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**HUMAN RESOURCES MANAGEMENT
OF A COMPANY IN PROCESS
OF TRANSFORMATION**

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The paper deals with the changes in the conception of human resources management of a company in current market environment. The first part characterises the traditional conception of the personnel management common in domestic companies and briefly describes its main tasks. The directions the HR management should follow at present and especially in the future are presented in the second part. The following scopes are mentioned above all: creation of flexible organisation structures, improving selection and recruitment of employees, aiming at the continuous development of the employees' potential and lifetime education, selection of appropriate means of motivation and removing bureaucratic barriers. Theoretical considerations are completed by a comparison with a practical attitude. Taking the transformation of Czech Savings Bank (Česká spořitelna a.s.) as an example, the practical progress of changes is illustrated, which took place after a foreign owner had taken over a traditionally managed Czech company.

Introduction

The current market environment in which our companies operate is being globalised step by step and it is obvious that this trend is going to continue. According to Peters [2] the main outlines of this trend especially are:

- the strengthening competition pressure of both domestic and foreign companies,
- growing demands of the customers,
- technology revolution,
- changes (mostly unpredictable), which became more or less regular and whose rate increases.

If a company wants to be successful under these conditions, new demands arise in almost all fields. Of course, this concerns also the company staff and personnel management.

The Main Tasks of the Personnel Management in a Company – Traditional Approach

Generally, these tasks may be conceived as follows:

- creating of a dynamic balance between the working tasks requirements on the one hand and human resources being used by the company on the other hand considering the number and working abilities of the employees and their qualification structure;
- optimal usage of these resources from the point of view of the working hours and abilities – employees' potential [1].

Especially the personnel clerks, partially also the line managers participate in fulfilling these tasks. Although the fulfilment of such tasks has not been always easy (for many reasons), even under the conditions of isolated and relatively stable economics, many companies managed to cope with them satisfactorily. Modern methods of personnel management have been introduced in prospering companies, especially selecting people for the key positions, systems of education and staff abilities' development and systems of motivation. Under the current conditions of the open economics, globalisation, intensive competition and considerable dynamics of changes, some classical approaches and so far „successful templates“ which were suitable for stable companies have failed and it is necessary to change the attitude.

Changes in the Attitudes Towards the HR Management

Under the current conditions, as described above, the companies' employees – their human capital – become the limiting factor of success, and the quality characteristics of this capital and its potential are becoming evident. The main tasks in general, as described in first part, are still valid but the considerable dynamics of changes in environment and the requirements for employees need a different attitude. In such situation, the company should focus especially on the changes in the following areas:

- creating of flexible organisation structure which would encourage activity and interest of people,
- improving the quality of employees' recruitment,
- stress on continual development of employees' potential,
- motivation instruments,
- removing of bureaucratic barriers [2].

Successful application of these recommendations enables the full usage of employees' potential and should lead to a substantial change in their motivation. There is no doubt about the rationality of these recommendations. Unfortunately, many companies accept them only at the theoretical or proclamation level, and practically carry on in rationalisation by dismissing the staff while still proclaiming that employees are their most significant resource. Practical procedure of the changes in a traditionally managed Czech company after a foreign owner take-over is illustrated by the example of Czech Savings Bank.

Human Resources in the Process of Transformation of Czech Savings Bank

In the period of centrally planned economics Czech Savings Bank (Česká spořitelna) was an institution specialised on the service to the individuals in the area of deposits and loans. Its task was above all to gather the citizens' savings that would flow to the State Central Bank and whose further use was practically a business of the Ministry of Finance. The Savings Bank had a monopoly position in this area and was directed by the state plan. Considering these conditions, Czech Savings Bank did not operate as a business but more as an office administrating withdrawal of funds on behalf of the state. The nature of personnel and the personnel policy corresponded with these tasks: the main requirements posed on staff were accuracy, strict following of regulations and obedience, which means perfect performance according to given procedures, initiative was not desirable. Also the company culture was more close to a bureaucratic institution than a financial institution. After the political change in 1989, a change of Czech Savings Bank starts gradually and has been proceeding till today. The period of this

transformation can be divided into 3 stages.

Stage I: 1990 – 1994

After the transition period in the beginning of the 90's, in 1992 the state owned company was transformed into a joint stock company with a majority share of the state, and changes in the scope of the service provided began. The strategic target of the top management at this time was the transformation of the Savings Bank into a universal bank that would be able to provide the full scope of financial products both to individuals and to companies. The company achieved with respect to that time's macroeconomic conditions 5 milliards CZK average annual profit before taxation in the first half of this period. The basic strategy was an expansion both in the field of buildings and equipment and HR. At that time (see chart Fig. 1) the number of employees almost tripled. There was a multistage organisation structure with regional divisions in the individual districts; the number of business-points in the Czech Republic was 2168.

Stage II: 1995 – 1999

At this stage the consequences of wrong credits and certain „megalomania“ of that time's top-management, especially concerning the investments into buildings and equipment, began to show in the economic results. The company's profit dropped significantly and the Savings Bank was in “red figures” from 1998. This caused the change of strategy from expansion to maintaining the market share and to efforts to make the individual activities more efficient.

This affected the HR field by decreasing the number of employees, which was carried out by suppressing some activities, natural leavings and flattening of the organisation structure. During the first phase in 1995, one management level was left out – the regional divisions and district subsidiaries became directly subordinate to the headquarters. During the next phase in 1999, the district subsidiaries were united and 33 organisation units were created from 78 and the number of business points was reduced to 876 by 1999. Thus the number of employees was reduced almost by a quarter to 15277.

Stage III: 2000 – present

In the middle of 2000 a major share in the company was purchased by the Austrian Erste Bank Sparkassen, which overtook the exercise of owner's rights after the purchasing price was settled and immediately started making pressure on the quality of services and profitability. The main task is rationalising of the company by applying common methods such as centralising of activities, reengineering, outsourcing, and abolishing of non-productive activities. The basic organisation

structure of the district subsidiaries does not change but its inner structure is being significantly reduced. The number of employees has dropped to 14 500 and should

Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Number of employees	7403	10820	14500	17171	19851	19460	19319	17522	16580	15277	14500	12500

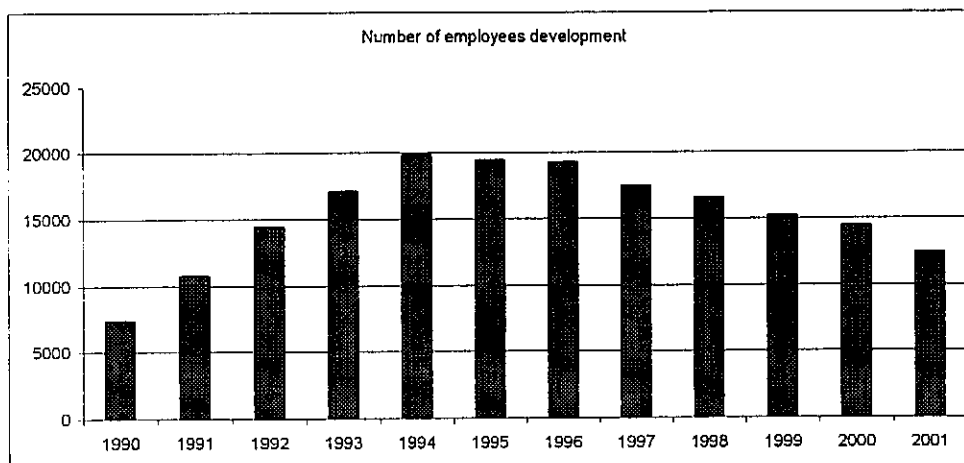


Fig. 1

continually decrease to the final amount of about 9000. The ways and methods of personnel work have been changing during the last decade. While in the first stage, the stage of extensive development, the staff recruitment for ensuring new activities, education system creation and its realisation were the key tasks, in the II. stage a gradual reduction of the staff started to be necessary. In this phase the staff reduction was carried out slowly mainly by means of natural leavings and the average reduction was approximately 5 % per year. The situation changed dramatically after the foreign partner's joining; the reduction in the first year was almost 14 % and further 28 % are needed to achieve the final status.

Conclusion

Classical attitudes towards the development of HRM are applied in prospering and stable companies in the Czech Republic. Since the mid-90ies, the position of many companies has changed; there are pressures to increase efficiency, which results in efforts to rationalise the company. This process usually goes together with more

or less fierce reduction of the staff. The current situation in the Czech Savings Bank is a typical example of this approach. Although the rationality (especially economical) of the rationalising is obvious, it may have its own difficulties. The dismissing of employees should be managed and carried out by the personnel departments the way that unnecessary losses of both knowledge and potential of competent employees are avoided. In the Czech Savings Bank, the reduction of staff is actually carried out by an administrative decision of the headquarters and it concerns determined positions in subsidiaries. I assume that there is a possible risk of loss of both knowledge and potential of some leaving employees. It may be decreased perhaps only by individual approach of the heads of the district subsidiaries, which depends on their personal characteristics and attitudes. The judgement whether and to what extent the transformation of the Savings Bank as a complex and its human resources is successful will be possible after the end of transformation — based on the development of the company's market position and its economic results.

References

- [1] Koubek J.: *Human Resources Management* (in Czech), Management Press, Prague, 2001.
- [2] Peters T.: *Thriving in Chaos* (in Czech), Pragma, Prague, 2001.