HUMAN RESOURCE MANAGEMENT IN AZERBAIJAN COMPANIES: EVALUATING ON FUNCTIONAL LEVEL

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Abstract

Research problem has been identified as how to improve HRM practices in the companies of Azerbaijan. The main aim of this paper is to analyse Human Resource Management practices of Azerbaijan companies. HRM departments accomplish several functions to reach goals identified by the company. In this paper job analyses, recruitment, training and development, performance appraisal and compensation administration are chosen among of these functions. This analysis has been carried out with the questionnaire method. The developed questionnaire was intended for HRM managers of the companies (114 companies). Research reveals that almost 70% of national companies have completed job analyses. Recruitment and selection practices in national companies in Azerbaijan testify that companies preferably use internal sources in employee's recruitment while in selection of employees companies widely apply job interview methods. There are lots of problems with analysing training needs, training and evaluation practices. There were few evidences or low level percentage in applying of modern assessment methods of employee performances. Applied compensation system has not been critically examined yet. All evidences of the research in the framework of above mentioned human resource management functions collected in this paper develop general description which make possible using efficient methods.

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1. Introduction

The application of Human Resource Management is different in every country because every country's economic, social, political and cultural factors, which affect the application of HRM, are different (Brewster, 1993). The concepts, approaches and applications in the field of HRM which were once alleged to be universal and were commonly agreed on have become controversial today in terms of suitability and applicability. Studies show that different human resource management models are affected by the different features of the countries in which they are applied and they become different from one another as well. This denotes that human resource management needs investigating on the country scale. Although this issue has been highlighted by a number of authors, we can see that the research is not at the appropriate level.

As known, every administrative application is affected by cultural and economic conditions in which it is involved and at the same time affects them themselves. As in many business applications, HRM practices are also new in Azerbaijan, which gained its independence on October 18th, 1991 and which is living a transition period from socialism to capitalism. The adaptation process of transforming economies to the market conditions requires a certain period of time. In order to change the types of business and their methods and to conform to the new environment, they need to evaluate the micro, macro (national) and international conditions inside it. When it comes to HRM practices, it is very obvious that a country which was formally governed by central planning system will face hardships changing into the concept of competition. In order to overcome this problem, analisys should be done at the national level and then there should be made some arrangements to make the transition go smoothly.

In this context, the research problem has been identified in terms of the way of improving HRM practices in the companies of Azerbaijan. The aim of this study is to determine the overall appearance of HRM practices in Azerbaijan on the basis of functions and to investigate the factors that cause this situation to exist.

Theoretical Background

The logic of investigating HRM practices at the national level is to direct us to comparative research in HRM. The aim of comparative research in HRM is to try to understand and explain differences in HRM practices in different countries (Brewster, 2007).

Comparative studies of HRM started to make improvements after 1975. Murray *et al.* (1975) somehow laid the foundation of comparative HRM's studies with the article "A Framework for Comparative Analysis of Personnel Management". The aim of the research, which is trying to provide a framework which is able to comparatively analyse Personnel Management Applications, is to systematically analyse the impact of cultural differences on HRM policies and practices and to indicate why it is necessary to revaluate or to completely reject "the best American practice" in various cultures.

The idea that there is not a universal model of HRM became more strengthened with the Piepers (1990) "Human Resource Management: International Comparison" work and the importance of comparative HRM studies became more evident. In his research, collecting HRM models of developed western industrial countries and non-developed eastern countries, the author emphasizes major differences between these models.

Begin (1992) developed a system perspective for analysing comparative HRM. In his works on comparative HRM, the author tried to provide a framework to explain different changes and to draw the basic outline of HRM system. In the following years Boxall's work (1995) named "The Building of the Theory of Comparative Human Resource Management" provided a major contribution to the literature on comparative HRM. In his work Boxall emphasizes that the international HRM and comparative HRM activities should be separated from each other and tries to explain how to implement different HRM functions in different countries.

Brewster (1993, 1995) has provided a major contribution to the comparative and international literature both with Grandfield and his studies on European HRM. With his work named "Developing European Model of HRM", Brewster states that organizational autonomy in Europe is not the same as in American firms and it has a very different influence.

When we are analysing the literature of comparative HRM we can see that different authors emphasize different factors. However, the common emphasis by all authors is that HRM practices are different in various countries.

Different businesses operate in different countries with different economic conditions, educational level and dexterity of labour, different legal, social and political context, (Harris et al., 2003). Moreover, over the years studies show that international companies along with the work on global approach give importance to each country's specific local approach. If we compare the management of human resources with a dress, it is possible to say that no company has a ready one. Each company has a different body structure and accordingly a need for a specific operation (Seljuklu, 2005).

After the HRM functions, which are due to be dealt with in the research, are defined, instead of giving deeper information about each of the functions, there have been done literature scanning on what ought to be done in each enterprise concerning these functions. These functions and the information about them are as follows.

Job analysis

When relevant literature is studied, we can see that one of he most important factors concerning job analysis is to properly understand and apply the process of job analysis. On the first stage of this process it is crucial to define all the different types of work which are in the

organization. For this reason, salaries, organization schemes and former job descriptions should be investigated; there can be received some information from managers if necessary (Can vd. 2001:52). The solution to the issue of which method (observing, interviewing and survey) of collecting information, which is to be used in job analysis, is more efficient depends on factors like job features and the level of the required information for analysis. Most of the time several methods are used together (Bilgin, 2007: 33). The most essential thing that enterprises need to do concerning the job analysis is to convert the information that is gathered at the end of the job analysis into job descriptions and duties. Using a number of specific and standard techniques, job analysts change the information they have gathered into job duties and job descriptions and in this way they reveal the qualities of personnel that they need to have for their jobs and the features of jobs (www.ikyworld.com). As a result of this process there should be made tables for job descriptions and job duties in enterprises. (Bilgin, 2007: 39).

Headhunting and recruitment

Headhunting and recruitment activities are two of the most important activities for enterprises because it is obvious today that the finance spent on headhunting and recruitment processes is much lower than the loss of money as a result of the employment of wrong people. (Bilgin, 2007: 71).

The first stage of headhunting process is to define which of the jobs are open and to analyze these jobs and determine their descriptions and duties. Then it comes to identify how and where to get the right personnel for those kinds of jobs. The best presentation of an enterprise is made for candidates within the company or especially outside of it to make it appealing for them and they (the candidates) are made interested. Headhunting for the personnel ends after forms are filled out and enough number of candidates is provided. (Bilgin, 2007: 71).

The activity of finding human resources in organizations is carried out by getting help either from internal or external sources. (Tortop, 2007: 129). After the required employees are hired, in order to sustain the quality of the decision of the choice the managers should be very careful with every step. It can be said that one mistake or disregard may lead to the selection of the wrong personnel. (Can vd., 2001: 119).

Training and evaluation

The employees' training requires organization of different training plans. Any organization which sees education of importance needs to set long-term training plans before getting started. (Aliyev ve Hamidov, 2002: 127).

But in order to be able to provide trainings properly it is important to determine the needs of trainings. A need of trainings is one employee's lack or necessity of knowledge, skills and inappropriate behaviour and manners for doing the job. Determination of the need of training, which is a data collecting process, provides the information to make decisions on the unit, content and purposes of training program. (Can vd., 2001: 195).

The second step after the determination of the needs of training is the selection and application of the right education methods for an employee's work and the training subject. There are a number of developed training methods for employees to gradually obtain the knowledge and skills. (Özdemir, 2002).

There are a variety of methods according to employees' participation and the determination of topics by instructors. There are different types of classifications concerning training methods in various sources. For instance, training methods on-job and in a classroom; individual and group training methods etc. (Can vd., 2001: 202).

At the final stage it is necessary to find out how successfully the training activities, which are an important investment for human resources, have been implemented. However, in this way it is possible to develop training programs in the future. (Canman, 1995: 105). The evaluation concerning training results should be able to illustrate the situation of participants as well as the efficiency of the program. (Aldemir vd., 2001: 190).

Performance Appraisal

Performance appraisal contains the work on the definition of a person's efficiency and the level of success in one subject. (Ertürk, 2011: 165). Here, the point that needs to be paid attention to is the fact that performance appraisal is not routine work and not restricted with only measuring an employee's performance at a definite time. Performance appraisal begins with planning a performance, continues with its observation, and on the next stage the performance is appraised and the process ends with rewarding/punishment. (Grote, 2002: 2).

There are a number of performance appraisal methods aiming to determine employees' performance level. Some of these methods are conventional ways of performance appraisals which were formerly used. And others are modern methods which were developed after the determination of incomplete aspects of traditional methods (www.hr.oregon.edu).

Performance appraisal is a hard and energy consuming process. The main reasons affecting performance appraisal are lack of imagination, lack of management, lack of participation, lack of support, lack of information, lack of communication between management and employees, unequal and unfair implementations and managers' inefficient time management. The elements affecting the performance appraisal negatively should be reduced as much as possible.

Commission Management

On one hand commissions are an element defining employees' income and living standard and on the other hand they are of multilateral importance like elements that make a big influence on the industry, distribution of national income among different economic classes and the rating of social justice in the society. For this reason, commissions are one of the topics, which is mostly discussed by employees, employers and syndicates (Yıldız ve Balaban, 2006: 131).

A commission consists of two parts: the main commission and the applied commission. Except for additional profits, such as rewards, bonus, social aids which are given to employees, the rest of the commission is the main commission. Thus, the main commission is the money which is paid to an employee by the employer for doing the work (service). All the profits that employees earn beside the main commission according to the law or an agreement contain the applied commission attached to the main commission. As examples for the applied commission can be given rewards, bonuses, commissions etc. The payment can be defined in different ways. There have been considered various systems in work legislation concerning how the commission should be determined and calculated. (Demircioğlu, 2003: 56).

The commission should be organized not only in terms of covering people's physiological and biological needs, but also in terms of their psychological expectations. The commission should not be only for keeping employees in companies, it should also play an important role in involving highly-qualified specialists to companies. At the same time, the determination of the amount of commissions in accordance with positions will prevent the personnel from being perceived differently, in other words, prevent them from being unsatisfied and will provide their motivation. (Sabuncuoğlu, 2000: 214).

There may be drawn wrong conclusions while analyzing the commission implementations of enterprises or while comparing them with other enterprises if the picture is not assessed as a whole, that is if all the elements are not taken into account. For this reason, in commission projects the estimation of commission components as a whole and the determination of how important these components are for different employee groups at present and for what they aim to use the components are an essential stage. (www.sunakademi.com). The commission management is a basic human resources obligation which needs to be planned and implemented from the strategic point of view. (Bilgin, 2007: 179).

2. Method of Research

The information on HRM practices was collected by Granet scale which is prepared by taking the organizational factors of Brewster model into account and which is used in Granfield

International research. The scope of the study contains the companies operating in Azerbaijan's capital Baku. The surveys in these enterprises were applied by e-mail and face-to-face interview methods. 293 questionnaires have been sent via e-mail to firms which are on the list of Baku International Society of the Turkish Industrialists and Businessmen (TUSIAB) and the Azerbaijan-Turkey Businessmen Association (ATIB) and the HRM department managers are asked to answer these questionnaires. HRM managers of 75 enterprises out of 293 enterprises participated in the study by answering the questionnaire by e-mail method. Considering that this number is not enough and the enterprises on this list are generally established by foreign capital and they can barely represent the enterprises in Azerbaijan, HRM managers of enterprises in Baku, especially the ones operating in financial sector, which have been established by the local capital, have been requested to make an appointment. Although more HRM managers gave a positive response to the appointment, only 41 HRM managers participated in the study by answering the questionnaire. The total number of enterprises that has taken part in the study with questionnaires has been 116. Average and standard deviation values were calculated with SPSS 17.0 software program and they were subjected to regression and factor analysis.

3. Results of Research

Results related to HRM department and practices

While estimating all the data related to HRM departments in all enterprises in Azerbaijan, it was found out that 75% of them have HRM departments. In more than 50% of enterprises the department concerning HR is called HRM. The vast majority of business (71.6%) has 1-4 employees in HR departments. Top managers responsible for HR are preferred to be chosen from HRM departments or hired from specialized outsources. HRM functions discussed within the study model are implemented in more than 60 % of the enterprises in Azerbaijan. But compared to the enterprises established by foreign capital, the percentage of the application of business functions is lower than in the enterprises established by local capital. At the same time when we make the same comparison between small-scale and large-scale enterprises, we can see that the rate of implementation of HRM functions is more in large-scale enterprises.

Results related to job analysis implementation

As job analysis form the basis for other HRM functions it is one of the most important functions of HRM because the results of job analysis are used in almost all HRM functions when they are being fulfilled. In order to assess the implementation of job analysis, the enterprises were asked one multiple choice question and two questions prepared by Likert scale. The first question concerning job analysis related to the issue whether the enterprises do periodic job analysis. The result of the survey is given in given in Table 1:

Table 1. Implementation related to job analysis

Expressions	Average	Standard Deviation
a. In your business all the sections have right (ideal) number of workers	3.21	1.5
b. Every worker's duties, powers and responsibilities are defined clearly	2.13	1.3

One of the most important results which the application of job analysis needs to reach is job descriptions. The objectives of asking questions as "in your business all the sections have right (ideal) number of workers" and "every worker's duties, powers and responsibilities are defined clearly" were to determine from another viewpoint if the enterprises applying job analysis really apply it and to also determine if the results of job analysis are turned into job descriptions and

applied properly. As it can be seen in Table 1, the average percentage of HRM managers of the surveyed enterprises who confirmed the expression "In your business all the sections have the right (ideal) number of employees" has emerged with the low-level arithmetic average of 3.21. Standard deviation values are too high which shows that there is homogeneity in this tendency. This result reveals the fact that HRM managers in all enterprises in Azerbaijan neither confirmed nor denied the expression "In your business all the sections have right (ideal) number of workers". The average for the expression "Everyone's duties, powers and responsibilities are defined in your business" has emerged as 2.13, which is very low.

Results related to headhunting and recruitment

The function of headhunting and recruitment contains the activities concerning how and where to find and hire the required number of employees with needed talent and skills. The first question relating to headhunting and recruitment in enterprises in Azerbaijan was that the enterprises prefer sources while recruiting employees. Table 2 shows which sources the enterprises prefer when they recruit managers, lower-tier workers and mid-level workers.

Table 2. The sources of superiority to fill positions vacated by enterprises in Azerbaijan

To fill the following vacant positions in your organization what resources you are giving superiority/priority	Inside sources (%)	Outside sources (%)
Managers	80.2	19.8
Mid-level worker	73.3	26.7
Lower-tier worker	61.2	38.8

As it can be seen in Table 2, businesses in Azerbaijan give superiority/priority to inside sources in all levels of workers. Then the firms were asked about which sources they prefer in outside sources only. Results are in Table 3.

Table 3. The methods used for stuffing from outside sources in Azerbaijani firms

Sources	Managers (%)	Mid-level worker (%)	Lower-tier worker (%)
A. Newspaper advertisement	20.6	46.6	32.8
B. Internet advertisement	5.2	31.0	63.8
C. University graduates	33.6	42.3	24.1
D. Social networks (friends, relatives advises)	71.6	16.3	12.1

Results show that newspaper advertisements are mostly used in mid-level workers stuffing. Internet advertisements are commonly (over 90%) used in mid-level and lower-tier workers stuffing. Mostly firms benefit from university graduates on stuffing of mid-level employees. This result shows the need of enterprises in Azerbaijan for highly-educated employees. From the results we can see that social networks are very important in choosing managers. These results again show the importance of job analysis. Job analysis gives a manager all details about work. And these details can be used in stuffing process. At the same time social networks are not important in stuffing of lower-tier workers.

After studying stuffing practices, selection practices were evaluated. Results show that selection of employees is largely conducted by exams. At the same time interviews are used mostly. Another main result in the table was that the selection is mostly conducted by general directors. Only a little part of workers is selected by commissions. Of course, acceptance or rejection of employees by a general manager is normal, but if general directors mingle to the selecting process, it is the worst to think about this process.

Results related to training and development practices

In order to define the level of training and development activities in enterprises of Azerbaijan, first of all, the assessment of studies on training planning has been implemented. Many of the firms answer that they implement training according to the needs of workers. But when checking which workers they have sent to trainings this year, we can see that mostly managers were sent to the holiday regions. In the last session, firms were asked about the method of determining training needs. Results show that performance appraisal scores are important in determining training needs. This result can be a good reason for motivation of employees. But the important percentage of managers' opinion in determining training needs can be a problem in determining objective needs. Consulting with the professional specialists and taking requests of workers into account can help firms in determining the right needs.

After evaluating applications about training planning, evaluation was conducted in the field of implementation of trainings. Firms were asked about which training methods they use and how often they use these methods. Results show that firms mostly use trainings in the form of classroom training and on-job training. Computer based trainings are not popular. In our age internet technologies have entered almost all areas of our life that's why organizations meet their training needs with method of e-learning. This model gives a chance to workers in reaching information everywhere and saving on training costs, plays an important role in the efficiency of organizations and employees. After the evaluation about training planning and its implementation, training evaluation, which is the last part of training applications, was conducted. Results show that evaluation process is doing for formal results.

After selecting the factors which affect training and development practices, this factor's reliability was tested with the factor and reliability analysis (Table 4). 72.229% of total explained variance was quite a satisfactory result.

Table 4. Factor and reliability analysis

Total explained variance: 72,229%	Training planning activities	Implementation of trainings	Evaluation of training
Reliability	,8523	,7708	,8865
S1	,8523		
S2	,736		
S5	,902		
S6	,822		
S10	,877		
S11	,851		
S12	,885		
S3		,607	
S4		,656	
S7		,748	
S8		,650	
S9		,705	
S13			,877
S14			,851
S15			,885

Expansion Method: Principal Component Analysis, Rotation Method; Varimax with Kaiser Normalization, Rotation was 8 iteration.

Research questions were divided into factors like training planning activities, implementation of trainings and evaluation of training and reached a high level of factor loadings. Factor and reliability analysis prove the reliability of the scale used in the research for training and development. To determine the effect of factors on the training and development practices, a regression analysis was performed. Results are shown in Table 5.

Table 5. Regression analysis table

Factors	B	T	P
Training Planning	,180	0,956	,346
Training Evaluation	**,330***	2,215	,041*
Training Implementation	**,535***	2,372	,023*
R^2	,329		
F	3.435		
Sig.	.000		
Dependent variable: Training and development practices			

* $P < 0.05$ level was significantly (2-way)

The regression equation training and development practices were as the dependent variable and the independent variables were training planning, implementation and evaluation of trainings. The rate of the description of the model established in the table is at the level of (F) 0.05, which is a significant and satisfactory level. The significance of the model (R^2) was realized at the level of 0.329.

With the results of regression analysis, it was clear that the efficiency of training and development practices depends on training implementation and evaluation process. We can say that firms which want to implement effective training and development practices have to choose the right methods of training.

Results related to performance appraisal practices

Performance appraisal is one of the critical functions of HRM. Implementing this function correctly can give good results but wrong implementing gives negative results, such as employee moral problems, lack of motivation and others. For the purpose of getting information about performance appraisal practices of firms, the first question was if the firms had performance appraisal system which evaluates workers' performances periodically. After that it was asked if the firms plan their workers' performance. Results show that most firms had performance appraisal systems. But the implementation of this system is not right because results are not used in punishment and rewarding systems. Conversion of the sum of the individual performances and organizational performance are the most important goals of performance appraisal system. Performance appraisal is not a routine system evaluating workers' performances periodically. Performance appraisal system began with planning performance, will continue with its monitoring, performance is evaluated at a later stage with the reward/punishment process in its end (Grote, 2002: 2).

After this it was asked why firms need performance appraisal system. Results show that firms mostly need performance appraisal systems for the resolving knowledge and skill deficiencies of the workers. This result showed that performance evaluating system is only used to determine performances of workers but it doesn't give information about planning the performance. The relation between organizational performance and individual performance is not taken into account.

Another important subject about performance appraisal is selecting the right method of performance evaluation. The percentage of methods used by firms in performance appraisals is as in Table 6.

Table 6. Performance appraisal methods used in businesses in Azerbaijan

	Often (%)	Usually (%)	Sometimes (%)	Never (%)
Performance appraisal forms	47.0	35.7	11.3	6.1
Benchmarking method	27.8	54.8	6.1	11.3
Critical incidents method (observation)	10.3	29.3	58.6	1.7
Performance feedback from managers	43.8	40.6	12.2	3.4
360 degree performance appraisal	11.9	14.7	39.4	33.9
Team-based performance appraisal	10.3	11.3	58.6	19.8

As shown in the table, Azerbaijan firms prefer to use more classic methods than 360 degree and team-based methods. One of the main points of performance appraisal practice is using its results correctly. The situation about using performance appraisal systems outputs in Azerbaijan firms are shown in Table 7.

Table 7. Using performance appraisal systems outputs in Azerbaijan firms

In which fields you are using performance appraisal outputs?	Mean	St. Dev.
Performance appraisal outputs take important role in determining of compensation management	2.50	1.07
Performance appraisal outputs take important role in career management	2.48	1.07

Significantly lower mean values of the results of performance evaluation reveals are not used effectively.

Results related to compensation management practices

Compensation management plays an important role in retaining skilled workforce or attracting qualified workers to the vacant positions in organization. Other benefits of good compensation systems are: the improvement of personnel performance, reducing staff turnover rate, increasing commitment to work and others. When salaries are a motivation source and the source of welfare for the employees, they are the source of an expense for employers. Taking these facts into account, every organization has to establish compensating system effectively and use this system for the needs of organization. Later it will be tried to evaluate the effectiveness of the compensation systems in Azerbaijan enterprises. The questions for evaluating the compensation management were prepared in accordance with 5-point Likert scale and businesses were asked to assess the extent of their participation in the following questions. Questions are as below:

- Wages are paid accordingly to the work rather than the person in your business
- Wages are a tool for the attraction of skilled labour to the organization
- Wages are the most important source of motivation for workers
- Wage system is the basis for employees to demonstrate efficient high performance
- Wages in your organization are paid accordingly to the results of work evaluation
- Workers with high performance get more wages in your organization
- Together with the main salaries additional fees are paid from time to time in our business

The objective of asking these questions was determining the effectiveness of the compensation system. In order to achieve this goal, factor analysis was conducted to see if these questions generate a meaningful unity among themselves.

As a result of the factor analysis (Varimax method), we can see that all the questions were grouped under a single factor explaining 68.71% of the variance and with factor loading on .68's. To that effect, taking the arithmetic average of all of the questions, the assessment was made by a single dimension.

This dimension is called "the effectiveness of compensation management" as it will imply the effective compensation management if the arithmetic average would indicate the presence of a high degree. The average data about this dimension is in Table 8.

Table 8. Effectiveness level of compensation management in Azerbaijan enterprises

	Answers given by HR managers	
	Mean	St. Dev.
Effective compensation management level	3.10	.84

As it can be seen in Table 9, the arithmetic mean value of the sum of Azerbaijan enterprises has emerged as 3.10, which a moderate level. These results demonstrate the moderate level of effectiveness of compensation management. The fact that the standard deviation value is not very high (.84) shows a homogeneous trend in the distribution.

4. Discussion and Suggestions

Many studies indicate that HRM practices are American-based. Today, the source of the development for the researchers and practitioners is still the United States. As a result, many of the Anglo-Saxon based models are developed during the development of HRM discipline. Although the initial phase of the development of the discipline of HRM was inevitable, it was examined at the current stage of Anglo-Saxon models. Now, the Anglo-Saxon models need to assess the compliance of the different national contexts.

In this study, HR functions practices statuses of the application are presented in Azerbaijan defining integration to the market economy as its main purpose. This research can be the first step to investigation and development of HRM practices.

Results and suggestions about HRM functions implementation in Azerbaijan companies are as below:

1. Research reveals that almost 70 % of national companies have completed the job analysis. However, comprehensive and overall analysis of job requirements indicate that this percentage is much more than it was claimed. This shows that job analysis was not conducted effectively and the result of this application is not at the needed level. For the good applications companies have to prepare job descriptions and job recruitments for all positions.

2. Questionnaire results related to recruitment and selection practices in national companies in Azerbaijan testify that companies preferably use internal sources in employee's recruitment while in the selection of employees companies widely apply job interview methods.

3. Questionnaire results give evidences that there are lots of problems with analyzing training needs, training implementation and evaluation practices. Important percentage of manager's opinion in determining training needs can be a problem in determining objective needs. Consulting with the professional specialists and taking requests of workers into account can help firms in determination of right needs. Firms mostly train their workers. Results show that firms mostly use trainings in the form of classroom training and on-job training. Results show that the evaluation process is doing for formal results.

4. There were few evidences or low level percentage in applying of modern assessment methods of employee performances. Besides, relationship between the individual performance and the organizational base performance has not been taken into account.

5. Applied compensation system has not been critically examined yet. On the contrary effectiveness of the compensation system has appeared to be at the middle level.

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