



Human Resource Management Strategy

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Abstract

The development of human resources, in accordance with the objectives, strategy and implementation of relevant policies of the Bank of Albania aims to create a suitable work environment that serves not only the professional growth of employees, but also the continuous improvement of the administrative processes of each institution. The administration of human resources has recently been focused on the acquisition and continuous implementation of the best practices of human resource management that are applied in similar institutions in the European Union. Pursuing dynamic policies of employment, management and career promotion of staff, for a professional and flexible structural organization, remains a priority of each state. In order to efficiently manage human resources, it is required that each institution adapts the regulatory infrastructure to the best standards, continuously creating promotion opportunities for employees with professional experience, as well as always aiming to motivate employees and increase effectiveness at work. . Through the policies for increasing professional motivation, it is aimed to preserve the sustainability and continuity of the staff, considered as one of the main challenges faced by central banks today.

Keywords: human resources, EU, Bank of Albania, employment, unemployment

1. Introduction

The development of human resources, in accordance with the objectives, strategy and implementation of relevant policies of the Bank of Albania¹ aims to create a suitable work environment that serves not only the professional growth of employees, but also the continuous improvement of the administrative processes of each institution.

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In order to efficiently manage human resources, it is required that each institution adapts the regulatory infrastructure to the best standards, continuously creating promotion opportunities for employees with professional experience, as well as always aiming to motivate employees and increase effectiveness at work. . Through the policies for increasing professional motivation, it is aimed to preserve the sustainability and continuity of the staff, considered as one of the main challenges faced by central banks today. According to studies, special care has been taken to combine experienced professional staff with young staff. The average age of the staff is 43 years, while about 88% of employees in the Bank have higher education (BoA Annual Report, 2022). It is worth noting that 57% of them have completed

¹ Bank of Albania annual report, 2022

postgraduate studies at Master's/PhD level, as well as obtained professional certificates recognized by international institutions. About 37% of employees have completed postgraduate studies within the country, while 20% of them have completed postgraduate studies in prestigious academic institutions abroad².

Each institution implements EU legislation, invests in the professional development of its human resources through training and relevant specializations. The participation of the staff in these specialized trainings, organized by various central banks, international financial institutions (IFN) or others, brings professional growth but also the expansion of the company's image and cooperation. The highest participation in trainings with 46% was carried out in European central banks such as: Bank of Germany, Bank of Italy, Bank of the Czech Republic, Bank of the Netherlands, Bank of France, Bank of Poland, European Central Bank, etc. The trainings conducted by international financial institutions make up 23% of the participations and more specifically in: International Monetary Fund (IMF), EBRD, BIS, as well as with 28% participation in trainings conducted in cooperation with other organizers such as: European Commission, EBA, Eurostat, IFC, JP Morgan, CEF etc.

2. Literature Review

There is sufficient research evidence to demonstrate that strategic human resource management (SHRM) influences business outcomes. Many research papers suggest that strategic human resource management practices provide a competitive advantage and improve organizational performance. Raso (2021) discovered that high-performance management practices lead to economic gains. Enz (2000) identified five types of human resource practices that can improve morale, reduce turnover, increase productivity, and increase guest satisfaction: leader development, training and knowledge building, employee empowerment, employee recognition, and cost management. Bakshi (2014) emphasized the significance of horizontal and vertical organizational fit when implementing HR practices. This study investigated the link between human resource practices, employee turnover, and organizational performance in the service sector. The findings revealed that call centers that prioritized high skills, employee participation in decision-making and teams, and human resource incentives such as high relative pay and job security had lower quit rates and higher sales growth. The study also discovered that quit rates mediated the link between human resource practices and sales growth. Furthermore, the impact of these relationships was shaped by the customer segment served. These findings highlight the significance of effective human resource practices in promoting employee retention and driving organizational success in the service industry.

A field study of 136 technology companies discovered that commitment-based human resource practices improved the organizational social climate of trust, cooperation, and shared codes and language. The practices outlined above had an impact on the firm's ability to exchange and combine knowledge. The study found that this relationship predicted the company's revenue from new products and services, as well as sales growth.

According to research consensus, strategic human resource management involves three stages: strategy formulation, implementation, and evaluation (Krishnan 2004). HR professionals play an important role in all of these stages. The literature also suggests that organizational factors can help or hinder the success of each stage. McCowan (1999) depicts a company's HR strategy, which includes increasing employee capabilities and commitment, improving HR function capabilities, and forming innovative alliances with business executives. Lengnick-Hall (1988) proposes a typology based on the mutual dependence of a company's business and human resource strategies. Finally, Hayati (2021) emphasizes the importance of HR professionals comprehending various activities of strategic value, as well as the role of creativity and innovation in achieving organizational performance. Empirical research has examined the relationship between human resource management practices and business strategy. A study was conducted with data collected from 200 Spanish businesses. The study's findings reveal significant links between certain human resource practices and the business strategies employed by these companies. The reported findings confirm some previously established relationships while also shedding light on the dynamic nature of human resource management practices in alignment with business strategy. These findings emphasize the importance of strategic human resource management in promoting organizational success and competitiveness.

Many research papers show a strong relationship between business strategy and HR strategy, implying that HR can serve as a new foundation for long-term competitive advantage and play an important role in achieving business objectives. This paper emphasizes the importance of strategic alignment, which allows for continuous monitoring, review, and appraisal of strategy in response to environmental changes while also ensuring quality, up-to-date information for

² BoA Annual Report, 2022

management. The paper emphasizes the importance of HR departments getting involved in strategic planning and aligning their strategies with the overall business strategy.

There are numerous challenges to implementing strategic human resource management. According to Kant et al (2023), cultural, political, and sectoral factors can all interfere with the implementation of strategic human resource management policies in public enterprises. Stojanović (2022) emphasizes the significance of employee performance, engagement, and communication in strategic HR management. According to McMahan (1998), employee involvement, diversity, and international issues pose significant challenges to current and future research in strategic human resource management. Armstrong (2000) offers practical advice on how to implement HR strategies in the real world, such as human capital management, corporate social responsibility, and talent management. Overall, the papers suggest that strategic human resource management can be complex and difficult to implement, requiring consideration of cultural, political, and sectoral factors as well as employee engagement and diversity.

3. Analysis of Internal Resources of the Organization – VROI Framework

In order to achieve the set objectives and be competitive in the market where it operates, the organization must do an internal analysis of its resources. One of these the analysis is also that of human resources. To accomplish this Jay Barney et al (2005) focused on four factors which are important for the strategic achievements of the organization. The organization must have: value, rarity, be inimitable, be inimitable and have good organization:

1. Value: Human resources that can create value. Who are these people?? People who do not fear in the face of threats and seize opportunities no matter what external or internal. So, they are the people who make objective decisions, manage stress and are creative.
2. Rarity: how unique are human resources in the organization in terms of their abilities.
3. This can be developed and maintained by the organization by providing training and necessary development. When the organization promotes individual development, will automatically attract and retain its skilled, agile and competent human resources the right knowledge.
4. Imitability: it is strategically important that human resources within organization to be unique, so that the competition will not be able to find them easily imitate him. The "cut" and "paste" system in HR culture does not work. In order to have the advantage of human resources, then everything must be started from scratch and this is possible when the culture of the organization and its objectives include these factors.
5. Organization: last but not least, human resources must be organized in order for the organization to have a competitive advantage. This means that human resources must be able to work in order efficient together, have human resource policies and programs managed well, so that they support and encourage each other.

Guest's comparative model: This model emphasizes that an integrated set of Resource Management practices Human (Purcell, 1999) will result in higher individual performance and organizational. Also, this model emphasizes that there is a significant difference between Human Resources Management (HRM) and Personnel Management (MP). Also, this model emphasizes that HRM strategies such as Differentiation, Innovation, Quality and Cost Reduction will lead to the best practices a training, evaluations, selection, remuneration, job design, inclusion and safety

4. Hypotheses and Research Questions

Hypothesis 1: Organizational performance of private companies is closely related to the recruitment process as well as with training, motivations and remuneration also. After analyzing the hypotheses of this study, we will refer to the construction and analysis of multiple linear regression equation, whose general form is: $Y_i = b_0 + b_1X_1 + b_2X_2 + \dots + b_nX_n + e_i$. When constructing the multiple linear regression equation you must first the fact of the interaction of independent variables between each other is also taken into account i otherwise known as "multicollinearity".

Hypothesis 2: Career, motivation and reward are the main factors with which individual performance is related. It is known that part of the success of any company or private enterprise has been and individual performance remains. Therefore, to analyze the relationship between individual performance and other independent factors including training, motivation, career and reward we refer again to the construction of the equation of multiple linear regression, which in this case has the form: (Individual performance) = 0.838 + 0.257 (Motivation) + 0.154 (Compensation/reward) + 0.295 (Career)

Research question 1: Does the training process depend on the educational level of the staff companies? If so, which of the categories is intended to be trained more, those with education lower or higher educated staff?

We first analyze the first part of this research question. So is it related statistically significant between the training process and the educational level of employees.

Research question 2: Does organizational performance depend on performance individual?

To get answers to this research question, we first refer to the analysis of Chi Square Test to see whether or not there is a statistically significant relationship. So referring to this test, the data show that the value of Asymp.Sig. (2-sided) = 0.000 < 0.05. This shows that our two variables affect individual performance to organizational performance, as expected and as explained and literature. The higher the results and efficiency of each individual's work, the better the performance of the organization is high, thus bringing success and stability in the market of the company itself, but also security and well-being for everyone employees in particular.

5. Strategic Management of Human Resources in Albania during Last 10 years

Compared to previous years, in 2018, there is a doubling of training participations within the country, as a result of the initiatives undertaken by the Bank of Albania for the training of management staff (activity with the Federal Reserve (FED) as well as a slight increase in number of training participations conducted abroad. Most of the professional trainings in 2018 were carried out in the field of Banking Supervision (10.9%), Monetary Policy (10.0%), Central Banking (10.0%) and Monetary Operations (9.2 %). The rest of the trainings were developed in areas such as: internal audit, money issue and administration issues, statistics, accounting and finance, economics and modeling, etc. It should be noted that the largest number of professional trainings is focused on building the institutional capacities of the central bank for the fulfillment of its main functions.

A clear vision of the desired future state of Albania is an important guidepost for a national development and integration strategy. A vision for a strategy should provide a description of what Albanians expect from the economy, society, institutions and the environment and what the most important elements are in each domain. To generate inputs for such a vision, a workshop entitled Albania: Vision and Challenges 2030³ was organised in Tirana on 6 February 2020, gathering a broad range of participants from various public-sector ministries and agencies, the private sector, academia and civil society. The vision was built on the basis of simple narratives of the lives of future citizens of Albania and subsequent clustering by the five pillars of sustainable development: People, Prosperity, Partnerships and financing, Peace and institutions, and Planet.

The narratives of the workshop evoked young women with high education – some in high-skilled professions, such as engineering and information technology (IT) analysis, others in entrepreneurship, tourism or agro-business. Many have returned with experiences from abroad and are now exploring opportunities in Albania. All fictional citizens enjoy middle-class family lives, with stable, decent work, good health and quality education. Citizens have houses and enjoy leisure time in green, clean public spaces. Digitalised services, quality jobs and an economic environment conducive to starting company and improving skills for career development were also emphasised.

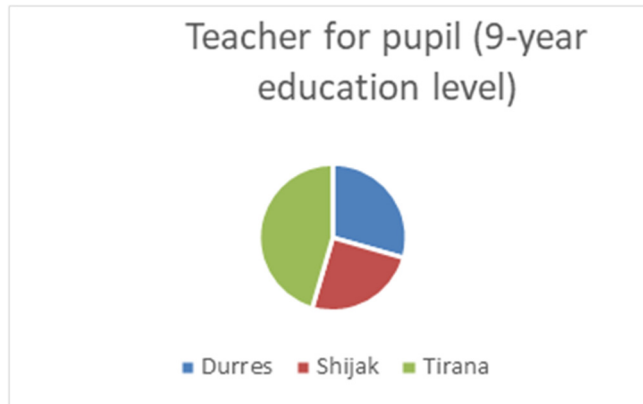
The resulting inputs for the potential vision centre on strong education and governance, the rule of law and a dynamic and regionally integrated economy as the main levers for higher well-being. Anchored in the European Union, Albania of 2030 is envisioned as an economy with stable, reliable and accountable institutions and a functioning system of checks and balances. It has a competitive economy with an attractive framework for business and growth thanks to higher productivity, a skilled labour force and better use of natural resources. Last, Albania of 2030 is a knowledgeable and inclusive society that benefits fully from improved health and education systems and quality jobs and where human capital and well-being are at the heart of the country's development. In terms of the individual dimensions of this vision, education, good governance, strong institutions and public services are considered the most important, as identified through a voting exercise.

According to the annual report of the Labor Inspectorate⁴, the main strategy for the period 2019-2022 includes these objectives: Encouraging opportunities for decent work through effective labor market policies. Providing quality vocational education and training for youth and adults. Promoting social inclusion and territorial cohesion. Strengthening labor market governance and qualification systems. Durrës city is the second largest county in Albania, where 10.1% of the total population of Albania lives in 2018. This population extends to 3 of the country's 61 municipalities. Durrës, like Tirana, is the only county that has experienced an increase in population from net internal migration, with a total of 816 people. The median age of the population was 36.0 years. The number of students attending 9-year and secondary

³ https://www.oecd-ilibrary.org/sites/7c2fa8bd_en/index.html?itemId=/content/component/7c2fa8bd-en#section-d1e8500

⁴ https://inspektoriatipunes.gov.al/wp-content/uploads/2021/11/Publikim_AL_Strategjia-Kombetare-per-Punesim-dhe-Aftesi-2019-2022.pdf

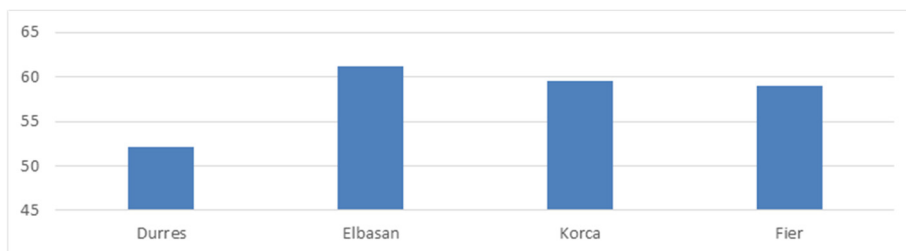
education represents 10.7% of the total number of students in Albania. The pupil-teacher ratio in compulsory education (9-year) for the Durrës region is 16.2 pupils per teacher, thus representing the highest ratio after the Tirana region. This ratio varies according to the municipalities, where Shijak has the lowest ratio of 13.8 students per teacher, while the Durres municipality has the highest ratio with 17.2 students per teacher(see the diagram 1).



Graph 1. The number of children for teacher

Source: The annual report of the Labor Inspectorate, 2021

The number of employees in the Durrës District was 7.5% of the total number of employees in Albania, while the unemployment rate was 13.8%, being at the level of the country's average rate. The average monthly salary was 41,636 Lek, while the average monthly consumption expenses according to the Family Budget Survey of 2021 were 75,744 Lek per family. The ratio of employees (aged 15 and over) in relation to the population of the same age (about 2363 thousand people) is 52.1%. The highest employment rate for the population aged 15 and over was registered in the district of Elbasan (61.5%), followed by the district of Korça (59.5%), and Fier (59.0%) (see graph 2).



Graph 2. The ratio of employees (aged 15 and over)

Source: The annual report of the Labor Inspectorate, 2021

The analysis of employment according to economic activities shows that services and agriculture have the largest share of employees, respectively 42.9 and 37.4%, while the analysis of employment according to economic activities shows that services and agriculture have the largest share of employees, respectively 42.9 and 37.4%, while those employed in industry constitute only 19.7%. Tirana is the county with the highest percentage of employment in services (66.5%) and the lowest percentage of employees in agriculture (6.9%). The district with the highest percentage of employment in the industry is Durrës (34.2%), while the district of Kukes has the lowest percentage of employees in this sector (6.9%). The highest percentage of employment in agriculture (67.2%) is recorded in the district of Elbasan, which at the same time has the lowest level of employees in services (23.4%).

6. Conclusions

The national legislation that governs labor market governance is consistent with the country's social, economic, and integration goals, as well as European Union directives. The legal and institutional gaps for chapters 2 and 19 will be analyzed, and the resulting legislation will be approved. The Ministry of Finance and Economy, the National Agency for Employment and Skills, the National Agency for Education, Vocational Training, and Qualifications, and the State Inspectorate for Work and Social Services have all aligned relevant Albanian legislation with EU Directives.

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