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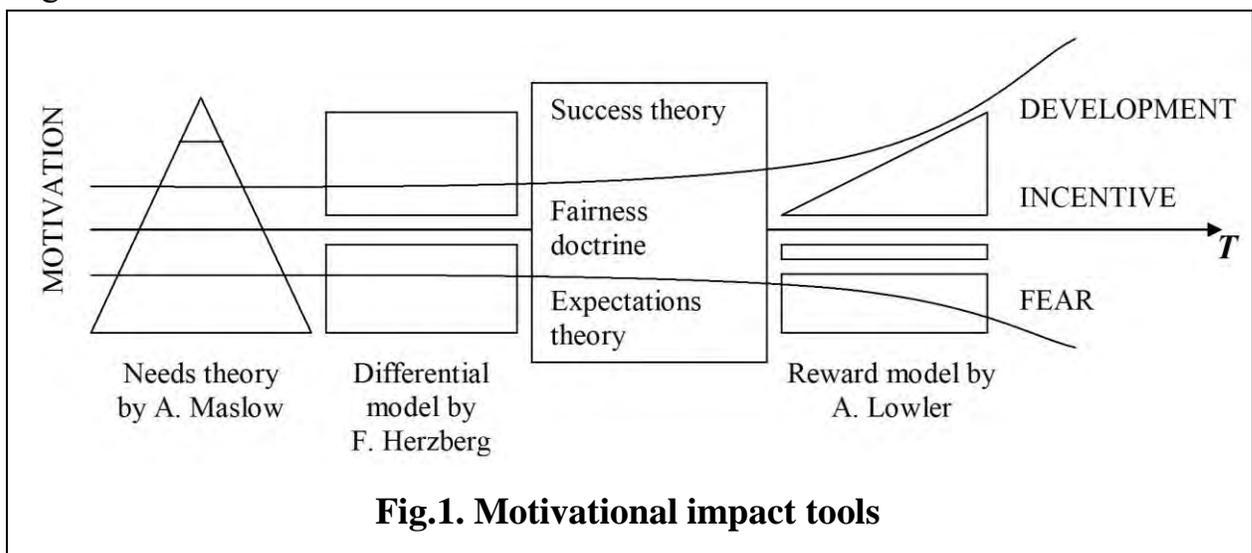
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Development of the banking system in Ukraine and its integration into international financial system raises new requirements to the stability and competitiveness of banks. In that sense critical is Ukraine's policy towards accession to European Union and World Trade Organisation. Improvement of competition at the Ukrainian market of banking services poses new requirements to the banks, the most important of which is a need to implement to-date banking techniques. In our opinion, the enhancement of HR policy should become the significant step to improve competitiveness of Ukrainian banking system, namely creation of effective procedures of personnel training, attraction, formation, development, motivation and incentivisation.

Personnel are facing more and more complicated tasks in organisational development. The process of tasks execution takes place in constantly changing environment. Therefore Ukrainian banks need to hire employees with high level of qualification, intelligence and self-management, capable of making unique decisions and act independently in non-standard situations. And just because these people are self-sufficient, they find their own answers about good and bad, right and wrong, appropriate and inappropriate. Each organization has directives, job descriptions, and regulations of specific organizational units. But whether employee's satisfaction, his interests and priorities established for this job are included? Not all of these can be determined in job descriptions, regulations, business procedures, operations etc., which employee has to follow. So we have a problem: how the individual self-sufficiency can be managed then, since it's necessary for resolution of complicated tasks, but maladministered due to strictly formalised structures, actions, and rules.

Absolutely different people with versatile interests, enjoying various things, enter the same organisation. Particular nature of banking sector calls for the need of motivation system, which is unique and adapted for the organisational culture. But very often it is formed of itself, without specific identification and actualisation, and therefore can not be effectively applied and managed. If this is the case, motivation system exists separately

from the managerial activity. That's why one should identify those particular factors, which are important for bank's personnel and can be satisfied through achievement of bank's goals. At the same time, individual motives which could be realised through achievement of bank strategic goals and objectives are worth identification too. The clearer and plainer their wording is, the more comprehensive and understandable would be bank's image, ideology, inner sense, and finally the less misunderstanding between management and employees arise. This relates to both existing and future employees, because correct formulation of company's vision, at least at the first stage, acts as quite effective filter during personnel selection. If bank image is clearly identified, individuals for whom it seems obscure or not interesting, simply would not send their applications to this particular bank, thus preventing a number of organisational conflicts. In other words, it's necessary to translate factors involved in the bank value system into motivating factors. In each bank managers have at their disposal a lot of motivational impact tools (Fig. 1), which are quite rarely used since such task was not formally established for managers.



Leading management experts recognise three major sources of business: material resource, business processes and personnel. Personnel is very special resource - live, active, mobile - and therefore needs constant dynamic adaptation to its nature and independent activity, caused by its own motives.

Motivation<sup>1</sup> possesses dual nature: motivation, as system of individual's internal motives (both conscious and unconscious); incentivisation, as actions on activation of individual motives (encouragement, escape from punishment etc.)

Talking about material factors, one should remember that satisfaction and efficiency are different things. Employee may recognise that fee is fair, but does not get satisfaction from the job, if it's not interesting, and thus no incentive to develop, and vice versa, person may be unhappy with working environment, being at the same time efficient team member.

<sup>1</sup> Motivation has three major forms: incentive; fear; development

All various remuneration systems can be divided into four major types. The first is represented by standard salary – fixed time-based fee (monthly, weekly or hourly). The second widely used type is piece rate wage, based on the results achieved by certain person, unit or organisation as a whole. Its amount isn't constant and on certain conditions could be zero.

Also wide spread is combined remuneration system, comprising two components. One component is fixed (official salary, contractually fixed amount etc.), and the second is variable. The variable component (in this case labour compensation fund is proportional to the scope of work done, financial indicators of employee, unit or organisation activity in the reporting period) could be one of the following:

- premium – remuneration paid to the employee on the basis of his results in the reporting period according to the clearly established criteria. It is paid in cases, regulated by the respective provisions of company unit/department on labour compensation. The amount paid depends on the operational results;

- commission – remuneration paid to the employee for the fulfilment of certain scope of work, aimed at the increase of company income or additional gain. The amount of commission is based on the scope of work done (or measurable indicators of work execution) and /or their value. To introduce commission, follow such rules: keeping official salary high, the minimal target indicators corresponding to it are set. To incentivise employees to perform work exceeding the minimal indicators, a compensation of additional scope is introduced in the form of commission; then official salary is gradually reduced; commission is paid for any scope of work according to the clearly established indicators. In this case planning is made on unit/department level;

- bonus – additional remuneration paid to the employee against confirmed (act, bill, invoice etc.) factual result of his activity (increase of sales level, improvement of product quality, improvement of labour efficiency, increase of product without detriment to the quality, operational cost saving, performing additional work plan etc.). Depending on the nature of company's operation, bonus could be personal – fee, encouraging significant personal merits of employee in resolution of strategic and tactic company's objectives (achievement of higher individual results, contribution into the operational cost saving, sales growth of products/services, resource economy etc.); or team – fee for achievement of unit objectives or those having strategic or tactic significance for the whole company (sales growth, improvement of competitiveness, income growth, labour efficiency growth in the unit etc.);

- share of profits – an additional fee for the top managers, which is paid for the contribution at strategic (principal) level into the significant improvement of general financial, economical, corporate and teamwork indicators. (For example, increase of total company's income, promotion and foothold of new product/service in the market, successful implementation of strategic plans, meaningful saving of operational costs, significant resource economy, improvement of production efficiency etc.).

According to the foreign companies' statistics<sup>2</sup>, in the western motivation system in 1980 – 1990s money as incentive covered 15% and only some 5% now. Today, when labour market is quite well-shaped, employee transfer from one company to another does not bring noticeable salary gain - it's only some 5%. The remaining part is something absolutely different. In the post-soviet countries salary share in the motivation system is higher – about 25%, but with common trend. Ideally, in five-seven years we will arrive to the same 5%.

Money, however, are not the only means for employee encouragement. There is a judgment, that employee is getting used to the salary in three months; at the beginning it seems adequate, later inadequate, and after the certain time he feels bothered and anxious<sup>3</sup>. As for other motivators (insurance, service car, loans, vouchers for a trip etc.), employee is getting used to them at least in a year. At the same time the decent compensation for the appropriate work – at least, suffice the minimal necessities of life; – takes into consideration the level of responsibility, knowledge and practice (expertise); – is considered to be adequate and fair; – should be competitive at the labour market.

Namely for this reason many Ukrainian banks widely use the incentives of the 3<sup>rd</sup> type, which consist of free provision of certain services to personnel. It could be payment for the medical care and education, subsidies for rental, provision of service transport. In many bank institutions personnel receives so-called compensation package, which is funded by the bank. Since funds are spent anyway, one can find more efficient way of spending, if each individual factor would carry certain motivational component based on ideology. Cellular phone is given to employee, because his status has grown up, or his job is so important that he has to be easy accessible, or his efficiency is important for the clients. Given each part of compensation package is loaded with similar content, we create that ideology-based component. It is usually accepted that such measures are unconnected with labour efficiency and results, although thus statement could be argued, as it was shown above at the ideology-based content of compensation package.

Finally, at managers' disposal there are incentives of 4<sup>th</sup> type, which can be notationally called moral incentives. They include various honours, awards, diploma and certificates, respect by colleagues and management, and even challenge banners and pictures on the board of honour (although we are quite ironic about them now, recalling their exaggerated importance in the Soviet times). However, such symbolic encouragement might be highly appreciated by the personnel. "Appreciation" – this is a key word, which should be always kept in mind by managers developing incentivisation systems. They usually have at their disposal a wide choice between cash pay and moral incentives, personal bonuses and premiums for total outcome to be paid for the whole staff. But if bank institution usually investigates needs and demands of the target group before launching new product or service, why not to apply the same approach to incentives? For top managers, specialists, managers and other groups of personnel

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<sup>2</sup> HR management. Web: <http://iteam.ru/iteam.ru/publications/human/default.htm>

<sup>3</sup> P. Belenko. *Headhunting: Principles and Technique*. – St. Petersburg, Piter, 2005. – 192 p.

different incentives can be used, and in addition to this, to emphasise certain advantages, focus can be made on such factors as gender, age, level of education etc.

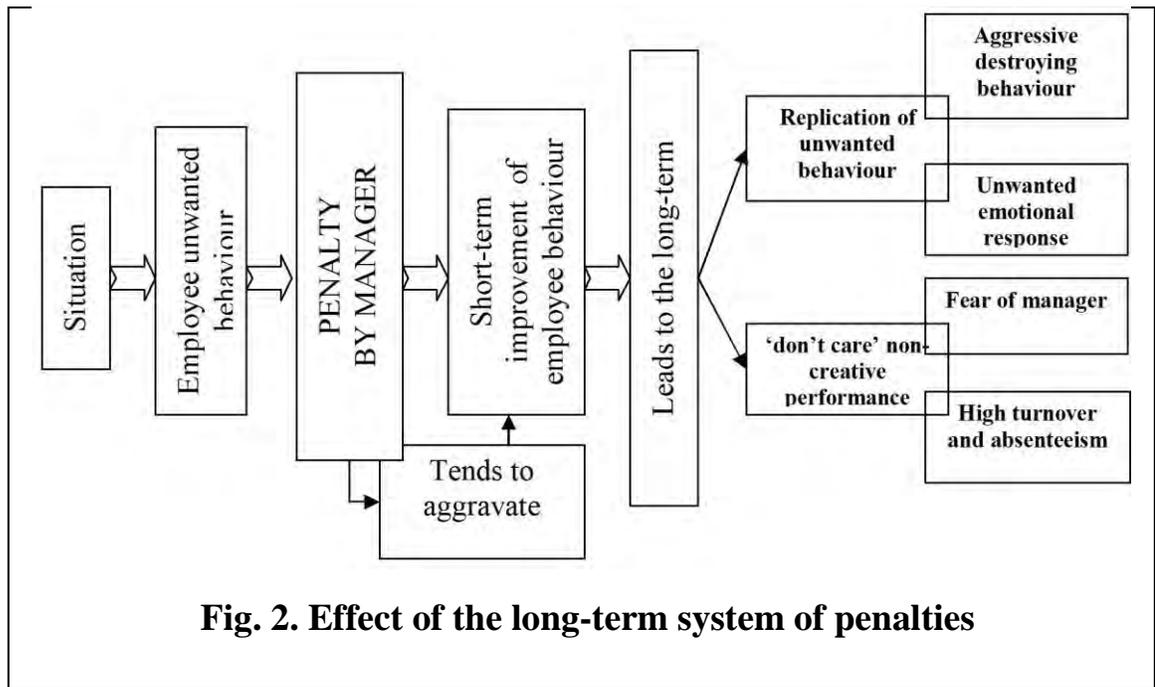
One of the efficient tools in implementation of above approach is job evaluation and ranking. It is performed depending on – job complication and the required qualification level of specialists; level of self-sufficiency and responsibility, including decision making; level of internal and external contacts, specific to this job; replacement cost for this job. Ranking of bank staff is made for reinforcement of employees' interest in improving their labour efficiency, effectiveness of units operation and company as a whole, resource saving, operational encouragement of company's staff. Besides this, ranking is used for – creation of efficient personnel motivation system; formation of compensation packages structure; definition of career model and personnel incentivisation to develop managerial skills according to the career growth within the company.

From the organisational point of view, a personnel ranking into groups allows unification of award formation principle, based on identification of work efficiency for each employee, i.e. depending on their personal results, as well as provide department managers with uniform principle of formation of labour compensation system and fair efficient motivation of work for different personnel groups.

For the development of personnel ranking system a scale of formal or informal ranking could be applied. Formal ranking scale establishes correspondence of all company jobs to certain ranks and bases on such terms as – organisational structure of bank institution; structure of bank management; staffing table. Informal ranking table is applied for correction of formal one and for personnel encouragement. Informal ranking scale can be based on term “expert” (in management and/or specific subject, in processes and/or engineering). Employee can be assigned «expert» rank only if he complies the following criteria: tasks, performed by the employee, are of unique specific nature and have high priority for the bank institution; due to particularity of his activity employee possesses a significant amount of important information; employee has unique external relationship, which are of vital importance for bank institution; employee is well-known specialist in banking business community.

At the same time, motivation and incentivisation system should mandatorily make provisions for the non-performance of certain job duties. Unfortunately, both scientists and practitioners rarely focus on positive and negative effects of system of penalties. It could be established in explicit or implicit form. Use of labour compensation system with variable component (premium, commission, bonuses etc.) allows varying the amount of remuneration depending on efficiency and quality of work done; system of compensation (social) packages can include various sets of packages etc. Besides that, in personnel management practice there are methods of explicit penalising (payment of damages or losses, admonish or impeachment etc.). Among positive aspects of penalties system can be outlined – employee emphasises on the job he is doing; activation of effort and responsibility for the performance of his duties; improvement of quality requirements for the results; comprehension of importance of his duties for the whole organisation. However, managers developing motivation system should take very careful and weighted

approach to the formation of penalties system, since its impact on organization could be irreparable (Fig. 2).



Thus, among negative aspects of penalties system can be outlined – replication of unwanted behaviour; ‘don’t care’ non-creative fulfilment of tasks; aggressive destroying behaviour of employee; unwanted emotional response; fear of manager; high staff turnover and absenteeism.

One more important factor of motivation and incentivisation system is recognition of the fact that all people like to be good and to be liked, and like their job to be noticed and appreciated: «They noticed me; everybody learnt I am the best. Moreover, I managed to do even better». According to the apt remark by V. Yadov<sup>4</sup>, if segregated from the needs, common for the human being and animal world (food, sleep, warmth, reproduction etc.), and turn to what is distinctive for a human being, the only need remains after all. The only but integral, in its own fashion: a need for “belonging” – to what makes sense of living (idea, faith, business, children ... – every soul is attached to its own), and to avoid being forgotten or lost in this belonging, but vice versa, to be noticed, famous, necessary.

People are very specific resource in organisation disposal: irrespective to varying professional and personal characteristics, person won’t produce any yield and work to the company’s benefit until he sees personal subjective advantage, motivating incentive. Unlike machinery or capital it’s impossible just to “buy” employee, since people can not be managed through direct influence. Influence on employee should be mediated and compliant with individual’s internal desires and needs. To ease formation of a desire to work to the bank’s benefit in employee’s mind, the adequate effective motivation system should be created. Motivation and incentivisation system should take into consideration

<sup>4</sup> Planeta KIS. Web: <http://russianenterprisesolutions.com>

the individual features of each employee, which represents quite complicated task, since power, authority, money, stability, public recognition, availability of established procedures, keeping the status quo etc. are important for each employee with different rank. To resolve this problem it is necessary to identify, what employee type prevails in the organization, and issue recommendations on creation of optimal conditions ensuring maximal yield, having accounted herein that satisfaction from work is the result of correlation of motivating (money; working environment; safety; reliability etc.) and supporting (recognition; professional growth; achievements; responsibility and authority etc.) labour aspects.

Summarising the above, one can state that in present shape Ukrainian bank institutions have low (according to European standards) competitiveness level, which is reasoned by a number of objective and subjective factors. Keeping this in mind, it is necessary to develop and implement an improvement program on efficiency of HR provision to the banking system of Ukraine, which is feasible at today's local labour market, capable of provision suitably qualified and competent employees to the banking sector.