

**CZECH UNIVERSITY OF LIFE SCIENCES**  
**PRAGUE**

**FACULTY OF ECONOMICS AND MANAGEMENT**  
**AGRICULTURAL ECONOMICS AND MANAGEMENT**



**Bachelor Thesis**

**THE ROLE OF HR IN A MODERN CZECH COMPANY**

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### **Affirmation**

I hereby declare that I have worked on my Bachelor Thesis titled '**The role of HR in a modern Czech company**' solely and completely on my own and that I have marked all quotations in the text. The literature and other material I have used are mentioned in the References section of the Thesis.

Prague, 30.4.2009

.....  
Ondřej Lauko

### **Acknowledgement to the supervisor**

I would like to thank Mr. Richard Selby for his supervision and an effort he made to make sure that this thesis fulfills its objectives.

# **ROLE HR V MODERNÍ ČESKÉ FIRMĚ**

## **Souhrn**

Tato bakalářská práce pojednává o důležitosti řízení lidský zdrojů v českých společnostech. V detailu se věnuje jednotlivým úkolům oddělení lidských zdrojů a vysvětluje jejich význam ve vztahu k zaměstnancům, ale také k obchodní strategii společnosti. Nakonec je uvedeno několik společností, které byly zkoumány z HR hlediska. Bylo zde demonstrováno několik praktických situací spojených s touto problematikou. Na základě tohoto průzkumu byly zmíněny postřehy a podněty, které nastiňují zaměstnavateli, jak lépe uchopit HR a lépe porozumět jeho významu a důležitosti.

**Klíčová slova:** HR, HRM, HR strategie, recruitment, motivace, vzdělávání, rozvoj pracovníků.

# **THE ROLE OF HR IN A MODERN CZECH COMPANY**

## **Summary**

This bachelor thesis suggests the importance of HRM as such in Czech companies. It describes in detail particular tasks of HR department and explains their importance in relation to their employees as well as business strategy. Eventually, there are several companies presented which were closely studied from the HR perspective in order to demonstrate practical issues linked with this problematic. Based on the research that was conducted in these companies, a few remarks and initiatives are mentioned in the bachelor thesis as to how one can better cope with HRM and understand its significance.

**Keywords:** HR, HRM, HR strategy, recruitment, motivation, education, development of staff.

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# **1 INTRODUCTION**

My Bachelor thesis regards the importance of human resource management in a company as being, to a great extent, connected with a good atmosphere in a company, satisfaction and working fulfillment of staff, appropriately balanced working utilization of particular job vacancies, optimization of costs and, ultimately, a maximized profit in a company.

After 1989, having seen a lot of potential and many gaps on the market of goods and services, we registered a tremendous growth of businesses in the Czech Republic. Understandably, entrepreneurs started developing their plans and strategies and employing a relatively cheap Czech labor force. However, with a consistent growth number of companies and improving Czech economy with a much greater demand for human resources than ever, we have noticed a rapid salary growth and employees' higher standards. This has reflected the need to focus on and correctly manage the human resources in a company in order to stay competitive.

I assume that the current personnel strategy and human resources management in the Czech Republic is not on such a level compared with western countries which have already undergone this stage of development. That is why I am concerned about this problem.

## **2 OBJECTIVES OF THESIS AND METHODOLOGY**

### **2.1 OBJECTIVES OF THESIS**

The objective of my thesis is to specify distinct methods and aims of the HR department in a company that may help better cope and use potential of their staff. I am also intent on clarifying the tasks of the HR department and suggesting some theoretical initiatives based on practical examples that could enhance the efficiency and the approach towards employees.

Thus, Czech companies could keep abreast of certain problems and avoid situations that could cause their employees instability.

### **2.2 METHODOLOGY**

Besides studying, I also work for as a personnel consultant for Mita Thor international, s.r.o. - hereinafter referred to as the company. The company has been working in the area of HR for nearly 20 years. During this period, it has realized a number of services and projects for its clients such as:

- Recruitment and executive search of personnel
- Assessment of employee's capabilities: psychological diagnostics, assessment and development centers
- Screening and evaluation processes of working groups
- Personnel, managerial and process audits
- Company research and analysis: corporate culture, climate, risk factors, employees' satisfaction and motivation, management style etc.
- Optimization of HRM systems and implementation of HR management tools

The company has a wide range of clients from small to big companies with either Czech or international background. The clients work in the different areas such as IT, engineering, building industry, telecommunication, food industry, FMCG, etc.

Based on this experience, I am going to put together the most common issues that Czech and international companies with Czech subsidiaries are dealing with and I am going to present suggestions and initiatives as to how companies can forestall, tackle and solve the problems regarding HR.

The suggestions and initiatives will be based on the following methods used in the projects that the company has carried out:

- desk research – internal document study
- questionnaires
- directed individual interviews
- semi structured individual interviews
- eventual workshop and directed group discussions

## **3 LITERATURE OVERVIEW**

### **3.1 THE DEVELOPMENT OF HR MANAGEMENT**

Although the meaning of HR management appears to be palpable at this time, its concept and idea has developed for several decades and it took a lot of effort to bring it where it is right now.

4 models were presented regarding HR development by *Milkovich and Boudreau (1997)*\*:

#### ***3.1.1 Industrial model***

The first HR practitioners were the ones, who hired, fired, and supervised their workers. In 1920s, “personnel departments” emerge as a result of labor shortages and the development of psychological testing.

There was also more and more attention paid to the scientific studies of work, such as those by Frederick W. Taylor, Abraham Maslow (hierarchy of needs) and Douglas McGregor (Theory X and theory Y).

In 1930s, the attention to HR decreased due to the Great depression. However, the subsequent rise of strikes and unions led to more specializations in the form of negotiators and labor relations specialists. At the same time, the Hawthorne experiments, a classic study of group behavior conducted in the 1920s and 1930s at the Hawthorne Works of the Western Electric Company in Chicago showed that paying attention to employees could increase productivity and morale, so another set of processes was designed to enhance employment relations, such as job enlargement, employee communications, and so on.

In 1950s, number of unionism and strike activities culminated. As a result of that employers started to look for ways to reduce unrest and codify the employment relationship. This led to the ***industrial model*** of human relations, with its focus on work rules, clear job ladders, seniority based rewards and administration of often complex contractual employment relationships. Performance appraisal systems and other specialized bureaucratic rules created a strong demand for HR specialists.

#### ***3.1.2 Investment Model***

In 1960s and 1970s, there was a shift from the focus on labor relations to personnel management. Legislation was the key input to this development. Much of the equal employment opportunity legislation was passed in the 1960s, creating a need for professionals who could interpret the law and implement appropriate policies. The ***investment model*** emerged. The key focus of this model was placed on giving employee’s discretion, enriching jobs, lifetime employment, employee socialization,

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\* [10] Milkovich, T. and John W. Boudreau: Human resource management (8<sup>th</sup> edition), Irwin/McGraw-Hill, 1997, p. 642-644

etc. Morale became a key indicator of success and the idea of HR as an integrated set of activities designed to help employees and the organization achieve its goals became accepted.

### ***3.1.3 Involvement model***

The 1980s and 1990s are characterized by greater economic pressures, global competition and more opportunities. One response has been the involvement model, with increasing employee involvement through enriched jobs, teams, high trust, and mutual goals, all of which are supported by careful selection, stable employment, a commitment to provide development opportunities, incentive pay, flexible benefits and extensive communication. The era of the more self-reliant employee has emerged. Its model is based on a more independent philosophy. The role of HR in such organization is evolving from the traditional advisor to top management and administrator of programs, to a much closer connection with the employees and the leaders of the business units.

### ***3.1.4 High Flex model***

This problem addresses the question of centralized and uniform HR, with a large corporate staff to determine uniform policies for the organization. Instead, the decentralized mode is brought in question. This model is characterized by “SWAT” team of leaders with broad experience and knowledge about the business and its units. This leadership team chiefly provides broad guidance within which the business units determine policy. The responsibility in the decentralized model rests with the HR “account managers” and “vendors.” They serve as internal consultants to the business units, fashioning HR policies as needed to fit the business needs.

## **3.2 THE PURPOSE OF HUMAN RESOURCE DEPARTMENT IN A COMPANY**

### ***3.2.1 The overall role of the HR department***

It can be said that the HR department has gradually become one of the most crucial parts of a company. ‘HRM enables the organization to achieve its objectives by taking initiatives and providing guidance and support on all matters relating to its employees. The basic aim is to insure that the organization develops HR strategies, policies and practices that cater effectively for everything concerning the employment and development of people and the relationships that exist between management and the workforce.’\*

‘The practice of modern human resource management is directed towards providing conditions under which people work willingly and effectively, and contribute to the

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\* [1] Armstrong, M.: Human resource management practice (10<sup>th</sup> edition), Cambridge University press, Great Britain, 2007, p. 54,57

success of the organization. This involves concern for employee motivation and job satisfaction.<sup>[11]</sup>

*As Armstrong (2007)\** suggested, the HR department is concerned with the achievement of continuous improvement in organizational and individual performance and in the HR processes that support that improvement. Therefore, it is also concerned with facilitating change.

*As Purcell (2001)\** wrote in his book that change is especially important in HRM strategies, since their concern is with the future, the unknown, thinking of and learning how to do things differently, undoing the ways things have been done in the past, and managing its implementation. He believes that the focus of strategy is on implementation where HR can play a major part

One must not forget, as *Armstrong (2007)\** believes that the organization and staffing of the HR function clearly depends on the size of the business, the extent to which operations are decentralized, the type of work carried out, the kind of people employed and the role assigned to the HR function.

### **3.3 HR STRATEGY AND ITS DEFINITION**

One of the most vital role and the main tasks of the HR department is to determine the HR strategy. According to *Armstrong (2007)\** description, HR strategy sets out what the organization intends to do about the different aspects of its human resource management policies and practices. It is integrated with the business strategy and each other.

#### ***3.3.1 The purpose of the HR strategy***

*Armstrong (2007)\** wrote in his book that the purpose of HR strategies is to guide HRM development and implementation programs. They provide a means of communication to all concerned the intentions of the organization about how its human resources will be managed. They provide basis for strategic plans and enable the organization to measure progress and evaluate outcomes against objectives. HR strategies provide visions for the future, but they are also vehicles that define the actions required and how the vision should be realized.

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\* [13] Purcell, J: The meaning of strategy in human resource management, in Human resource management (2nd edition), Thompson learning, London, 2001

\* [1] Armstrong, M.: Human resource management practice (10<sup>th</sup> edition), Cambridge University press, Great Britain, 2007, p. 123,124

### ***3.3.2 Types of strategies***

Based on the research conducted by *Armstrong and Long (1994)\** and *Armstrong and Baron (2002)\**, they are two basic types of HR strategies:

#### **Overarching HR strategies**

They describe the general intentions of the organization about how people should be managed and developed, what steps should be taken to ensure that the organization can attract and retain the people it needs, and ensure so far as possible that employees are committed, motivated and engaged. They are likely to be expressed as broad-brush statements of aims and purpose that set the scene for more specific strategies.

#### **Specific HR strategies**

They set out what the organization intends to do in areas such as:

- Talent management
- Continuous improvement
- Knowledge management
- Learning and development
- Reward
- Employee relations

*Armstrong (2007)\** correctly stressed that coherent and integrated HR strategies are only likely to be developed if the top team understands and acts upon the strategic imperatives associated with the employment, development and motivation of people. This will be achieved more effectively if there is an HR director who is playing an active and respected role as a business partner. A further consideration is that the effective implementation of HR strategies depends on the involvement, commitment and cooperation of line managers and staff generally.

### ***3.3.3 HR strategy development***

To correctly determine any personnel intentions with a company, HR department must be aware of fundamental factors that affect the HR strategy.

These factors consist of:

1. business strategy
2. a number and hierarchical structure of employees
3. location of a company
4. labor force standards in the particular location of a company
5. sufficiency or shortage of specialist needed in a company
6. ethics of a company
7. conviction of TOP management
8. situation on the market

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\* [2] Armstrong M and Long P: The Reality of Strategic HRM, IPD, London, 1994

\* [3] Armstrong, M and Baron, A: Strategic HRM – The key to improved business performance, CIPD, London (2002)

\* [1] Armstrong, M.: Human resource management practice (10<sup>th</sup> edition), Cambridge University press, Great Britain, 2007, p. 132

### ***3.3.4 Business strategy***

One of the conditions of HR strategy is that it should be aligned to the business strategy and it should fit the organizational culture.

The key business issues as *Armstrong (2007)*\* listed that may impact on HR strategies:

- Intentions concerning growth or retrenchment, acquisitions, mergers, diversification, product development
- Increasing competitive advantage through innovation, cost reduction
- The felt need to develop a more positive, performance oriented culture, commitment, communication, involvement, team-working, etc.

### ***3.3.5 Implementation of HR strategy***

As *Armstrong (2007)*\* suggested, there are certain barriers which need to be overcome when implementing HR strategies. To do so, it is necessary to:

- Conduct a rigorous preliminary analysis of needs and requirements
- Formulate the strategy
- Enlist support for the strategy
- Assess barriers and deal with them
- Prepare action plans
- Project-manage implementation
- Follow up and evaluate progress so that remedial action can be taken as necessary

## **3.4 RECRUITMENT AND ADAPTATION OF STAFF**

### ***3.4.1 Recruitment of staff***

Finding a right employee for a right job is a ground for being successful.

The way of recruiting depends strongly on the size of a company. It is certainly worth for a big corporation to establish an agenda within the HR department which takes care of seeking new employees, adapting them and preparing the working contracts for them.

At this time, there is also a possibility to hire a company which specializes on recruiting personnel for its clients. This is the case for small or middle companies that don't have recruitment divisions and the seeking itself would be very costly and time consuming. The big companies use also these services for instance in case that there is a lack of specialists for the desired vacancy and they want to increase the probability of finding a right candidate.

The companies seeking candidates are usually personnel agencies which offer number of other services besides recruitment which are closely connected with seeking and development of employees.

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\* [1]Armstrong, M.: Human resource management practice (10<sup>th</sup> edition), Cambridge University press, Great Britain, 2007, p. 134,135,145

### **The services include:**

- Recruitment and executive search of personnel
- Assessment of employee's capabilities: psychological diagnostics, assessment and development centers
- Screening and evaluation processes of working groups
- Personnel, managerial and process audits
- Company research and analysis: corporate culture, climate, risk factors, employees' satisfaction and motivation, management style etc.
- Optimization of HRM systems and implementation of HR management tools

### **There are several conditions that need to be determined when seeking an employee:**

- Requirements for the job (education, working experience, other desired skills, type of personality, characteristic features, etc.)
- Job description (comprises tasks that the particular person will be in charge of)
- What the company offers (benefits, career development, salary, etc.)

Each of these conditions completes one another and they need to be kept in mind. Now, we also need to notify that we are not seeking a perfect candidate because they don't exist. We seek the optimal candidate for the job. Thus the candidate still has a room to improve and learn new things and therefore, he/she won't have any intentions of seeking out a new job.

During the recruiting process, which usually comprises maximally up to 3 interviews, it is nearly impossible to get to know the candidate to an extent of being completely convinced about her/his qualities.

That is why; it is useful to test the candidate in order to decrease the risks of hiring a bad employee which is very inconvenient when you think of the costs connected with adaptation and a quite low profitability of the employee during the first 3 months. Of course, it depends on the vacancy that we seek. We don't want to undergo this complicated process for every single worker. This procedure regards mostly specialists and management.

We can use the services offered by personnel agencies as: Assessment of employee's capabilities and psychological diagnostics. This will help us eliminate candidates not suitable for the job and choose the ones that seem to have the required capabilities and attributes.

### ***3.4.2 Assessment centre***

**Assessment centre** is an efficient recruitment method that is usually realized when selecting candidates who need to be assessed according to certain capabilities which are related to a particular vacancy.

Most of the time, the AC takes one day in which participants have to undergo a number of tasks (practical exercises, model situations, case studies, psychological tests, questionnaires, etc.) while they are observed and evaluated according to criteria and competencies determined beforehand. They are evaluated by external and internal assessors who are specially trained for these kinds of activities.

AC actually brings a complex view on every single participant and the group as a whole as well. Not only does it represent the opportunity to map out the actual level of capabilities, but also the potential for the next development of participants. During the AC, it is also worth concentrating on motivation, will and desire of a participant to actively work on his/her career growth and development.

One of the great advantages of AC is the possibility to compare the final results about participants between the internal assessors that are aware of the internal culture, atmosphere and processes and external assessors and specialists who are independent and look at participants from a different perspective.

When the AC is finished, all the candidates are properly evaluated and a final report is processed. The evaluation of the candidates is a matter of discussion between internal and external lecturers who specify their observations and try to determine whether a certain participant is convenient for a particular vacancy or not. The final reports are then processed by assessors who were present throughout the program and therefore, were able to get a picture of the candidates about their skills, aspirations and motivation regarding a particular job.

### ***3.4.3 Adaptation of staff***

When the recruitment process is finalized, it is the right time to focus on the adaptation of an employee. It is proper to sit down with the future employee and ask him/her what he expects from the first e.g. 6 months of the job. What would he/she like to learn, do, achieve? Together with these things, we should add to it our remarks and let's say goals which we would like him/her accomplish.

The new employee and the manager should agree on these resolutions and put them on a contract. It will be possible to better evaluate the performance of a new employee in accordance with this plan and ask questions if some of the activities and results don't adhere to it. It is very useful to stick to this process and let an employee know that we are interested in his/her smooth adaptation process and also expect complying with goals that were set at the beginning.

## **3.5 EDUCATION AND DEVELOPMENT**

### ***3.5.1 Education defined***

It is a process in which people can demonstrate that they know something that they did not know before.

#### **Honey et al (1996)\* categorizes these Types of learning:**

1. Instrumental learning – learning how to do the job better once the basic standard of performance has been attained. Helped by learning on the job
2. Cognitive learning – outcomes based on the enhancement of knowledge and understanding.
3. Affective learning – outcomes based on the development of attitudes or feelings rather than knowledge.
4. Self reactive learning – developing new patterns of understanding, thinking and behaving and therefore creating new knowledge

### ***3.5.2 Aim of learning***

The Aim of the learning is to provide employees with new knowledge, capabilities and knowhow that are beneficial for them as well as for an organization.

When setting up an education program, one needs to make certain that people in the organization are motivated to learn. They have to be familiar with the importance and usefulness of the particular learning program. Therefore, they have to recognize the skills and knowledge that needs to be developed in order to perform more efficiently and with higher satisfaction of theirs and others as well.

#### **The essential factors of learning:**

- To have learning goals set by employees and line managers together
- The learning outcome must be clear
- Employees need a sense of direction and feedback
- To divide learning program into parts with objectives

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\* [8] Honey, P and Mumford, The Manual of learning styles (3<sup>rd</sup> edition), Honey Publications, Maidenhead, 1996

There is a spectrum of learning as defined by *Watkins and Marsick (1993)\**, from informal to formal, as follows:

- New job assignments and participation in teams, or other job related challenges that provide for learning and self-development
- Self-initiated and self-planned experiences, including the use of media and seeking out a coach or mentor
- Total quality or improvement groups/active learning designed to promote continuous learning for continuous improvement
- Providing a framework for learning associated with personal development planning or career planning
- Designed programmes of mentoring, coaching or workplace learning
- Formal training programmes or courses involving instruction

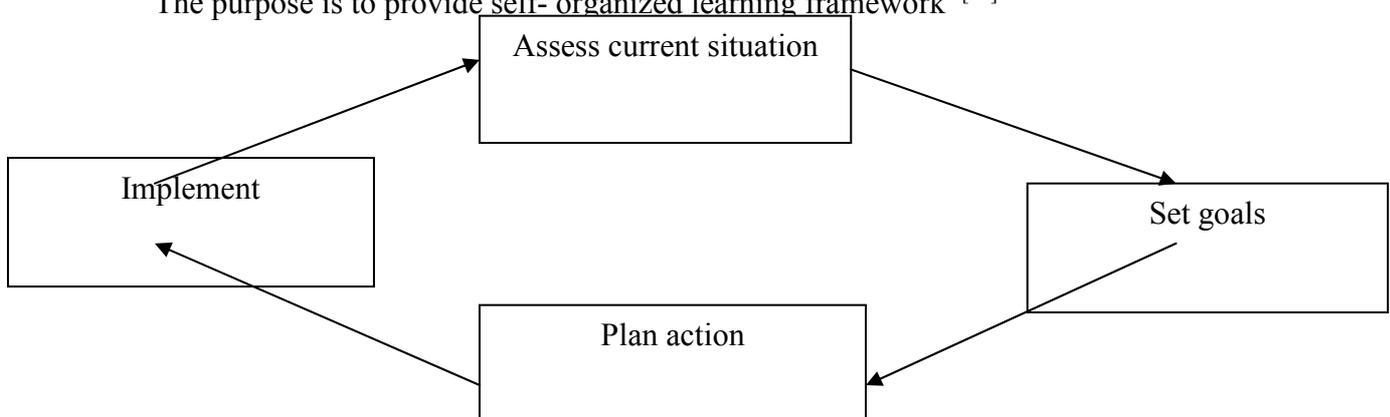
### 3.5.3 Development

‘It is an unfolding process that enables people to progress from a present state of understanding and capability to a future state in which higher-level skills, knowledge and competencies are required.’<sup>[1]</sup> *As Armstrong (2007)\* suggests*, speaking of development programs there is an emphasis on personal development planning and planned learning from experience.

### 3.5.4 Personal development planning

Carried out by individuals with guidance, encouragement and help from their managers as required

‘The purpose is to provide self-organized learning framework’<sup>[14]</sup>



Michael Armstrong (2006)

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\* [15] Watkins, K and Marsick, Sculpting the Learning Organization, Falmer press, London, 1993

\* [1] Armstrong, M.: Human resource management practice (10<sup>th</sup> edition), Cambridge University press, Great Britain, 2007, p. 571,572

### **Planned learning from experience:**

It is also called job rotation. It is designed to prepare people to take on increased responsibilities in the same or different functions and occupations.

### ***3.5.5 Corporate university***

An institution set up and run by an organization, often with outside help, in which education and learning takes place.

## **3.6 MOTIVATION AND REWARD MANAGEMENT**

As the demand for the labor has been consistently increasing over the past few years, companies started to realize that they are better off retaining their key workers. One of the reasons is that these employees are the source of the added value and of the know-how. These factors ensure competitiveness on the market and therefore, they have to be sustained.

In order to do that, employees have to feel satisfied and motivated enough. Therefore, companies try their best to come up with motivation incentives, reward schemes, properly managed supervision and most importantly the quality of work and the organization context in which the work is carried out.

However, people have different needs, establish different goals to satisfy those needs and take different actions to achieve these goals.

To comprehend wants and needs of people, the word motivation must be specified.

### ***3.6.1 Motivation defined***

‘A motive is a reason for doing something. Motivation is concerned with the factors that influence people to behave in certain ways.’<sup>[1]</sup> There are three components of motivation by *Arnold et al (1991)*\*

- Direction – what a person is trying to do
- Effort – how hard a person is trying
- Persistence – how long a person keeps on trying

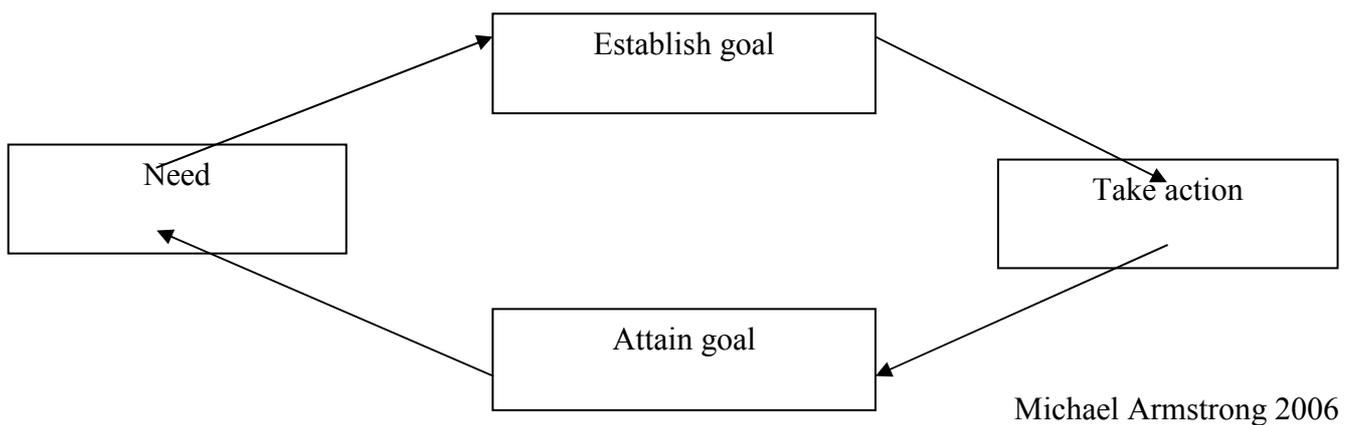
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\* [4] Arnold, J, Robertson, I T and Cooper, C L: Work psychology, Pitman, London, 1991

Motivation can be describes as a goal- directed behavior. People are motivated when they expect that a course of action is likely to lead to the attainment of a goal and a valued reward – one that satisfies their needs. ” [2]

### **Types of motivation by Herzberg et al (1957)\*:**

- Intrinsic motivation: the self-generated factors influencing people to behave in a particular way or to move in a particular direction. These factors include responsibility, autonomy, scope to use and develop skills and abilities, interesting and challenging work and opportunities for advancement
- Extrinsic motivation: what is done to or for people to motivate them. This includes rewards, such as increased pay, praise, or promotion, and punishments, such as disciplinary action, withholding pay, or criticism.



### **3.6.2 Motivation theories**

- Instrumentality theory, which states that rewards or punishments serve as the means of ensuring that people behave in a certain way
- Content theory, it focuses on the content of motivation. It is about taking actions to satisfy needs, and identifies the main needs that influence behavior
- Process theory which focuses on the psychological processes which affect motivation. I.e. goal theory, equity theory, etc.

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\* [7] Herzberg, F W, Mausner, B and Snyderman: The Motivation to Work, Wiley, New York 1957

### **3.6.3 Reward management**

‘Reward management is concerned with the formulation and implementation of strategies and policies, the purposes of which are to reward people fairly, equitably and consistently in accordance with their value to the organization and thus help the organization achieve its strategic goals. It deals with the design, implementation and maintenance of reward systems.’<sup>[1]</sup>

One of the purposes of the reward management is to:

- Reward people for the value they create
- Reward the right things to convey the right message about what is important
- Develop a performance culture
- Motivate people
- Help to attract and retain high quality people
- Align reward practices with both business goals and employee values
- Operate fairly and equitably
- Operate transparently

### **3.6.4 The elements of reward management**

#### *3.6.4.1 Reward system*

Reward system as listed by *Armstrong (2007)*\* consists of:

- Policies that provide guidelines on approaches to managing rewards
- Practices that provide financial and non-financial rewards
- Processes concerned with assessing individual performance and evaluating relative size of job (job evaluation)
- Procedures operated in order to maintain the system and to ensure that it operates efficiently and flexibly and provides value for money.

#### *3.6.4.2 Reward strategy*

‘Reward strategy sets out what the organization intends to do in the longer term to develop and implement reward policies, practices and processes that will further the achievement of its business goals’<sup>[1]</sup>

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\* [1]Armstrong, M.: Human resource management practice (10<sup>th</sup> edition), Cambridge University press, Great Britain, 2007, p. 625

### **A series of issues addressed by reward policies:**

- Job evaluation
- Market rate analysis
- Grade and pay structures
- Performance management
- Total remuneration
- Total reward

To explain one of the issues, a total reward policy needs to be specified.

#### *3.6.4.3 Total reward*

As defined by *Manus and Graham (2003)*<sup>\*</sup>, total reward includes all types of rewards-indirect as well as direct, and intrinsic as well as extrinsic.

Each aspect of reward (base pay, contingent pay, employee benefits and non-financial rewards) which includes intrinsic rewards from the work itself, are linked together and treated as a coherent whole.

### **Two major categories of rewards by Armstrong (2007)<sup>\*</sup>:**

- Transactional rewards – tangible rewards –(pay, benefits)
- Relational rewards – intangible rewards – (learning, development, work experience)

The aim of the total reward scheme is to maximize the combined impact of a wide range of reward initiatives on motivation, commitment and job engagement. ‘Total reward embraces everything that employee’s value in the employment relationship.’<sup>[12]</sup>

### **The Benefits of a total reward approach:**

- Greater impact
- Enhancing the employment relationships
- Flexibility to meet individual needs
- Talent management

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<sup>\*</sup> [9] Manus, T M and Graham: Creating a Total Rewards Strategy, American management association, New York, 2003

<sup>\*</sup> [1]Armstrong, M.: Human resource management practice (10<sup>th</sup> edition), Cambridge University press, Great Britain, 2007, p. 629

## **4 CASE STUDIES FROM SELECTED CZECH COMPANIES**

This part of the thesis is meant to reveal common flaws and issues in companies' structures and approach towards their employees. The data is provided by the company Mita Thor international s.r.o. that has been operating in the area of HR almost for 20 years.

The three companies which will be presented are Mita Thor's clients which undergone a scrutiny of its personnel and company's processes in order to enhance their efficiency, reveal some issues, or forestall possible upcoming problems. The companies will be referred to as company A, B, C as Mita Thor international wish not to mention the names of its clients.

I will introduce each of the scrutinized companies separately; present the area it operates in, situation in the company, findings revealed by Mita Thor international and suggestions leading to improvement of the current situation.

### **4.1 COMPANY A**

Company A is a producer of the isolating glass utilized in the building industry. Besides that, the company supplies its glass for production of wooden, aluminum, plastic and steel building filling. The company has been active in the Czech market for almost 15 years and currently has about 50 employees.

Mita Thor has been asked to perform the personnel and process audit in order to:

- Gain objective information regarding purposeful distribution of tasks so that the potential of individuals is utilized efficiently
- Map out the complexity of tasks which are the content of individual vacancies
- Objectively evaluate technical and social competencies of employees
- Reveal gaps in the organization of work
- To evaluate the company climate and identify motivational factors which influence the most the performance of employees
- Process analysis – description of processes and their mutual links

So that the objectives mentioned above could be achieved, these particular areas in the company needed to be scrutinized:

- Settings of current processes in the company
- Task description of vacancies, system functionality and effectiveness in terms of management and organization
- Potential of employees having a full time job (individual evaluation)

- Desired model of organizational structure further to strategic objectives and requirements for increased job efficiency
- Efficiency of HRM (motivation – appraisal, rewarding schemes) and its impact on employees' attitudes.

#### ***4.1.1 Interpretations and results***

The overall impression of the company can be considered as a positive one. It appears organized with a calm working environment. Employees are very loyal; they refer to the company as the “second home”. Many people believe in the company, they value its stability and certainty that it instills in them. They also appreciate relations between employees; they consider the working team as a positive one.

However, there is a tension that can be sensed under the surface. One of the reasons why it might be is that historically, the company was able to provide employees with salaries categorized as above average. At the moment, compensation has become comparable with its competition. Employees are aware of a decreasing competitiveness of the company on the market which gives a room for a starting negative atmosphere.

#### ***4.1.2 S.W.O.T. analysis of the Company A***

##### **Strengths:**

- *Good name of the company together with a pro-social atmosphere*

People appreciate working for this company. There has remained the perception of the company from the past that is still considered to be a prestigious employer. They value that the company treats them fair and with respect and provides them with all the equipment they need while ensuring a pleasant working environment. The positive atmosphere is mentioned one of the most among the positive factors about the company. Employees are approached individually with their problems, support is provided even among employees.

- *Employees' loyalty*

Most of the current employees have been working in the company for a quite significant time and they are more or less satisfied. There have been no hints as to whether employees contemplate about leaving the company apart from a few exceptions.

- *The personality of the CEO*

CEO is perceived as a strong personality with a considerable social intelligence and a firm status. Under his leadership, employees are not worried about losing their job. That can lead to strengthening of their loyalty. However, in terms of work effectiveness, it could be counterproductive.

➤ *Tradition and image of the company*

The company is perceived as employer with a good tradition. Employees are aware of the fact that even though the company undergone some changes it still has its place in the market. Employees are also willing to accept changes that the company has been going through since its establishment. They are satisfied with the increasing working culture and overall growth of the company.

➤ *Technical skills, shared know-how*

The possibility to achieve technical skills and experience is highly appreciated as well as a certain level of benevolence toward those who familiarize with new jobs.

**Weaknesses:**

➤ *the significant shortage of employees' interest*

The company suffers from a chronic disease which affects companies where there is a limited career and even a position growth. The ramifications are that over the years, the team of so called "average" employees has been formed that influences the company's climate. Many employees are responsible and work well. However, it is a routine without creativity, willingness to think about things in context and possibly come up with new ideas. This tendency is underlined by the fact that people have known each other for a long time and they have no interest in making conflicts.

➤ *Feedback mechanisms are missing*

There is no regular assessment of employees from their superior as there is not enough time during the day. There is no procedure based on which people could figure out whether or not the company is satisfied with their performance and where they can improve. The fact of not providing an open feedback can be considered as characteristics of the company's culture. People don't communicate the negative feedback directly, complaints are talked about in corridors. This doesn't contribute to the positive working environment.

➤ *Vague roles and delegation of competencies together with material responsibility*

Due to the system of commission evidence, their pricing and launching to production, there are problems with in-transparent competencies and authorities. Some employees rely on their coworkers identifying particular mistakes. As a consequence of that, it can occur that when determining a quilt some workers can feel injustice or unfairness.

➤ *Unclear system of reward management*

Employees consider reward system as not transparent and illegible; its rules are not clearly stated and explained. Another issue is that, in some cases, the distribution of rewards is not in competency of employees' direct superiors.

**Opportunities:**

➤ *Motivation of employees – unutilized possibilities*

After having talked with all the employees, it was figured out that motivation is perceived only as a form of money. They got used to having it as the only motivation factor. This reduction is negative because other motivating factors as recognition, positive feedback, presenting good results, but also nonfinancial benefits are being neglected. If a company wants to use a potential of nonfinancial benefits, it should do so

systematically i.e. map out preferences of employees and sell properly the favored benefits within the company afterwards.

➤ *The shared vision is missing*

The company is missing a shared vision, strategic information are not being presented. If there is a vision created at the level of top management, employees are not aware of it. They don't know the goals and strategy as well as they aren't familiar with many important information about the company's future. That is the reason why they are often victims of speculations, distorted information, and half-truths coming from corridors of the company. The vision should be communicated towards the company not only as information, but also as an explanation in which the emotion of sharing and identification is incorporated.

**Threats:**

➤ *Maladroitness and conservatism*

There is an overall stereotype, permanency of attitudes and behavior which is an aspect of the tendency that is to reminisce about "good old times". An unwillingness to learn new things and adjust new requirements can be considered as a characteristic of the company's culture.

➤ *Mediocrity*

Employees' potential in the company is in terms of evaluated competencies considered as average. In general, people have the average intelligence; they are motivated on average, although creative below-average. Except for CEO, there is a shortage of key employees in possession of accountability as well as a managerial potential and motivation that would move the company forward.

➤ *Sharing information and communication*

Some employees have a feeling that there is a shortage of information from the company's management. In general, information channels are considered as not transparent. Critical factor making communication more difficult is e.g. a shortage of licenses for certain IT programs.

### **4.1.3 Fundamental findings**

- The process of HRM is not sufficiently handled
- The reward system is not considered to be fair. People don't understand it and think that it is set up in a wrong way. The hierarchy is not respected i.e. the ones who manage people are not in charge of deciding who gets bonuses, perks, etc.
- The individuals' assessment doesn't exist. Employees are not familiar with the opinions of their superiors about their performance. Nobody is praised, not even drawn their attention to possible mistakes in order to know what to concentrate on, where to improve, etc.
- The employees with higher education require better leadership, communication and goals settings.
- There is many people in the company who have a lax attitude to work, they don't want to bother themselves with extra problems or work

- Thy system enables passing on responsibility which is being misused by the sales division
- Information should be provided faster and more reliably
- Employees are oblivious of the complexity of their tasks; they see just a slim part of their duties, but missing connections and synergy among them.
- In the company rules “comfortable resignation” – even if people see evident flaws, they don’t want to resolve them.
- Probably the most frequently mentioned issue of the company is the lack of official information which would be communicated to people clearly. The ramifications are that the company doesn’t look into the future, operation tasks surpass perspective ones, etc. Thus, potential of people is being wasted. They have no reason to develop. The things that they are capable of are already sufficient.

#### ***4.1.4 Final recommendations***

##### **System measures:**

- To define the company’s vision
- To set up a strategy based on the vision, communicate the main points of strategic concept to employees in the company in order to get their orientation and interest
- To ensure that exact and relevant information are communicated towards employees by better and more efficient communication channels
- To conduct at least semiannual organization meetings in order to bring together top management and ordinary workers.

##### **Enhancement of HRM processes:**

- To establish a functional and flexible evaluation system of personnel and link it with additional processes connected with the HRM
- To set up the adaptation process of new employees in a way that would ensure a purposeful and effective orientation, adaptation and readiness of new employees for their job positions
- To regularly provide employees with feedback that would strengthen the forms of desired working behavior and suppress the other ones
- To repair the current reward system, incorporate more motivating attributes, transparency and easy clarity for its users
- To set up a non-financial benefit system so that effective motivators appreciated by employees are chosen
- To update jobs description to that it reflects their current state

##### **Increase of competencies of labor force:**

- To develop and increase managerial skills of chosen superiors in the company in the form of training or workshops
- To carry out teambuilding educational activities which would help individuals gain view on their own work, position and expectations of others (cultivation of relations in teams – elimination of working barriers among departments)

## 4.2 COMPANY B

The company B is one of the most prominent producers and exporters of chocolate and non-chocolate confectionery, beverages, ice cream products and dehydrated food products. The company has been successfully operating on the Czech market for a number of years and during this time has experienced significant growth in the scope of operations and the number of employees. It currently employs about 400 people. The assignment given in regards to this expansion was a company **climate survey among marketing staff**. A total of 19 employees participated in the survey.

### 4.2.1 *Survey goal review*

We conducted a social climate survey in the marketing department of the company B, the main objectives of which were:

- a) to identify causes of high turnover rate in the marketing department
- b) to propose measures leading to staff stabilization and significant turnover reduction
- c) to process qualitative and quantitative statistic and its interpretation of:
  - Attitudes, norms and values shared within the department
  - The level of employee trust in their supervisors and managers
  - Fluctuation tendencies and the level of sensitivity toward outside offers
  - Sources of concerns and perceived threat
  - Motivation factors and the level of their fulfillment
  - Demands concerning desirable benefits of non-monetary character, eventually also concerning financial compensation
  - The functionality and effectiveness of information and communication channels
- d) to recommend long-term measures and methods leading to marketing department staff stabilization and further development (in relation to the survey results)

### 4.2.2 *Examined areas*

To reach the goals of the social climate survey, we had to examine the following areas:

- Department organizational structure
- Individual staff members' responsibilities and competences
- Cooperation between marketing department staff and other departments
- Individual staff members' potential and motivation
- Company climate and culture – their reflection = individual interpretation by staff members
- Staff attitude toward the company, its leadership and their own work, staff members' loyalty
- The effectiveness of human resource management tools (namely motivation – evaluation, reward principles) and their effect on staff attitude

### ***4.2.3 Overall evaluation of the consulting input process***

Company B employees reacted to our consulting input very positively. They were very helpful and open; they approached the individual interviews responsibly and constructively. They were able to identify potentially problematic areas resulting from both their own capacity limitation and objective causes.

Individual staff interviews brought a secondary effect besides the expected information – they gave the staff members the opportunity to directly express their opinions, which they found very valuable.

The participants' willingness and eagerness to cooperate with MITA THOR INTERNATIONAL consultants resulted from the expectation of consequential measures leading to the company's development and work condition improvement.

### ***4.2.4 Structured summary of interview output***

#### ***1. Attitude toward the company (shared standards and values, relationships among employees) fluctuation tendencies and eventual perceived sources of threats:***

Marketing department staff perceives and appreciate Company B as a large and significant company with a good name, a company belonging to the top in its line of business. These are the reasons majority of them decided to apply at this company. They entered the job with great anticipation to be part of the brand development and to participate in growth of the firm itself. The company to them represents security of a stable market position, prestige, safe environment and strategy proven by many years. Positive is the staff members' perception of their job description, friendly atmosphere in their teams and being a young dynamic group.

They perceive negatively the ill-functioning (formal) working relationship between the marketing department and departments they work with closely.

Unclear career growth perspective is another point of unfulfilled expectation. Participants also notice the high turnover rate within the marketing department and in some cases also the relatively frequent changes in top management positions. They reflect on the lack of stability and continuity caused by these changes. Even though they don't like to admit it, because of the high fluctuation they often view Company B as a "transfer station" in their career.

#### ***2. Employee's perception of his or her role in the company (related to the knowledge and understanding of their job description, tasks, responsibilities etc.):***

Survey participants see the job tasks within the Marketing department as clearly specified and defined.

About one half of the participants were not clear on brand manager's competences and responsibilities definition in terms of junior / senior level. Another problem poses excessive workload – amounting to 10 – 12 hours a day. As a result, they find it

difficult to set priorities, because they consider all their tasks important. In regards to the relationship with other commercial division departments (Sales, Event Management and trade marketing), it is not sufficiently stated where one department's operations, responsibility and competence ends and the other one's starts. This lack of mutual understanding leads to communication problems and responsibility refusal and it blocks functional and effective cooperation.

### **3. *Communication and cooperation among employees:***

#### ➤ Level of trust and attitude toward supervisors and managers

Survey participants appreciate their direct supervisors on all levels as great professionals in their field, from whom they can learn much new. They are also aware that managers work at full capacity and often don't have the time to work with the teams as leaders. In most cases they very positively value space for independent work where they can use their creativity. On the other hand, they expect:

- coordination and information – effective time management
- clearly specified and timely delegated tasks
- feedback related to fulfillment of tasks given to them: evaluation of solutions proposed by brand managers, give reasons for eventual rejection and explanation of final decisions
- manager's support during potential problem situations
- manager's active participation in employee's development (consultation and preparation of a career development plan)
- motivation by sharing of common successes
- evaluation of effort and special recognition for extra fast or extra well-done job

#### ➤ Level of cooperation inside and outside the marketing team

- Communication and cooperation within the Marketing department is relatively good, especially within individual teams and staff members appreciate that very much. On the other hand, communication with other departments is in their opinion barely functional and striving for effective cooperation costs them a lot of time and energy.

### **4. *Motivation factors and their fulfillment level***

Survey participants mentioned most often the following motivational factors important to their work:

- *The work itself and caring for the brand* – they see their work as valuable and meaningful, they enjoy it, and it brings them a variety of new inputs which generates high interest and work effort. They are self-motivated to better performance.
- *Stable team with friendly and collegial relations within the team and a functional communication with colleagues from other departments.* This is one of the most crucial motivation aspects at company B. Instability and non-functional relationships do not motivate them.

- *Manager they respect and appreciate, who is their professional model, coach and support.* In some cases survey participants lack a leader in their manager. They value his or her professional knowledge and skills, but they do not feel they receive support, leadership and development.
- *Consistent evaluation and feedback regarding their work effort.* Survey participants in many cases say they do not get, but very much desire some form of recognition and appreciation of above-standard effort including overtime work, whether financial compensation or other forms.
- *Compensation and benefits* –survey participants are usually aware that there may be other companies offering higher salaries, but most of them consider their pay adequate – for the contractual number of work hours. They feel deficiency in compensation of overtime hours. In the context of compensation, they also perceive the system of yearly bonus potential as negative, due to the fact that they can't directly influence the results – profitability of their brands – only by 50%. Remaining 50 % depends on their cooperation especially with the Sales department and trade marketing. Survey participants consider current benefits very positively, but feel that because of the high workload, they have little time to take advantage of them.
- *Education and improving professional qualification and soft skills* – survey participants highly value the possibility to take advantage of Company B international know how potential and consider it very motivating to be able to attend or participate in international seminars and workshops within the company, internships or short-term assignments in foreign markets, or utilize external professional education and training in marketing in the Czech republic. They would welcome active processing of outputs from Development centers and evaluation interviews in which they participate and their further utilizing in individual development plans.
- *Career growth within company B* – i.e. clearly designed short-term, medium and long-term development plan including individual steps and targets they have to meet in order to advance toward the planned goal.

## REVIEW OF SURVEY OBJECTIVES, PROBLEM AREAS AND PROPOSED IMPROVEMENT MEASURE

OBJECTIVES	PERCEPTION OF CURRENT SITUATION		IDENTIFICATION OF RESERVES AND PROBLEM AREAS	PROPOSED IMPROVEMENT MEASURES
	Positive	Negative		
1. Employee attitude toward the company	+ brand prestige + brand tradition and good name + young, dynamic team + good relations within the marketing team	- feeling of rivalry among commercial division departments - undervaluing of work effort - perceiving company's indifference to the employees' problems - lack of stability and continuity due to frequent personnel changes	<b>HR management reserves I:</b> <ul style="list-style-type: none"> <li>• Insufficient communication of HR toward employees</li> <li>• HR planning shortcomings</li> <li>• Ambiguously presented career growth within company</li> <li>• Reward system does not take in account overtime hours</li> <li>• Lack of setting corresponding goals, especially between marketing and sales dept.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>HR operations transparency and creating more effective processing systems</b></li> <li>• <b>Manager development and coaching</b></li> </ul>
2. Employees' perception of their role in the company	+ clearly specified job description within marketing dept. + work conditions and amenities + clearly stated strategic goals of the marketing dept.	- unclear competences within marketing dept. in relation to the level of brand manager (JR. X SR) - lack of transparency in individual commercial division department operations - failing to observe strategic marketing plan agreements - focus on routine operation at the expense of time for strategic operations	<b>Reserves in the area of work organization and process setting</b> <ul style="list-style-type: none"> <li>• Employees are not mutually aware of other departments' scope of work</li> <li>• Lack of clearly stated scope of mutual responsibilities, rights and obligations among individual commercial division departments</li> <li>• Lack of rules related to observing strategic marketing plan agreements between Marketing and Sales department representatives</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Raising mutual awareness among employees of other commercial division departments' scope of work (Marketing, Sales )</b></li> <li>• <b>Mutual scope of responsibility definition among individual departments</b></li> </ul>
3. Communication and cooperation among employees	+ good cooperation within marketing dept. + high professional level of managers	- ineffective communication of the marketing dept. with other commercial division departments = waste of time - biased view of marketing dept operations by other departments - insufficient work of managers with their teams	<b>Reserves in establishing communication rules</b> <ul style="list-style-type: none"> <li>• Too many meetings and their ineffective conducting</li> <li>• Inconsistent feedback</li> <li>• Information is not transmitted on time and in whole</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Satisfaction survey in Sales, ....., ..... departments</b></li> <li>• <b>Establishing communication rules within the Marketing department and among other commercial division departments, definition of key information and its transmission.</b></li> <li>• <b>outdoor/indoor teambuilding focused on assessment and soft skill development</b></li> </ul>
4. Motivation and the level of its fulfillment	+ the work itself and caring for the brand + new experiences, improvement of professional skills + company benefits	- nearly minimal possibility of career growth - low valuation of work and effort - unmet expectations toward a manager - limited opportunities for professional education and development - lack of feedback from evaluation interviews	<b>HR management reserves II</b> <ul style="list-style-type: none"> <li>• Ineffective interaction with the Business Partner</li> <li>• Inconsistent processing of evaluation interview feedback</li> <li>• Non-functioning HR reporting</li> <li>• Reserves in career planning definition and steps needed for its execution</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Evaluation of current compensation system and setting Sales department goals adequately to marketing product categories.</b></li> <li>• <b>Business partner role definition, intensification of his work with managers and establishing rules regarding evaluation interview (PDG) processing and offering feedback.</b></li> <li>• <b>manager workshop on processing and working with evaluation interview output</b></li> <li>• <b>strengthening employee development in terms of education</b></li> </ul>

### **4.3 COMPANY C**

Company C is a complex firm in development and manufacture of machine tools that currently employs more than 1000 employees. The company has been operating in the Czech Republic for several decades and therefore, it is known for its tradition and positive reputation in the Czech as well as foreign markets.

The company C has decided to conduct a personnel and process audit in the financial department. The audit was carried out under the supervision of Mita Thor Company and all 34 employees of the financial department.

#### ***4.3.1 The audit goal review***

The audit goal review of these actions was to enhance processes of this department together with better utilization of its personnel potential. Those changes could have an impact on optimization of employees' number or their more effective integration in the organizational structure.

The additional goals:

- Verification of the job positions' importance i.e. working operations carried out in the financial department
- Verification of operations' usefulness – its relations with regards to the main processes, identification of possible disproportions (i.e. redundancy or absence of operations)
- Mapping out of operations' strenuousness which form the job descriptions of individual vacancies and evaluation of proportion and operations' distributions with regards to the job positions
- Identification of employees' potential within the financial department together with overall assessment of their capabilities to perform particular working activities.
- Assessment of HRM effectiveness – its impact on motivation and satisfaction of employees.
- Suggesting recommendation for balancing possible disproportions between current and ideal model.

#### ***4.3.2 Examined areas***

In order for the goals of the personnel and process audit to be met, these areas needed to be scrutinized:

- Effectiveness of the management system, current styles of leadership and managerial capabilities of superior workers.
- Organizational structure: current versus ideal model
- Potential of individuals (performance and personal qualities, motivation)

- Process settings of economic and financial management and its relation toward main and subsidiary processes in the company
- Job descriptions, their complexity
- Company climate and culture – their reflection = individual presentation of the employees' perspective
- Employees' attitudes towards the company, management and their job, their loyalty
- Effectiveness of individual tools of HRM (especially motivation system – assessment, reward management) and their impact on employees' attitudes

### 4.3.3 *S.W.O.T. analysis of the company C*

#### **Strengths:**

##### ➤ *Team stability*

There is virtually no fluctuation within the financial department. Thanks to that, the team consists of employees that have been a part of the company for a long time. Therefore, they are very well aware of the company's needs. At the same time they are the keepers of the company's know-how which is prevailing. Low fluctuation stabilizes the working team, creates the feeling of continuity and certainty. Apart from that, the low fluctuation has also its negatives which will be covered in "weaknesses".

##### ➤ *Specialization of employees*

The financial department deals with issues which are very complex and complicated. According to that, specialization leading to a perfect knowledge of specific problems which employees cope with at their individual job positions is perceived as positive. On the other hand, the modern trend in the area of HRM supports the idea of job enrichment or job rotation. Those alternatives will be covered in the final recommendations.

##### ➤ *High loyalty toward employer*

The employees of the financial department feel very bound with their company; they perceive it as an inseparable part of their lives. There almost no considerations of leaving the company. Thus, the financial department is not threatened by destabilization due to the loss of experienced workers.

##### ➤ *Employees respect their superiors*

Employees of the financial department pay respect and loyalty not only to their employer, but also to individuals in their department. Superiors are considered as specialists at the right place, their authority is not questioned. CFO has also respect at his position. At the same time, however, there are no expectations of the financial director as for the visions and strategy of the department.

#### **Weaknesses:**

##### ➤ *Absence of shared vision and specific goals*

Vision and strategy are not included in the goals of the financial department, not even in the activities of individual departments and their workers. If there is a vision in the

company, it is not sufficiently communicated and passed on nor are clearly written down the expectations of the financial department. The ramifications are that the activities of the financial department don't come from the current and real needs of the top management, but from the stereotypical activities which preserve from the past. There are no communication channel between the top management and the superiors from the financial department. As a consequence of that, the financial department is left in isolation.

➤ *Low prestige of the financial department*

The rest of the company perceives this department as redundant and needles one. There is couple of reasons to it. The first one is the attitude of the top management that doesn't see nor present the financial department as its strategic partner. This characteristic is then shared through the whole company. The second reason is that there is a modicum of effort from the financial department to actually occupy this role. In other words, the superior workers in this department are not capable of promoting the importance and indispensability.

➤ *Rigidity and inertia*

One of the characteristic features in the financial department is the inertia, inclination to tradition. Employees are not motivated for initiatives, changes, looking for enhancements and simplifications of their activities. There is not enough emphasis on dynamic, new ideas. Company's culture encourages people to be unseen, obedient and quite with the aversion to anything new.

➤ *Management style of superior workers*

The Mita Thor identified that there is a shortage of employees with a strong managerial potential. Looking at the current management style, the motivation and development instruments are missing out, managers create no vision nor do they support their subordinates to be more independent.

➤ *Narrow specialization*

Due to the narrow specialization, employees are not able to work in other positions. Moreover, due to the lack of communication permeability about other job positions in other divisions, the possibility to for mutual inspiration is suppressed.

➤ *No feedback*

There is no formal evaluation system that would support the growth o employees and process of endless improving and increasing of competencies of the department as such. Neither does this system work on informal basis. Superiors only point out the mistakes of individuals. Working attitude, engagement, motivation, etc. are left behind. The same regards the feedback for the superior workers and financial director from the top management.

➤ *Reward management*

The current reward model is rather non-transparent and fails to motivate. People don't are not familiar with the rules on which it is built. They are not aware what sort of behavior or performance can increase their compensation. Variable part of salary doesn't differentiate between good and bad performance. On the contrary, the system

enables to decrease the motivational component of salary and penalizes for mistakes; another reason why to remain unseen.

➤ *Absence of education and development*

The education of employees is reduced only to the necessary seminars regarding changes in the law requirements. The development and extension of competencies is not supported by the managers. This is one of the reasons that lead to inability to change and improve processes in the department. Subjectively, employees consider current education scope and possibilities as sufficient which underlines that employees don't feel a need neither ambitions to develop and educate themselves.

➤ *Absence of directives and up-to-date job descriptions*

It is usual that mostly in the financial department, codification and standardization is achieved by directives. In the company C, employees of the financial department don't have them at their disposal, the job descriptions are missing, the ones obtained by Mita Thor don't reflect current situation.

**Opportunities:**

➤ *Rejuvenation of the team*

It seems that to open the door to younger newcomers is a necessary step not only to make sure that know-how is passed on from the employees whose average age is approaching nearly retirement, but also to maintain consistent growth of potential of the team as a whole. New employees bring from outside new ideas, different experience, other perceptions and inspiration, etc. However, the managers of the department have to be ready and trained for these newcomers so that they can utilize the most their potential.

➤ *Better utilization of variable component of salary*

Managers should be able to directly influence monthly bonuses of their subordinates. This will reflect and increase a positive motivation and better reflect employee's performance.

➤ *Insure the competitiveness of salaries*

Consideration of the salary level in comparison with the region, type of job positions and competitor's offer should result in maintaining the competitiveness of the job offer not only for graduates, but also for experienced workers or even managers.

➤ *Educating of managers*

Educating of managers in their managerial skills should improve their ability to use and widen competencies of individuals in their teams.

➤ *Implementation of evaluation system*

Formally implemented evaluation scheme will ensure feedback to individuals and contribute to their growth, career growth and motivation

### **Threats:**

#### ➤ *Monothematic age structure*

Average age of the employees approaches inevitably near retirement. This structure doesn't ensure the sufficiently various distributions of experience and individuals' potential and can lead to the loss of know-how. This would also trigger the overall decrease of team dynamics.

#### ➤ *The Financial department doesn't have the role of a strategic partner*

The reinforcement of the financial department as the department that should be in charge of the effective economic management ought to be supported by the CEO. He should also require a permanent supply of information and suggestions of particular financial solutions. The financial department has a role of a regulator and a controller identifying the causes of deviations in the financial management. The Financial department has a duty to control the financial flows and regulate them in a way that insures stability and safety to the company. Based on that, the position of the CFO and the department as such is from the strategic perspective irreplaceable.

#### ➤ *Previous uncoordinated reductions of employees*

During the previous staff reductions, capable people were forced to leave due to the decisions of the incapable ones that wanted to get rid of the competition. Reductions were probably also made for the reason to keep the ones that don't ask too many questions and do the work that is asked them to do. The people who stayed are the one who wouldn't find any other job because of age or other social circumstances. This has also contributed to the current company's culture.

#### ➤ *Culture of the department*

Culture which supports neither growth nor changes, there is an unrealistic settings of norms, performance and dynamic. Power of old habits rules the department. Employees are completely oblivious of and insufficiencies because they have been doing the same work the same way for many years, nobody has every criticized them and most of them are missing comparisons with other businesses. The criteria to be successful are the external check-ups. If the attitude of superiors doesn't change, the current sterilized spirit remains the same. The overall flaw of this department is the lack of pro-activity.

#### ➤ *Suppressing of independence and initiative*

The culture characterized as fulfill your duties and don't stand out is a real threat which will keep the department rigid and average. New ideas are missing; employees see no room for changes.

### **4.3.4 Final recommendations**

- Share and communicate vision and future plans together with expectations of the owner and top management toward the financial department
- Consider the personnel change of the financial director
- Develop managerial skills of superiors
- Implement a new reward management
- Implement job rotation, job enrichment
- Enable a room to young employees

## **5 CONCLUSION**

Having written about theoretical role of the HR department and comparing it with the actual situation in the Czech companies, some discrepancies can be identified. Given the examples of three companies, one can notice some issues that may arise when neglecting the importance of the HR problematic.

The problems can vary; they can affect the whole company, or just a part of it. The most often matters that we have to cope with are:

- Inefficient communication in or among departments
- Insufficient managerial skills of superiors
- Inappropriate job design
- Right people at the wrong job positions
- Poorly set up adaptation programs
- Non-transparent beneficial system
- No feedback, irregular operation meetings
- Inefficient processes in the company

These are one of the fundamental causes that sooner or later trigger these ramifications:

- Distorted information, misinterpretations, superfluous tasks, potential conflicts
- Lack of respect towards superiors, worse performance of employees, lack of information about vision and strategy, de-motivation of employees
- Potentially monotonous work, wrong distribution of tasks among employees, reduction of employee's performance
- Loss of initiative, dynamic, new ideas

Now, one may point out that these causes and ramifications are not crucially linked with the bad functioning of the HR department. Well, that is disputable. The problem is that in the Czech companies in general, the HR department is perceived somewhat as a part of a company where administrative agenda regarding employees is handled. These tasks include:

- Preparation of working contracts, filling in entrance documents
- Preparation of agreements on terminating employees' contracts
- Changes in the working contracts
- Consultancy with employees about labor law and salary matters
- Consultancy and evidence of tax declarations
- Preparation and formation of basic documents for salaries

Having a possibility to interview several personnel consultants from the Czech as well as international companies, I have come to a conclusion that this is still the dominant model of the HR department function.

For instance, if one considers example of the company A. There should be much more emphasis put on the HR activities. Even though people are skilled to perform 100%, there is no vision that their effort will be evaluated. It is, of course, due to the in-transparent reward management. Employees need to be aware that if they put certain effort in a job they will be rewarded fairly with a sense of self-recognition.

My opinion, therefore, is that the HR department and managing HR as such should be much more complex and diversified. The HRM should include not only the administrative agenda regarding employees, but it should also promote other tasks as focusing on motivation, education and development. Eventually, it should take part in setting up efficient internal communication among managers of individual departments together with a shared vision and strategy that the employees are aware of. Looking at the international companies e.g. German ones, they have already recognized that this is the need that can't be underestimated.

Let me mention one more example of the company C and its financial department. The atmosphere in the company is that employees from other departments see the financial department as redundant, as extra costs that have to be paid. Now, it can be argued whether this misunderstanding is due to the unnoticeable figure of the financial director who fails to promote the importance of his department. Partly, it is right. However, one can also say that HR department should closely work with each department to make sure that communication among departments functions properly. It should also promote leadership and together with the top management work on e.g. some development programs for managers so that they are more capable of leading their employees, making them more autonomous, motivated, etc.

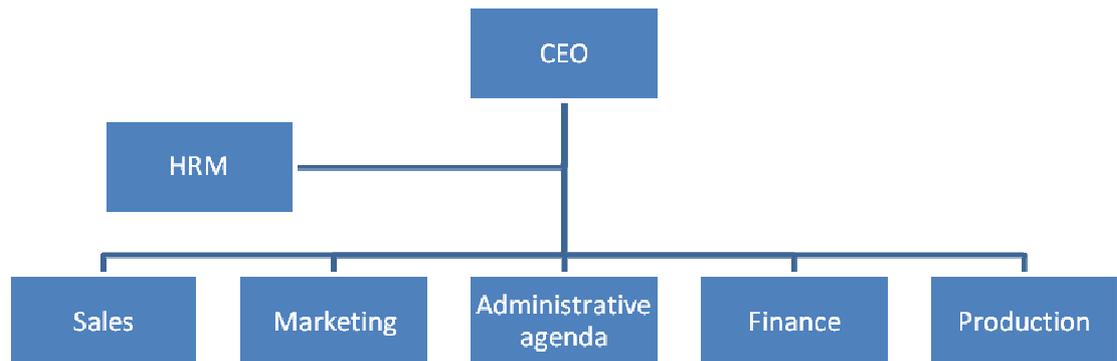
The HR department ought to be an independent unit in the company which communicates with line managers across departments discussing different matters connected with:

- job design, motivation, education, development
- operation matters, it focuses on managerial skills of superiors (their development)
- implementation of the company strategy and vision into practice together with managers of other departments (requires close cooperation)
- cooperation on the adaptation programs together with line managers
- promotion of the culture and ethics of the company
- creation of the positive spirit of pride being a part of the particular company
- ensuring control over employees performance (personnel controlling)
- making company attractive on the labor market (personnel marketing)
- setting up efficient internal communication among managers of individual departments

To give us a credit, some signs of progress can be seen in the Czech Republic. There are several associations of experts in HR field who regularly come together to write and talk about these issues. For instance, HR forum magazine can be mentioned which is under umbrella of the Czech society for human resources and development. Significant people who have got something to say about this problematic notify their experience, engage in debates about different HR functions. HR managers and company owners can then inspire themselves and apply some of these methods.

To sum up, one can say that HR department is basically the neck of a company. The board of directors communicates its vision and strategy through CEO and the HR department makes sure that the strategy and vision is implemented through individual departments. It has got a unique possibility to communicate throughout the company as well as the approval to consult with employees and managers their opinions about their job. Furthermore, it can cooperate with these people on enhancing the processes in departments and making sure that everything fits in.

The organizational chart below shows the HR position within the company hierarchy. HRM (department) represents an independent unit which directly reports to CEO. At the same time, it has a role of a business partner that communicates across departments as it was mentioned earlier. The other departments and number of workers within them varies according to the type of organization and the area where it operates.



I assume that since the fall of the communist regime that has suppressed this notion of HRM as such the trend is gradually coming back. The more opportunities we have the more competition there is. The more competition there is the more employees start to realize that they are valuable capital and therefore they like to be treated that way. The more competition there is the more companies will start to be aware of the fact that their processes have to be as efficient as possible in order to bring down the price of their goods and services to stay attractive. This is the equation that is going to have to be taken more and more seriously.

At this moment, everyone wants to maximize their profit; employees are exposed to a great pressure. The HRM is also about this. It is about the awareness that over a long term, the performance set to 150% is not attainable and the productivity of employees eventually decrease unless we want to keep recruiting new ones every few months. Surely, making profit is a crucial part in sustaining the organization, but it shouldn't be just about that. Company profit should be the additional product which is achieved through correctly managed organization, objectives and leadership.

According to about 250 interviews that I conducted as a personnel consultant with employees working in the field of engineering, marketing, IT, economics, HR, etc. and their insights about their employers they provided me with I can see that there are some deficiencies in HR.

However, the market itself will once again make its decision as to which direction the HR will be taken. I believe that its role will keep on strengthening over time as employers start to realize its importance as many of them already did in the Eastern Europe.

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## **7 SUPPLEMENTS**

### **7.1 COMPANY A**

Knowledge of the internal norms:

1. Are you aware of the model according to which the internal rules are set and maintained?
2. Are you familiar with the norms? Are they to everyone's disposal? Who get you acquainted with them? Are they sufficient?
3. Which norm is in your opinion the most needful, the most rigid and which one is the least comprehensible?
4. Is it possible to come up with some modifications? How would you go about it, who would you talk to, would it be difficult, do you have any experience with that?
5. Was it helpful to implement ISO? What's the contribution of it? Is there any positive impact regarding some particular modification in connection with ISO?
6. Who is in charge of making sure that employees comply with the internal norms? What are the sanctions for violating them? Did it ever happen that somebody was punished for not adhering to these norms?

Knowledge of work – rules for its performing

1. Are you familiar with your own job description?
2. What is your main responsibility in your position?
3. Do you think that your qualification is sufficient for this position?
4. If there are any disproportions connected with what "I know and I should know" – how does the company react?
5. Is there any feedback mechanism in the company? Regular evaluation of employees, etc.?
6. Who and how is the evaluation carried out? What are the outputs? Are there reflected in education and development?
7. How do people show dissatisfaction? Is it legitimate or rather proscribed?

Functioning of management

1. Do you reckon that the company A is in comparison with other business entities in the surroundings managed well, average or badly?
2. What is the capability of your superiors in general? What are they missing the most in order to manage successfully and purposefully?
3. Is the management in the company set in the way which reinforces a smooth functioning of the company as such?
4. How is perceived the fact that the company is a part of a big and significant international corporation?
5. What's the reputation of your company? Is it a good or a bad employer?

6. What influences the most to establish a good image of the company? What is your opinion?
7. Is there a sufficient number of qualified and motivated employees in the company? Is it better or worse compared to companies?

#### Definition of the main process according to which employees are assigned

1. Would you specifically name the main processes?
2. Who is the key person of this process? How does he/she fulfill its role of coordinator?
3. How is ensured the optimization of process in general?
4. To which process is an employee placed? What's the aim of this process?
5. What's the input and what's the output of this process?
6. Is the process correctly set up in terms of order and activities?
7. How does an employee contribute to a process, how does he/she enter the process?
8. How long does a process or activity take?
9. Who is the customer of a process?
10. How often is this process repeated?
11. What in particular is an employee in charge of?

#### Relations among processes

1. How is our division connected with others? Does it make sense?
2. How are resolved problems which take place across divisions?
3. When there is a system failure, how is analyzed? Are there any meetings regarding these matters?
4. How does the interdivision communication function? Who is the arbiter in case of long term delays?
5. What are the information channels? How do they fulfill their role? Is there any redundancy? Is any information being lost or misinterpreted?
6. How does the internal information system function? Does it work with relevant information?
7. How does reporting look like? Who is it for? Does it deal with important information, or is it just a routine?
8. Are the employees of the company disciplined? Do they perform well?
9. Where are the main deficiencies?

#### Organization of work

1. What's the overall organization of the company? Does it function well, is it chaotic? Is it well put on the paper, but reality collides?
2. What are in your opinion the qualities of a good organizer?
3. How about a successful boss? What does she/he have to be capable of in order to succeed?

4. Does the company have any approach towards personnel management?
5. Are the employees aware of the company strategy, its mission?
6. How are the company's intentions communicated towards employees?
7. What was your personal goal for this year?
8. Are the employees interested in the future of the company?
9. Are the employees bounded with the company?
10. Was anyone fired due to not fulfilling his/her tasks? Was it published in any way?
11. How does the company work with the set goals? Is it reflected in daily tasks? Is there any control over these tasks?

#### Strengths and weaknesses of the company

1. What are in your opinion the biggest advantages of the company?
2. What are the biggest weaknesses?
3. Do you think that there is always a room for improvements, or the current situation is satisfactory?
4. Do you personally have any recipe ho to enhance the current situation?
5. Who in the company is considered to be an initiator of change? Who is the engine when it is important to move things around?

#### Company's culture

1. What are the key norms regarding company's behavior?
2. Try to characterize the company using 3 words.
3. What is appreciated the most? What behavior?
4. What is proscribed the most?
5. Is there any document saying how employees should behave?

## **7.2 COMPANY B**

1. Employee's perception of his or her role in the company (related to the knowledge and understanding of their job description, tasks, responsibilities etc.)
  - Would you introduce yourself? (supplementary questions focused on education, career history and development, work experience ...)
  - How long have you been working in the Company B?
  - Why did you decide to apply for a job in the company B?
  - What is your position and its job description?
  - What are your key tasks and range of responsibilities?

- What are the outputs of your work?
- Who do you report to?
- Who do you have to cooperate with to be able to successfully complete your tasks?
- How does the cooperation work?
- Do you have to perform any activities that are not within your scope of work?
- How do you evaluate concrete time capacity in relation to the volume and scope of given tasks.
- How are the tasks assigned / delegated to you and how often do you receive feedback.
- Do you think you have all the necessary tools, information and knowledge to be able to achieve given tasks successfully? (particular focus on work conditions and skills)

## 2. Communication and cooperation among employees

- How is communication and information sharing conducted among you and your colleagues and your superiors/subordinates in the marketing department?
- How does cooperation work between the marketing department and other departments?
- What communication channels are generally used in the company? Which of them do you use most frequently?
- How do you solve eventual communication problems with colleagues and especially with staff from other departments?
- How do you usually gain the information you need for your work?
- What tools do you have to ensure that you receive all needed information in order and on time?
- How do you evaluate functionality and effectiveness of your internal communication system in relation to your key tasks and scope of work?
- In case you see some reserves in the current internal communication organization, what suggestions for improvement do you have?

3. Attitude toward the company (shared standards and values, relationships among employees) fluctuation tendencies and eventual perceived sources of threats
  - How do you perceive the company B trademark and the company's public reputation in general?
  - What are the company's strategic goals?
  - Which way are company strategic goals related to partial goals of your division, the marketing department and particularly to your personal goals?
  - How would you describe the company's culture?
  - What are the company's shared standards and company values? How do you perceive them and what do you think of them?
  - How do you perceive the atmosphere at your work place and in interpersonal relationships in general?
  - What is your personal association with the company, your job and your colleagues?
  - What opportunities and potential do you see in your current and especially future employment with Company B?
  - How do you perceive current job market situation and eventual opportunities and chances it offers?
  - How would you deal with an offer from a head hunter?
4. Motivation and employee appraisal
  - What motivates you to do a good job?
  - What would motivate you to perform excellent work, give high quality performance far beyond the standard requirements?
  - How is your individual work and / or team work evaluated?
  - What eventual reserves do you see in the company motivation system?

## 7.3 COMPANY C

This questionnaire is anonymous  
Please, do not write your name

Dear employees of the company C, we are submitting you this questionnaire to fill in the information below.

1. do you think, that the company C has a good reputation?

Tick off your answer

Yes	7.3.1.1.1.	Rather no	N o

- among its employees
- among public

2. I would recommend to my relatives to work in the company C

--	--	--	--

3. the current reward management in the company C is:

- understandable
- recognize a good performance from the bad one
- motivates people


4. which other non-financial benefits which the company C provides you can you name?

.....

.....

.....

5. In your opinion, how would you describe the company C?

Stable, provides certainty	1	2	3	4	5	6	7	8	9	10
Collegial and accommodating working environment	1	2	3	4	5	6	7	8	9	10
Nobody is privileged unfairly	1	2	3	4	5	6	7	8	9	10
The company cares about its employees	1	2	3	4	5	6	7	8	9	10
The owner is a respectable and trustworthy person	1	2	3	4	5	6	7	8	9	10
Superiors and managers are trustworthy	1	2	3	4	5	6	7	8	9	10
The Company provides opportunities for career growth	1	2	3	4	5	6	7	8	9	10

- Doesn't provide certainty
- There is no collegial spirit
- Some employees are privileged
- Employees are indifferent to the company
- The owner is not a trustworthy person
- Superiors and managers are not trustworthy
- The company doesn't provide with career growth opportunities

6. What's the atmosphere in the financial department in the company C?

Circle the number that you are convinced reflects the most current atmosphere

Victorious      1   2   3   4   5   6   7   8   9   10      defeatist

Passive	<u>1 2 3 4 5 6 7 8 9 10</u>	active
Encouraging	<u>1 2 3 4 5 6 7 8 9 10</u>	de-motivating
Peaceful	<u>1 2 3 4 5 6 7 8 9 10</u>	stressful
Pleasant	<u>1 2 3 4 5 6 7 8 9 10</u>	unpleasant
Unfriendly	<u>1 2 3 4 5 6 7 8 9 10</u>	friendly
Pessimistic	<u>1 2 3 4 5 6 7 8 9 10</u>	optimistic
Wishful	<u>1 2 3 4 5 6 7 8 9 10</u>	envious
Competitive	<u>1 2 3 4 5 6 7 8 9 10</u>	cooperative
Collegial	<u>1 2 3 4 5 6 7 8 9 10</u>	individualistic
Rigid	<u>1 2 3 4 5 6 7 8 9 10</u>	dynamic

7. The ones who are rewarded usually fulfill this characteristic:

Choose up to 10 characteristics from the list

- |                                                                 |                                                                    |
|-----------------------------------------------------------------|--------------------------------------------------------------------|
| <input type="checkbox"/> They are loyal toward their superiors  | <input type="checkbox"/> They present themselves well              |
| <input type="checkbox"/> They are hard working                  | <input type="checkbox"/> They don't oppose their superiors         |
| <input type="checkbox"/> They have a sense of rules and order   | <input type="checkbox"/> They keep information to themselves       |
| <input type="checkbox"/> They have the ability to improvise     | <input type="checkbox"/> They like certainty                       |
| <input type="checkbox"/> They are decisive                      | <input type="checkbox"/> They build relations with powerful people |
| <input type="checkbox"/> They are prudent                       | <input type="checkbox"/> They sacrifice their free time            |
| <input type="checkbox"/> They keep quiet and listen             | <input type="checkbox"/> They lie when necessary                   |
| <input type="checkbox"/> They can get round rules               | <input type="checkbox"/> They manipulate with other people         |
| <input type="checkbox"/> They leave the things the way they are | <input type="checkbox"/> They are individualists                   |
| <input type="checkbox"/> They are fast and dynamic              | <input type="checkbox"/> They like team work                       |
| <input type="checkbox"/> They are scrupulous                    | <input type="checkbox"/> They are willing to help others           |
| <input type="checkbox"/> They are not afraid to risk            | <input type="checkbox"/> They have oversight                       |
| <input type="checkbox"/> They are thorough                      | <input type="checkbox"/> They are not outstanding                  |
| <input type="checkbox"/> They are creative                      | <input type="checkbox"/> They are familiar with the firm           |
| <input type="checkbox"/> They have good technical skills        | <input type="checkbox"/> They are resistant to stress              |
| <input type="checkbox"/> They have new ideas                    |                                                                    |

**8. How important to you do you find these needs?**

*Fill in the number into the frames below*

10 9 8 7 6 5 4 3 2 1 0  
**important** **not important**

- Financial compensation
- Self-actualization
- Utility of qualification
- Good team
- Job security
- Good working conditions
- Pleasant environment
- Perspective of career growth
- Prestige of employer
- The possibility of education
- Self-esteem
- Good superiors
- Independence

**9. To what extent are these needs fulfilled in the company? Do jaké míry jsou tyto potřeby ve firmě naplňovány?**

10 9 8 7 6 5 4 3 2 1 0 **Very**  
**maximally fulfilled** **not fulfilled**

- Financial compensation
- Self-actualization
- Utility of qualification
- Good team
- Job security
- Good working conditions
- Pleasant environment
- Perspective of career growth
- Prestige of employer
- The possibility of education
- Self-esteem
- Good superiors
- Independence



12. Where do you get information about what is going on in the company?

(Mark the things that you agree with)

- |                                                   |                                                                       |
|---------------------------------------------------|-----------------------------------------------------------------------|
| <input type="checkbox"/> E-mail                   | <input type="checkbox"/> Meeting of the Top management with employees |
| <input type="checkbox"/> Info server              | <input type="checkbox"/> Informal occasions (sport events, etc.)      |
| <input type="checkbox"/> Directives, instructions | <input type="checkbox"/> Memo, letters                                |
| <input type="checkbox"/> Superior                 | <input type="checkbox"/> Rumors                                       |
| <input type="checkbox"/> Colleagues               | <input type="checkbox"/> Others (write down which ones):.....         |
| <input type="checkbox"/> Company newspapers       | <input type="checkbox"/> I don't need information                     |
| <input type="checkbox"/> Notice board             |                                                                       |
| <input type="checkbox"/> Meetings                 |                                                                       |

13. How much more additional money would be persuasive for you to change your current employer?

- |                                        |                                                                |
|----------------------------------------|----------------------------------------------------------------|
| <input type="checkbox"/> Up to 1 000,- | <input type="checkbox"/> More than 7 000,-                     |
| <input type="checkbox"/> Up to 3 000,- | <input type="checkbox"/> No additional money would persuade me |
| <input type="checkbox"/> Up to 5 000,- |                                                                |
| <input type="checkbox"/> Up to 7 000,- |                                                                |

14. Think about your colleagues from the financial department. Which of them matches the most these characteristics? Name at least one, maximally 3 colleagues.

Who really understands his/her work .....

Who would you like to most as your superior?.....

Who doesn't handle the work and has to pass it on others?.....

Who is it difficult to talk to?.....

Who can't cope with the work technically even though, he/she is trying? .....

Who is trustworthy?.....

- Who tries to just be perceived positively?.....
- Who can communicate with people with causing a conflict?.....
- Who is keeping the information to gain an influence?.....
- Who is really performing well?.....
- Who is just working because he/she has to?.....
- Who talks more than actually does?.....
- Who is really brainy?.....

15. How would you evaluate the financial department in the following criteria?

Work productivity

LOW            1    2    3    4    5    6    7            HIGH

How is perceived the importance of this department

LOW            1    2    3    4    5    6    7            HIGH

Willingness and helpfulness to other departments

LOW            1    2    3    4    5    6    7            HIGH

Internal compactness among employees

LOW            1    2    3    4    5    6    7            HIGH

Willingness of workers to adapt to changes

LOW            1    2    3    4    5    6    7            HIGH

Technical qualification of employees

LOW            1    2    3    4    5    6    7            HIGH

Motivation and working engagement of employees

LOW            1    2    3    4    5    6    7            HIGH

Willingness to work overtime

LOW            1    2    3    4    5    6    7            HIGH