



**HUMAN RESOURCE MANAGEMENT  
POLICIES AND PRACTICES  
AMONG TURKISH CYPRIOT BUSINESSES**

**2004**



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# TABLE OF CONTENTS

Table of Contents.....	i
Table of Charts.....	iii
Acknowledgements.....	v
SECTION A: Introduction.....	1
Objectives of CRANET .....	1
Survey Methods.....	1
Characteristics of the Sample .....	2
SECTION B: The Sample.....	3
General Information about Responding Organisations .....	3
Ownership in the responding organisations .....	3
The industries represented.....	4
The markets targeted by the responding organisations .....	5
Profitability of the responding organisations.....	7
Personal Information about Respondents.....	10
Human Resources as a field in its infancy.....	10
The academic background of the respondents.....	10
SECTION C: HRM Activity in the Organisation .....	12
Recruitment of HR Managers .....	12
Outsourcing HR .....	13
Presence of a Mission Statement, Business and HRM Strategy.....	14
Mission .....	14
Business Strategy.....	14
HR Strategy.....	15
The Strategic Role of HRM .....	17
SECTION D: Staffing practices .....	22
Changes in the number of employees.....	22
Personnel Selection Methods .....	24

Flexible Working Practices .....	26
Recruitment of Special Groups .....	27
SECTION E: employee development .....	28
Performance Appraisals .....	28
Training.....	29
Management Development.....	30
SECTION F: compensation and benefits.....	31
SECTION G: Employee Relations and Communication .....	33
Trade Unions.....	33
Employee Communication .....	34

## TABLE OF CHARTS

Chart 1: Public vs. Private Sector Respondents .....	4
Chart 2: Sectoral Distribution of the Respondents.....	5
Chart 3: Description of main market .....	6
Chart 4: Representation of currently served market.....	7
Chart 5: Representation of Gross Revenue for last three years .....	9
Chart 6: Self reported comparison organisational performance .....	9
Chart 7: The academic fields of the Respondents.....	11
Chart 8: From where the most senior personnel/HR director was recruited .....	13
Chart 9: Representation of change in external providers over the last three years .....	14
Chart 10: Presence of Mission Statement, Business Strategy, Personnel / HRM Strategy and Corporate Values Statement.....	16
Chart 11: The stage of involvement of personnel/HRM in developing business strategy .....	18
Chart 12: Areas in which HR Information System is used .....	21
Chart 13: Representation of change in number of employees for the last three years .....	22
Chart 14: Representation of methods used in decrease of number of employees .....	23
Chart 15: Presentation of percentages reduced by outsourcing.....	24
Chart 16: Representation of how vacancies are most frequently filled.....	25
Chart 17: Representation of selection methods used.....	26
Chart 18: Flexible working practices.....	26
Chart 19: Programmes to recruit special groups .....	27
Chart 20: Involvement in the Appraisal System.....	28
Chart 21: Use of the Information from the Appraisal System.....	29
Chart 22: Involvement in Training.....	30
Chart 23: Methods used for management career development .....	30

Chart 24: Basic pay determination.....31

Chart 25: Reward Systems .....32

Chart 26: Presence of variable pay based performance.....32

Chart 27: Employees' membership in trade unions.....33

Chart 28: Trade Union influence over the last three years.....34

Chart 30: Informing employees about major issues .....36

Chart 31: Representation of change in communication ways to management .....36



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The information, content and language in this publication are the authors' own and do not necessarily reflect the position or opinion of the BDP, its funders, or its executing agency

## SECTION A: INTRODUCTION

The Cranfield Network (CRANET) is a network of 34 top business schools and universities from different countries that undertakes human resource management surveys on a global scale. This report summarizes the main findings of the CRANET survey in the northern part of Cyprus, which was conducted in 2003. The purpose of this survey was to collect factual, representative and comparative human resource management data which, as is the case in all participating countries, was collected from different organisations within the economy. A selected sample reflects the Turkish Cypriot economy.

### Objectives of CRANET

- To establish hard data on organisational Human Resource Management (HRM) practices across all economic sectors throughout the world.
- To monitor, over a period of time the impact of the increasing 'Europeanisation' of business on specific HRM practices.
- To monitor the effect of the European Union on diversity in HRM practices;
- To provide concrete pointers for doing business in different countries;
- To establish how far there has been a shift in personnel policies towards "Strategic Human Resource Management".
- To provide information on HRM policies and practices for practitioners, policy-makers and academics;

### Survey Methods

The questionnaire has a standard format. The original language of questionnaire is English. In order to achieve better understanding, the questionnaire has been translated into each country's original language by the members. In the northern part of Cyprus,

the Turkish version has been used. The Human Resource Managers in the organisations were asked to fill out the survey.

## Characteristics of the Sample

In northern Cyprus, two research assistants were employed to collect data. First, the questionnaire was delivered by the research assistants and then follow-up visits or calls were made. A total of 120 questionnaires were distributed to various organisations, 87 of whom responded, giving a response rate of 72.5 %. The response rate is considered to be very good.

Generally, medium and large organisations are included in the CRANET survey. However, because northern Cyprus is small, with a population of only 200,000, we have used organisations with a lower number of employees in the study. This was necessary to end up with a representative sample of all sectors. The organisations that employ over 50 employees are considered to be large enough to be included in the study.



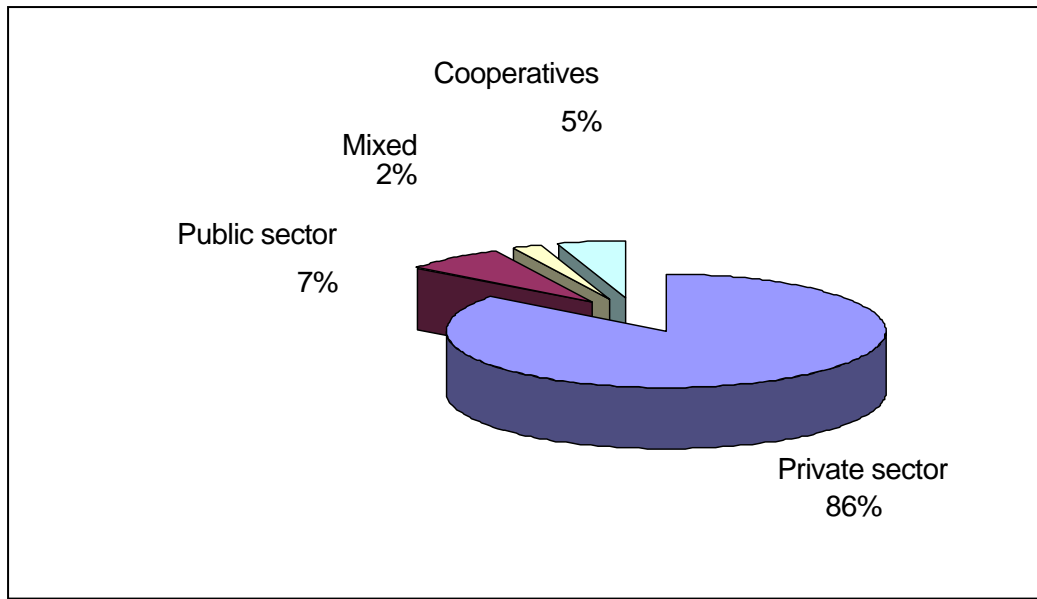
## SECTION B: THE SAMPLE

This section of the report presents the sample used in the study and consists of two parts. The first part provides general information about responding organisations and the second gives information about the Human Resource Managers who filled out the survey.

### General Information about Responding Organisations

#### Ownership in the responding organisations

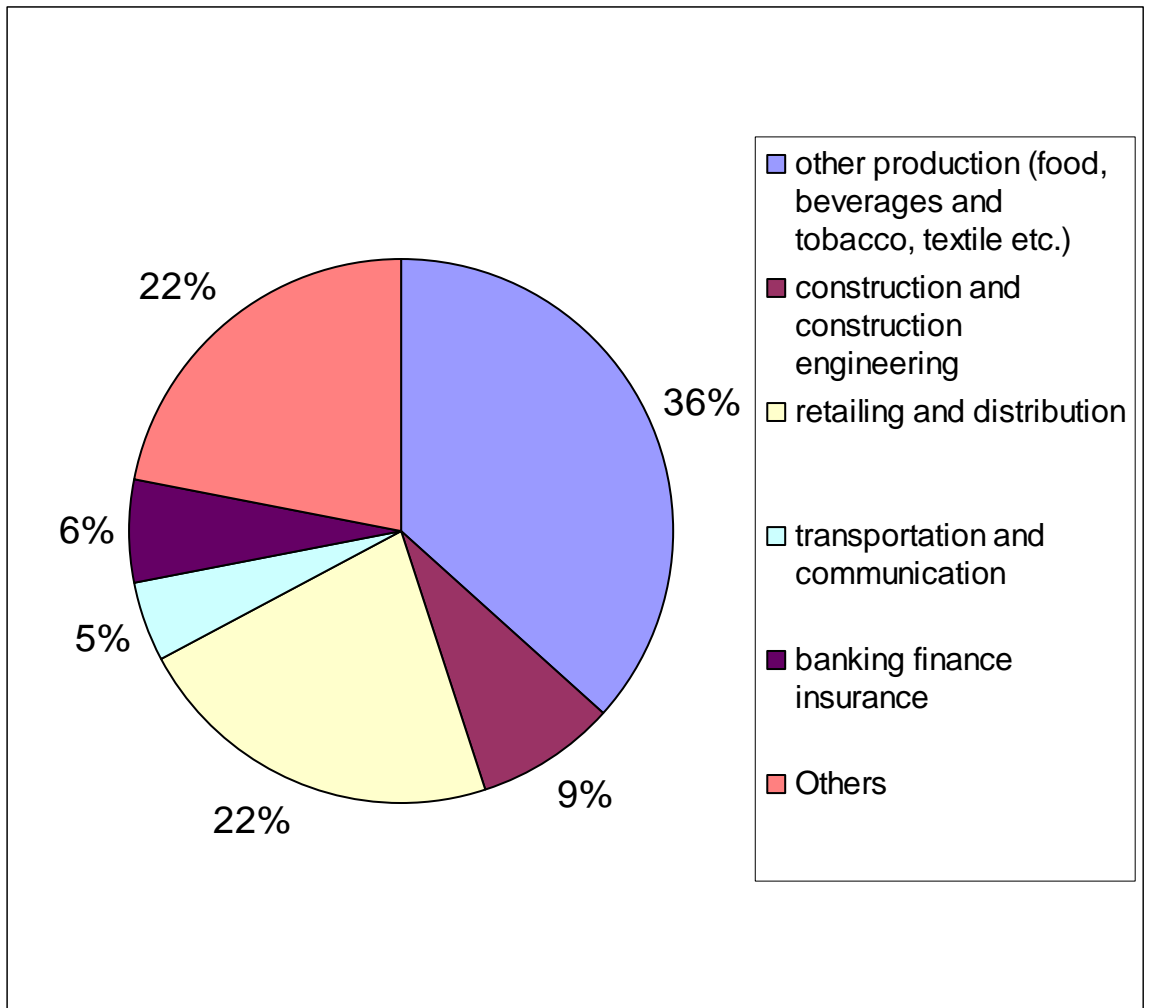
As presented in the chart below, there was an uneven distribution of organisations in the private and public sectors. Out of the respondents, 86% were private sector organisations. On the other hand, the public sector, semi-government organisations and cooperatives, hold only a small share of the respondents with the public sector occupying 7%, cooperative sector 5% and mixed sector 2%. Although the public sector employs a very significant portion of the working population, the HRM policies and practices in these organisations are expected to be identical and are usually determined by the centralized personnel office of the Turkish Cypriot authorities. If we look at other countries in the CRANET study we can see that, in other samples the private sector in the same sector also has the largest share. For example, in the United kingdom the share of the private sector is 70.7% while the share of the public sector is 21.5%, for Sweden, the share of the private sector is 62.1% and the share of the public sector is 33.4%, and for Belgium, 84.4% for the private sector and 8.9% for the public sector.



**Chart 1: Public vs. Private Sector Respondents**

The industries represented

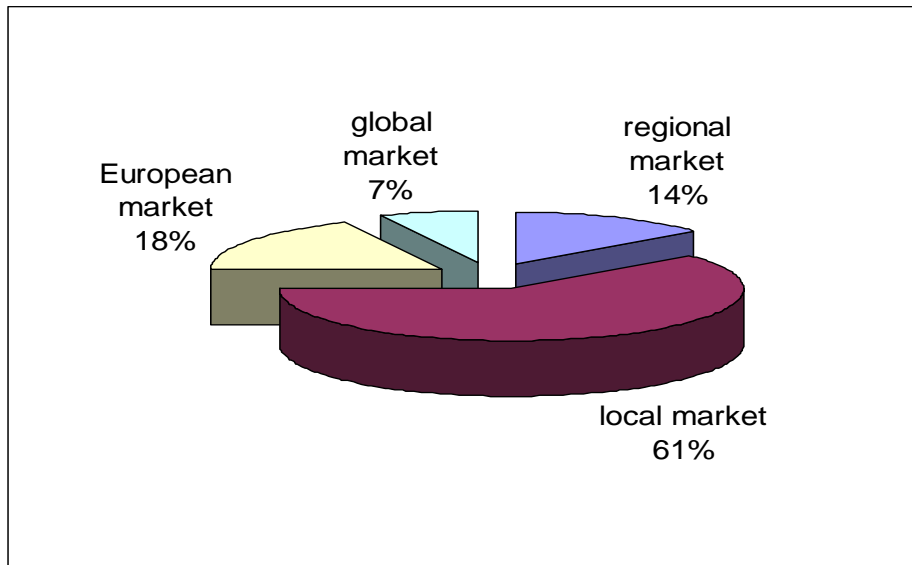
In terms of the sectoral distribution of the respondents, the largest number of responding organisations was in the manufacturing sector. The sector labeled, 'Other production (food, beverages, tobacco, textiles, etc.)', comprised the highest percentage with 36%. This is followed by 'Retailing and distribution' with 22%. 'Construction and construction engineering' has 9%, and the 'Banking, finance, insurance' and 'Transportation and communication' have 6% and 5% representation respectively amongst the responding organisations. Chart 2 shows the sectoral distribution of the responding organisations.



**Chart 2: Sectoral Distribution of the Respondents**

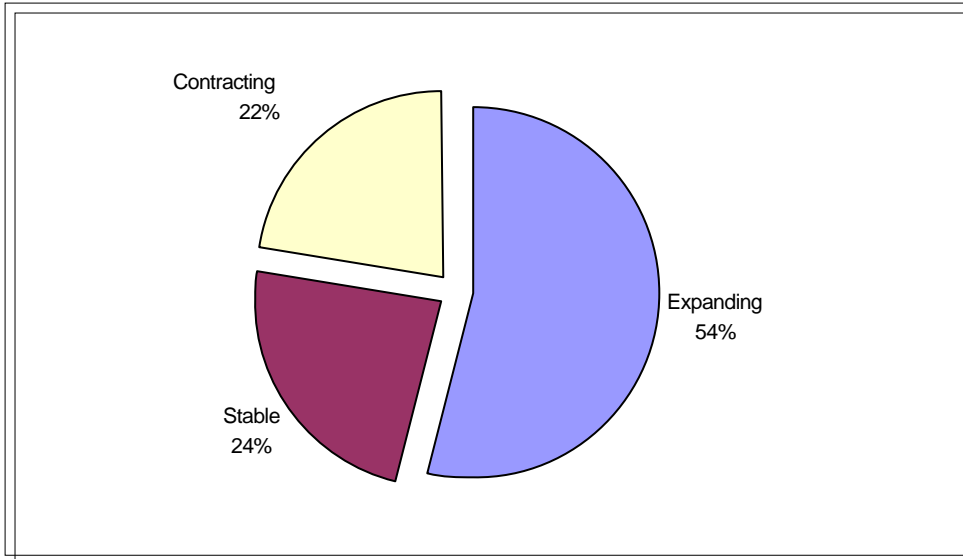
The markets targeted by the responding organisations

As shown in the Chart, 3, 61% of the respondents see themselves as operating in the local market. A considerable percentage of the respondents see themselves as operating in European markets (18%), and 14% see themselves as operating in the regional market. Only 7% of the respondents see themselves as operating in the global market. As opposed to northern Cyprus businesses, businesses in United Kingdom, Sweden, and Belgium see themselves as operating in the world market with the following percentages 35.3%, 36%, and 24.3% respectively. The results of the northern Cyprus survey could be attributed to the restrictions to trade that Turkish Cypriots have been facing. The considerable percentage that serve the European market could be expected to increase further with the possibility of European Union membership or the lifting of trade restrictions.



**Chart 3: Description of main market**

We can sense some optimism in the fact that more than half of the respondents (54%) see their market as expanding. This is followed by 24% of the respondents who see the market in which they operate as stable. On the other hand, 22% of the respondents consider their operating market as contracting. The expectations of joining in EU could be the main reason why many respondents see their market as expanding. Expectations about market expansion appear to be more optimistic when compared to countries such as United Kingdom, Sweden, and Belgium. The percentages in market expansion in these countries are, 48.3% for UK, 45.6% for Sweden, and 44.6% for Belgium.



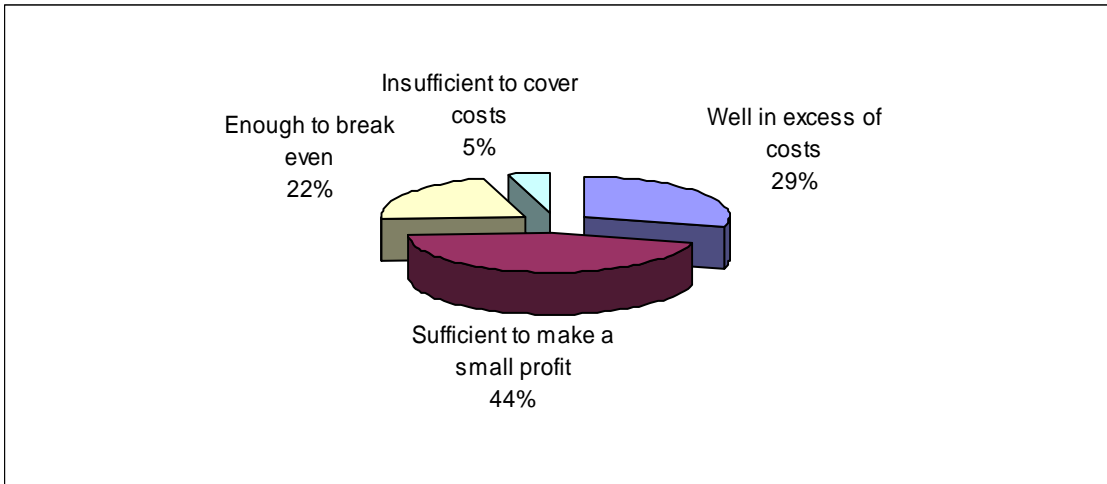
**Chart 4: Representation of currently served market**

#### Profitability of the responding organisations

As it can be seen in Chart 5, 44% of the respondents consider their gross revenue as only sufficient to make a small profit. 29% of them consider their gross revenue well in excess of their costs. 22% of all respondents consider their gross revenue enough to break even and only 5% of all respondents see their gross revenue as insufficient to cover their costs. If we compare the respondents from different countries in terms of their reported profitability we see similarities. Most firms in northern Cyprus, United Kingdom, Sweden and Belgium consider their gross revenue as sufficient to make a small profit. This can be clearly seen in Table 1.

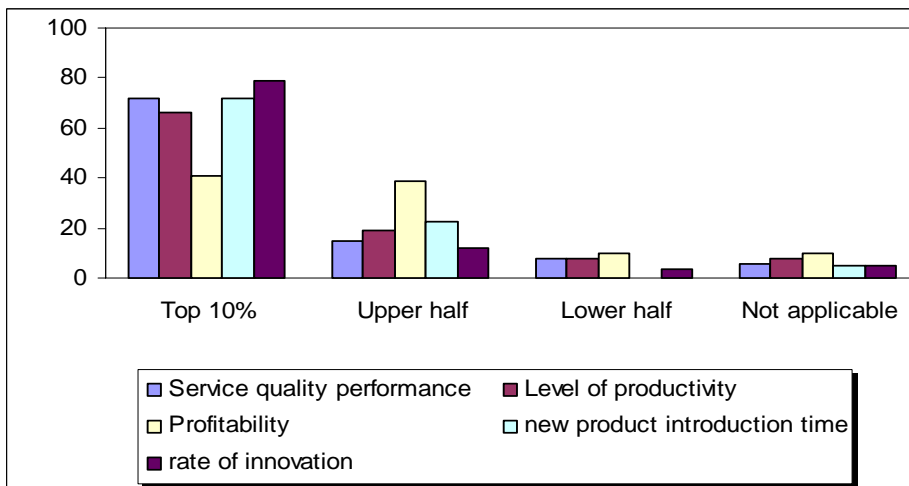
Table 1: Reported Profitability

	North Cyprus	United Kingdom	Sweden	Belgium
Well in excess of costs	29%	33.7%	33.3%	31.7%
Sufficient to make a small profit	44%	40.6%	39.5%	41.9%
Enough to break even	22%	10.7%	8.2%	14.4%
Insufficient to cover costs	5%	10.2%	11.1%	7.8%
So low as to produce large losses	No value	4.7%	7.8%	4.2%



**Chart 5: Representation of Gross Revenue for last three years**

Although most of the responding organisations reported that their revenues are only sufficient to make a small profit, as indicated in the chart below, the majority of the respondents see themselves within the top 10% for all components of organisational performance. We see that the responding organisations are more modest in terms of profitability. However, there is a perception in 80% of responding organisations that in terms of innovation they are in the top 10%.



**Chart 6: Self reported comparison organisational performance**

The survey also revealed that very few of the organisations have been involved in changes such as demerger and merger in the past three years. Among the responding

organisations there is no organisation which has been taken over by another organisation.

## Personal Information about Respondents

Human Resources as a field in its infancy

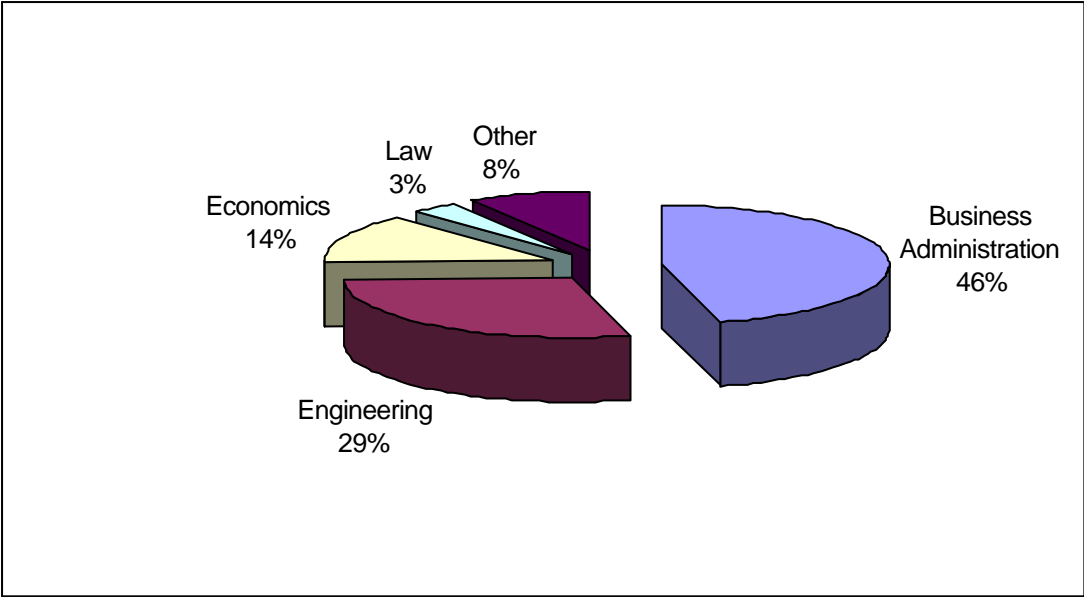
Out of all the respondents 70% indicated that they were the most senior personnel in charge of HRM in the organisation. Almost half of the respondents (49.4%) did not consider themselves as Human Resource specialists. Of those who considered themselves as Human Resource specialists, 63.6% had only one year of work experience in the field.

HRM seems to be a male dominated field in our organisations. Only 17% of the HR managers taking part in the survey were women. Most of the respondents (79%) had a university degree. Chart 7 shows a breakdown of the fields in which the respondents had studied

The academic background of the respondents

As we can see from Chart 7, 46% of the respondents have studied business administration, 29% of respondents have studied engineering and 14% have studied economics. Only a moderate number (4%) of the respondents have a Legal background. The rest of the respondents (about 8%) come from different academic fields such as Social or Behavioral Sciences, Literature, Arts, Linguistics, Natural Sciences, or they have a military background.





**Chart 7: The academic fields of the Respondents**

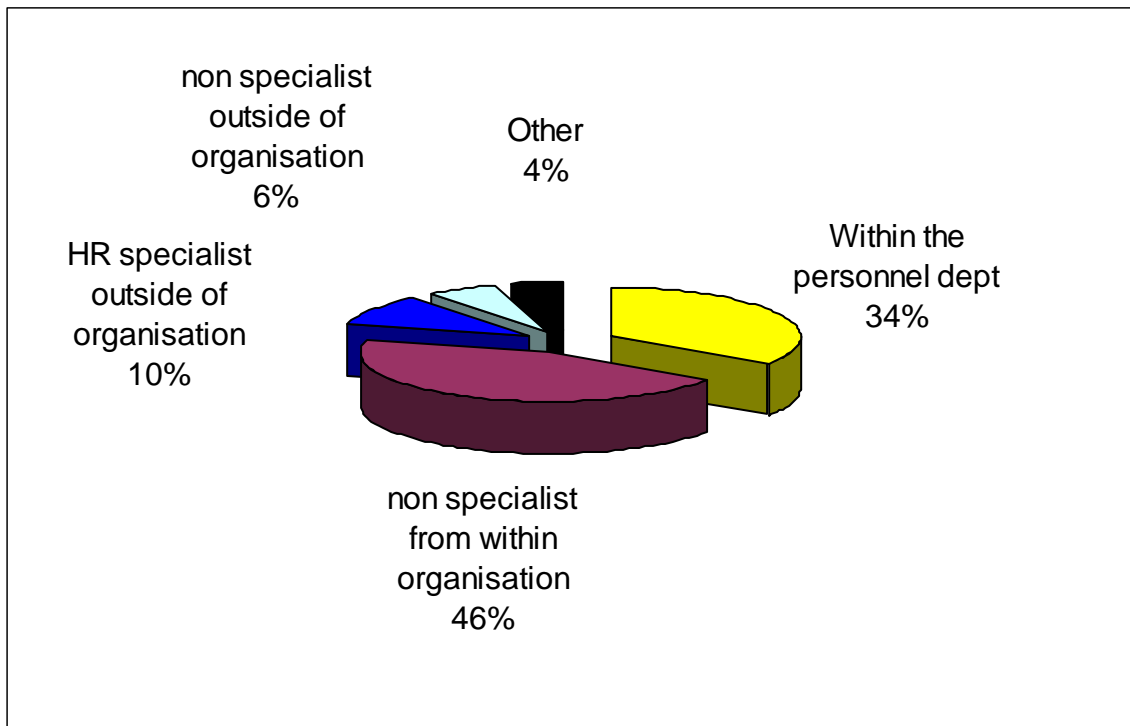
## SECTION C: HRM ACTIVITY IN THE ORGANISATION

Whether or not HRM is represented on the highest policy-making body of the organisation is usually seen as an indicator of the strategic importance that is given to HRM within the organisation. After analyzing the data in northern Cyprus, we have found that only a quarter of the organisations that have responded have a place on their main Board of Directors for a Head of HR department. This percentage is very low when compared to the United Kingdom (45.9%), Sweden (87.9%) and Belgium (82.1), where HRM obviously plays a more strategic role within the organisation.

The HR profession within our economy is still in its early years. Many people charged with managing personnel issues do not necessarily define themselves as part of the profession. As we reported in the previous section, very few respondents see themselves as HR specialists. In the local newspapers' advertising sections for vacant positions, there are many vacancies for professions such as accounting, marketing, engineering, teaching, etc., but postings for HR / Personnel professionals are very rare.

### Recruitment of HR Managers

As can be seen from Chart 8, almost half (46%) of the organisations have recruited their most senior personnel/HR director from non-personnel/HR specialists within their organisation. However, this is followed by the significant percentage of organisations (34%) that recruit their personnel/HR specialist from within their personnel/HR department. These are followed by those that recruit their HR specialist from outside of their organisation (10%), those that recruit a non-specialist from outside the organisation (6%), and other (4%). Significantly, if we combine the percentages of HR specialists recruited from both within and outside the organisation, this percentage falls short of the percentage of the HR non-specialists from within the organisations. This could be because most of the organisations see HRM activities as being less important than other activities such as accounting or marketing.

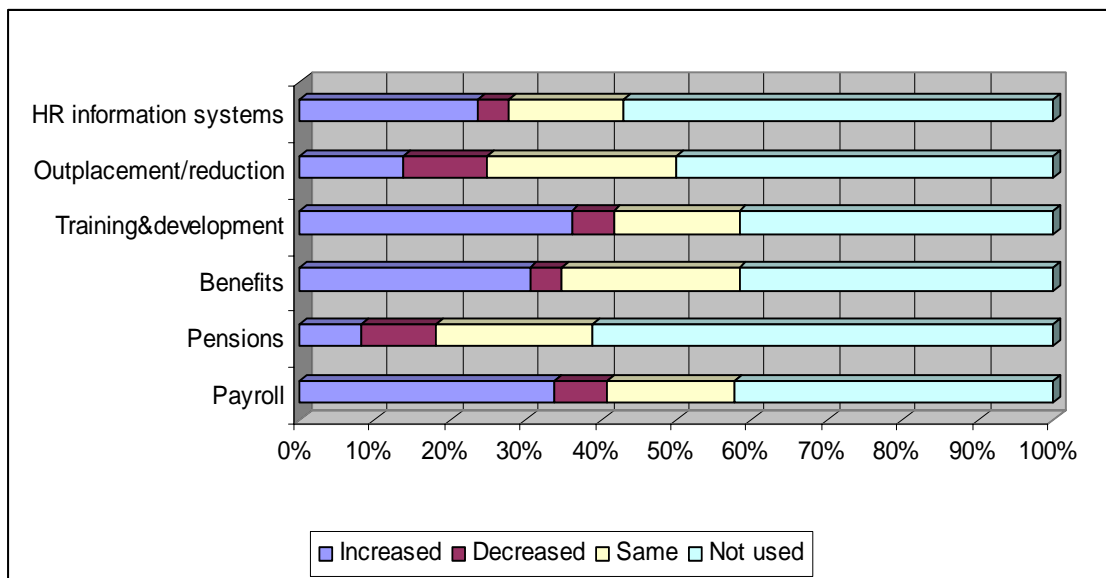


**Chart 8: From where the most senior personnel/HR director was recruited**

## Outsourcing HR

The trend to outsource some HR activities is increasing in many countries. It is expected that in-house HR staff will be able to focus on strategic issues by allocating administrative work to the external organisation. Pooling resources can allow economies of scale for smaller companies. It may not be cost effective for organisations to keep in-house HR staff specialized in all areas.

Specialisation may improve the quality of services but when we consider that most organisations in our economy are not large scale and it would not be cost effective for them to employ a large HR staff, we can expect they would outsource some HR activities to other organisations. However, since the HR profession is not very advanced in northern Cyprus, there are very few specialist organisations offering HR services to other businesses. As can be seen from Chart 9, changes in external providers over the past three years has increased particularly in payroll, benefits, training and development and HR information systems. We can also see that most organisations reported that external providers are not used in the HR activities listed.



**Chart 9: Representation of change in external providers over the last three years**

## Presence of a Mission Statement, Business and HRM Strategy

### Mission

As indicated in Chart 10, only 28% of the respondents have a written mission statement. Almost half (48%) of the respondents have a mission statement but it is not written. 18% of the respondents do not have a mission statement. The percentage of organisations with written mission statements is very low when compared to 59% in Turkey, 82% in the UK, 73% in Germany, and 50% in Greece.

### Business Strategy

A somewhat low percentage of businesses in northern Cyprus indicated that they have a business strategy, corporate values statement and personnel/HRM strategy in a written form. For a written form of business strategy the percentage is 29%, for a corporate values statement the percentage is 15% and for a personnel/HRM strategy it is 18%. On the other hand these percentages are very high in some European countries such as the United Kingdom, Sweden, and Belgium. In the United Kingdom the

percentage of businesses with a written form of business strategy is 80.7%, for Sweden it is 90.8 %, and for Belgium 77.8%.

### HR Strategy

For personnel/HRM strategy in a written form the percentages are, the United Kingdom 61.2%, Sweden 79.4%, and Belgium 54%. For corporate value statements the percentages are, the United Kingdom 61.7%, Sweden 79.4% and Belgium 57.8%. These percentages are also illustrated in Table 2.

Table 2: Presence of a written mission, business strategy, personnel strategy and corporate values statement.

	North Cyprus	United Kingdom	Sweden	Belgium
Written mission statement	28%	79%	89%	84.6%
Written business strategy	29%	80.7%	90.8%	77.8%
Written personnel/HRM strategy	18%	61.2%	79.4%	54%
Corporate values statement	15%	61.7%	67.6%	57.8%

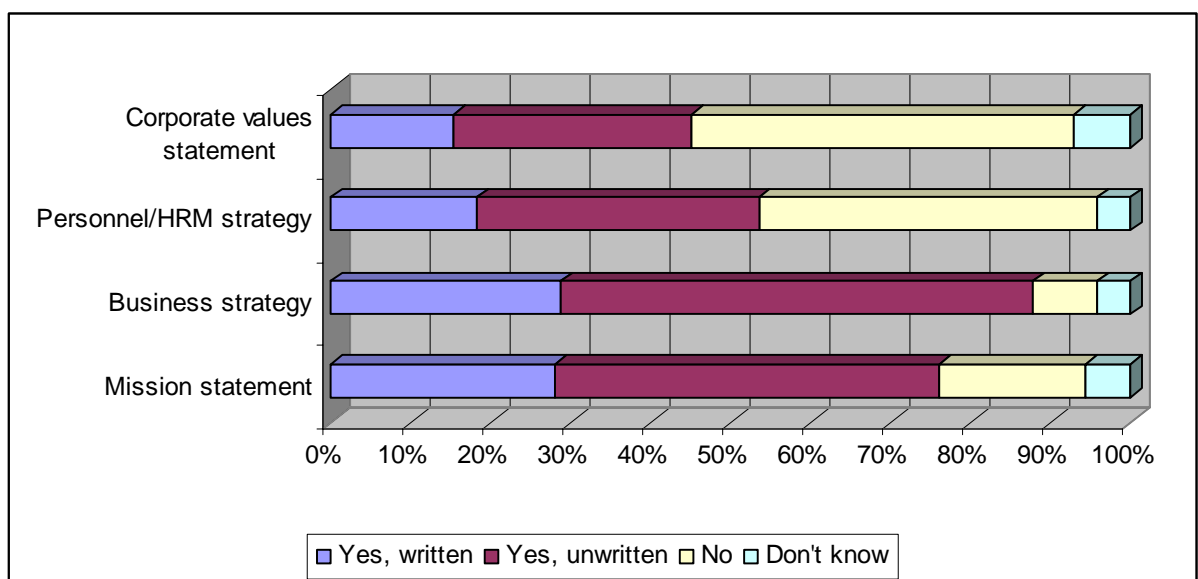
As can be seen from Chart 10, a quite large percentage (59%) of the respondents has indicated they have a business strategy but that it is unwritten. This is followed by 29% of the respondents who have a written business strategy. 8% of the respondents do not

have a business strategy and only 4% of all the respondents have indicated that they do not know whether their organisation has a business strategy.

As indicated in Chart 10, almost half of the respondents (43%) have indicated that they do not have a personnel/HRM strategy. However, this is followed by a fairly significant percentage of respondents (35%), who have indicated that their organisation has personnel/HRM strategy but it is unwritten. 18% of the respondents have written personnel/HRM strategy and 4% do not know.

As indicated in Chart 10, almost half of the respondents (48%) do not have a corporate value statement. 30% of the respondents have indicated that they have a value statement but it is unwritten. 15% of the respondents have a written corporate value statement. 7% of the respondents do not know.

When we consider the overall responses for the mission statement, business strategy, personnel/HRM strategy and corporate value statements we can see that the percentage of, “yes, unwritten” response is very high. Therefore we can think of tacit knowledge practices in northern Cyprus. As the organisations move towards a quality culture, they will need to have more of their knowledge in explicit form. Some organisations currently in the process of obtaining ISO certification are realising that they need to have their information in recorded form.



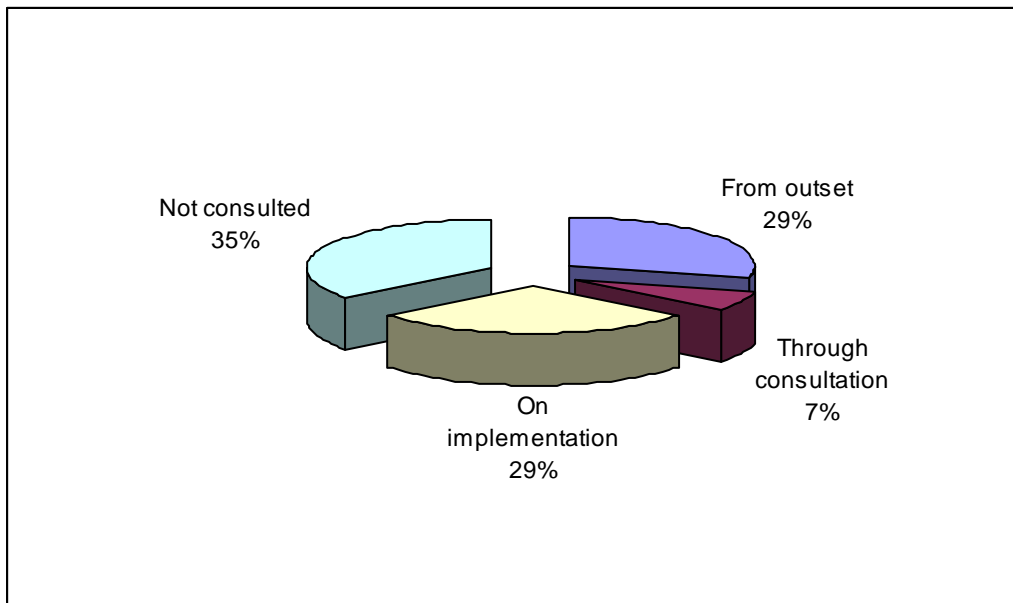
**Chart 10: Presence of Mission Statement, Business Strategy, Personnel / HRM Strategy and Corporate Values Statement**

## The Strategic Role of HRM

As can be seen from Chart 11, most (35%) of development of business strategies are done without consultation with a personnel/HRM Director. This is followed by 29% of the respondents who indicated that they involved the personnel/HRM Director in developing a business strategy from the outset. The same percentage of the respondents (29%) indicated that they involve a personnel/HRM Director only on implementation. A small percent of respondents (7%) indicated that they develop their business strategy through subsequent consultation. The person responsible for personnel/HR does not play an active role in determining business strategy because they do not have strategic importance in organisation. But in some main European countries such as the United Kingdom, Sweden and Belgium, the HRM department has a primary role in determining business strategy. In these countries HR plays an important role either from the outset or through subsequent consultations or on implementation. This is clearly illustrated in Table 3.

Table 3: Involvement of HR department in the development of Business Strategy

	North Cyprus	United Kingdom	Sweden	Belgium
From the outset	29%	49.6%	66.8%	50.6%
Through subsequent consultation	7%	30.3%	23.8%	27.3%
On implementation	29%	9.1%	4.9%	12.2%
Not consulted	35%	11%	4.6%	9.9%



**Chart 11: The stage of involvement of personnel/HRM in developing business strategy**

As can be seen from Table 4, line managers have the highest responsibility in all major policy decisions. The HR department does not play any strategic role in the responding businesses. A traditional view still exists that HR activities are merely secretarial jobs. If we compare these findings to countries such as the UK, Sweden, and Belgium we can recognize that, unlike northern Cyprus, the HR department plays a strategic role in major policy decisions. However, as illustrated in the tables below, there is a trend of shifting away from this tradition. We can see that the dominating trend in these countries is to combine the HR department with line management for major decisions concerning HR.



Table 4: Representation of primary responsibility for major policy decisions

	Line management	Line management in consultation with HR dept.	HR department in consultation with line mgmt.	HR department
Pay and benefits	78.2	14.1	7.7	-
Recruitment and selection	63.3	28.1	7.6	-
Training and development	64	22.7	10.7	2.7
Industrial relations	64	22.7	12	1.3
Workforce expansion/reduction	71.1	23.7	3.9	1.3

Table 5: Representation of primary responsibility for major policy decisions in the UK

UK (%)	Line management	Line management in consultation with HR dept.	HR department in consultation with line mgmt.	HR department
Pay and benefits	6.1	25	51.2	17.7
Recruitment and selection	3.9	36.3	46.6	13.2
Training and development	4.2	26.2	55.8	13.9
Industrial relations	2.7	17.8	50	29.5
Workforce expansion/reduction	7.5	51.1	33.8	7.5

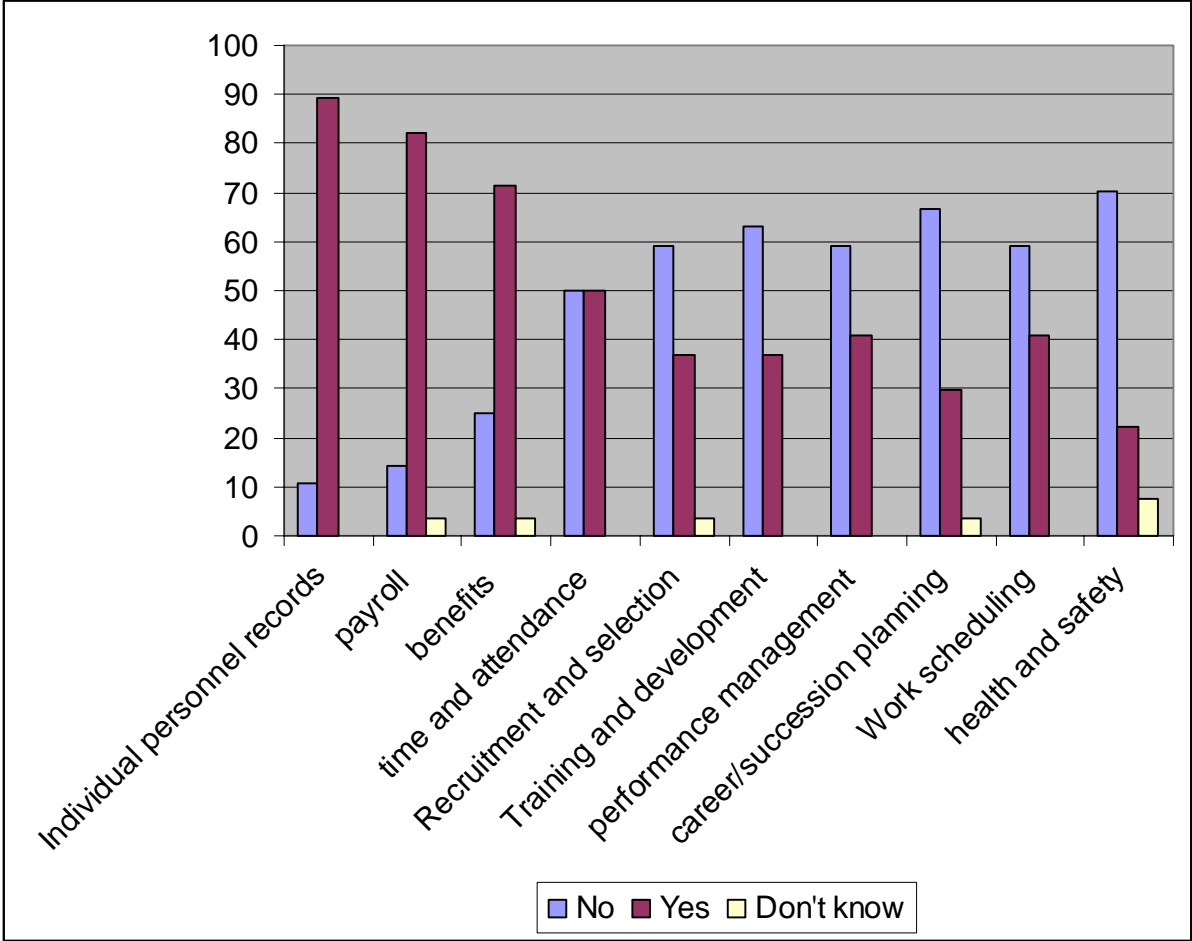
Table 6: Representation of primary responsibility for major policy decisions in Sweden

Sweden (%)	Line management	Line management in consultation with HR dept.	HR department in consultation with line mgmt.	HR department
Pay and benefits	10.5	40.6	39.5	9.4
Recruitment and selection	22.6	55.6	21	1.8
Training and development	22.1	47.9	25.3	4.8
Industrial relations	4.8	24.3	43.7	27.2
Workforce expansion/reduction	19.9	51.7	20.4	8

Table 7: Representation of primary responsibility for major policy decisions in Belgium

Belgium (%)	Line management	Line management in consultation with HR dept.	HR department in consultation with line mgmt.	HR department
Pay and benefits	11.9	27	45.4	15.7
Recruitment and selection	8.6	32.6	51.3	7.5
Training and development	10.6	33.9	48.7	6.9
Industrial relations	24.7	15.5	34.5	25.3
Workforce expansion/reduction	16.7	47.8	31.7	3.8

As shown in Chart 12, the HR Information System is used heavily in individual personnel records, payroll, benefits, time and attendance. Additionally, at a significant level, the HR Information System is used in performance management, work scheduling, training and development as well as recruitment and selection. There is a trend in turning explicit knowledge into recorded form. This has resulted in making use of outsourcing possible for such activities.

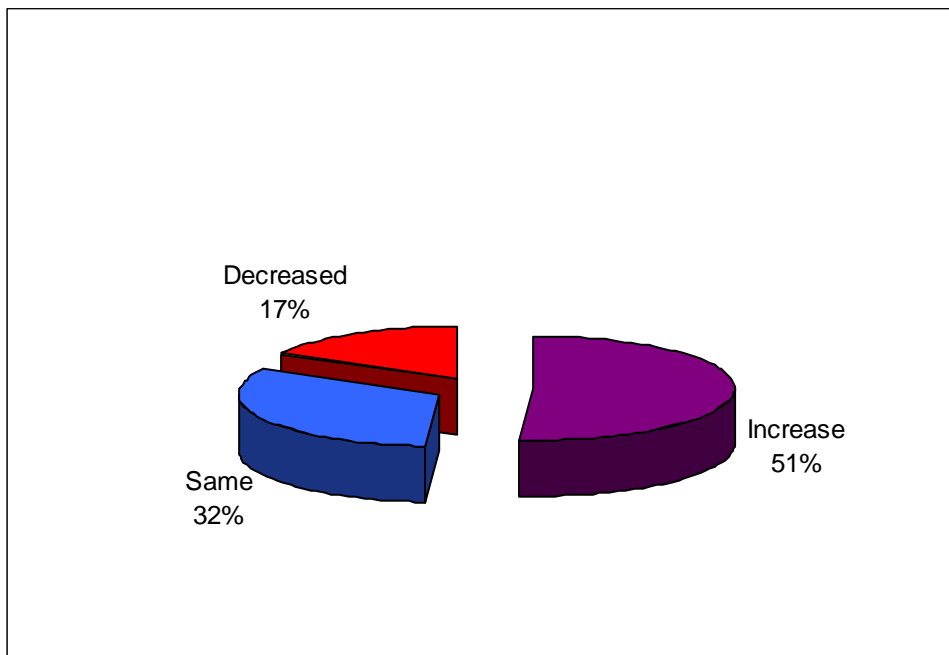


**Chart 12: Areas in which HR Information System is used**

## SECTION D: STAFFING PRACTICES

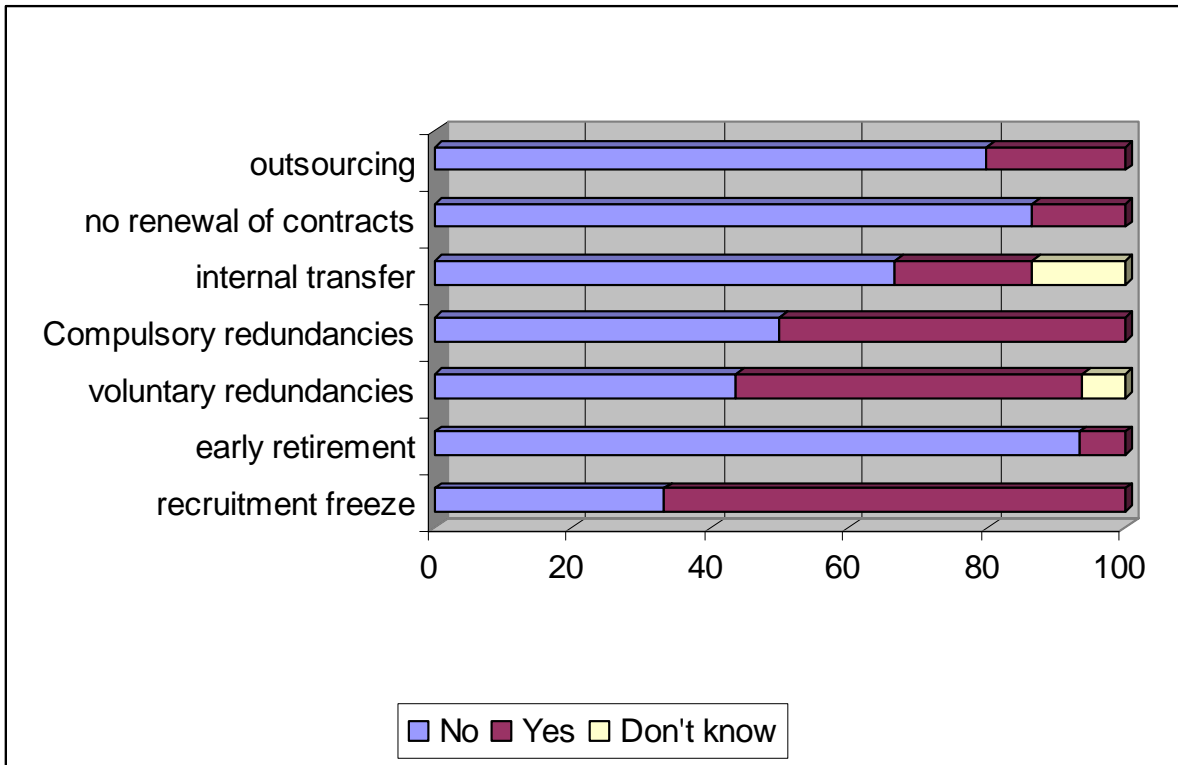
### Changes in the number of employees

More than half (51%) of the respondents indicated that for the past three years they have an increase in the number of employees. This can be due to the recovery from the economic crisis of the year 2000. 32% of the respondents indicated that they do not have any change in the number of employees and 17% of them indicated that their number of employees has decreased.



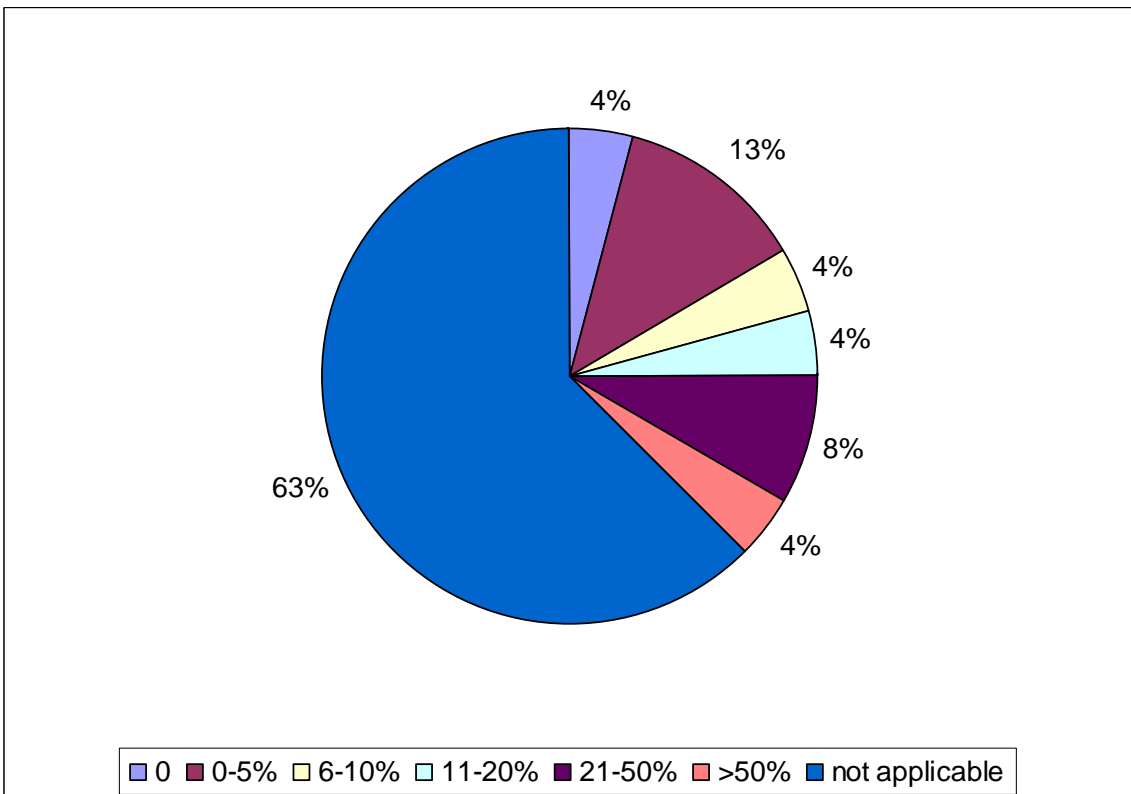
**Chart 13: Representation of change in number of employees over the past three years**

Mostly the respondents have used the method of recruitment freeze in reducing the number of employees. Also employee numbers are reduced by voluntary and compulsory redundancies. These are followed by the methods of internal transfer and outsourcing. As a conservative method that does not harm the morale of current employees, recruitment freeze is the method most often used.



**Chart 14: Representation of methods used in decreasing the number of employees**

In northern Cyprus this survey indicates that 63% of the respondents do not use outsourcing in reducing the number of employees.



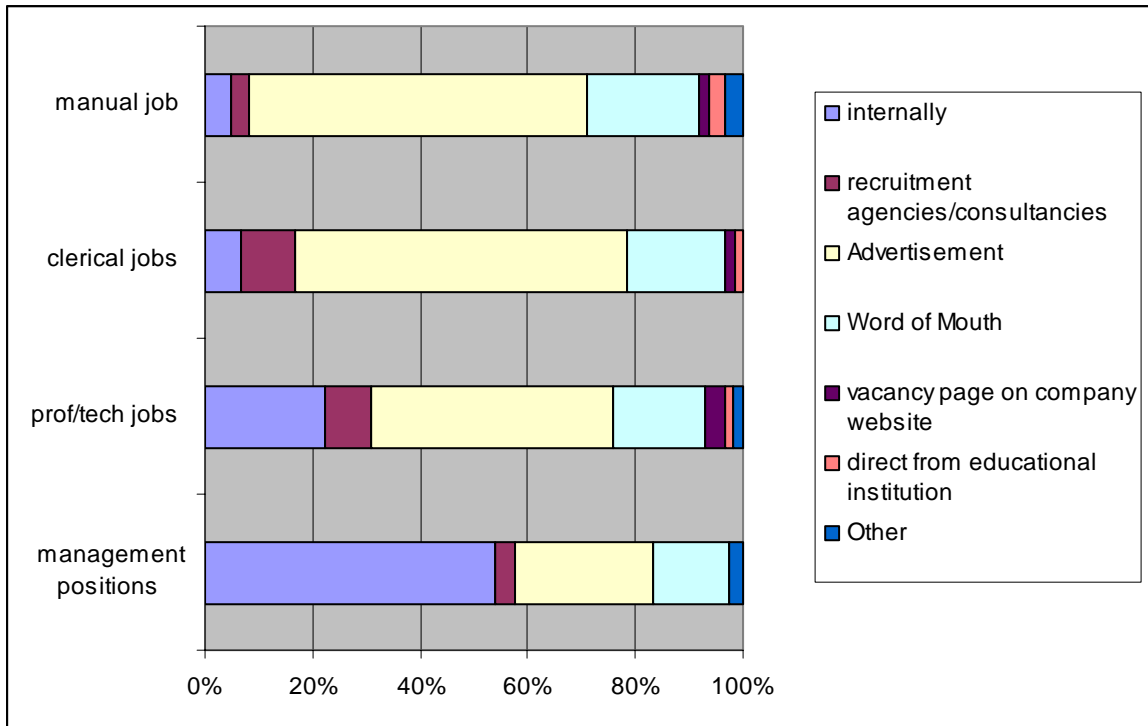
**Chart 15: Presentation of percentages reduced by outsourcing**

**Personnel Selection Methods**

As can be seen from the Chart 16, vacancies for professional/technical, clerical and manual jobs are mostly filled through advertising. However, for management positions vacancies are filled internally. Additionally word of mouth is used significantly in filling the vacancies. This could be because most of the businesses in northern Cyprus are family businesses.

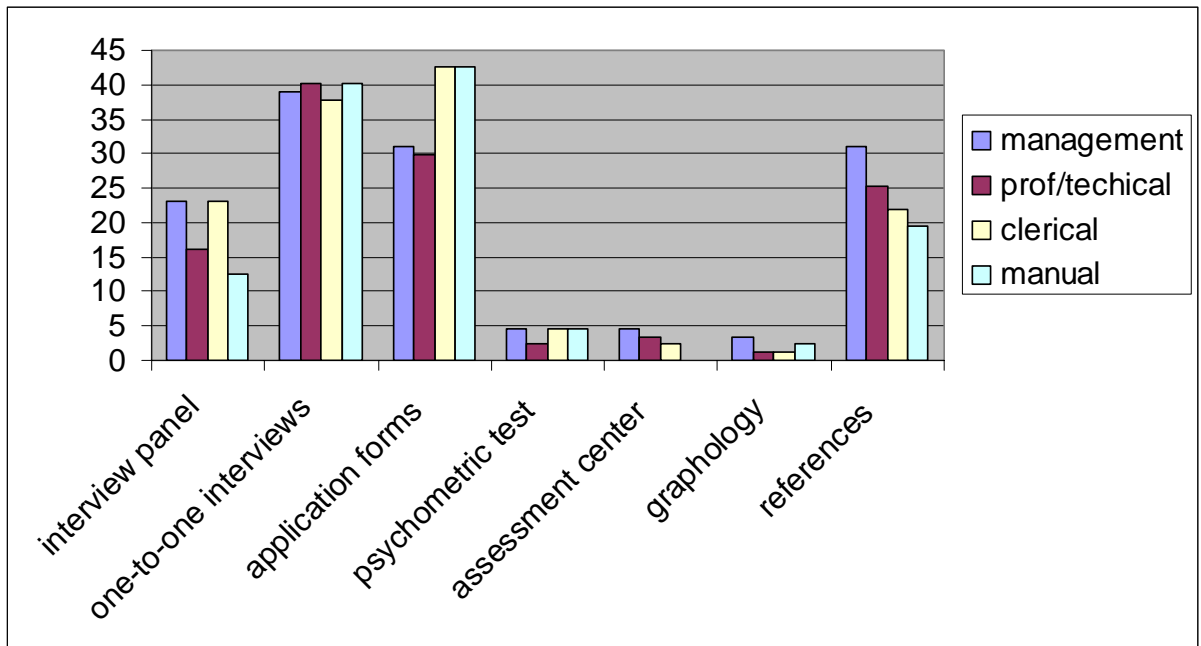
**Table 8: Selection Methods for Managers and Professionals**

<b>Managers (%)</b>	<b>Internal</b>	<b>Recruitment – Consulting Firms</b>	<b>Newspaper advertising</b>	<b>Word of mouth</b>	<b>Company Web Site</b>	<b>Directly from educational institutions</b>
N. Cyprus	53.8	3.8	25.6	14.1		
UK	36.6	32.9	27.3	1.6	0.7	
Sweden	37	33.2	24.5	1.3	1.6	
Belgium	40.1	37.4	15	2.7	0.7	
<b>Professionals (%)</b>	<b>Internal</b>	<b>Recruitment – Consulting Firms</b>	<b>Newspaper advertising</b>	<b>Word of mouth</b>	<b>Company Web Site</b>	<b>Directly from educational institutions</b>
N. Cyprus	22.4	8.6	44.8	17.2	3.4	
UK	12.8	40.8	39.7	1.6	2.3	1.6
Sweden	11.3	6.4	55.8	3.9	9.7	6.9
Belgium	15.6	17.2	36.7	2.3	7	7.8



**Chart 16: Representation of how vacancies are most frequently filled**

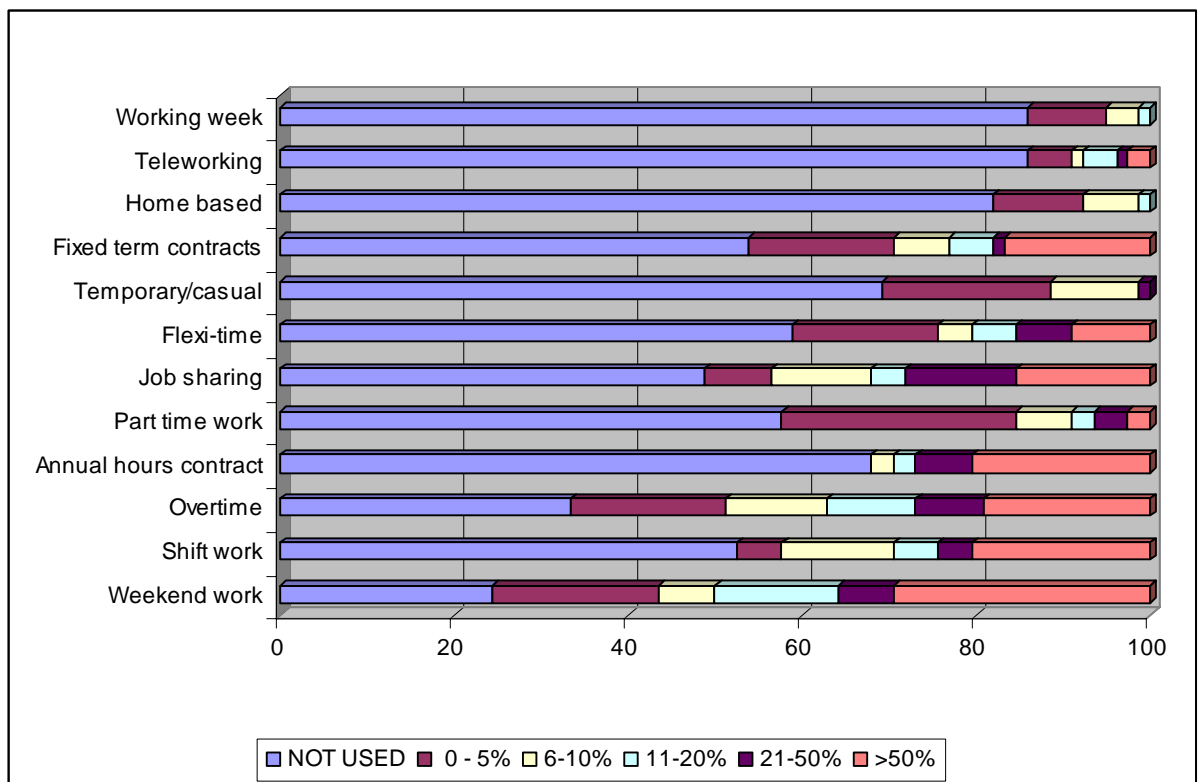
Application forms are mostly used for clerical and manual employees. One-to-one interviews are widely used for all groups of employees. References are widely used for professional/technical positions. The least used methods are psychometric tests, assessment center and graphology. It is interesting to note that less than half the organisations reported that they use application forms in hiring employees.



**Chart 17: Representation of selection methods used**

## Flexible Working Practices

Most of the respondents have indicated that they do not use flexi-time practices. However in weekend work, job sharing, and overtime work as compared to other activities, flexible working practices are used more.

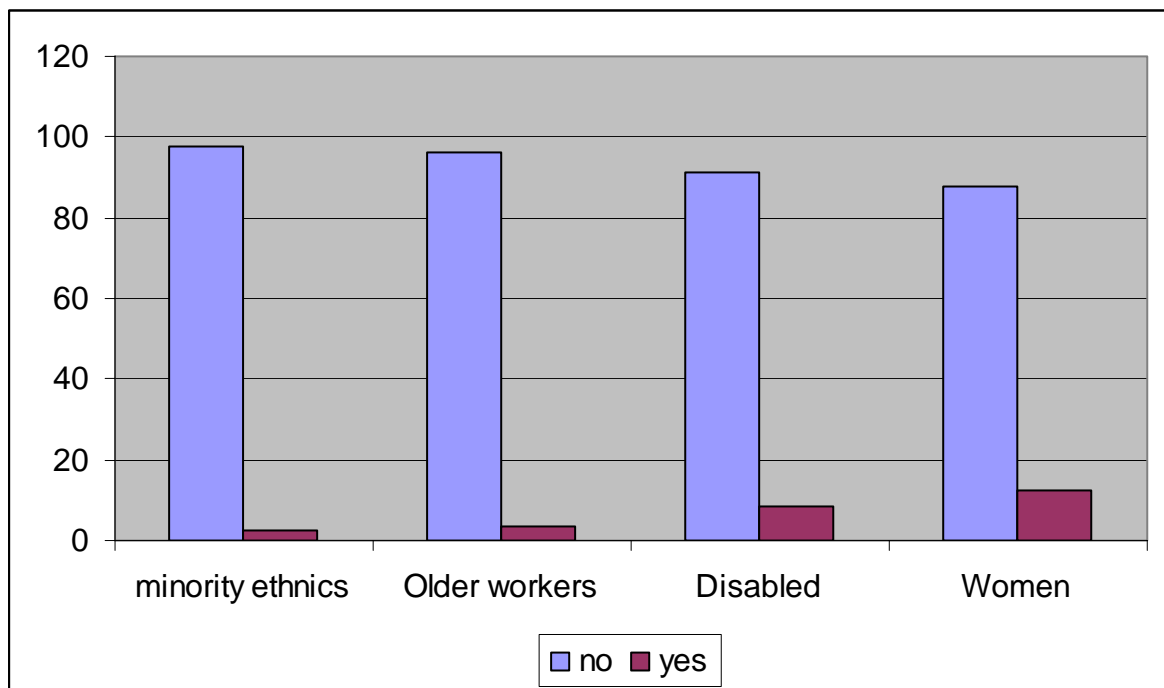


**Chart 18: Flexible working practices**



## Recruitment of Special Groups

As indicated in Chart 19, there are very few programmes used in order to recruit special groups. Some companies reported that they have s to recruit women and disabled people. There is a law that requires large organisations to employ people with disabilities.

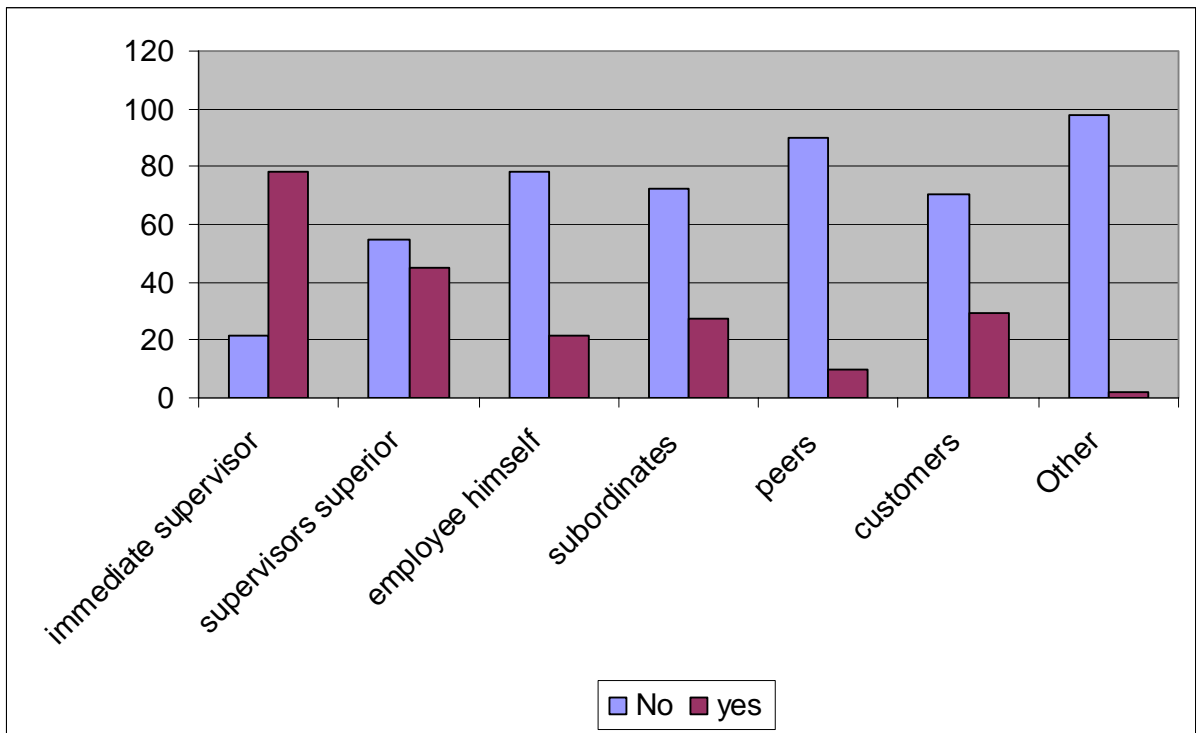


**Chart 19: s to recruit special groups**

## SECTION E: EMPLOYEE DEVELOPMENT

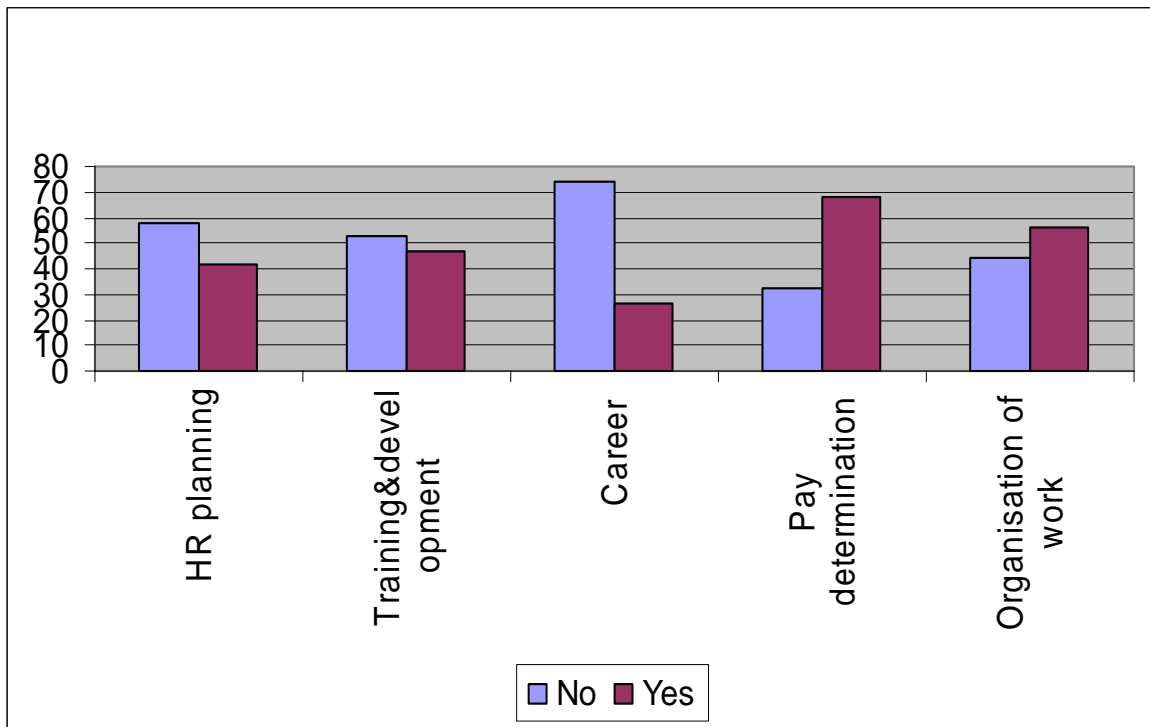
### Performance Appraisals

As can be seen from the graph, in the performance appraisal system most organisations rely on the immediate supervisor and indirect supervisor. Some organisations have also started using subordinates and customers in the process. However, the more traditional method of downward appraisals is the one most commonly used.



**Chart 20: Involvement in the Appraisal System**

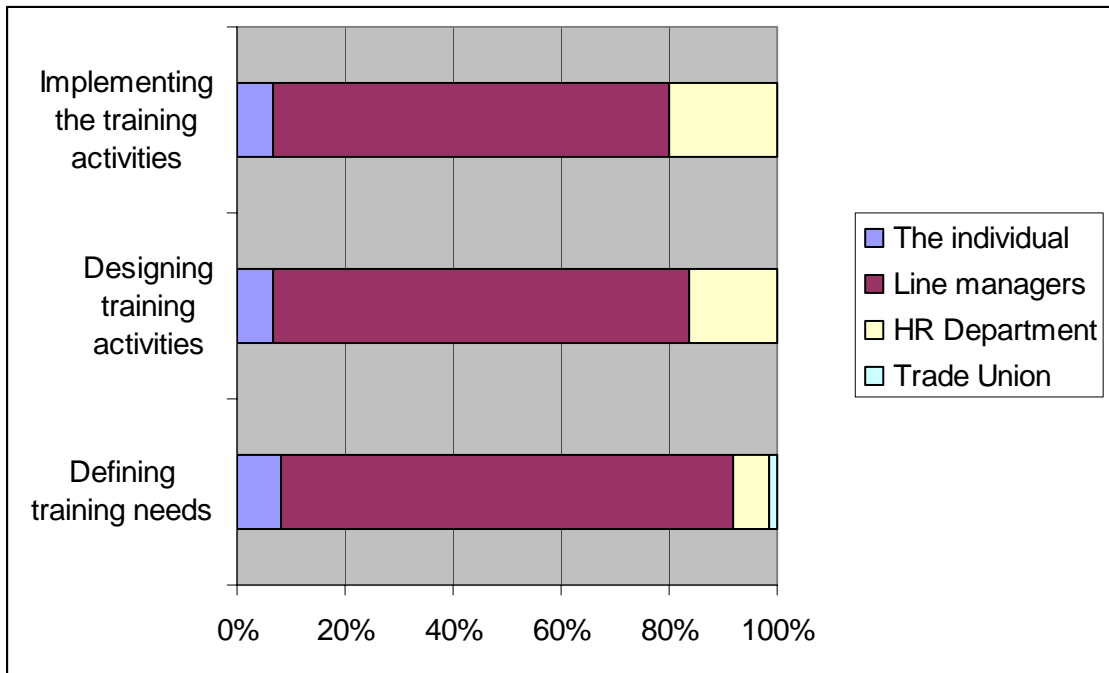
As you can see in Chart 21 the performance appraisal is mostly used for pay decisions, this is followed by organisation of work, training needs assessment, and HR planning. An effective appraisal system that is linked with pay can lead to employee motivation; however, a subjective appraisal process can create problems when it is associated with pay.



**Chart 21: Use of the Information from the Appraisal System**

## Training

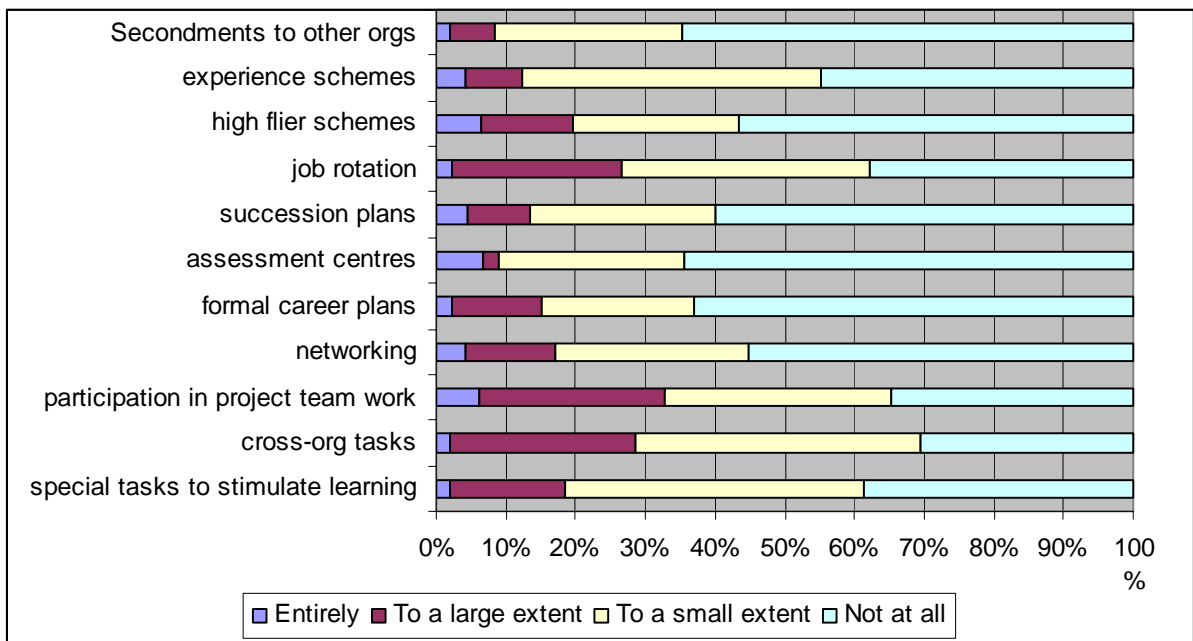
As can be seen from Chart 22, line managers are most influential in defining training needs and in designing and implementing training activities. In some European countries line managers and other individuals primarily define training needs, while the HR department is the most influential in designing and implementing training activities. The percentage for designing training s in the United Kingdom is 80% for HR, in Sweden it is 56.6% and for Belgium it is 67.6%. The percentages for implementing training activities for HR are, in the United Kingdom 75.2%, in Sweden 64.4% and in Belgium 63.3%.



**Chart 22: Involvement in Training**

## Management Development

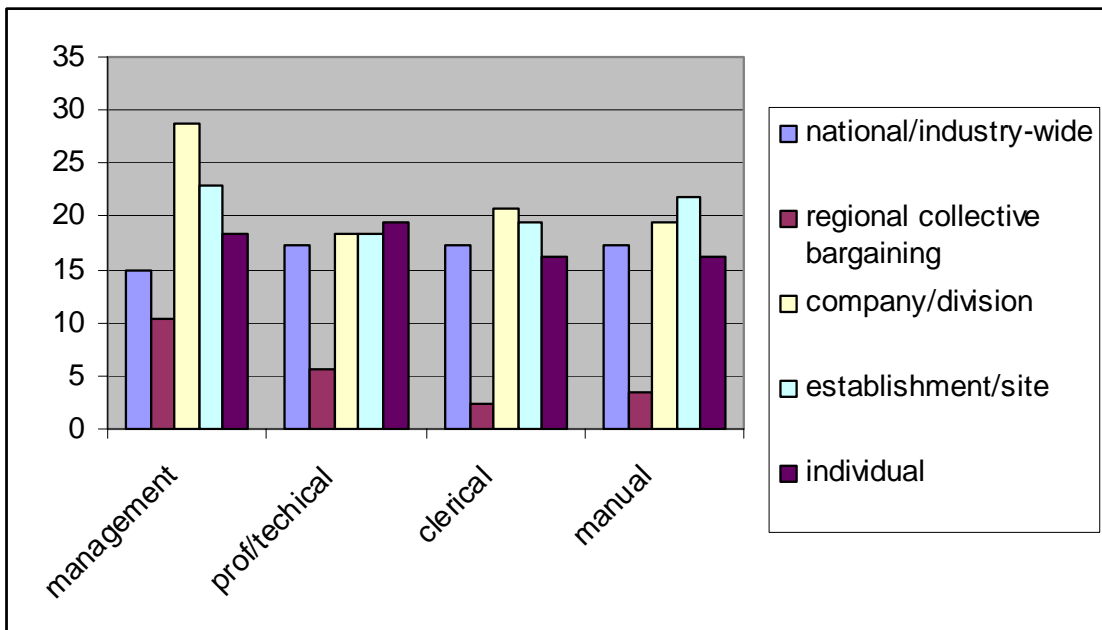
In general, the responding organisations do not use the methods listed in Chart 23 for management development very often. We can see that employees are mostly put into team projects to develop their management potentials.



**Chart 23: Methods used for management career development**

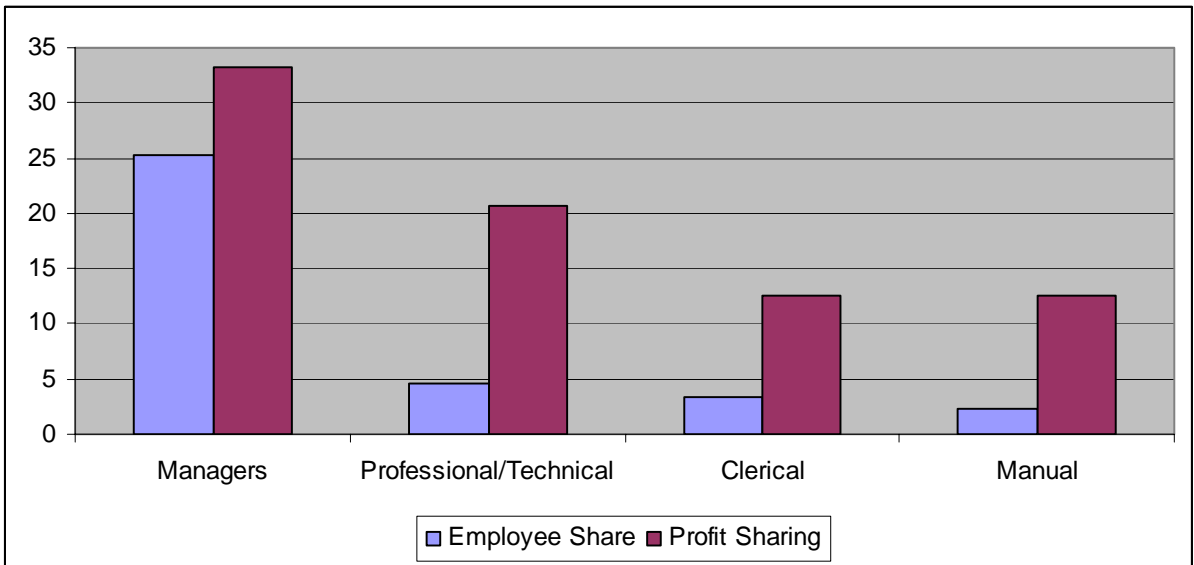
## SECTION F: COMPENSATION AND BENEFITS

As can be seen from Chart 24, pay is determined mainly at company level. As the unions are not very effective in the private sector, which makes up most of the respondents, collective bargaining is uncommon.



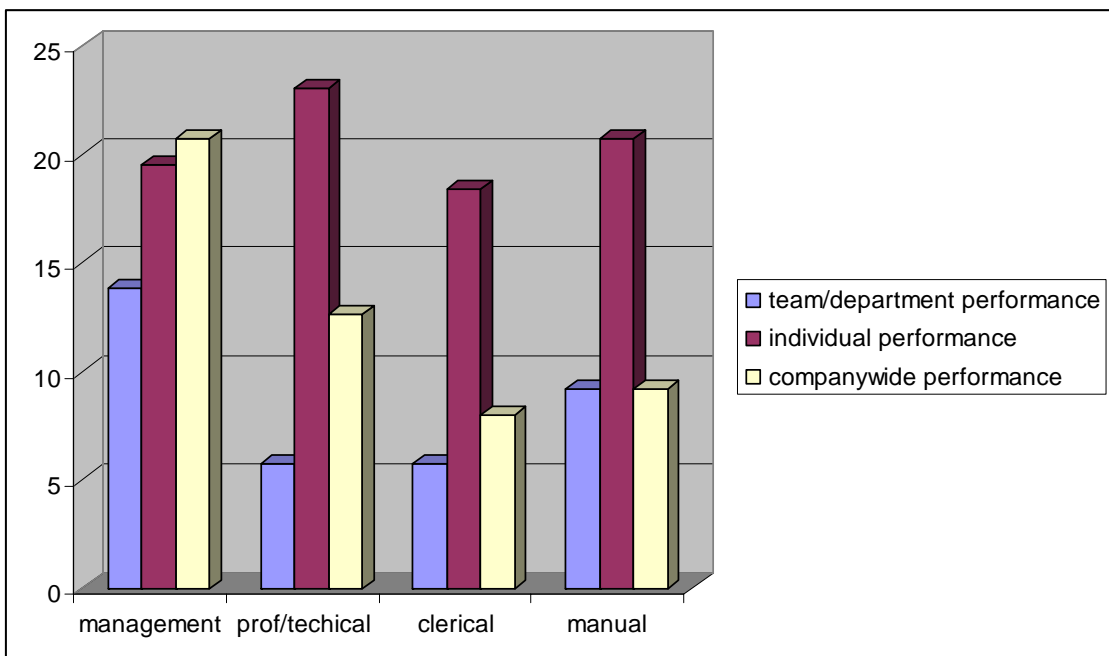
**Chart 24: Basic pay determination**

As can be seen from the Chart 25 incentive pay schemes are mostly used for managerial employees. The most used method of rewarding is profit-sharing. Methods such as share options cannot be used since the financial infrastructure is not present in the local economy. It is interesting to note that incentives are not common for manual employees.



**Chart 25: Reward Systems**

Reward systems may be based on the performance of the individual, team performance or companywide performance. Managers seem to be the most rewarded for company wide performance, then individuals, then team performance. Incentive systems are less common for professional/technical, clerical and manual employees. When these groups are provided with incentive schemes, they are usually based on individual performance.

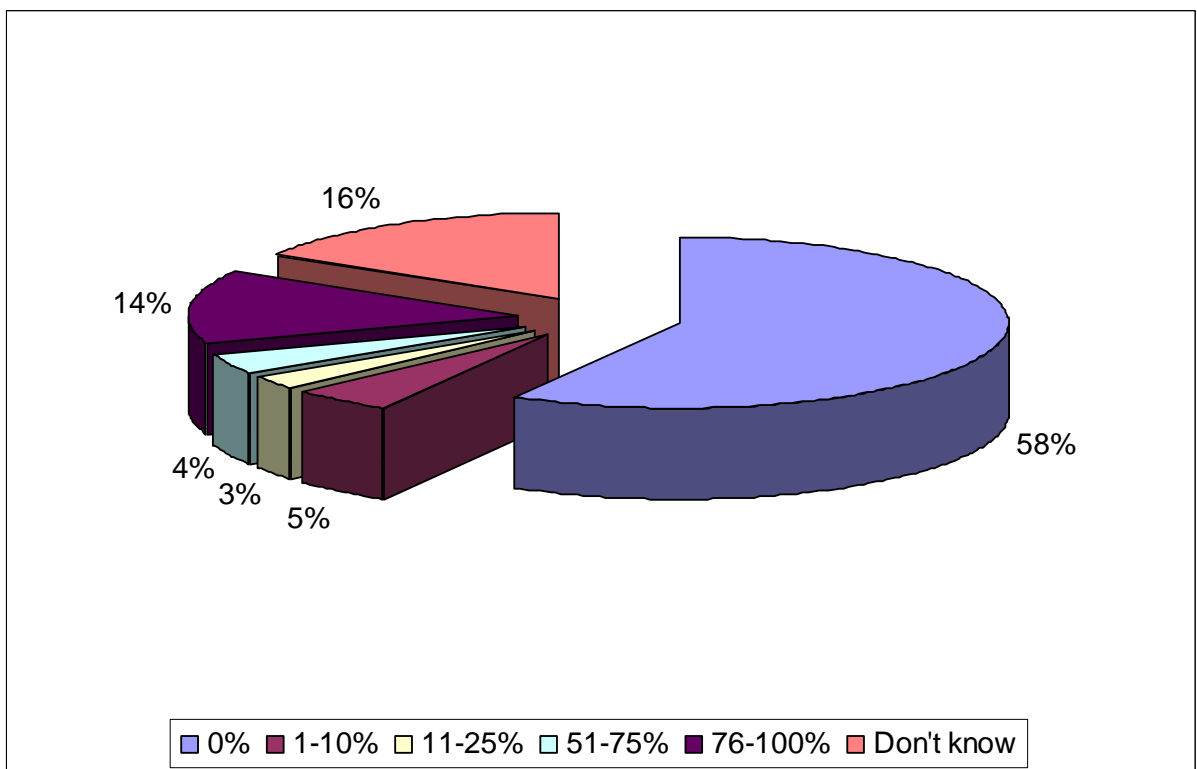


**Chart 26: Presence of variable pay based performance**

## SECTION G: EMPLOYEE RELATIONS AND COMMUNICATION

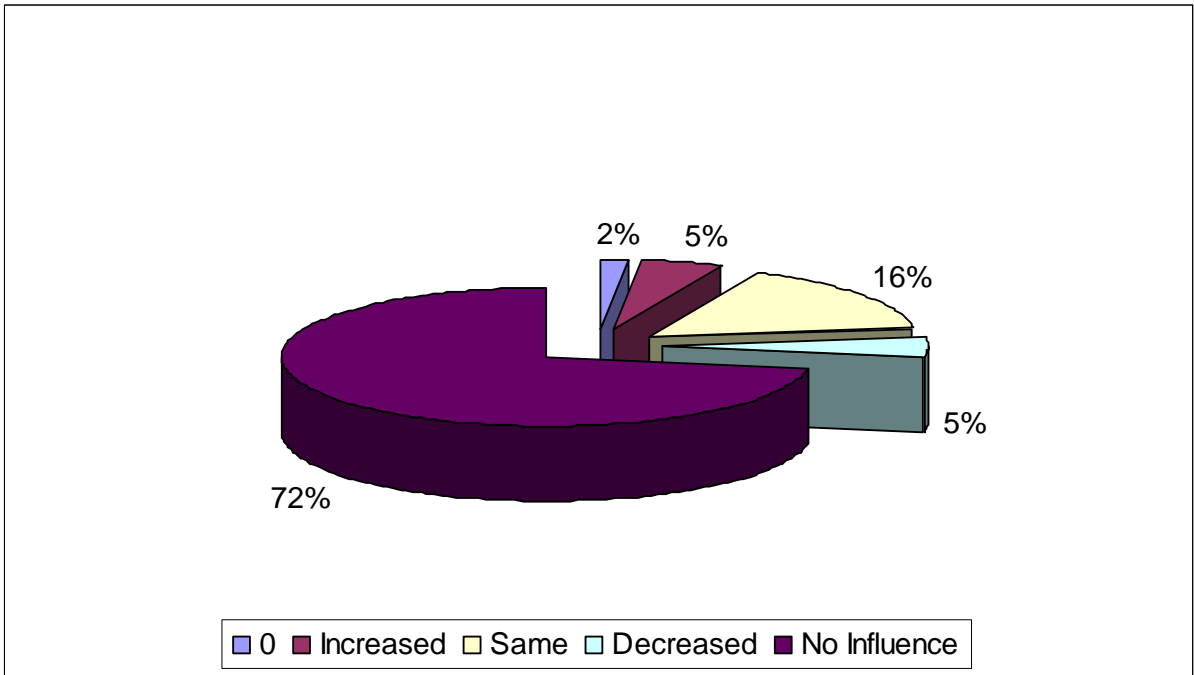
### Trade Unions

As shown in Chart 27, most of the businesses indicated that none of their employees have membership in trade unions. This could be a result of the weakness of trade unions among private businesses in northern Cyprus. When we consider European countries such as Sweden the proportion indicating the membership in trade unions is high. In Sweden, in an interval of 76%-100 % the proportion of membership in trade unions is 66.1%.



**Chart 27: Employees' membership in trade unions**

As shown in Chart 28, in organisations where there were trade unions, more than 70% have indicated that the trade unions had no influence over the past three years.



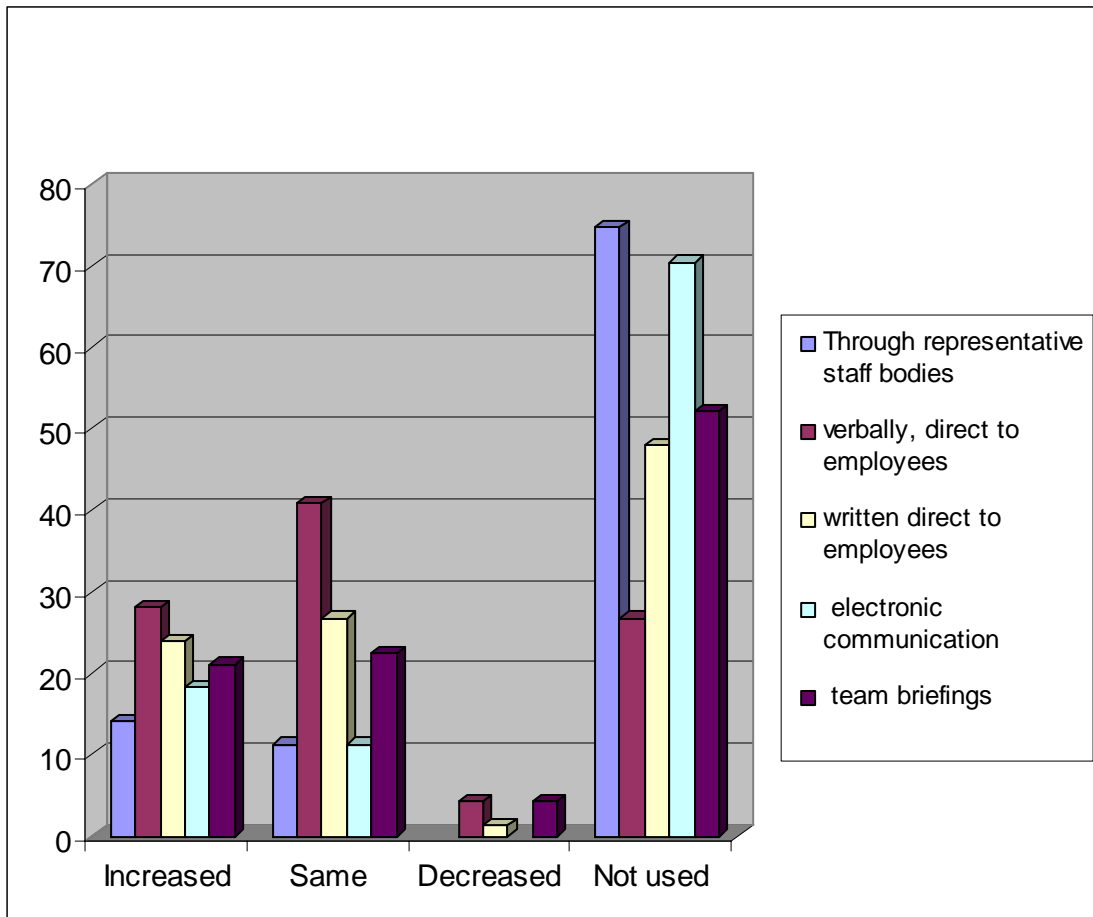
**Chart 28: Trade Union influence over the last three years**

More than 80% of respondent organisations are not members of any employers’ association and this could be as a result of the fact that their needs are not met by these associations. More than 50% of respondents have shown that they are not satisfied with membership services and only a small percentage have indicated that their needs are met to a small extent.

## Employee Communication

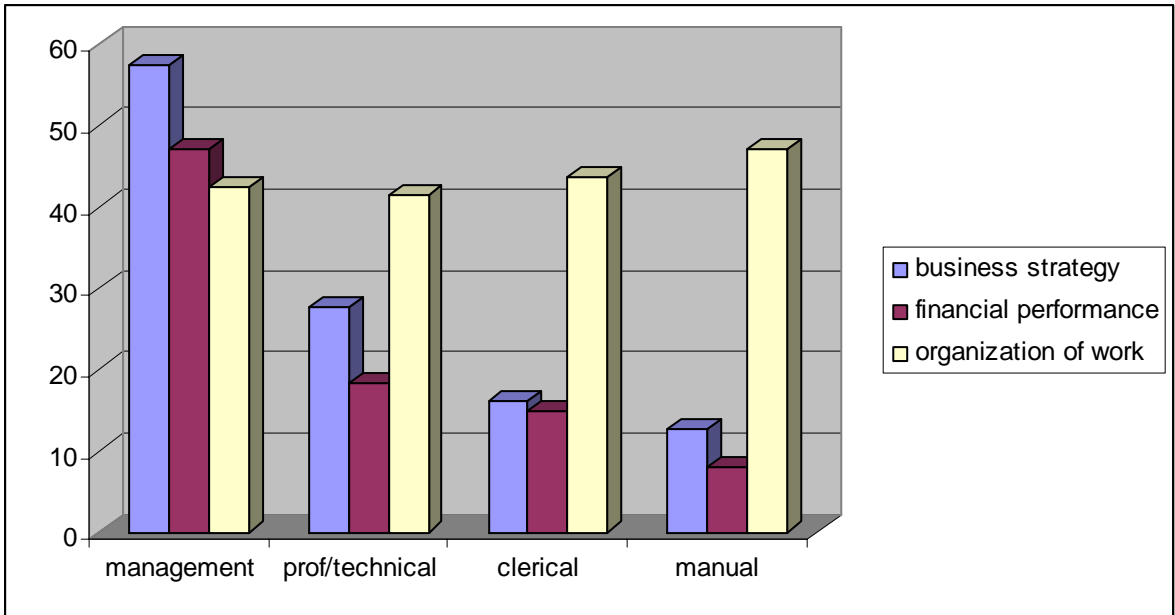
As indicated in Chart 29, employee communication using staff representatives, e-mail, team briefings and written communication is not used in most organisations. Yet there is an increasing tendency in some organisations towards using these communication methods, especially verbal, written and electronic communication.





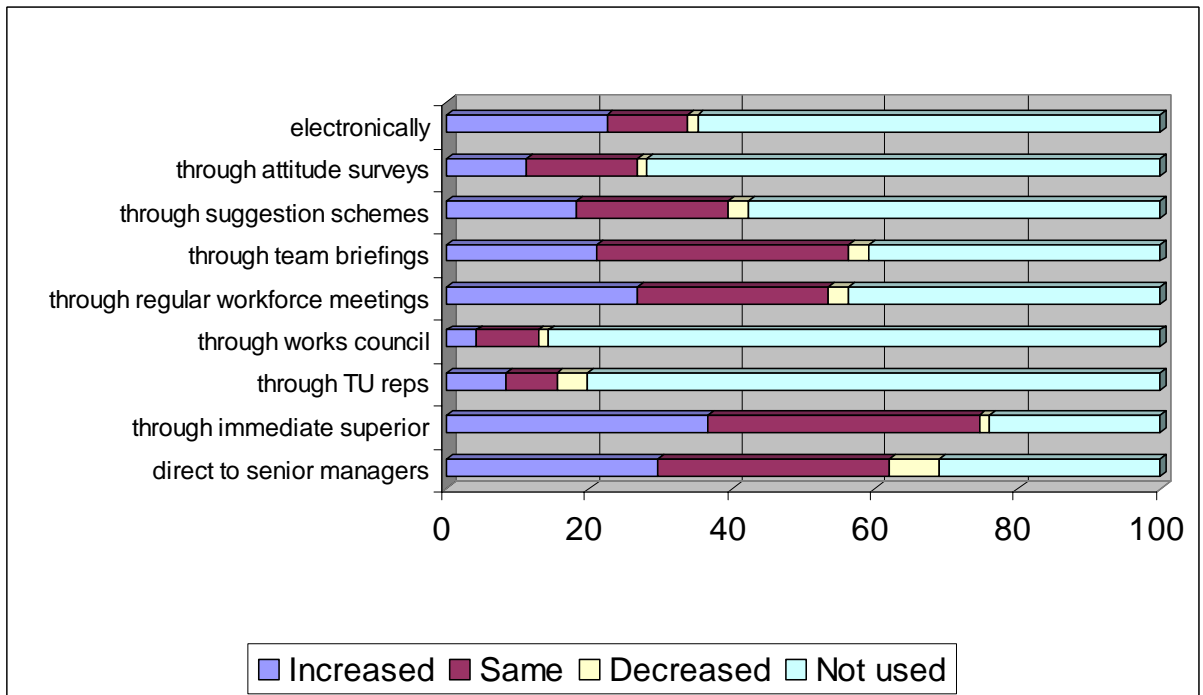
**Chart 29: Representation of change in communication in major issues**

As indicated in Chart 30, employees are generally not formally informed about most issues within the organisations. Even the managers are not informed on financial matters in about half the responding organisations. However, compared with the other groups the management level is briefed about business strategy and financial performance. Mostly formal information is given to all groups about the organisation of work.



**Chart 30: Informing employees about major issues**

In terms of how employees communicate with management, Chart 32 shows there is an increase in upward communication through an immediate superior, electronic communication, senior managers, and through regular workforce meetings. Traditional communication methods are more widely used.



**Chart 31: Representation of change in communication ways to management**