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## **1.7. LINKS BETWEEN HUMAN RESOURCE MANAGEMENT AND ORGANIZATIONAL PERFORMANCE**

### **Summary**

The research carried out to establish the link between HR and Organizational performance. The financial results are measured; a failure to measure HR policy and practice implementation dooms this to second-class status, oversight, neglect, and potential failure. HRM affects firm performance positively. Moreover, it is inferred that when HR managers implement HR practices aligned with firm's strategy (SHRM practices) contribute to better performance of organizations. SHRM increases efficiency and effectiveness of organizations, which leads to productivity of organizations. Further, SHRM practices increase employee's productivity and the ability of organizations to achieve their goals. Integrating the use of personnel practices into the strategic planning process enables organizations to better achieve their missions and objectives. Human capital theory suggests that HR practices can directly influence firm performance. Financial performance of an organization depends largely on effective operational performance. The operational performance of an organization is a function of people, process and technology. For effective interaction of people with technology and process, the people in the organization have to be competent enough, with the required knowledge, skill and abilities. The causal linkage between HR and organizational performance will enable the HR managers to design programmes that will bring forth better operational results to attain higher organizational performance.

**Keywords:** Profitability targets, sustainability, competitive advantage, skill, investment

### **Introduction**

The relationship between HRM and firm performance has been a hotly debated topic over the last two decades, with the great bulk of the primary scientific research coming from the USA and, to a lesser extent, the UK (Boselie et al., 2000). Both organizations and academics are striving to prove that HRM has a positive impact on bottom line productivity. The published research generally reports positive statistical relationships between the greater adoption of HR practices and business performance. A considerable amount of research has been carried out to establish the link between HR and Organizational performance. The outcomes of some main projects are summarized in Table 1. In a world in which financial results are measured, a failure to measure HR policy and practice implementation dooms this to second-class status, oversight,

neglect, and potential failure. The feedback from the measurements is essential to refine and further develop implementation ideas as well as to learn how well the practices are actually achieving their intended results (Boselie et al., 2000).

In today's competitive and environmental challenges affect all organizations today are varied and dynamic. Who must choose strategies that they use to survive. Strategic management is the art and science of formulating, implementing and evaluating strategies that will enable the organization to achieve its long-term goals, yet we know that the most important factor in organizational processes is staff. So for one of the impact elements for strategic management implementation is activities in the field of HR (Salehi, 2013).

The people who make up an organization -human resources- are considered to be one of the most important resources of today's firms. People and how they are managed are becoming more important because many other sources of *competitive* success are less powerful than they used to. Recognizing that the basis for competitive advantage has changed is essential to develop a different frame of reference for considering issues of HRM and strategy (Pfeffer, 1994). Traditional sources of success such as product and process technology, protected markets, economies of scale, etc. can still provide competitive lever age but an organization's human resources are more vital for its sustainability. Parallel to the understanding that human resources are vital for an organization, HRM function is also going up in organizational hierarchy. HRM aims to ensure that the organization obtains and retains the skilled, committed and well-motivated workforce it needs. This means taking steps to assess and satisfy future people needs and to enhance and develop the inherent capacities of people - their contributions, potential and employability - by providing learning and continuous development opportunities. It involves the operation of recruitment and selection procedures, management development and training activities linked to the needs of the business (Armstrong, 2008).

SHRM represents a relatively new transformation in the field of HRM. SHRM is concerned with the role HRM systems play in firm performance, particularly focusing on the alignment of human resources as a means of gaining competitive advantage. Strategic approach to HRM is very much focused in the moment, manageability human effort to obtain competitive advantage (Anca-Ioana, 2013).

## **Material and method**

Armstrong (2010) mentioned that SHRM has grown considerably in the last fifteen years as a new paradigm in managing HR in the modern organization. Guest et al. (2000) described the evolution of SHRM from personnel management in terms of a two-phased transformation, first from personnel management to traditional HRM, and then from traditional HRM to SHRM.

As shown in Table 1, HRM affects firm performance positively. Moreover, it is inferred that when HR managers implement HR practices aligned with firm's strategy (SHRM practices) contribute to better performance of organizations. SHRM increases efficiency and effectiveness of organizations, which leads to productivity of organizations. Further, SHRM practices increase employee's productivity and the

ability of organizations to achieve their goals. Integrating the use of personnel practices into the strategic planning process enables organizations to better achieve their missions and objectives. To sum up, integrating HR practices, all with a focus on the achievement of organizational goals and objectives, effect on the ultimate success of the organization and provide sustained competitive advantages for organizations.

Although there has been some criticism, past and emerging research in SHRM indicates that HRM does indeed have an effect on firm as well as other levels of outcomes (Allen, 2006). An increasing number of studies have found significant linkage between various measures of HRM and performance. Measures of HRM that have been used in these studies include:

- High performance and high involvement work systems (e.g., Huselid, 1995);
- HR orientation (e.g., Snell - Youndt, 1995);
- Work life balance (e.g., Konrad - Mangel, 2000);
- Single HR practices (e.g., Gerhart - Milkovich, 1990).

To meet competitive challenges facing organizations today and achieve profitability targets and sustaining the current dynamic component of success for organizations focused on enhancing the strategic role of *Human Resource Management (HRM)*. The objective of *Strategic Human Resource Management (SHRM)*, to create a vision that is so fundamental issues related to the employee regarding. In a rapidly changing competitive environment, HRM are one important source of competitive advantage. *Human Resource (HR)* systems can contribute to sustained competitive advantage through facilitating the development of competencies that are firm specific.

The HR is the most potent and central, contributing significantly to competitiveness of organizations. Thus, organizations gain sustained competitive advantage through their workforce. Competitive advantage is defined as “anything that gives an organization an edge over the competitors in its market” (Inyang, 2010). Taking into account the importance of workforce, organizations are increasingly looking at their human resources as a unique asset that can provide sustained competitive advantage (Najia, 2008). HRM needs to achieve the following strategic goals in order for the company to gain and sustain competitive advantage (Armstrong and Baron, 2003):

- To invest in people through the introduction and encouragement of learning processes designed to increase capability and align skills to organizational needs;
- To ensure that the organization identifies the knowledge required to meet its goals and satisfy its customers and takes steps to acquire and develop its intellectual capital;
- To define the behaviours required for organizational success and ensure that these behaviours are encouraged, valued and rewarded;
- To encourage people to engage wholeheartedly in the work they do for the organization;
- To gain the commitment of people to the organization’s mission and values.

Additionally, the fundamental objective of SHRM is to generate strategic capability to ensure that the organization has highly qualified, highly motivated employees to achieve competitive advantage. SHRM involves a collection of practices, programs and policies that facilitate the strategic objectives of the organization (Mello, 2006).

### **Strategic Human Resource Management as a source of competitive advantage**

The concept of competitive advantage was formulated by Michael Porter. Competitive advantage, Porter asserts, arises out of a firm creating value for its customers. Porter (1985) emphasized the importance of differentiation, which consists of offering a product or service ‘that is perceived industry-wide as being unique’, and focus - seeing a particular buyer group or product market ‘more effectively or efficiently than competitors who compete more broadly’. He then developed his well-known framework of three generic strategies, -cost leadership, differentiation, focus- that organizations can use to gain competitive advantage. Porter’s widely accepted view suggests that the industry - environmental determinants- affects a firm’s performance. Resource-based view, on the other hand, asserts that the basis for a competitive advantage of a firm lies primarily in the application of the bundle of valuable resources at the firm’s disposal (Porter, 1985). Competitive advantage, according to this view differs from the environmentally focused strategic management paradigm in that its emphasis is on the links between the internal resources of the firm, its strategy and its performance.

**Table 1: Research results on the link between HR and organizational performance**

Researcher(s)	Methodology	Outcomes
The 1998 Workplace Employee Relations Survey (as analysed by Guest et al., 2000a)	An analysis of the survey, which sampled some 2.000 workplaces and obtained the views of about 28.000 employees.	A strong association exists between HRM and both employee attitudes and workplace performance.
The Future of Work Survey, Guest et al. (2000b)	835 private sector organizations were surveyed and interviews were carried out with 610 HR professionals and 462 chief executives.	A greater use of HR practices is associated with higher levels of employee commitment and contribution and is in turn linked to higher levels of productivity and quality of services.
Purcell et al. (2003)	A University of Bath longitudinal study of 12 companies to establish how people management affects organizational performance.	The most successful companies had what the researchers called ‘the big idea’. The companies had a clear vision and a set of integrated values, which were embedded, enduring, and collective, measured and managed. They were concerned with sustaining performance and flexibility. Clear evidence existed between positive attitudes towards HR policies and practices, levels of satisfaction, motivation and commitment, and operational performance.

Source: Takeuchi (2003), Armstrong (2010)

Competitive advantage model argues that employers have three basic strategic options in order to gain competitive advantages: cost reduction, quality enhancement, and innovation (Schuler and Jackson, 1987). Among the key business issues that may affect HR strategies, include proposals on increasing competitive advantage through innovation leading to product/service differentiation, productivity gains, improved quality and cost reduction (Armstrong, 2008). Business strategies may be influenced by HR strategies, which are concerned with making business strategies work. Schuler and Jackson (2007) suggested that seeking fit requires knowledge of the HRM practices necessary to *elicit those skills and behaviour*, and the ability to quickly implement the desired system of HRM practices. The competitive strategies tend to apply Porter's (1985) ideas on strategic choice. As mentioned above Porter identified three key basis of competitive advantage: cost leadership, differentiation through quality and service, and focus on 'niche' markets. Schuler - Jackson (1987) used this as their model of SHRM where they defined the appropriate HR practices and policies to fit the generic strategies of cost reduction, quality enhancement and innovation. They argued that business performance would improve when HR practices mutually reinforce the organization's choice of competitive strategy. Thus, in Schuler and Jackson's model, the organization's mission and values are expressed through their desired competitive strategy (also see in Zsarnóczai, 2003, pp. 71-72).

Culture, how people are managed, and the effects of this on their behaviour and skills are sometimes seen as the 'soft' side of business, occasionally dismissed (Pfeffer, 1994). Therefore, there was an awareness that, at present, an organization cannot survive or develop without obtaining a competitive advantage over other competitors (Anca and Ioana, 2013). The HRM function has consistently faced a battle in justifying its position in organizations. At good times when there are enough budgets, firms easily justify expenditures on training, staffing, rewards and employee involvement systems, but when faced with financial difficulties, such HR systems get the earliest cutbacks. The advent of the subfield of SHRM, devoted to exploring human resources role in supporting business strategy, provided one opportunity for demonstrating its value to the firm. The birth of the field of SHRM can be dated back to 1984, when experts extensively explored the link between business strategy and human resources (Salehi, 2013).

To put it another way, SHRM is "the creation of linkage or integration between the overall strategic aims of business and the HR strategy and implementation. In principle, the processes and people within the company are managed in such a way as to foster the aims of the business strategy and create an integrated approach to managing the various HR functions, such as selection, training and reward so that they complement each other" (Mello, 2006; Najia, 2008).

Armstrong and Baron (2003) noted that SHRM might bring a number of benefits to the organization:

- Contributing to the goal accomplishment and the survival of the company;
- Supporting and successfully implementing business strategies of the company;
- Creating and maintaining a competitive advantage for the company;
- Improving the responsiveness and innovation potential of the company;
- Increasing the number of feasible strategic options available to the company;

- Participating in strategic planning and influencing the strategic direction of the company as an equally entitled member of top management;
- Improving cooperation between the HRM department and line managers.

SHRM's spreading popularity owes much to the promise of greater organizational effectiveness achievable, through the development of internally consistent bundles of HR strategies, which are properly linked to business strategies (Inyang, 2010). Researchers in the field of SHRM have increasingly relied on the resource-based view of the firm to explain the role of HR practices in firm performance (Paul and Anantharaman, 2003). Resource-based view of strategy is that the strategic capability of a firm depends on its resource capability, especially its distinctive resources. Indeed, theoretical research on SHRM has suggested that systems of HR practices may lead to higher firm performance and be sources of sustained competitive advantage because these systems of practices are often unique, causally ambiguous, and difficult to imitate (Pfeffer, 2001).

HR practices can enhance firm performance when they are internally aligned with one another to manage employees in a manner that leads to competitive advantage. HR practices can create value for a firm when the individual practices are aligned to develop critical resources or competencies. However, with the advent of the resource-based view of the firm (Najia, 2008; Schuler and Jackson, 2007), strategic management research moved to a more internal focus. Rather than simply developing competitive strategies to address the environment, the resource-based view suggested that firms should look inward to their resources, both physical and intellectual, for sources of competitive advantage. To improve firm performance and create competitive advantage, a firm's HR must focus on a new set of priorities. These new priorities are more business, strategic oriented, and less oriented to traditional HR functions such as staffing, training, appraisal and compensation. Strategic priorities include team-based job designs, flexible workforces, quality improvement practices, employee empowerment and incentive compensation (Salehi, 2013). SHRM was designed to diagnose firm strategic needs and planned talent development, which is required to implement a competitive strategy and achieve operational goals.

According to Armstrong and Baron (2003) people and their collective skills, abilities and experience, coupled with their ability to deploy these in the interests of the employing organization, are now recognized as making a significant contribution to organizational success and as constituting a major source of competitive advantage. The practices of SHRM such as resourcing, training and development, employee relations and reward management are concerned with how people are employed and managed in organizations so as to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce. SHRM has developed rapidly in recent years, especially because of the impact that human resources have had on the competitiveness of organizations (Mello, 2006). Many organizations face a volatile market situation. In order to create and sustain competitive advantage in this type of environment, organizations must continually improve their business performance. Increasingly, organizations are recognising the potential of their HRM as a source of sustained competitive advantage. Linked to this, more and more organizations are relying on measurement approaches, such as workforce scorecards,

in order to gain insight into how the human resources in their organization add value. The increasing interest in measurement is further stimulated by a growing number of studies that show a positive relationship between HRM and organizational performance (Salehi, 2013). In addition, According to Armstrong (2008, pp. 5-6) HR practices are concerned with all aspects of how people are employed and managed in organizations. It covers activities such as: Strategic HRM; Human Capital Management; Knowledge Management; Organization Development; Resourcing (HR Planning, Recruitment and Selection, and Talent Management); Performance Management; Learning and Development; Reward Management; Employee Relations; Employee Well-Being.

As mentioned above, when these HR practices are integrated with firm's strategy they will contribute to organizational superior outcomes. Thus, the following proposition is presented as; HR practices, integrated with firm's strategy, lead to organizational superior performance. Here we concluded that the term 'strategy' is used to explain both the processes (organizational restructuring) and the outcomes (market position) of chosen long-term directions; and it can be either a conscious, planned activity or a series of events, which lead to a desirable objective (Najia, 2008).

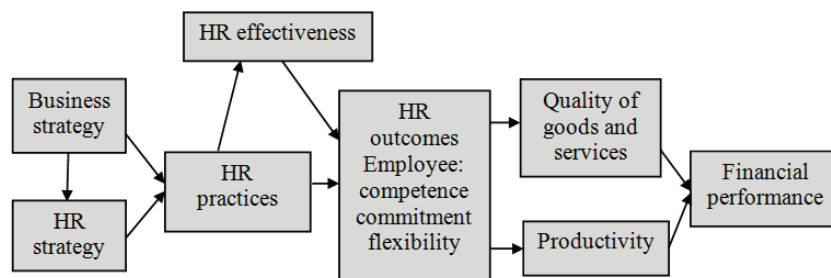
Several researchers (Snell - Youndt, 1995; Guest et al., 2000) have found a positive relation between HRM practice and firm financial performance. They found that the strategic orientation of HR in high productivity firms differed obviously from that in low productivity firms. According to the resource-based view, the firm could develop sustained competitive advantage through creating value in a manner that is rare and difficult for competitors to imitate. Traditional sources of competitive advantage such as natural resources, technology and economics of scale have become increasingly easy to imitate (Boselie et al, 2001). HR is an invisible asset that creates value when it is embedded in the operational system in a manner that enhances firm ability to deal with a turbulent environment.

Konrad - Mangel (2000) has made a case that firms wishing to succeed in today's global business environment must make appropriate HR investments to acquire and build employees who possess better skills and capabilities than their competitors. Human capital theory suggests that HR practices can directly influence firm performance. People possess skills, knowledge and abilities that provide economic value to firms - since firm investments to increase employee skills, knowledge and abilities carry both out-of pocket and opportunity costs, they are only justified if they produce future returns via increased productivity. The higher the potential for employee contribution in a firm, the more likely it is that the firm will invest in human capital via HRM activities, and that these investments will lead to higher individual productivity and firm performance (see Figure 1).

Guest et al. (2002b) modelled the relationship between HRM and performance as shown in Figure 1. They analysed data on links between SHRM/employment relations and performance. The broad theoretical framework guiding the analysis constituted a path model linking together business and HR strategies on one-hand and performance outcomes on the other. The latter included measures like financial performance, quality and productivity. The overall framework was glued together by a number of HR practices such as recruitment and selection, training and development, pay and

rewards and HR function. A key finding was that a large proportion of organizations used a wide range of the HR practices outlined, and thus had an influence on the performance Guest et al. (2002). Although there are various stakeholders in an organization, the chief strategic goal of any business is higher financial performance or maximization of wealth for the shareholders (Gerhart – Milkovich, 1990). Financial performance of an organization depends to a large extent on effective operational performance. The operational performance of an organization is a function of people, process and technology. For effective interaction of people with technology and process, the people in the organization have to be competent enough, with the required knowledge, skill and abilities. Competence of the individual is an important factor that decides operational effectiveness in terms of providing quality products and services within a short time. HRM practices such as selection, training, work environment and performance appraisal may enhance the competence of employees for higher performance.

**Figure 1: Model of the link between HRM and performance**



Source: Guest et al., 2000

Obviously, human resources rarely have a direct effect on firm performance. This is particularly true when the business logic of human resources effect requires that human resources drive firm performance through its contribution to effective strategy execution. HR professionals (and line managers) need to recognize that effective strategy execution is the basis of shareholder value and that effective strategy execution is a system of intermediate outcomes. A strategy manager means recognizing the importance of the causal relationships between HR decisions and these intermediate outcomes that ultimately drive strategic success in organizations (Allen, 2006). The practice areas covered by HR strategies that impact on performance can be seen in Table 2.

According to Allen’s (2006) study on assessment of the impact of people management on organizational performance, some of people management on organizational performance, some works have been able to show an association between HR policies used and performance outcomes, but it was often hard to explain when, why and how this association existed and to identify the interconnections. The study concluded that the impact of people management on organization performance is more obvious in the medium than it is in the short term, and it is here that investigations of high commitment management are particularly relevant.



**Table 2: HR impacts on organizational performance**

<b>HR practice area</b>	<b>How it impacts</b>
Attracting, developing and retaining high-quality people	Matches people to the strategic and operational needs of the organization. Provides for the acquisition, development and retention of talented employees who can deliver superior performance, productivity, flexibility, innovation and high levels of personal customer service and who 'fit' the culture and the strategic requirements of the organization.
Talent management	Ensure that the talented and well-motivated people required by the organization are available to meet present and future needs.
Job and work design	Provides individuals with stimulating and interesting work and gives them the autonomy and flexibility to perform their jobs well. Enhances job satisfaction and flexibility, which encourages high performance and productivity.
Learning and development	Enlarges the skill base and develops the levels of competence required in the workforce. Encourages discretionary learning, which happens when individuals actively seek to acquire the knowledge and skills that promote the organization's objectives. Develops a climate of learning - a growth medium in which self-managed learning as well as coaching, mentoring and training flourish.
Manage knowledge and intellectual capital	Focuses on both organizational and individual learning and on providing learning opportunities and opportunities to share knowledge in a systematic way. Ensures that vital stocks of knowledge are retained and deals with improving the flow of knowledge, information and learning within the organization.
Increase engagement, commitment and motivation	Encourage productive discretionary effort by ensuring that people are positive and interested in their jobs, that they are proud to work for the organization and want to go on working there, and that they take action to achieve organizational and individual goals.
Psychological contract	Develop a positive and balanced psychological contract, which provides for a continuing, harmonious relationship between the employee and the organization.
High-performance management	Develop a performance culture, which encourages high performance in such areas as productivity, quality, levels of customer service, growth, profits, and ultimately the delivery of increased shareholder value. Empower employees to exhibit the discretionary behaviours most closely associated with higher business performance, such as risk taking, innovation, and knowledge sharing of knowledge and establishing trust between managers and their team members.
Reward management	Develop motivation and job engagement by valuing people in accordance with their contribution.
Employee relations	Develop involvement practices and an employee relations climate, which encourages commitment and cooperation.
Working environment, core values, leadership, work-life balance, managing diversity, secure employment	Develop 'the big idea' (Purcell et al., 2003): that is, a clear vision and a set of integrated values. Make the organization 'a great place to work'.

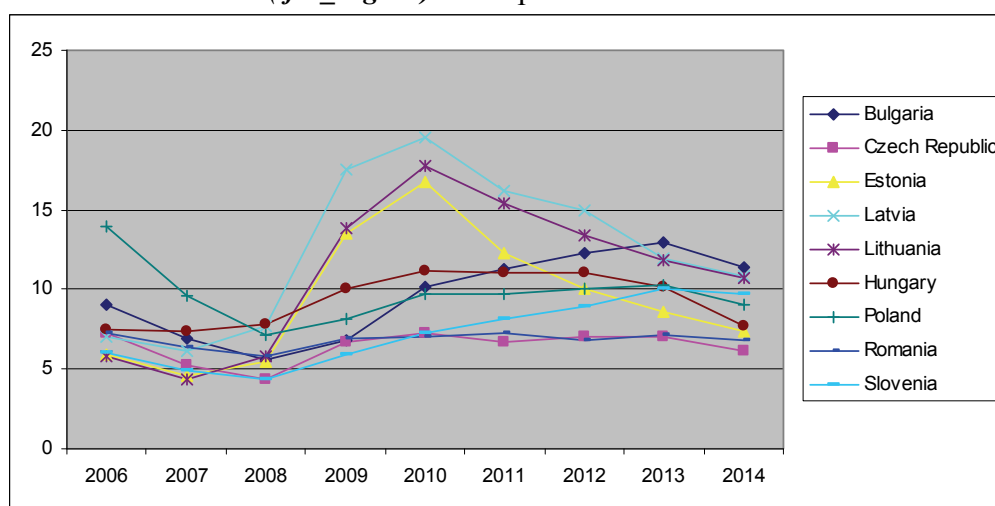
Source: Armstrong (2010, pp. 18-19)

The competitiveness of firm strongly depends on the FDI (foreign direct investment) inflow, which was very active before the world economic crisis of 2008. According to UNCTAD, 2009:217 and Table 3) the measure of foreign penetration into Central East European region was very considerable, because in 2005 this was about 26.000 foreign affiliates located in Hungary, comparably to Poland this was about 14.500 in 2001, and 7.100 in Bulgaria in 2000.

The FDI inflows were extending in value of US Dollar 1615 and Dollar 513 per capita from Estonia to Poland between 2006 and 2008, which FDI inflows were concerning the economic transition and privatization process carried out directly by multinational companies (MNCs) additionally to the national companies borrowing from multinational banks in real expansion of non-national ownership of services and manufacturing firms in this region. (Mickiewicz, et al, 2000:10). The economic strategy followed by countries receiving the FDI inflows realised by MNCs is to boost exports or develop substitutes for import. In the 1990s of the total privatization investments 43% was sourced locally – some of whose capital was loaned through foreign banks – and the rest was FDI (Martin, 2006).

According to the Eurostat data base before the crisis year of 2008 the unemployment rate was at very highly in Poland, Bulgaria and Slovakia, between 18-20%, this unemployment rate was moderately highly in Lithuania and Estonia. The other countries of the CEE (Central East European region) Hungary, Romania, Slovenia and Czech Republic could keep their unemployment level mostly under the 10% level, which mostly could thanks to FDI inflow to the region (see Table 3 and Figure 2).

**Figure 2: Unemployment rates by sex, age and educational attainment level (%)**  
(*lfsa\_urgaed*) Last update: 17-06-2015



Source EUROSTAT

[http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lfsa\\_urgaed&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lfsa_urgaed&lang=en)

However, the crisis caused a highly level increase of unemployment level in CEE region, which let to the sharply increase of unemployment rate, even in Latvia, Lithuania and Estonia about 15-20% mainly between 2008 and 2010. But after 2010 Lithuania, Latvia and Estonia could continuously decrease the unemployment rate.

During this period, Bulgaria for longer time has had unemployment rate higher than in Hungary, which had unemployment rate was higher over 10%, but this topos soon decreased closed to 10% by the end of 2014.

The crisis of 2008 also was considerable obstacle for keeping FDI inflow into the CEE region to ensure an adequate development. After the crisis of 2008 in Poland the FDI inflow was decreased by 20%, because in three year period of 2006-2008 the FDI inflow decreased from level of 58,8 billion Dollar US (3X19,6) to level of 47, 4 billion dollar. In Hungary the FDI inflow decreased by 48% from the level of 2006-2008 to the level of 2009-2011 (Table 3). Naturally the decreasing level of the FDI inflow caused the slowly investment and firm performance, which made difficulty for customers to keep adequate successful purchase power parity on the domestic market. The FDI performance became continuously weak in supplying jobs for workers.

The policy makers should follow FDI inflow and create adequate institutional background for FDI to improve their investments in host country and improve their performance and extend job possibility. By their performance and extending job network, they could increase level of employment. The jobs provide better marketing positions by increasing the purchase power parity of local inhabitants.

### **Conclusions**

SHRM researchers have long argued that human resources should be managed strategically and that certain practices are essential to improving organizational performance. However, the way an organization manages its HR has a significant relationship with the organization's results, a revelation that supports the resource-based view, where business competitiveness is related, at least in part, to the investments in company specific assets. Although the published research generally reports positive statistical relationships between the greater adoption of HR practices and business performance, it should also be kept in mind that many other factors besides HR practices could influence organizational performance. Furthermore, it is possible that there are complex relationships between HR practices and other resources of the firm.

The causal linkage between HR and organizational performance will enable the HR managers to design programmes that will bring forth better operational results to attain higher organizational performance. The focus of the HR management should be to understand organizational performance processes and design HR practices that influence process and outcome variables. Furthermore, beyond understanding the needs of the business, HR managers can enhance their strategic value, and the value of HRM practices, by improving their competencies in three primary areas: organizational design, managing change, and measuring performance. In addition to HR managers, all personnel should be aware of their firm's strategy.

This paper has reviewed the relevant literature and the considerable discussion and deconstruction of SHRM, various elements of *competitive strategies* and the links between these elements. Since it is clearly understood from academic research that human resources are a source of sustained competitive advantage, while, traditionally, the costs associated with the development of HR strategy have been regarded as an

operating expense, these costs would be better considered as an investment in capital assets. SHRM is one factor in the current socio-economic and technological changes, which could play a role in the effectiveness of the organization and achieving organizational success. Since today's human resources as the most valuable factor of production are the most important asset of any organization and the main source of generating competitive advantage and create value-added functionality.

In the world economy the MNCs have considerable role for improving national economies and their performance, also to implement wider FDI inflow into national economies even in CEE region, as it has occurred for the last two decades. Performance and investments of MNCs provide possible improvement of production and services at firm level to increase the competitiveness of firms on the world and local markets.

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