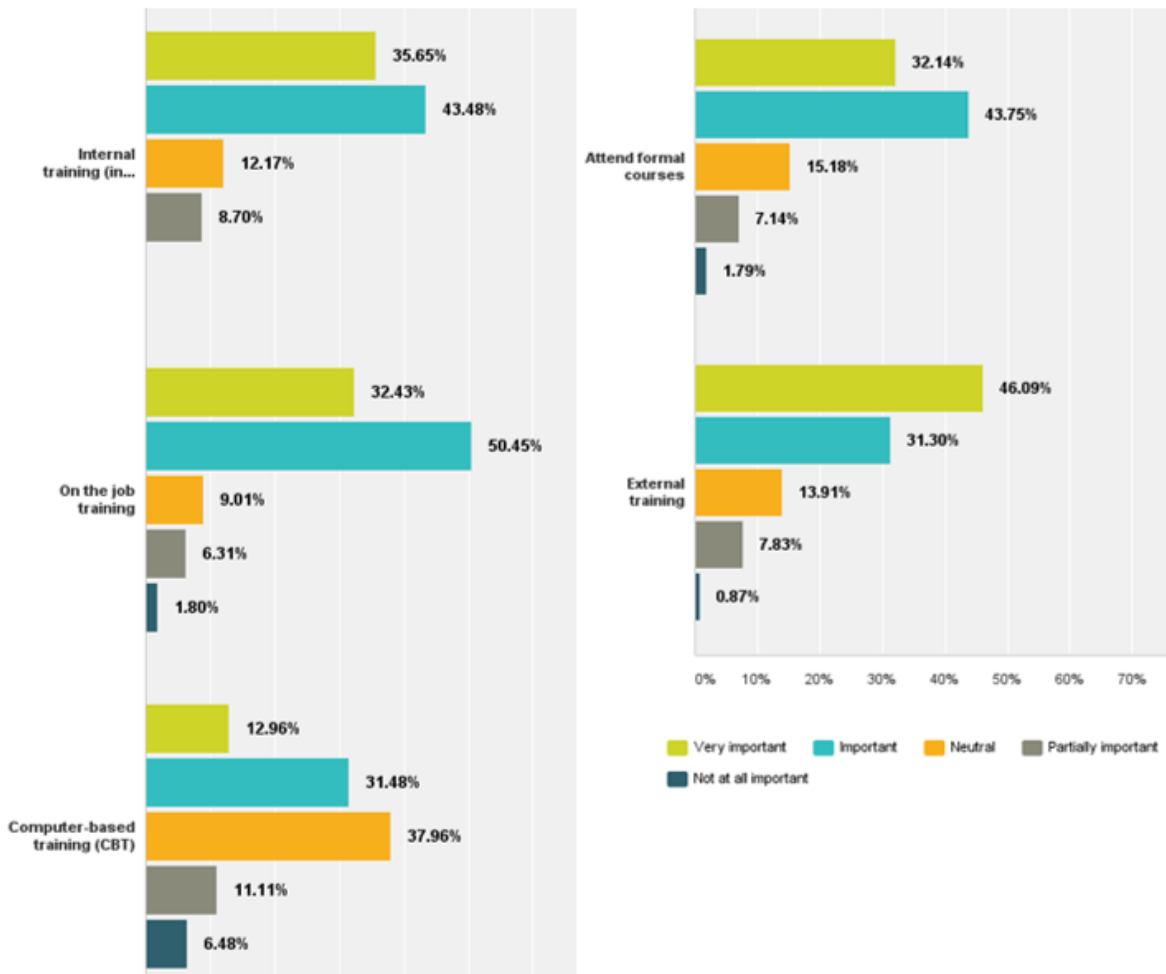
“There is staff that aspires to have different positions within the institution to gain multiple experience but because of the poor organizational structure of MFI, there are not a lot of perspective opportunities currently although internal staff is always preferred during the recruitment processes within the institution” Interviewee 2, 2016

Furthermore, one of the Branch supervisors stated:

“Currently, there is a need for improvement since we had comments from staff (although not a lot) that currently KEP does not offer the required possibilities for staff upgrades as per their ambitions. My personal opinion is that KEP is currently facing departmental limitations (including the limited services that we offer on the market) and there is not enough space for action” Interviewee 1, 2016.

Figure 31. Q15: Training Methods Preference

Answered: 120 Skipped: 3



Participants were asked to rate the importance of four different types of training relevant to their business activity: Sales Training, Customer Care, Management and Leadership and Financial Analysis Training. The results show that Sales Training was reported to be the most important with 53% very important and 32% important (total of 85%). Financial Analysis Training was rated to be rated 40% very important and 44% important (total of 84%). Then Customer Care was rated as 34% very important and 46% important (total of 80%), while Management and Leadership Training was rated as 29% very important and 46% important (total 75% important).

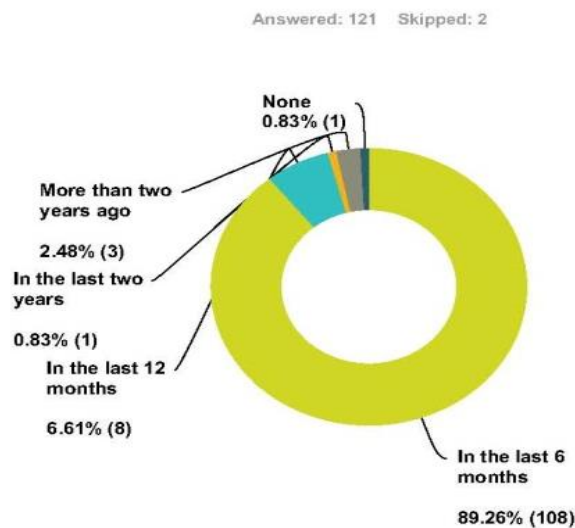
The results show that Sales Training is the most important for Non-managerial positions (57% very important and 29% important), Management and Leadership Training is more important for Managerial positions (42% very important and 42% important) and Financial Analysis Training is more important for Non-managerial positions (44% very important and 41% important). Comparison statistics are attached in Appendix D.

Participants were asked to rate five methods of training they prefer to attend: Internal Training, On the Job Training, Computer-Based Training, Attendance of Formal Courses and External Training. The results show that 83% of the participants rated On the Job Training as very important and important, 79% prefer Internal Training offered by KEP, External Training is preferred by 77% of respondents, Formal Courses were rated as important by 76%, whereas Computer Based Training (CBT) was the last method that was favored (44%).

The results show that regarding the position, there seems to be no difference regarding the preference of the attendance on the Formal Courses but there is a slight difference on the preference of the other training methods. Internal Training and On the Job Training has been reported as more important for employees in Non-managerial positions (85%) whereas Computer-Based Training and External Training have been reported to be more important for the employees in Managerial positions (53% respectively 93%).

From the results, it has been reported that regarding the qualification, those employees holding Bachelor’s degree and Master’s degree or equivalent believe that Internal Training, On the Job Training, Attendance in Formal Courses and External Training are important (approximately 80% and more). Comparison statistics are attached in Appendix D.

Figure 32. Q16: Attendance to an In-House Training by KEP



In the interviews, the respondents commented on methods of training they prefer to attend. One Branch supervisor stated:

“I believe that the internal trainings offered within KEP (with internal trainers) are valuable for further job improvements, while trainings that would affect the increase of employee knowledge (for which I think that is needed in KEP) should be organized and held by external professional trainers” Interviewee 1, 2016.

Participants were asked to provide information regarding the attendance to an In-House Training offered by KEP. The results show that 89.26% of employees had an opportunity to participate to an in-house training during the last six months, 6.61 % of the employees attended training during the last year, 0.83% attended training during the last two years, 2.48% attended an in-house training more than two years ago and 0.83% of employees did not participate in an in-house trainings at all.

Participants were asked to provide information regarding the attendance to an External Training offered by KEP. The results show that 5.04% of employees had an opportunity to participate to an external training during the last six months, 7.56% of the employees attended external training during the last year, 15.13% during the last two years, 26.89% attended an external training more than two years ago and 45.38% of employees did not participate in an external trainings at all.

Figure 33. Q17: Attendance to an External Training by KEP

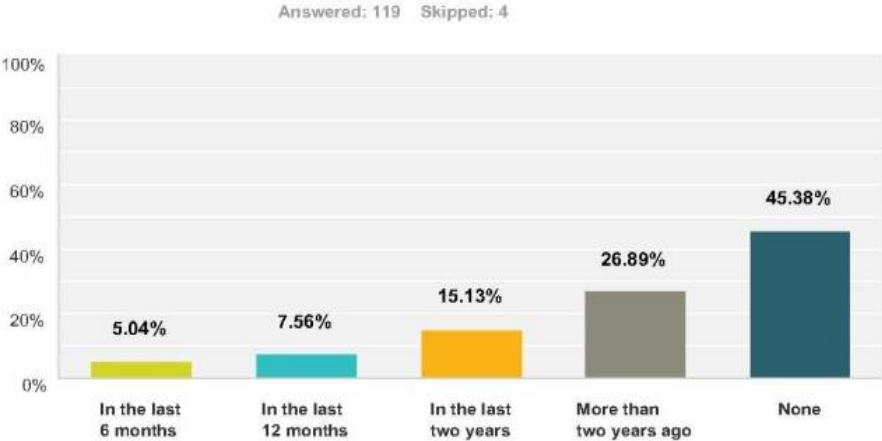
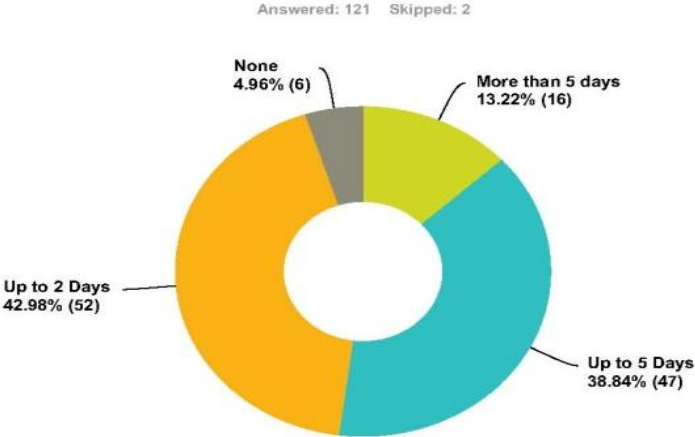


Figure 34. Q18: Training Attendance Duration



The results show that regarding the position, more employees in managerial positions have attended external trainings in the last year (21.88%) and in the last two years (34.38%). Comparison statistics are attached in Appendix D.

Participants were asked “How many days during the last two years you have attended a training?” The results show that 13.22% have spent more than 5 days on trainings during the last two years, 38.84% up to 5 days, 42.98% up to two days and only 4.96% none.

Participants were asked to provide choice of agreeability to the statement “The trainings I attended were effective in helping me improve my job performance”. The results show that 61.98% of respondents agree and 13.22% strongly agree, 19.83% are neutral and 4.96% disagree with no respondents strongly disagreeing.

Figure 35. Q19: Trainings Effectiveness in Job Performance

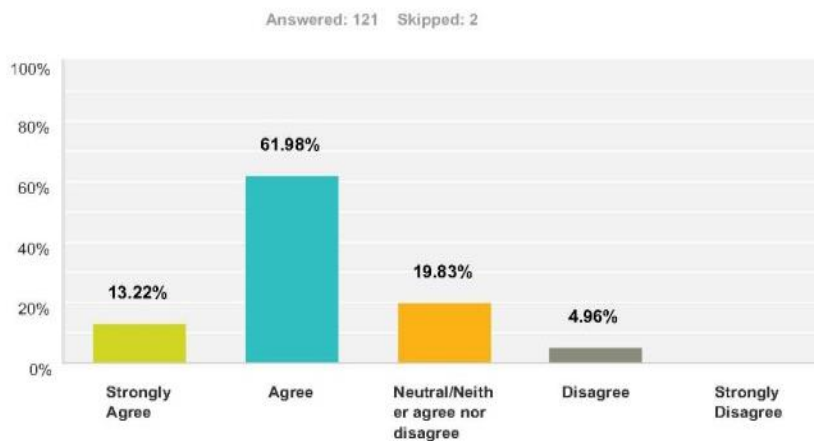
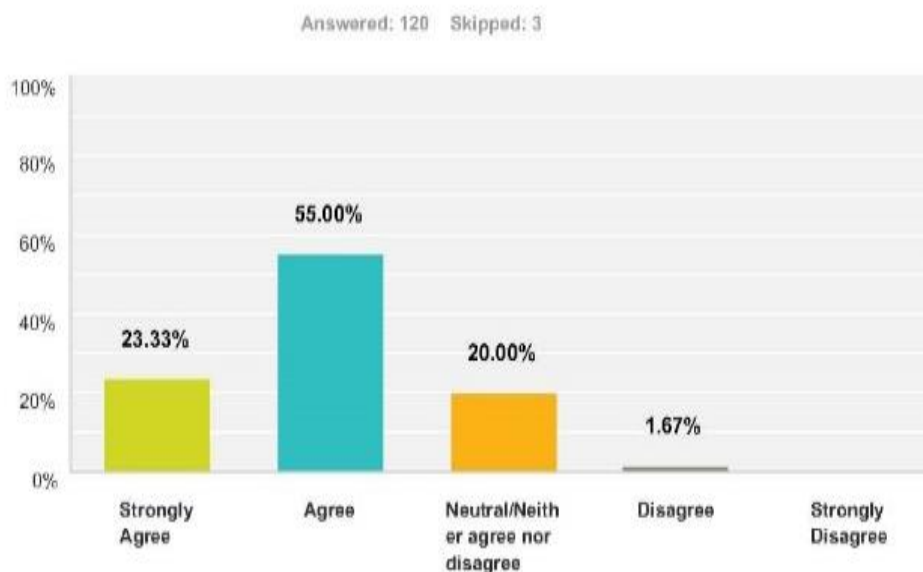


Figure 36. Q20: Training Requirements for Job Performance



Participants were asked to provide choice of agreeability to the statement “Training is mandatory for my job performance”. The results show that 55% of respondents agree and 23.33% strongly agree, 20% are neutral and 1.67% disagree with no respondents strongly disagreeing.

5 KEY RESEARCH FINDINGS, IMPLICATIONS AND RECOMMENDATIONS

Reward System and Staff Development is a fundamental part of Human Resources Management Strategy in one institution. While there are similarities in micro financial institutions and banks, the KEP case provided an opportunity to understand specificities of a micro finance institutions operating in Kosovo.

More precisely, KEP has been operating as a local regulated Micro Financial Institution since 2000, it has no shareholders and all profits and cash donations are capitalized. It was created from two institutions (one local and one international) which created the Board of Directors as the highest authority. In KEP, Board of Directors select the Management Board who are responsible for daily management of the institution.

KEP organizational structure has a direct impact on job design and staff expectations in relations to reward system. While, historically, the rewards have been good and unique compared to local competition, the changes in the organization and the successes and failures have impacted decisions on managerial structure and business results. The current Reward System at KEP does not satisfy staff expectations. This reward system was assembled according to the new organisational structure in 2012, therefore, there is a need for a new developed Reward System.

5.1 Base Salary and Other Benefits

In the first chapter of the study referring to the Reward System, it is described that often it is used as a term that can be exchanged with the term payment system, and it includes monetary payments with salary as one of them. Also, the literature studied explains that it is linked to the employee satisfaction. Additionally, different motivation theories recommend that the employee approach to monetary rewards does not automatically lead to satisfaction, since individual requirements change over the time as a result of diverse implications comprising of employee advancement and attitude transformation.

Payment as well as compensation are mostly associated with the measurement of time and determination during the work accomplishments, and monetary return is associated with the value of the work completed. Hence, besides the measurements of the time, effort, and accomplishments at work, base salary and other benefits are significant aspects of motivation for work.

In the second chapter of the study, referring to the restructuring of the positions in KEP Trust, the impact on employee salary change was described having a recognisable impact on employees. As such, the harmonisation of salaries was followed with increase and decrease of salaries based on the redefined positions. These changes had an impact on a considerable number of employees but this was the only way for the KEP Management to create equality among employees with the same responsibilities.

According to the results from the survey, particularly responses on question number 2, the main unhappiness within employees is dissatisfaction with base salary. Based on the results, the similar share on agreement and disagreement of the respondents is an indicator that the existing salary structure in KEP Trust is not satisfactory. The highest percentage of disagreement of more than 50% of the employees signals the need for further analysis of the dissatisfaction of employees with their current salaries.

Furthermore, there is an obvious share of employee dissatisfaction in comparison with other financial institutions in the market. Based on the results, the disagreement of almost one third of the respondents is an indicator that current rewards for similar jobs in KEP Trust is not at the same satisfactory level compared to the local market. This needs a more thorough analysis such as KEP reward structure analysis and through different thorough employee interviews.

Reward system at KEP lays at the benefits, with the emphasis on the bonus rewards. Based on the results from the survey regarding the preferred option of proportion between salary and performance based bonus in monthly compensation, the majority of employees in KEP (56.67%) prefer to receive the proportion of 80% salary and 20% bonus, 35.83% prefer to receive 100% fixed salary while 7.50% prefer to receive 50/50. This is also an indicator that the base salary is fundamental for the majority of employees, and it is a critical tool for the employee satisfaction and performance.

Definitely, we think that KEP must develop a new salary structure in order to align with market development, increase of the business results and KEP's position in the market. Based on the improved business results (Appendix F), thus being in a better financial position, KEP can support a new salary scale with focus on base salary.

From the interviews with Branch supervisors, based on their feedback from employees, we understand that employees are very satisfied with current bonus scheme. The current formula of the bonus as an individual performance pay, is considered to be one of the most attractive motivation tools in the local market. Related to this, current bonus scheme at KEP Trust is positively associated with turnover, whereas qualified employees from other renowned financial institutions apply for jobs in KEP (Appendix F).

As a result, we propose to the KEP management to keep the existing bonus scheme as a good motivator for achieving and exceeding the required targets, since it plays a significant role in influencing HR performance. The reasoning behind this feedback from KEP employees regarding their preferred proportion of existing bonus in relation to the base salary, is that since bonus scheme is not a permanent tool and, as it is now, is considered to be very attractive, employees foresee that in the future this bonus will either be reduced or it can disappear. Hence, the results of staff show them wanting to have a higher salary proportion between salary and performance bonus.

While, performance rewards (bonuses) are highly valued by the majority of employees and specifically the younger ones, it seems that the base salary decrease has influenced staff satisfaction with the rewards. Although there was improvement from 2012 to date, where KEP regained the leading position in the sector, findings suggest that approximately half of employees (50%) at KEP are not satisfied with the base salary, but 57% of them are satisfied with the overall reward system, which includes health insurance, socializing events and other non-financial rewards.

The findings are also useful to understand reasons behind the dissatisfaction, and will be complemented further with data gathered from a salary survey organised by AMIK in 2017. AMIK has already started a salary survey for all MFI in country (AMIK notification to all MFIs), and we believe that the results from AMIK's survey as well as the results gathered from our survey would definitely help KEP's management to have a better insight and complete salary overview, which would lead to the creation of a better and more competitive salary structure within KEP institution.

The strengths of the Reward System at KEP lays at the benefits. First, the organisation has a culture of creating an environment where law is observed and benefits cover health insurance and bonus rewards. While there is an overall satisfaction related to the performance award approach, KEP needs to make performance rewards criteria more relevant for employees. The re-structuring process did not consider relocation of staff and travel expenses, thus disadvantaging those employees who have to cover their own travel expenses. It is recommended that KEP reviews the benefits and consider distance to work for the base salary or staff relocation.

According to HR Officer (Appendix F), bonus scheme has definitely had a huge impact on improvement of the business results. Additionally, the survey results show that employees are satisfied with the current benefit scheme. Therefore, we suggest that KEP keep the current bonus scheme in the near future as this reward acts as a motivator to a reasonable degree and it was confirmed by the feedback received by employees.

Finally, we recommend that Board of Directors in cooperation with Management Board develop a new reward strategy in the future, and this be followed by the business plan to include a more structured salary scale and other required benefits.

5.2 Salary Scheme Proposal for KEP Trust

As per the literature review and based on the KEP staff survey results, it is recommended a proposal of designing the salary structure for KEP branches and head office. Due to the complexity and dissimilarity, it is recommended that the salary structure be a separately arranged for KEP Head Office and for Branches.

Table 7. Salary Proposal 1

| Salary Scheme proposal for KEP Branches | | | |
|---|------------------------|---------|---------|
| Position / Category | Main Criteria | Salary | |
| | | Min | Max |
| Branch Supervisor | N/A | (Value) | (Value) |
| Branch Manager | Portofolio Outstanding | (Value) | (Value) |
| B3 | Portofolio Outstanding | (Value) | (Value) |
| B2 | Portofolio Outstanding | (Value) | (Value) |
| B1 | Portofolio Outstanding | (Value) | (Value) |
| Loan Officer | Experience | (Value) | (Value) |
| L2 | Experienced LO | (Value) | N/A |
| L1 | Probation Period LO | (Value) | N/A |
| Branch Support Officer | Experience | (Value) | (Value) |
| B2 | Experienced BSO | (Value) | N/A |
| B1 | Probation Period BSO | (Value) | N/A |

The proposal begins with the levelling of the positions according to rankings. The first position is Branch Support Officer position determined by two grades. The first one B1, applies to the new comers, employees without experience and those within probation period. Second grade B2, is for experienced employees. The second position in the proposal is Loan Officer, where the same logic was applied, similar to the first position of BSO. Grade one L1 is for new employees hired at the beginning of their career, whereas second grade L2 is for employees with experience. The third position listed in this proposed salary structure is the position of Branch Managers.

According to HR Officer (Appendix F) currently, there is a gap between the salaries of BM and there are no clear criteria to determine their level of salaries. Therefore, it is crucial for KEP management that these criteria be defined. According to the results from this study, the portfolio size should be the main criteria which would determine the salary level of Branch Managers.

Following the logic of this proposal, there were three grades selected for the position of Branch Managers. Every grade should have a min. and max. of outstanding loan portfolio value, as well as the min. and max. salary rate. The grading in the salary structure of Branch Managers anticipates to solve the problem of gaps and unfair payment of this level. This criteria was set since it is measurable, and in addition, KEP management is encouraged to further expand the set of criteria according to market conditions, size of branch and number of employees supervised.

The position of Branch Support Officers was included in the proposed salary structure, since they are responsible for managing and supporting Branch Managers on daily basis.

Table 8. Salary Proposal 2

| Salary Scheme proposal for KEP HO | | |
|--|----------------------|---------------|
| Posotion / Category | Main Criteria | Salary |
| Head of Department | | |
| M5 | Edu & Exp | (Value) |
| M4 | Edu & Exp | (Value) |
| M3 | Edu & Exp | (Value) |
| M2 | Edu & Exp | (Value) |
| M1 | Edu & Exp | (Value) |
| SOO | | |
| SO4 | Edu & Exp | (Value) |
| SO3 | Edu & Exp | (Value) |
| SO2 | Edu & Exp | (Value) |
| SO1 | Edu & Exp | (Value) |
| Senior Officer | | |
| S5 | Edu & Exp | (Value) |
| S4 | Edu & Exp | (Value) |
| S3 | Edu & Exp | (Value) |
| S2 | Edu & Exp | (Value) |
| S1 | Edu & Exp | (Value) |
| Officer | | |
| O5 | Edu & Exp | (Value) |
| O4 | Edu & Exp | (Value) |
| O3 | Edu & Exp | (Value) |
| O2 | Edu & Exp | (Value) |
| O1 | Edu & Exp | (Value) |
| Assistant | | |
| A2 | Edu & Exp | (Value) |
| A1 | Edu & Exp | (Value) |

According to the interview with the KEP's HR Officer (Appendix F), it is revealed that there are no levels or grades of salaries in Head Office as well. Similar to Branch salary proposals, there must be a division of the existing positions in Head Office as well, and for every position there should be particular grades. The structure starts with the assistant position with grades A1 and A2 depending on seniority, whereas A1 is for beginners and A2 is for experienced employees. Second position is the Officer position which is proposed to be divided in five grades from O1 to O5. Senior Officer position similar to Officer position from S1, is proposed to be divided from S1 to S5. SOO position includes Specialists and Heads of Units within Head Office. There have been four levels assigned to these positions with the last layer of management board and heads of departments, which were also divided in five grades. Management Board's salary scale is a responsibility of the Board of Directors therefore, it was not included in this proposal.

As far as the criteria for Head Office is concerned, it is recommended to be based on Education level and experience. For Heads of Departments' positions besides these two criteria, there should also be considered the importance of the department, for example Head of Business and Head of Credit Risk Department, due to their importance, should be differentiated from other heads of departments. It is advised that KEP management add more criteria in defining these salary scales based on their specifics, as well as their importance and needs.

The proposal's objective is to help the management of KEP to place a more structured salary grade, which without any doubt will impact the employee satisfaction. The proposed salary division will also enable the equality creation among different positions in branches and in Head Office. If this is considered and approved by KEP management, it is believed that dissatisfaction of staff regarding base salary would be reduced. Adding the bonus scheme to this proposal which is very competitive, the overall reward package of KEP staff will be very attractive.

5.3 Staff Development

The "*key successful staff training*" depends on the individual people's ability to learn, on training methods, procedures as well as approaches. It is an ongoing process; it involves innovative ideas and methods, new technology and it is not limited to new employees only (Joshi, 2015, p. 67).

Organisational performance significantly depends on the opportunities for staff development and professional growth. Investment on employee development is returned as a benefit to the institution. Therefore, the institution's opportunities for learning are a requirement for achieving good business results through the employee development strategies. Additionally, a need for formal trainings needed to be performed by

organisations is essential for performance improvement and it is an essential tool for employee motivation and competitive advantages.

The main responsibility for the employee advancement through training methods is within the organisation, specifically with HR department, to offer opportunities for professional growth through designing, developing and implementing appropriate training programmes. These drives determine the overall employee motivation and job satisfaction, and they are an instrument to ensure the organisational performance.

As far as the Staff Development opportunities within KEP institution are concerned, as we already mentioned during the case study, KEP used to have its own subsidiary company, which was exclusively created to offer different trainings to all staff. Therefore, KEP staff had undergone through various trainings that helped them to exercise their daily job. Definitely, the subsidiary company's existence in KEP had a very positive impact in Staff Development which made KEP's staff competitive compared to their colleagues in the same industry.

But, with the closing of the subsidiary company, the level of trainings has dropped rapidly. It is suggested that previous Staff Development plan (KEP, 2017) gets restructured taking into consideration the business strategy and Staff Development needs. As per the results shown in the survey, the level of dissatisfaction of employees with Bachelor qualification in certain aspects of rewards should be taken into consideration, and it should be considered during the design of Staff Development plan in the future.

In 2016, in coordination with AMIK, KEP organized trainings which were mainly dedicated for Branch Manager positions (Appendix F). Their subject was related to soft skills development of this level of employees. In 2016, KEP organized internal trainings as well, with the aim to increase the overall knowledge of front office staff regarding internal lending methodology (160 employees). This was also reflected in the survey results where staff declared that they were satisfied with the training opportunities offered by their employer.

As the importance of staff training and development is increasing with time, in order for the organisations to remain competitive, they need to manage the update of skills through HRM strategic plans including innovation, new technology and new methodologies in line with market changes.

One important factor on enhancing the overall development of staff is assessment of training needs. As per literature review in chapter one, the training needs is linked to job analysis and standards of the specific work in one hand, and on the other hand assessing current staff skills concerning the planned standards. While the staff compliance with

required standards cannot be measured with a test, a combination of HR tools such as appraisal system, analysis of mistakes, and surveys could be used to facilitate the process.

Regarding the Staff Development in KEP Trust, we recommend that KEP needs to compile a training plan for 2017 and share this with all staff. The results show that, sales, management, financial and customer care trainings are rated higher for the importance and that external trainings were considered more beneficial especially if they are outsourced from the specialised institutions.

In the meantime, we advise KEP to compile succession planning and career path for their employees. We understood from HR Officer (see Appendix F) that currently they do not possess one, and we believe that this would help staff's vision towards their career development within KEP. Therefore, we recommend to HR department to design, and develop an assessment plan for the current staff skills within KEP Trust.

Additionally, since KEP Trust currently does not have a training programme for the new employees that join the institution, we propose to the KEP Management to put their effort to create an Induction Training Programme Plan to train new employees at the beginning of their job career with KEP. This induction training programme would contain several online programs and trainings within the KEP offices and branches to equip the employee with all the information required before they start work at this institution. Additionally, KEP should organise yearly induction training in order to keep all staff informed with the newest updates regarding technological developments, and these trainings can either be organised and helped by managers or by the responsible persons with the help and supervision of responsible managers.

As a final conclusion, KEP management needs to further analyse and propose improvements in the Reward System and Staff Development strategy. The findings suggest that staff would support a combination of base salary and performance reward (bonus) to maintain staff commitment and organisation success. While there were no significant differences in gender, further analysis should be carried out to evaluate differences in age and qualification. It is suggested that structural and technological changes might require further staff development to address specific staff categories.

Non-financial rewards are considered satisfactory and reflect the principles of the organisation. KEP seems to have a general advantage in comparison with other competitors in the market to address staff needs.

Staff development expectations in KEP Trust are influenced from previous experience with subsidiary company and the recent experience with Staff Development. At one hand, KEP should generally strengthen manager and financial trainings to address the new organisational structure of branches. Moreover, Staff Development strategy should follow

Staff Development needs and propose internal and external trainings with detailed training design, delivery and evaluation plan. HR department should anticipate changes that can be adapted on time, by discovering well in advance possible indicators and finding opportunities for providing solutions for change and improvement.

In addition, the Human Resource Management strategy in KEP Trust should consider annual staff appraisal process, as to identify problems and solutions in the business processes. Staff appraisal programme should be designed to incorporate also professional and behaviour competences previously designed, discussed and shared as to make effective expectations on standards of performance and measurement of performance.

Finally, in order to have a strong and meaningful impact in reaching institution's goals and objectives by increasing customer services, employee productivity and to create a competitive advantage in the market, the Human Resource Department in KEP Trust is required to act strategically to build the high "performance culture" incorporating the entire institution and ensuring this system aligns with KEP Trust goals and external business environment. One of the key concepts to the success is to identify the management's strategic goals where HR can realistically have an impact.

5.4 Training Plan

Based on the survey results, the external trainings are more favourable for KEP staff. In regards to this, it is required to create a training plan which will be implemented during 2017.

As it was also mentioned above, after the closure of the subsidiary company there was no training strategy in KEP, therefore, there has been a considerable period that KEP staff were not offered opportunities for their professional development. Consequently, and based on survey results, it is recommended to KEP management to start with sales training for Loan Officers. Since LO are the driving force of KEP business, it is foreseen that they need to learn different sales techniques which would be used in their daily business. Moreover, in order to follow the development of banking industry and overall market, the need for LO to be equipped with the required knowledge and skills increases rapidly. As a result, this training plan is necessary and for sure will have a positive impact on KEP business. Regarding these positions, it is anticipated that after the sales training, they should complete analytical skills training, which would increase their knowledge to be able to better analyse and identify the loan cases and applications in their branches.

As per Branch Managers' positions, it is suggested to immediately begin with the management and leadership training. Having in mind that most of the Branch Managers are of a younger age, it is considered that they need to be trained in managerial tools in order to better manage their staff and their entire branches. In Kosovo, there are few companies

that are very good and proved to be successful in delivering training programmes, therefore, it is recommended to obtain trainings from outsourced local companies. For Branch Support Officer positions it is recommend a customer care training, since employees working in these positions are front office staff offering direct services to clients. As they are not in charge of sales, it is anticipated that customer care training would help them increase the level of service in the branches.

Table 9. Training Plan

| Proposed Training Plan for KEP Employees | | |
|---|------------------------------------|--|
| No. | Training Title | Type of Training (In-house/ External) |
| 1 | Sales Training | External |
| 2 | Analytical Skills | Internal |
| 3 | Management and Leadership Training | External |
| 4 | Customer Care | External |
| 5 | Executive coaching Programme | External |
| 6 | Specific field Trainings | External |

With this set of trainings, it is expected that KEP employees improve the services and increase competitiveness compared to the competition.

Regarding the Head Office staff, HR Department should closely look into the trainings offered in the market to find a proper training for specific positions in Head Office, meaning that those positions should attend professional trainings in their field. While for Heads of Departments, it is suggested to organise trainings in soft skills containing management and leadership development programmes, in order to maximise their potential by gaining management and leadership skills. The professional development of the Management Board team is essential, therefore, an executive coaching programme from an international and experienced trainer is recommended.

According to the proposals shown in the tables above, it will be a very dynamic training year ahead for KEP staff and management that leads to believe in positive changes of the overall atmosphere and level of professionalism in this institution. Furthermore, this will help KEP to be better prepared for upcoming years. Success in business results will be inevitable.

If for any reason this proposal would seem unreachable for KEP HR and Management, we recommend to hire an external consultancy company that would be in charge of supporting

HR Department in preparing and maintaining training strategy including planning and recommendations for KEP staff training implementation. This company could be in charge from phase one which is assessment of training needs until the last phase of its implementation.

Finally, if recommendations derived from this study are considered and implemented by KEP HR and KEP Management, this would additionally become a value added to the overall organisational culture, and as it would become organisational training routine, it would position KEP as a strong player in the market.

CONCLUSIONS

The purpose of this study was to evaluate the Reward System and Staff Development at KEP Trust, a micro finance institution operating in Kosovo since 1999. The study focused on the Reward System and Staff Development drawing from HRM theoretical framework and its impact on OD. The study was based on the assumption that the organisational environment and its people are key factors in the process of change. As KEP Trust was undergoing transformational changes, the study investigated the staff satisfaction with the current reward structure and staff development practices in KEP Trust, with the purpose of drafting recommendations for future reward and staff development strategies for KEP Trust.

The study adopted a mixed methods approach with focus in two main units of analysis: the employees and the management. The study analysed KEP documents, responses to survey and the interviews with management with final integration of data analysis in the report. This approach enabled checking findings with documents collected at KEP and triangulating data from multiple perspectives. The response rate to the online survey with 75% was particularly high and therefore, presented a representative sample of the KEP employees. Additional interviews were added to the understanding of satisfaction and preferences regarding rewards and staff development.

The findings from this research contribute to the discussion on Human Resources as the main competitive advantage in the organisation (BCG & WFPMA, 2012). For KEP Trust to regain the position after structural and ownership changes in the organisation, an analysis of rewards structure and staff development strategy is beneficial for determining main drivers influencing the employee performance. The study adds to the discussion by highlighting the role of the established organisational culture in the management of employee expectations as well as the importance of alignment of salary rates with local business competition and a fair distribution among different positions. Therefore, as this study reveals, response of KEP to the crisis had negative and positive consequences on staff satisfaction and development which they will need to address in the further period.

More specifically, findings from this study reveal that the organisational structure impact job design and that changes in the structure influence management approach, human resources development and business results. For example, in the case of KEP Trust, changes in the staff structure were challenged by the need to maintain equality and later, in defining criteria to determine salary level and grades. Similarly, the lost focus on staff development during the first restructuring was challenged by the need to align HRD with strategic goals and identified main training needs and staff development approaches that would help KEP in its transition.

This study is limited to the findings generated from survey and interviews with KEP Trust staff. As such, although findings confirm main issues identified in the literature review, such as the influence of business environment, experience of the company and competences of staff in designing Reward System and Staff Development strategies, these findings are beneficial for KEP Trust Management, but they cannot be generalised to the wider cases of businesses. From what we learned from the case of KEP Trust is that the changes in the company structure and policy take huge effort to influence changes in staff expectations.

While recognising the study limitations, the study is a good basis for conducting similar studies with other institutions in Kosovo to understand issues of HRM in practice, in specific Kosovo context. The study can be used to design further research methodology to conduct comparison studies in a specific sector, provided that similar access to data is granted to researchers to access staff and managerial staff. Finally, conducting a study within a framework of master thesis contributes both to researchers' experience with consultancy type service as well as to the company with concrete conclusions and recommendations.

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APPENDICES

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Appendix A: List of Abbreviations

| Abbreviation | Meaning |
|--------------|--|
| HRM | Human Resource Management |
| OD | Organisational Development |
| KEP | Kosovo Enterprise Program |
| WFPMA | World Federation of People Management Associations |
| BCG | Boston Consulting Group |
| HR | Human Resources |
| EAPM | European Association for Personnel Management |
| SHRM | Strategic Human Resource Management |
| CIPD | Chartered Institute of Personnel and Development |
| MFI | Micro Finance Institutions |
| CEO | Chief Executive Officer |
| CCO | Chief Commercial Officer |
| CFO | Chief Financial Officer |
| CHRO | Chief Human Resources Officer |
| MBM | Management Board Memebr |
| HoU | Head of Unit |
| HoD | Head of Department |
| BSO | Branch Support Officer |
| BM | Branch Manager |
| LO | Loan Officer |
| ETE | European Transition Economies |
| UNMIK | United Nations Mission in Kosovo |
| CBK | Central Bank of Kosovo |
| AMIK | Association of Microfinance Institutions in Kosovo |
| HRD | Human Resource Department |
| MTD | Management Training and Development |
| ICMC | International Catholic Migration Commission |

Appendix B: Survey Questionnaire

Kompensimi dhe zhvillimi profesional në KEP

Të nderuar kolegë,
 Me anë të kësaj pyetëse synojmë të marrim opinionin tuaj lidhur me sistemin e kompensimit dhe zhvillimit profesional në KEP.
 Kjo do të na ndihmojë që të përmirësojmë këto dy aktivitete të rëndësishme për Burimet Njerëzore.
 Ju sigurojmë që ky hulumtim është plotësisht anonim, andaj ju inkurajojmë që të jeni sa më të saktë në përgjigjet tuaja.
 Plotësimi i kësaj pyetëse nuk ju merr më tepër se 10 minuta nga koha juaj.
 Ju falënderim për kontributin!

Kompensimi dhe zhvillimi profesional në KEP

1. Unë kam kompensim të arsyeshëm për pozitën time krahasimisht me tregun lokal.

Fuqishtëm pajtohem
 Pajtohem
 Neutral
 Nuk pajtohem
 Fuqishtëm nuk pajtohem

2. Unë jam i/e kënaqur me pagën.

Fuqishtëm pajtohem
 Pajtohem
 Neutral
 Nuk pajtohem
 Fuqishtëm nuk pajtohem

1

3. Unë jam i/e kënaqur me kompensimin e përgjithshëm (pëfshirë benefitet e punëtorëve).

- Fuqishtëm pajtohem
 Pajtohem
 Neutral
 Nuk pajtohem
 Fuqishtëm nuk pajtohem

4. Në KEP punëtorët në pozitë të njëjtë kanë pagë të barabartë (të njëjtë).

- Fuqishtëm pajtohem
 Pajtohem
 Neutral
 Nuk pajtohem
 Fuqishtëm nuk pajtohem

5. Në KEP punëtorët në pozitë të njëjtë, ata me performancë më të lartë paguhen më mirë.

- Fuqishtëm pajtohem
 Pajtohem
 Neutral
 Nuk pajtohem
 Fuqishtëm nuk pajtohem

6. Në KEP suksesi i organizatës rezulton pozitivisht në kompensim të punëtorëve.

- Fuqishtëm pajtohem
 Pajtohem
 Neutral
 Nuk pajtohem
 Fuqishtëm nuk pajtohem

7. Cili do të ishte proporcioni iuaj i preferuar në mes të pagës fikse dhe bonusit të performancës, në kompenzimin tuaj të përgjithshëm mujorë?

- Paga fikse 100%
 Paga fikse 80 % - bonus nga performance 20%
 Paga fikse 50 % - bonus nga performance 50%
 Paga fikse 20 % - bonus nga performance 80%

8. Sa janë të rëndësishme benefitet jo-financiare për ju?

- Shumë të rëndësishme
 Të rëndësishme
 Neutral
 Pjesërisht të rëndësishme
 Aspak të rëndësishme

9. Ju lutem shënoni sa janë të rëndësishme benefitet jo-financiare sipas tabelës më poshtë.

| | Shumë të rëndësishme | Të rëndësishme | Neutral | Pjesërisht të rëndësishme | Aspak të rëndësishme |
|--|-----------------------|-----------------------|-----------------------|---------------------------|-----------------------|
| Sigurimi shëndetësorë | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Fushëvitet | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Provizionet (regjira në pension) | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Mirëqajimet | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Organizimi me qëllim të socializimit të punëtorëve | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

10. Cila nga benefitet e lartëpërmendura janë më të rëndësishme për ju?

- Benefitet financiare
 Benefitet jo-financiare
 Të dyja

11. Sa jeni të kënaqur me mundësitë që ofron KEP për zhvillim profesional të punëtorëve?

- Shumë të kënaqur
 Të kënaqur
 Neutral
 Pjesërisht të kënaqur
 Aspak të kënaqur

12. Sa shpesh preferoni të merrni pjesë në trajnime profesionale?

- Më shumë se një herë në vit
 Një herë në vit
 Çdo dy vite

13. KEP ofron mundësi të mira për zhvillim të karrierës.

- Fuqishtëm pajtohem
 Pajtohem
 Neutral
 Nuk pajtohem
 Fuqishtëm nuk pajtohem

14. Sipas rëndësisë shënoni në tabelë cilat nga trajnimet ju ndihmojnë më shumë që të arrini objektivat e juaja të zhvillimit të karrierës.

| | Shumë të rëndësishme | Të rëndësishme | Neutral | Pjesërisht të rëndësishme | Aspak të rëndësishme |
|-----------------------------------|-----------------------|-----------------------|-----------------------|---------------------------|-----------------------|
| Trajnim në shpirt | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Trajnim për përkrahje ndërklienti | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Trajnim në "soft skills" | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Trajnim në aratë të financiare | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

15. Ju lutem shënoni metodat tuaja të preferuara të trajnimit.

| | Shumë i rëndësishëm | I rëndësishëm | Neutral | Pjesërisht i rëndësishëm | Aspak i rëndësishëm |
|-------------------------------|-----------------------|-----------------------|-----------------------|--------------------------|-----------------------|
| Trajnim i brendshëm (në KEP) | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Aftësim në punë | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Trajnim në mënyrë elektronike | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Kurse të ndryshme | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Trajtime jashtëm | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

16. Kur ka qenë hera e fundit që keni marrë pjesë në trajnim të brendshëm në KEP?

- Në 6 muajt e fundit
- Në 12 muajt e fundit
- Në dy vitet e fundit
- Më tepër se dy vite
- Asnjëher

17. Kur ka qenë hera e fundit që keni marrë pjesë në trajnim të jashtëm?

- Në 6 muajt e fundit
- Në 12 muajt e fundit
- Në dy vitet e fundit
- Më tepër se dy vite
- Asnjëher

18. Sa ditë përgjatë dy viteve të fundit i keni kaluar në trajnim?

- Më shumë se 5 ditë
- Deri në 5 ditë
- Deri në dy ditë
- Asnjë

5

19. Trajnimet të cilat i kam vijuar më kanë ndihmuar të përmirësoj performancën time.

- Fuqishëm pajtohem
- Pajtohem
- Neutral
- Nuk pajtohem
- Fuqishëm nuk pajtohem

20. Trajnimet janë të domosdoshme për performancën time.

- Fuqishëm pajtohem
- Pajtohem
- Neutral
- Nuk pajtohem
- Fuqishëm nuk pajtohem

21. Moshja juaj?

- 21 - 30
- 31 - 40
- 41 - 55
- Mbi 55

22. Gjinia.

- Femër
- Meshkull

23. Kualifikimi juaj.

- Shkolla e mesme
- Niveli Bachelor
- Niveli Master ose ekuivalent
- Doktoraturë

6

Survey Questionnaire translation in English language

Part 1 – Reward system

Q1: I am compensated fairly relative to my local market.

- Strongly agree
- Agree
- Neutral/ Neither agree nor disagree
- Disagree
- Strongly disagree

Q2: I am satisfied with my salary.

- Strongly agree
- Agree
- Neutral/ Neither agree nor disagree
- Disagree
- Strongly disagree

Q3: I am satisfied with my overall compensation (including staff benefits).

- Strongly agree
- Agree
- Neutral/ Neither agree nor disagree
- Disagree
- Strongly disagree

Q4: In KEP there is an equal salary for the same position.

- Strongly agree
- Agree
- Neutral/ Neither agree nor disagree

- Disagree
- Strongly disagree

Q5: In KEP employees within the same position, those with higher performance are paid better.

- Strongly agree
- Agree
- Neutral/ Neither agree nor disagree
- Disagree
- Strongly disagree

Q6: In KEP there is a good alignment between organization success and employees compensation/rewards.

- Strongly agree
- Agree
- Neutral/ Neither agree nor disagree
- Disagree
- Strongly disagree

Q7: What would be your preferred proportion between a fixed salary and performance based bonus in your total monthly compensation?

- Fixed Salary 100%
- Fixed Salary 80%, performance bonus 20%
- Fixed Salary 50%, performance bonus 50%
- Fixed Salary 20%, performance bonus 80%

Q8: How important are other financial incentives (bonuses, salary advances) for you?

- Very important
- Important
- Neutral/ neither agree nor disagree
- Partially important
- Not at all important

Q9: Please indicate how important each of the non-financial incentives is for you.

- Health insurance
- Leave days
- Promotion
- Recognition
- Socializing events

Q10: Which one of the above is more important for you?

- Financial rewards

- Non-financial rewards
- Both

Part 2 – Staff Development

Q11: How satisfied are you with the opportunities that KEP offers for professional development of staff?

- Very satisfied
- Satisfied
- Neutral
- Partially satisfied
- Not satisfied

Q12: How often do you prefer to attend professional training?

- More than once in a year
- Once a year
- Every two years

Q13: KEP offers good career development opportunities.

- Strongly agree
- Agree
- Neutral/ Neither agree nor disagree
- Disagree
- Strongly disagree

Q14: In order to help you meet your career goals, rate the importance of the areas of training you feel you could benefit from.

- Sales training
- Customer care training
- Management and leadership training
- Financial analysis training

Q15: Rate the preferred methods of training.

- Internal training (in KEP trust)
- On the job training
- Computer based training
- Attend formal courses
- External training

Q16: When was the last time you attended an in-house training by KEP?

- In the last 6 months
- In the last 12 months

- In the last two years
- More than two years ago
- None

Q17: When was the last time you attended an external training by KEP?

- In the last 6 months
- In the last 12 months
- In the last two years
- More than two years ago
- None

Q18: How many days during the last two years you have attended a training?

- More than 5 days
- Up to 5 days
- Up to 2 days
- None

Q19: The trainings I attended were effective in helping me improve my job performance.

- Strongly agree
- Agree
- Neutral/ Neither agree nor disagree
- Disagree
- Strongly disagree

Q20: Training is mandatory for my job performance.

- Strongly agree
- Agree
- Neutral/ Neither agree nor disagree
- Disagree
- Strongly disagree

Part 3 - Demographics

Q21: What is your age?

- 21-30
- 31-40
- 41-55
- 55 or older

Q22: Are you Female or Male?

- Female
- Male

Q23: What is your qualification?

- High school degree or equivalent
- Bachelor degree
- Master's degree or equivalent
- PhD

Q24: What is your position at KEP?

- Managerial position (BM, HoU, HoD, MBM)
- Non-managerial position (Officer, S. Officer, Specialist)

Appendix C: Interview Questionnaire

Following the survey and the analysis of the results from the respondents, as a part of the study one Interview Questionnaire was created to further elaborate and to understand why employees responded as they did during the survey and to recommend ideas on how should KEP Trust address those areas where employee dissatisfaction or disagreement was found.

1. On Q1: “I have a fair compensation for my position relative to the local market”, the results show that 26.45% of respondents Disagree and 4.13% Strongly Disagree making the total of the employees that showed their disagreement 30.58%.

What do you think is the reason for this dissatisfaction? How do you think this can be improved or do you have any request or recommendation for the KEP Trust management?

2. On Q2: “I am satisfied with my salary”, respondents show a high disagreement of 46.28%.

What do you think is the reason of this dissatisfaction within the employees? What are the main factors contributing to this response?

3. On Q3:” I am satisfied with my overall compensation (including staff benefits)”, 15% disagree and 1.67% strongly disagrees, with 25.83% being neutral or not very satisfied, making the total of 42.5% of KEP trust staff showing an incentive of dissatisfaction.

What do you think is the motive causing this displeasure?

4. On Q4:” In KEP there is an equal salary for the same position”, 28.57% disagree and 5.88% strongly disagree, making the total of approximately 35%.

What is your opinion regarding this? How do you think this can be improved?

5. On Q5: “In KEP employees within the same position, those with higher performance are paid better”, 30.58% disagree and 6.61% strongly disagree, approximately 37%.

Why do you think the unequal payment exists within KEP institution? How can this be improved, do you have an idea?

6. On Q11: “How satisfied are you with the opportunities that KEP offers for professional development of staff”, 27.5% are partially satisfied, 25% are neutral showing no opinion and 7.50% are not satisfied with the opportunities for professional development offered by KEP, resulting in 60% of the respondents showing their disagreement regarding the professional growth opportunities within KEP institution.

What do you think are the factors that created this rate of dissatisfaction within KEP employees?

7. On Q12: “How often do you prefer to attend professional training”, according to the answers received from the survey, 52.89% would prefer to attend trainings more than once in a year while 45.45% feel comfortable with attending a training once a year.

Do you think this is a consequence of the lack of trainings for employees?

8. On Q13: “KEP offers good career development opportunities”, the question reveal that 16.53% disagree, 4.96% strongly disagree whereas 33.06% have answered as neutral.

Do you think that there is a need within KEP institution to improve the Staff development plan and strategy? What is your recommendation in this?

9. On Q15:” Rate the preferred methods of training”. From the analysis regarding the most preferred methods of training within KEP institution, we have gained the results showing that the majority of the respondents prefer On the job training, and Internal training offered by KEP, followed by the External training and attendance to Formal courses.

Do you think there is anything that can be improved considering the staff satisfaction with the On the job training and Internal trainings offered within the institution?

Appendix D: Survey results

A descriptive analysis with the responses and percentages is extracted from survey monkey and is shown separately as a PDF.

Appendix E: Interview Transcript

Interviewee 1

1. On Q1: "I have a fair compensation for my position relative to the local market", the results show that 26.45% of respondents Disagree and 4.13% Strongly Disagree making the total of the employees that showed their disagreement 30.58%.

What do you think is the reason for this dissatisfaction? How do you think this can be improved or do you have any request or recommendation for the KEP Trust management?

Answer in Albanian:

"Sipas diskutimeve që kam pasur me një pjesë të stafit nga të gjitha degët e KEP-it (e sidomos gjatë trajnimit të mbajtur në muajin Nëntor 2016 ku përkundër që s'ka qenë temë për diskutim, çështja e pagave është diskutuar), mund të them se ky rezultat ka mund të jetë si rrjedhojë e krahasimit të pagave me punonjës të konkurrentëve tanë si psh. stafi të konkurrentët tanë (banka dhe IMF) në pozitë të njëjtë dhe me përvojë të ngjajshme me atë të stafit në institucionin tonë ka pagë më të lartë që dmth se në përgjigje stafi ynë nuk është bazuar në pagat mesatare të pozitive por në paga individuale."

Translation:

From what we can understand from the discussions in branches dissatisfaction comes from those employees that are currently working outside their home city and need to pay transport costs. They were forced by the institution to work outside of the city without covering the transport expenses and without offering them any other reward like food or flexibility in working hours.

2. On Q2: "I am satisfied with my salary", respondents show a high disagreement of 46.28%.

What do you think is the reason of this dissatisfaction within the employees? What are the main factors contributing to this response?

Answer in Albanian:

"Përpos krahasimit të pagave me konkurrentët tanë (sikurse është sqaruar në Q1 mënyra e krahasimit), ndër argumentet e përdorura nga një pjesë e stafit është se pagat do të duhej të ngriten për shkak të rezultateve pozitive të institucionit në këto vitet e fundit."

Translation:

Besides the comparison with the local competition, one of the arguments that staff was referring is that base salary should be higher since the business results were very positive during the last two years.

3. On Q3: "I am satisfied with my overall compensation (including staff benefits)", 15% disagree and 1.67% strongly disagrees, with 25.83% being neutral or not very satisfied, making the total of 42.5% of KEP trust staff showing an incentive of dissatisfaction.

What do you think is the motive causing this displeasure?

Answer in Albanian:

“Personalisht mendoj se për një pjesë të stafit ky rezultat nuk është real pasi që sa u përket kompenzimeve përmes skemës së bonusit (sidomos për BM dhe LO) unë vazhdimisht kam marrur “feedback” se ata janë shumë të kënaqur. Në këtë rast, mendoj se stafi që e ka plotësuar këtë pyetësor ka mund të niset vetëm nga kompenzimi përmes pagës për arsyet e cekura në komentin tim në Q1.”

Translation:

I personally think that for a number of staff this result is not realistic, since I have received a continuous feedback for staff satisfaction concerning compensation through the bonus scheme. In this case I think that this answer comes from staff who rely their response only on compensation from their salaries also mentioned on my answer on Q1.

4. On Q4: “In KEP there is an equal salary for the same position”, 28.57% disagree and 5.88% strongly disagree, making the total of approximately 35%.

What is your opinion regarding this? How do you think this can be improved?

Answer in Albanian:

“Në këtë rast, bazuar në diskutimet që kam pasur nëpër degë, mund të paragjykoj se ky rezultat është rrjedhojë e pyetësorëve nga BM dhe LO prandaj edhe komenti im është nga perspektiva e këtyre pozitive/rasteve. BM-të në disa raste e kanë shprehur se përkundër pozitive të njëjta nuk kanë pagë të barabartë me BM-të e degëve tjera, psh. BM me portofolio dhe me staf më të madh ka pagë të barabartë e në disa raste edhe më të ulët se BM që ka portofolio më të vogël dhe staf më pak se BM në degë tjetër. E njëjta arsye është për LO-të në disa raste përderisa në rastin e LO-ve ka LO që kanë pagën bazë më të lartë (mund të jenë 2-3 LO) dhe ka ndodh që LO-të tjerë të marrin shkas nga kjo dhe të shprehin mendimin e tyre edhe te ne.”

Translation:

In this case, based on my previous discussion in the branches, I can assume that this result is based on questionnaires from BM and LO, therefore also my comment is consequent to similar positions/ cases. BM in some occasions have expressed their opinion that there is a salary difference for the similar position, i.e.: BM with bigger portfolio and bigger number of staff has similar salary and in some cases lower salary than BM who have smaller portfolio and manage less staff than BM in other branches. The same applies for LO since there are some cases that have higher base salary, and this could have been the reason of dissatisfaction of the rest of LOs.

5. On Q5: “In KEP employees within the same position, those with higher performance are paid better”, 30.58% disagree and 6.61% strongly disagree, approximately 37%.

Why do you think the unequal payment exists within KEP institution? How can this be improved, do you have an idea?

Answer in Albanian:

“Mendoj se për shkak të nivelizimit të pagave që ka ndodhur më herët dhe me ndryshimin e rrethanave aktuale ka mund të shprehet kjo pakënaqësi sepse sasia e portofolios së degëve dhe LO-ve që nga ajo kohë e nivelizimit të pagave ka pasur rritje dhe rrjedhimisht është konsideruar se LO apo BM me portofolio më të madhe kanë angazhime më të mëdha. Performanca e tyre është konsideruar nga ata si e kënaqshme apo e lartë dhe pritjet e stafit kanë mund të jenë që nisur nga ky fakt të bëhet edhe ndryshimi apo dallimi i pagave. Një mendim/ide që ka qarkulluar shpesh nga stafi është që bazuar në përvojën e punës (stazhin) të bëhet edhe një rritje në pagën bazë.”

Translation:

I think that because of the salary harmonisation that was applied earlier and with the changes of the actual circumstances there is room for this dissatisfaction of employees, also the reason is the grows of the sizes of the portfolios in the branches, and as a consequence of this, it was concluded that LO or BM with bigger portfolios have more responsibility. Their performance was satisfactory or higher therefore, the expectations from staff could have been as a result of this fact, and they should also have different salaries. One of the ideas that was circulating around the employees is that based on the experience there should be an increase in the base salary.

6. On Q11: “How satisfied are you with the opportunities that KEP offers for professional development of staff”, 27.5% are partially satisfied, 25% are neutral showing no opinion and 7.50% are not satisfied with the opportunities for professional development offered by KEP, resulting in 60% of the respondents showing their disagreement regarding the professional growth opportunities within KEP institution.

What do you think are the factors that created this rate of dissatisfaction within KEP employees?

Answer in Albanian:

“Konsideroj se në këtë pyetje stafi është përgjigjur duke u nisur nga dëshira apo kërkesa që t’u bëhet financimi i studimeve apo kurseve të avansuara personale për të cilat stafi mund të ketë interes.”

Translation:

I consider that on this question the level of dissatisfaction comes from the fact that people are more interested to have financial support on advanced courses, MBA programs and other different courses that are on their personal interest.

7. On Q12: “How often do you prefer to attend professional training”, according to the answers received form the survey, 52.89% would prefer to attend trainings more than once in a year while 45.45% feel comfortable with attending a training once a year.

Do you think this is a consequence of the lack of trainings for employees?

Answer in Albanian:

“Bazuar në “feedback-un” tim personal nga stafi është shprehur se trajnimet e shpeshta edhe mund të pengojnë operacionet apo arritjen e targetave prandaj ky rezultat në një farë mënyre nuk më korrespondon me realitetin tim dhe rrjedhimisht nuk kam ndonjë koment më të detajuar.”

Translation:

Based on the feedback I received from the staff is that they think the trainings held very often would interfere with the business operations or target achievements, therefore this result in some way does not correspond with my reality and I don't have further comments.

8. On Q13: “KEP offers good career development opportunities”, the question reveal that 16.53% disagree, 4.96% strongly disagree whereas 33.06% have answered as neutral.

Do you think that there is a need within KEP institution to improve the Staff development plan and strategy? What is your recommendation in this?

Answer in Albanian:

“Ka nevojë për përmirësim spese si rrjedhoje kemi pasur komente nga një pjesë e stafit (edhe pse jo shumë) që aktualisht në KEP nuk ofrohen mundësi të mjaftueshme për realizimin e ambicijeve të tyre për ngritje në pozita më të larta. Mendimi im personal është se KEP në këtë rast për shkak të funksioneve dhe departamenteve të kufizuara (kur kemi parasysh shërbimet që ne ofrojmë në treg) nuk ka hapësirë të veprimit.”

Translation:

Currently there is a need for improvement since we had comments from staff (although not a lot) that currently KEP does not offer the required possibilities for staff upgrades as per their ambitions. My personal opinion is that KEP currently is facing departmental limitations (including the limited services that we offer on the market) and there is not enough space for action.

9. On Q15:” Rate the preferred methods of training”. From the analysis regarding the most preferred methods of training within KEP institution, we have gained the results showing that the majority of the respondents prefer On the job training, and Internal training offered by KEP, followed by the External training and attendance to Formal courses.

Do you think there is anything that can be improved considering the staff satisfaction with the On the job training and Internal trainings offered within the institution?

Answer in Albanian:

“Mendoj se trajnimet e ndryshme të ofruara brenda KEP-it (me trajner të brendshëm) janë fitimprurëse për diskutime dhe përmirësime të vazhdueshme përdërisa trajnimet që do të ndikonin në rritjen apo zgjerimin e njohurive (për të cilat besoj se ne si staf i KEP në përgjithësi kemi nevojë) janë ato të organizuara apo të mbajtura me trajner profesional në lëmi të caktuara.”

Translation:

I believe that the internal trainings offered within KEP (with internal trainers) are valuable for further job improvements, while trainings that would affect the increase of employee knowledge (for which I think that it is needed in KEP) should be organized and held by external professional trainers.

Interviewee 2

1. On Q1: "I have a fair compensation for my position relative to the local market", the results show that 26.45% of respondents Disagree and 4.13% Strongly Disagree making the total of the employees that showed their disagreement 30.58%.

What do you think is the reason for this dissatisfaction? How do you think this can be improved or do you have any request or recommendation for the KEP Trust management?

Answer in Albanian:

"Sipas opinionit time shumica e stafit preferon qe te kete page sipas pervojes (experiences) ne pune. Menyra e zgjedhjes se pakenaqesise mund te jete ne ndryshimet ne page duke llogaritur pervojen e punes te nje stafi qe punon ne KEP."

Translation:

I think most of our staff prefers to have salaries calculated based on the experience in KEP. Therefore the solution of the salary dissatisfaction can be paying them based on their experience in KEP.

2. On Q2: "I am satisfied with my salary", respondents show a high disagreement of 46.28%.

What do you think is the reason of this dissatisfaction within the employees? What are the main factors contributing to this response?

Answer in Albanian:

"Shumica e stafit mendon se paga baze eshte e ulet nese krahasojme me IMF-te dhe bankat tjere."

Translation:

Majority of our staff think that KEP base salary is lower comparing to other MFI's and Banks.

3. On Q3: "I am satisfied with my overall compensation (including staff benefits)", 15% disagree and 1.67% strongly disagrees, with 25.83% being neutral or not very satisfied, making the total of 42.5% of KEP trust staff showing an incentive of dissatisfaction.

What do you think is the motive causing this displeasure?

Answer in Albanian:

"Nga sa mund te kuptojme nga diskutimet e bera neper dege pakenaqesite rrjedhin nga ata punonjes qe jane duke paguar transportin per punen ku nga ana institucionit kane qene te

detyruar te punojne ne deget jashta qytetit te tyre si dhe mos kompenzimi I ushqimit per punonjes.”

Translation:

From what we can understand from the discussions in branches dissatisfaction comes from those employees that are currently working outside their home city and need to pay transport costs. They were forced by the institution to work outside of the city without covering the transport expenses and without offering them any other compensation like food or flexibility in working hours.

4. On Q4:” In KEP there is an equal salary for the same position”, 28.57% disagree and 5.88% strongly disagree, making the total of approximately 35%.

What is your opinion regarding this? How do you think this can be improved?

Answer in Albanian:

“Pakenaqesite rrjedhin nga se ende ka, qe ne te njejtat pozita te punes kane paga te ndryshme duke mos u bazuar ne kriteret e percaktuara nga institucioni.”

Translation:

The employee dissatisfaction derives from the fact that there are still employees in the same position which are being paid differently, without being based on the institution’s criteria.

5. On Q5: “In KEP employees within the same position, those with higher performance are paid better”, 30.58% disagree and 6.61% strongly disagree, approximately 37%.

Why do you think the unequal payment exists within KEP institution? How can this be improved, do you have an idea?

Answer in Albanian:

“Nga bisedat zhvilluara neper dege pakenaqesite rrjedhin si pasoje e pagese baze duke u krahasuar me performancat e degeve tjere si p.sh cdo here krahasohen LO neper deget e vogela qe kane nje portfolio te vogel dhe shperndarje te vogela me nje LO me portfolio te madhe dhe shperndarje me te medha.”

Translation:

According to our discussion with staff the dissatisfaction arising as a result of comparison of salaries (receiving same salaries) within the loan officers in smaller branches with smaller outstanding portfolio with those working in larger branches/markets and with higher outstanding portfolio.

6. On Q11: “How satisfied are you with the opportunities that KEP offers for professional development of staff”, 27.5% are partially satisfied, 25% are neutral showing no opinion and 7.50% are not satisfied with the opportunities for professional development offered by KEP, resulting in 60% of the respondents showing their disagreement regarding the professional growth opportunities within KEP institution.

What do you think are the factors that created this rate of dissatisfaction within KEP employees?

Answer in Albanian:

“Gjate diskutimeve del ne pah se stafi eshte I pakenaquire per trajnime te paketa ne nivel institucional, si dhe mbeshtetjen e institucionit ne pagesen e zhvillimin profesional te tyre.”

Translation:

During the discussion with staff we learned that they are dissatisfied with the small number of trainings offered and giving no-financial support for their professional development.

7. On Q12: “How often do you prefer to attend professional training”, according to the answers received from the survey, 52.89% would prefer to attend trainings more than once in a year while 45.45% feel comfortable with attending a training once a year.

Do you think this is a consequence of the lack of trainings for employees?

Answer in Albanian:

“Çdo here stafi e ka shpreh deshiren per organizimin e trajnimeve nga personat te profesionalizuar per qeshtje te caktuara.”

Translation:

Staff wishes to organize trainings with more qualified trainers and on specific topics.

8. On Q13: “KEP offers good career development opportunities”, the question reveal that 16.53% disagree, 4.96% strongly disagree whereas 33.06% have answered as neutral.

Do you think that there is a need within KEP institution to improve the Staff development plan and strategy? What is your recommendation in this?

Answer in Albanian:

“Ka staf qe pretendon qe te kete pozita te ndryshme ne kuader te institucionit por per shkak te struktures organizative te nje IMF-se nuk mundet qe te kemi shume mundesi per te bere me shume sesa qe ofrohet stafit tone, pasi qe ne cdo pozite me te larte stafi jone e ka perpare sine gjate perzgjedhjes.”

Translation:

There is staff that aspires to have different positions within the institution to gain multiple experience but because of the poor organizational structure of MFI there are not a lot of perspective opportunities currently although internal staff is always preferred during the recruitment processes within the institution.

9. On Q15:” Rate the preferred methods of training”. From the analysis regarding the most preferred methods of training within KEP institution, we have gained the results showing that the majority of the respondents prefer On the job training, and Internal training offered by KEP, followed by the External training and attendance to Formal courses.

Do you think there is anything that can be improved considering the staff satisfaction with the On the job training and Internal trainings offered within the institution?

Answer in Albanian:

“Metodat e trajnimit sipas mendimit tim eshte qe te vazhdohet me keto te cekura me larte si trajnime “Ne vendin e punes” por me me shume mundesi te trajnimeve nga jashte dhe pjesemarje ne kurse te ndryshme.”

Translation:

I think we have to continue with on job training and with more opportunities on external trainings and participation on different courses.

Interviewee 3

1. On Q1: “I have a fair compensation for my position relative to the local market”, the results show that 26.45% of respondents Disagree and 4.13% Strongly Disagree making the total of the employees that showed their disagreement 30.58%.

What do you think is the reason for this dissatisfaction? How do you think this can be improved or do you have any request or recommendation for the KEP Trust management?

Answer in Albanian:

“Kenaqesia nga kompenzimi gjithmon matet me krahasim dhe duke shikuar tregun (konkurentet), po rrogat baze jane me te larta se tek ne (edhe pse jo tek te gjithet, sepse ka institucione se kane rrogat per disa pozita I kane me te ulta se sa tek ne, por ashtu eshte dhe psikologjia pasi qe gjithmon krahasohesh me me te mirin dhe po ate kerkon dhe per vete). si rekomandim mendoj se duhet te behet ngritje ne paga dhe ulje ne bonus.”

Translation:

Pleasure seeking of compensation always measured by comparison and browsing the market (competitors), but base salary is higher than us (although not to all, because there are institutions that have salaries for some positions I have lower than us but as is and always match your psychology so while the mirin and if it requires and for themselves). I think that as a recommendation should be made increase in wages and decrease in bonus.

2. On Q2: “I am satisfied with my salary”, respondents show a high disagreement of 46.28%.

What do you think is the reason of this dissatisfaction within the employees? What are the main factors contributing to this response?

Answer in Albanian:

“Nderlidhet me pyetjen me larte, pasi qe paga baze nuk eshte aq e larte (nuk po mendojne per bonusa). Por mendoj gjithashtu se tek ne kemi me shume staf me pervoje dhe pagat baze per ta nese krahasohen me zyrtaret nga institucione qe jane me pervoje (e qe jane pak ne krahasim me ne) jane me te ulta.”

Translation:

This is linked to previous question, the base salary is not high (bonus not included). I think also that we have more experienced staff and their salaries are lower comparing to officers with low experience in other Institutions.

3. On Q3: "I am satisfied with my overall compensation (including staff benefits)", 15% disagree and 1.67% strongly disagrees, with 25.83% being neutral or not very satisfied, making the total of 42.5% of KEP trust staff showing an incentive of dissatisfaction.

What do you think is the motive causing this displeasure?

Answer in Albanian:

"Nuk mendoj se duhet te ipet ndonje mendim per kete pike pasiqe kompensimi ne kep (bonusi + rroga) nuk krahasohet me asnje institucion (mendoj ne aspektin pozitiv) tjetër kete e them per stafin BM dhe LO, rlo, pq dhe bso."

Translation:

Here I have no comment since compensation in KEP (salary + bonus) is not comparable with other Institutions.

4. On Q4: "In KEP there is an equal salary for the same position", 28.57% disagree and 5.88% strongly disagree, making the total of approximately 35%.

What is your opinion regarding this? How do you think this can be improved?

Answer in Albanian:

"Gjithmon ka pakenaqesi ne kete pike pasiqe gjithmon mendojme se koleget tane ne dege tjera paguhen me shume, si per stafin Bm ashtu edhe per ate LO, (pasiqe ka edhe disa qe me heret kan pas rrogat e larta dhe pas nivelizimit prap disa marrin rroge me te larte se pozita e tij).

E vetmja menyre dhe me e thjeshta per ket eshte rroga nepermjet matrices.

Pra deri ne xx portfolio paguhesh xx vlere, per xx+1 eur paguhesh me shume etj.

Deri ne xx klienta paguhesh xx, per xx+1 klient paguhesh me shume,

Per x pervoje paguhesh xx vlere, per xx+1 vit pervoje paguhesh me shume etj. Etj etj mund te behen ndarje ne disa pika.

Pra duhet te behen disa kategorizime (minimum 4 nivele te pages) sepse mund te ket rrate kur ka dallime mbi 300.000 eur ne portfolio ndersa te dy zyrtaret paguhen njesoje."

Translation:

We always have dissatisfaction in this point since we think that our colleagues in other branches are paid better. The only solution is to calculate salaries based on matrices: up to x portfolio you pay x amount, for x+1 you pay more. Up to xx clients you pay x amount, for x+1 you pay more.

5. On Q5: "In KEP employees within the same position, those with higher performance are paid better", 30.58% disagree and 6.61% strongly disagree, approximately 37%.

Why do you think the unequal payment exists within KEP institution? How can this be improved, do you have an idea?

Answer in Albanian:

“Pergjigje ne kete pyetje jane komentet me larte. Skema e bonusit eshte nje mjet shume I mire per te bere dallime ne performance por si duket tek ne po cmohet me shume paga baze, andaj me futjen e matrices ne caktimin e pages baze kjo qeshtje rregullohet.”

Translation:

The bonus scheme is a very good tool to make differences between good performers but as it seems in our institution the base salary is being valued more, therefore if a salary matrix would be implemented this problem would be solved.

6. On Q11: “How satisfied are you with the opportunities that KEP offers for professional development of staff”, 27.5% are partially satisfied, 25% are neutral showing no opinion and 7.50% are not satisfied with the opportunities for professional development offered by KEP, resulting in 60% of the respondents showing their disagreement regarding the professional growth opportunities within KEP institution.

What do you think are the factors that created this rate of dissatisfaction within KEP employees?

Answer in Albanian:

“Me sa kam ndegjuar KEP para disa vitesh ka bere pagesa edhe te studimeve te stafit (jo per te gjitha normalisht) ndersa tanime nje kohe te gjate nuk kemi pas keso benefite, mendoj qe stafi ka menduar ne kete.”

Translation:

Before we used to have financial support for studies but there is no longer a case and I think the response of the employees was related to this.

7. On Q12: “How often do you prefer to attend professional training”, according to the answers received from the survey, 52.89% would prefer to attend trainings more than once in a year while 45.45% feel comfortable with attending a training once a year.

Do you think this is a consequence of the lack of trainings for employees?

Answer in Albanian:

“Nuk kam komente.”

Translation:

I have no comments.

8. On Q13: “KEP offers good career development opportunities”, the question reveal that 16.53% disagree, 4.96% strongly disagree whereas 33.06% have answered as neutral.

Do you think that there is a need within KEP institution to improve the Staff development plan and strategy? What is your recommendation in this?

Answer in Albanian:

“Mendoj qe kjo pergjigje do te ishte tek shumica e institucioneve pasi qe jane shume staf operativ e nje Bm ose head of department, poashtu nuk ka kategorizim te pozitive (junior, senior etj) mendoj qe eshte nje pergjigje normale. Nuk kam ndonje rekomandim.”

Translation:

I think that this answer the same in all Institution since almost all have a big number of front office staff and only one manager and further I think that there is no categorization of positions.

9. On Q15:” Rate the preferred methods of training”. From the analysis regarding the most preferred methods of training within KEP institution, we have gained the results showing that the majority of the respondents prefer On the job training, and Internal training offered by KEP, followed by the External training and attendance to Formal courses.

Do you think there is anything that can be improved considering the staff satisfaction with the On the job training and Internal trainings offered within the institution?

Answer in Albanian:

“Nuk kam komente.”

Translation:

I have no comments.

Interviewee 4

1. On Q1: “I have a fair compensation for my position relative to the local market”, the results show that 26.45% of respondents Disagree and 4.13% Strongly Disagree making the total of the employees that showed their disagreement 30.58%.

What do you think is the reason for this dissatisfaction? How do you think this can be improved or do you have any request or recommendation for the KEP Trust management?

Answer in Albanian:

“Pozita e njejte nga sektori i njete financiar kjo pozite ka nje vlere me te madhe te pages.”

Translation:

The same position from the same financial sector should valued higher, therefore should be paid more.

2. On Q2: “I am satisfied with my salary”, respondents show a high disagreement of 46.28%.

What do you think is the reason of this dissatisfaction within the employees? What are the main factors contributing to this response?

Answer in Albanian:

“Faktoret te cilet mund te kene ndikim ne kete rast eshte baza e njete e pages per gjithe stafin e nje kategorie (LO) si dhe baza e njejte e pages mes pozitive te ndryshme (LO-ZMD).”

Translation:

Factors that have an impact here is same base salary for one position /category (LO) as well as same salary base for different positions (LO-BSO).

3. On Q3:” I am satisfied with my overall compensation (including staff benefits)”, 15% disagree and 1.67% strongly disagrees, with 25.83% being neutral or not very satisfied, making the total of 42.5% of KEP trust staff showing an incentive of dissatisfaction.

What do you think is the motive causing this displeasure?

Answer in Albanian:

“Kompensimi i pergjithshem Paga+Bonusi asnjehere nuk eshte kontestu perpos mendoj qe kjo pyetje ka te bej me shume me pyetjen (Q1) ku kompensimin e pages e page baze e krahasojne me sektorin e njejte.”

Translation:

Overall compensation (salary + bonus) is never been contested therefore I think that this question is linked to Q1 where base salary is compared with sector.

4. On Q4:” In KEP there is an equal salary for the same position”, 28.57% disagree and 5.88% strongly disagree, making the total of approximately 35%.

What is your opinion regarding this? How do you think this can be improved?

Answer in Albanian:

Bazuar ne informatat dhe diskutimet me staff kerkesat dhe opinionet jane te ketilla:

- Rroga baze duhet te jete me e larte
- Duhet te egziosj dallimi ne mes te LO re rrinje dhe ata me stazh me te gjate
- Duhet te egzistoj dallimi ne mes te pozitive te ndryshme(LO-ZMD)
- Staffi me nivel me te larte professional te kete difference ne page
- Rritja e portofolios -ne cdo 100,000 euro te kete rritje
- 6. Pozita e staffit udheheqes te percaktohet ne baze te portofolios, ne baze te pergjegjesise, ne baze te pregaditjes profesionale, ne baze te senioritetit(stazhi I punes)
- Stafi menagjerial eshte I interesuar te dije nivelet e kategorizimit te pagave dhe si behet strukturimi I stafit ne kete kategorizim.

Translation:

Requests and opinions of our staff are as following:

- Base salary should be higher
- The difference between new and experienced loan officer should exists
- High professional staff should have the positive difference in salary
- On every 100K increase of portfolio to have an increase on salary

- Managerial positions to be chosen based on portfolio size, responsibilities, education, seniority etc.
- Managers are interested to know how the categorization of salaries is done.

5. On Q5: “In KEP employees within the same position, those with higher performance are paid better”, 30.58% disagree and 6.61% strongly disagree, approximately 37%.

Why do you think the unequal payment exists within KEP institution? How can this be improved, do you have an idea?

Answer in Albanian:

“Pergjegje relevante per kete eshte qe perseri ai qe ka performance me te mire paguhen me mire, ketu nuk e di se cilat kane qene pyetjet mirepo po supozoj se mopajtimi eshte ne nivel te stafit menagjierial ku portofolio e nivelit te njejte paguhet ndryshe .por ka raste edhe ne kuader te LO ka diferenca te pagave ne pozite te njejte.”

Translation:

The relevance here is again that those with higher performance are better paid. I think that dissatisfaction is within the managerial positions since the same level of portfolio is paid differently .There is the same difference within loan officer positions.

6. On Q11: “How satisfied are you with the opportunities that KEP offers for professional development of staff”, 27.5% are partially satisfied, 25% are neutral showing no opinion and 7.50% are not satisfied with the opportunities for professional development offered by KEP, resulting in 60% of the respondents showing their disagreement regarding the professional growth opportunities within KEP institution.

What do you think are the factors that created this rate of dissatisfaction within KEP employees?

Answer in Albanian:

“Ne kete rast nuk po I di pyetjet por sipas pergjegjeve te cilat kane rezultuar 60% te pakenaqura mendoj se ne KEP nuk eshte zhvilluar nje program I ngritjes profesionale ne kuader te Institucionit.

Si psh: Nese nje LO eshte disa vite ne KEP, dhe arin nje maturitet te caktuar cila eshte faza tjetere ku ky do te ngritet ne pozite pra realizon ambicijet për ngritje në pozita më të larta.”

Translation:

I think that KEP doesn't have the training program that helps people to develop their professional skills .For example if one loan officer has certain years of experience and comes to a certain maturity, which is next faze and how he or she will meet his or her ambition of having higher position.

7. On Q12: “How often do you prefer to attend professional training”, according to the answers received form the survey, 52.89% would prefer to attend trainings more than once in a year while 45.45% feel comfortable with attending a training once a year.

Do you think this is a consequence of the lack of trainings for employees?

Answer in Albanian:

“Mvaresisht prej trajnimeve nje pjese e stafit preferoj te kete maximum 2 trajnime ne vit.”

Translation:

Depending on the trainings, a part of staff prefer maximum 2 trainings per year.

8. On Q13: “KEP offers good career development opportunities”, the question reveal that 16.53% disagree, 4.96% strongly disagree whereas 33.06% have answered as neutral.

Do you think that there is a need within KEP institution to improve the Staff development plan and strategy? What is your recommendation in this?

Answer in Albanian:

“Mendimi im eshte se KEP I ofron career development por nuk eshte I mjaftueshem dhe se duhet te kete nje plan dhe strategji per per staff development.”

Translation:

My opinion is that KEP offers career development but this is not sufficient and there should be a plan and strategy for staff development.

9. On Q15:” Rate the preferred methods of training”. From the analysis regarding the most preferred methods of training within KEP institution, we have gained the results showing that the majority of the respondents prefer On the job training, and Internal training offered by KEP, followed by the External training and attendance to Formal courses.

Do you think there is anything that can be improved considering the staff satisfaction with the On the job training and Internal trainings offered within the institution?

Answer in Albanian:

“Pershtypja e pergjithshme eshte qe perpos trajnimeve te brendshme duhet edhe trajnime adekuate nga trajnuesit e jashtem ne trajnimit e stafit dhe ngritjen e kapacitetve per stafin. Nje prej qeshtjeve qe duhet te mirret parasysh eshte se stafi dhe deget jane te interesuar qe ne kuader te institucionit te ekzistoj plani i trajnimeve i percaktuar me kohen e trajnimit ne menyre qe deget pastaj ne kuader te ketij trajnimit te orientohet ne kerkimin e trajnimit adekuat per stafin perkates.”

Translation:

The general impression is that regardless of the internal trainings there is a need for adequate trainings from external trainers for staff capacity development. One of the issues to be considered is that staff and branches are interested to have an existing training plan within the institution arranged with schedule in order for the branches to be able to coordinate the requirements of the training for the selected staff.

Interviewee 5

1. On Q1: "I have a fair compensation for my position relative to the local market", the results show that 26.45% of respondents Disagree and 4.13% Strongly Disagree making the total of the employees that showed their disagreement 30.58%.

What do you think is the reason for this dissatisfaction? How do you think this can be improved or do you have any request or recommendation for the KEP Trust management?

Answer in Albanian:

"Une mendoje se duhet te punohet ne drejtim te rritjes se pages baze ndersa te ulet bonusi. Jemi te vetedishem qe me skeme te bonusit jemi me te miret ne treg. Besoj qe pakenaqesia ne kete hulumtim ka ardh nga stafi i vjeter i cili preferon rritje te pages baze."

Translation:

I think that there is a need to further develop the salary scale for the increase of base salary and decrease of bonus. We are aware that we are best in the market as far as the bonus scheme is concerned. I believe the dissatisfaction reflected in this survey is a result of the staff who has been employed for longer period, and it is expecting the base salary increase.

2. On Q2: "I am satisfied with my salary", respondents show a high disagreement of 46.28%.

What do you think is the reason of this dissatisfaction within the employees? What are the main factors contributing to this response?

Answer in Albanian:

"Pakenaqesia ne kete pyetje rrjedh sepse paga duhet te caktohet ne baze te portfolios se deges. Pra, kemi Branch Managers (BM) te cilet kane portfolio dhe dege me te vogel ndersa paguhet me mire se Manager i deges me portfolio me te madhe. Kjo duhet te rregullohet"

Translation:

Dissatisfaction shown on the answers to this question is a result of the missing scheme of the salary based on the portfolio of the branch. There are BM who have smaller branches and portfolios and are paid better than the BMs of the branches with bigger portfolio.

3. On Q3:" I am satisfied with my overall compensation (including staff benefits)", 15% disagree and 1.67% strongly disagrees, with 25.83% being neutral or not very satisfied, making the total of 42.5% of KEP trust staff showing an incentive of dissatisfaction.

What do you think is the motive causing this displeasure?

Answer in Albanian:

"Kompensimet e pergjithshme jane ne nivel shume te kenaqshem, thene shkurt stafi yne i ka te gjitha duke fillu nga pushimet, health insurance, telefonin, bonusin, eventet e ndyshme te socializimit. Asgje nuk mungon sa i perket benefiteve."

Translation:

The overall compensation are in a very satisfactory level, in other words our staff have all the benefits including leave, health insurance, phone, bonus, different socializing events. There is nothing missing in benefits.

4. On Q4:” In KEP there is an equal salary for the same position”, 28.57% disagree and 5.88% strongly disagree, making the total of approximately 35%.

What is your opinion regarding this? How do you think this can be improved?

Answer in Albanian:

“Ketu pakeaqeisa mendoj se vjen nga pozita e Branch Managers dhe collection officers. Vetem ne keto dy pozita ka dallime ne paga ne pozite te njejte.”

Translation:

I think that the dissatisfaction answers here are form the BMs and Collection officers. Only in these two positions there is a difference in salary for the same position.

5. On Q5: “In KEP employees within the same position, those with higher performance are paid better”, 30.58% disagree and 6.61% strongly disagree, approximately 37%.

Why do you think the unequal payment exists within KEP institution? How can this be improved, do you have an idea?

Answer in Albanian:

“Sic e cekta me larte ketu duhet te punohet ne pagen baze.”

Translation:

As I mentioned above, there is a need for improvement in base salary scale.

6. On Q11: “How satisfied are you with the opportunities that KEP offers for professional development of staff”, 27.5% are partially satisfied, 25% are neutral showing no opinion and 7.50% are not satisfied with the opportunities for professional development offered by KEP, resulting in 60% of the respondents showing their disagreement regarding the professional growth opportunities within KEP institution.

What do you think are the factors that created this rate of dissatisfaction within KEP employees?

Answer in Albanian:

“Mundesia per zhvillim profesional ne kuptimin e ndyshimit apo avansimit ne pozite nuk ka. Pra, nuk ka carrier development plan. Mendoj qe nuk po i ipet mundesia e avansimit stafit te brendshme por po rekrutohen persona nga jashte.”

Translation:

There is no professional development opportunities in the context of change op advancement of staff. So there is no career development plan within the institution. I think that the existing staff is not being offered opportunities for advancement, but instead additional new staff is being hired.

7. On Q12: “How often do you prefer to attend professional training”, according to the answers received from the survey, 52.89% would prefer to attend trainings more than once in a year while 45.45% feel comfortable with attending a training once a year.
Do you think this is a consequence of the lack of trainings for employees?

Answer in Albanian:

“Preferencat e mia sa i perket trajnimeve varen nga lloji i trajnimit. Preferoj te vijoj trajnime nga jashte me shpesh nderkaq trajnimi i brendshem eshte i mjaftueshem te jete nje here gjate vitit.

Translation:

My preference on training occurrence depend from the type of training. I prefer to attend external training more often whereas internal training would be sufficient to attend one a year.”

8. On Q13: “KEP offers good career development opportunities”, the question reveal that 16.53% disagree, 4.96% strongly disagree whereas 33.06% have answered as neutral.
Do you think that there is a need within KEP institution to improve the Staff development plan and strategy? What is your recommendation in this?

Answer in Albanian:

“Mendoje qe KEP nuk ofron mundesi adekuate te zhvillimit profesional.”

Translation:

I think KEP does not offer adequate career development opportunities.

9. On Q15: “Rate the preferred methods of training”. From the analysis regarding the most preferred methods of training within KEP institution, we have gained the results showing that the majority of the respondents prefer On the job training, and Internal training offered by KEP, followed by the External training and attendance to Formal courses.
Do you think there is anything that can be improved considering the staff satisfaction with the On the job training and Internal trainings offered within the institution?

Answer in Albanian:

“Nuk pajtohem me pergjegjen . Mendoje qe eshte keqkuptu pyetja. Trajnimet e brendshme e kan humb efektin. Trajnimet e jashtme duhet te kene prioritet.”

Translation:

I don't agree with the answer, I think that the question was misunderstood. Internal trainings have lost their effect. External trainings should have priority.

Appendix F: Interview with HR Officer in KEP Trust

Q1. Can you describe HR responsibilities and staff structure in KEP?

A: KEP reputation and standing is determined by the appearance, conduct, and ethical standards of its employees. The functioning of the HR Department has a crucial role in meeting KEP's objectives and strategies and its role is to create the climate and conditions to enable the individual and collective contribution of all employees for the success of the institution. Main responsibilities and functions of HR Department are Human Resources planning and remuneration, Recruitment and Training.

The current KEP HR Department consists of three people and it is divided in two units: Administration Unit and Recruitment Unit managed by Chief HR Officer (CHRO), Senior HR Officer and HR. Administration unit is mainly dealing with payroll, employee contracts, maintaining of employee database, and the main employee statistics and reports. Recruitment unit is responsible for hiring, managing the leave applications, maintaining the employee files and all other HR reports.

Q2. Can you describe how is the reward system developed in your institution?

A: We had a salary scheme which was a separate document while all other benefits were part of HR manual. Operating as an NGO, the revenue was distributed among all staff members through different forms such as: base salary, bonus for holidays, performance bonus, end of the year bonus and thirteenth salary. Additionally, employees received non-monetary rewards similar to different socializing events, lots of staff trips, and different meetings organized outside the country.

In 2012 we developed new salary scheme and in the same time we modified the staff benefits and HR manual. Reward system was based on the following components: skill rate, employment contract, performance evaluation and legal compliance. This process was influenced by the Instruction strategy which was the transformation to commercial bank.

Q3. What does transformation to commercial bank mean?

A: In 2012, the main focus of KEP management was the transformation of KEP into the bank. There were very promising discussion with international banks but this process failed due to legal constrains that were pop upped meanwhile. The transformation process had a huge impact on staff motivation and overall business performance of the institution.

Q4. Does this process have its own consequences?

A: Yes. As in 2010 KEP marked a business decline, we were undergone through the restructuring process. Restructuring required cutting rewards those being more

conservative regarding reward and removing some of monetary and non-monetary rewards from the system. Restructuring was the biggest consequence.

Q5: From the interview with Branch supervisor the current bonus scheme within KEP Trust is very attractive. Can you please elaborate further the influence that this tool has in you institution?

A: Despite the motivational impact that current bonus scheme has on KEP employees, it is also positively associated with staff turnover. It influenced the improvement of the quality of recruitment since the qualified employees from other renowned financial institutions apply for jobs in KEP.

As far as the business results are concerned this bonus scheme is a strong indicator on the increase of overall institution's positive performance.

Q6: Regarding the current salary scale in KEP Trust, do you think there are any discrepancies?

A: Yes, there are discrepancies presently in our institution as there is a gap between some salaries, meaning that there is no clear criteria on how to determine the salary level. As an example there is a number of Branch Managers paid higher than their colleagues on the same positions in different locations, even though they have lower branch outstanding portfolios and smaller numbers of employees to manage with less responsibilities. This discrepancy is also present at Head Office positions.

Q7: During our discussion, you mentioned that KEP Trust currently is on a better financial position. Will this improvement have an impact regarding possible upgrades of salary scale?

A: Definitely, the improvement of our institutions performance, creates opportunity for review and further upgrade of salary structure, with the focus on base salary.

Q8. Is the training part of HR department objectives?

A: Yes, we have training plan. This plan is carrying out the first phase of training and development, which is needs assessment. Assessment phase initially was planned to be accomplished by the end of May 2016 but this was postponed until March 2017 and it will be followed by the second training phase which is implementation.

Q9: In order to better identify the training needs within KEP Trust, did you consult any professional external Institution?

A: Besides the internal assessment done by Human Resource department, we also engaged two external training institutions in the assessment phase to help identifying the training needs of KEP Trust staff. Currently the undergoing assessment phase will be followed by the training phase – implementation.

We also cooperate with AMIK which is Association of Microfinance Institutions in Kosovo. They often organise trainings mainly in soft skills. In particular we cooperated with them during the trainings of Branch managers.

Q10: Does KEP HR department have a succession planning and career path?

A: Currently HR department within KEP Trust does not have succession planning and career path.

Q11: Do you have any proposal for the improvements in the current Reward system and Staff development strategy at KEP?

A: Due to rapid growth and huge improvement of KEP's business results during 2016, I think that there is greater possibility to develop a new reward system as well as staff training plan. I think that management is working hard on these two topics and they are preparing a proposals in order to present in the next meeting of the Board of directors for their approval. I hope that we will have both effective from second quarter of 2017.