

STRATEGIC HRM AND ORGANIZATIONAL SUCCESS: PUBLIC VS. PRIVATE SECTOR IN AZERBAIJAN

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Abstract. Strategic HRM aligns workforce strategies with business goals. This study examines HRM practices in Azerbaijan's public and private sectors, emphasizing differences in recruitment, compensation, and performance management. The private sector promotes innovation and career growth, whereas the public sector focuses on stability. Strengthening the hybrid HRM model is recommended.

Keywords: Strategic HRM, private sector, public sector, performance management, digitalization, hybrid strategy.

Introduction

Strategic human resource management (SHRM) ensures that human capital actively contributes to business success by aligning organizations' workforce with their overall goals. Unlike traditional HRM, which only focuses on administrative tasks, SHRM takes a proactive approach by aligning HR policies with long-term corporate strategies [1]. When implemented effectively, strategic human resource management increases employee productivity, encourages innovation and improves overall organizational performance. Effective SHRM also improves organizational efficiency. The application of strategic management of human resources in organizations, the determination of missions and goals, the examination of changes that have taken place, the strategic management of alternative human resources, and the implementation of these strategies are all crucial to ensuring the successful execution of the strategic activities of human resources in organizations in the modern era.

HRM practices differ between Azerbaijan's public and private sectors due to disparities in institutional structures, work conditions, and strategic aims. The public sector places a high value on job security, stability, and regulatory compliance because it is shaped by bureaucratic structures and regulations [2]. On the other hand, the private sector favors HR strategies that are more focused on performance, innovation, and talent development since they are motivated by market rivalry and profitability [3]. Policymakers, corporate executives, and HR specialists must carefully evaluate these distinctions and create HR policies appropriately to improve organizational and financial outcomes.

The study focuses on how HRM methods in the public and private sectors change organizational effectiveness in Azerbaijan to address important research concerns. By comparing the two sectors' hiring practices, performance management systems, salary

structures, and employee engagement strategies, the study enables us to find their advantages, disadvantages, and possible improvement areas.

Since gaining independence, Azerbaijan's economy has transformed. Once dominated by the state, it is now more market oriented. The government promotes private sector growth through investment-friendly policies and reforms, although the oil and gas sector remains a crucial economic pillar [4]. This shift has led to rapid growth in the private sector, fostering a competitive labor market that demands modern HRM techniques [5]. In contrast, the public sector still employs traditional HRM methods, generating job opportunities in public agencies, healthcare, and education [6].

This study reviews Azerbaijan's strategic human resource management (SHRM) practices in the public and private sectors. Our project aims to explain how HR practices may be designed to improve labor efficiency and long-term business development. By using the advantages of both industries, the findings will aid policymakers and corporate executives in creating a balanced HRM model.

Table 1. Strategic HRM Focus in Public vs. Private Sectors in Azerbaijan

HRM Strategy	Public Sector (%)	Private Sector (%)	Source
Recruitment & Selection	30	25	Deloitte (2023)
Compensation & Benefits	25	30	IMF (2022)
Performance Management	20	25	ResearchGate (2023)
Employee Motivation	25	20	Public Administration Reforms (2022)

Source: Deloitte (2023), IMF (2022), ResearchGate (2023), and Public Administration Reforms (2022).

This table compares the human resource management practices of Azerbaijan's public and private sectors. The main subjects are recruitment, payment, performance management, and employee motivation.

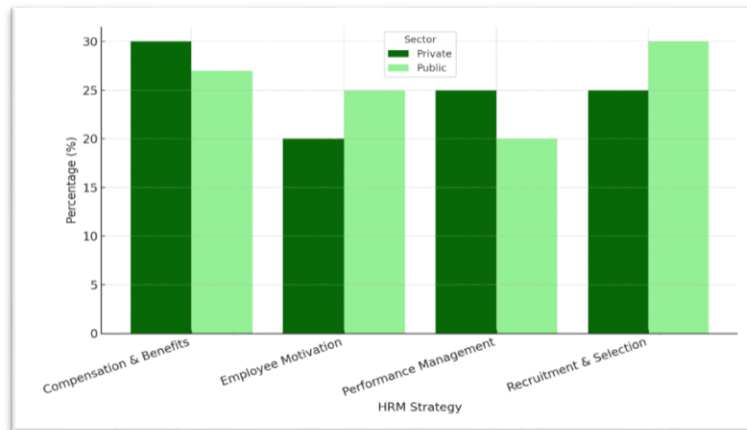


Figure 1. HRM strategy in the public sector

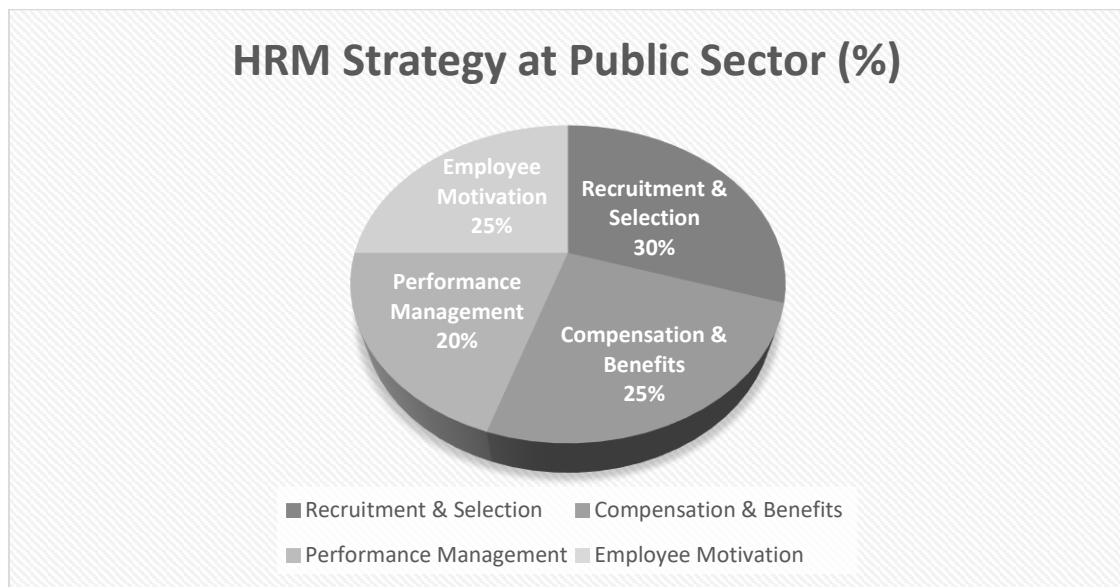


Figure 2. HRM strategy in the private sector

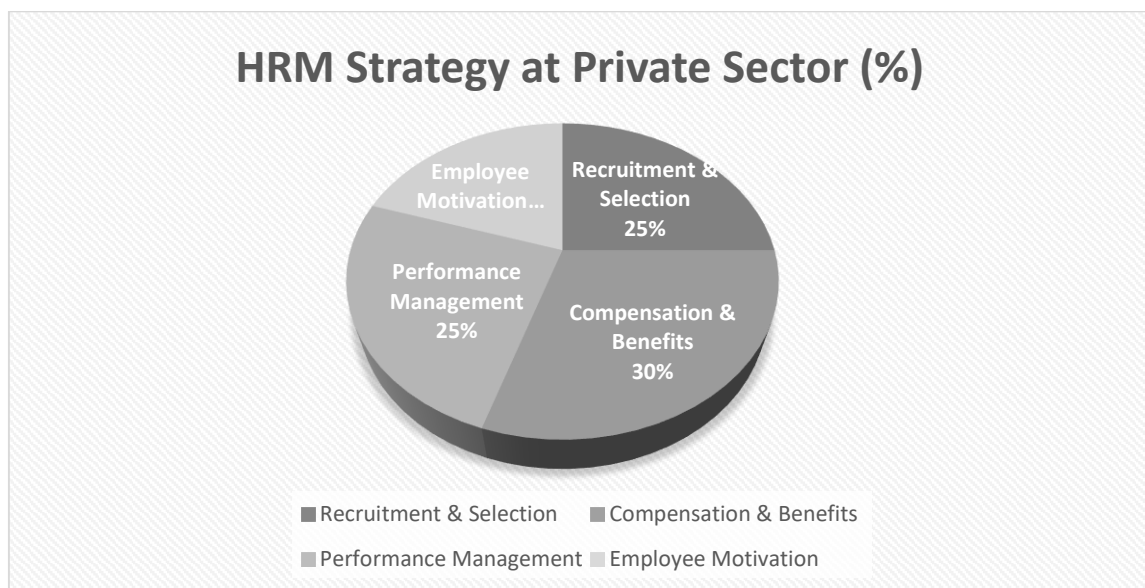


Figure 3. Strategic HRM Priorities in the Public and Private Sectors in Azerbaijan

This table compares the strategic focus of Human Resource Management (HRM) in Azerbaijan's public and private sectors. Findings:

➤ **Compensation & Benefits:** The private sector prioritizes this area more than the public sector (around 30% vs. 27%).

➤ **Employee Motivation:** The public sector placed more emphasis on this aspect (approximately 25% vs. 20%).

➤ **Performance Management:** The private sector focuses more on this strategy (about 25% vs. 20%).

➤ **Recruitment & Selection:** The public sector values this area more (around 30% vs. 25%).

The private sector prioritizes compensation and performance management, while the public sector focuses more on recruitment and employee motivation.

Literature Review

Strategic Human Resource Management (SHRM) in Public and Private Sectors

Research on public and private sector interest in strategic human resource management (SHRM) impacts organizational performance. SHRM aligns human resource practices with business goals to boost competitiveness [7]. Key strategies include talent development, performance-based pay, and flexible structures [8]. Organizations adopting SHRM see a 16% higher return on assets than those that do not [9].

Public sector organizations prioritize stability, justice, and social responsibility within bureaucratic frameworks. Research shows that integrating SHRM principles into public HRM enhances performance, boosts employee motivation, and improves service quality. For instance, productivity in public administration increased by 12% with performance-based compensation systems. Additionally, citizens demonstrate stronger trust in the public sector.

Key HRM Models and Frameworks

Several HRM models and frameworks offer a starting point for examining HRM procedures and how they affect the success of organizations:

➤ **Harvard Framework:** According to Beer et al... [10], this model highlights how situational circumstances, stakeholder interests, and HRM policy decisions influence HR results.

➤ **The Michigan Model** emphasizes selection, assessment, development, and rewards as essential elements that connect HRM with company strategy [11].

➤ **The Resource-Based View (RBV):** Human resources can provide a sustainable competitive advantage when they are valuable, rare, inimitable, and irreplaceable [12].

HRM Practices in Transition Economies

Azerbaijan's transition economy faces challenges in HRM implementation due to the shift from central planning to market orientation [14]. Despite growing interest in modern HRM techniques, research shows that institutional barriers, cultural norms, and economic instability often hinder these practices [15].

Problem Statement

This study investigates the following primary research question:

RQ: *To what extent does Strategic Human Resource Management (SHRM) contribute to aligning HR strategies with organizational business aims in Azerbaijan's public and private sectors?*

To answer this significant question, the paper intends to find answers to the following sub-questions:

Q1. What is the meaning of SHRM? What are its key activities and practices?

Q2. How do HR strategies differ between the public and private sectors in Azerbaijan?

Q3. What are the key challenges and opportunities in implementing SHRM in Azerbaijan's public and private sectors?

Q4. How does SHRM affect workforce productivity, employee retention, and organizational success in Azerbaijan's business environment?

Q5. What policy recommendations can be made to improve the strategic alignment of HRM with organizational business strategies in Azerbaijan?

This study explores strategic human resource management (SHRM) in Azerbaijan's changing business landscape, focusing on the public and private sectors. It evaluates HR strategies' effectiveness, impact on performance, and alignment challenges with business goals. The findings offer insights for policymakers, HR professionals, and business leaders, improving competitiveness, supporting sustainable development, and refining HRM practices.

HRM Practices in the Public and Private Sectors in Azerbaijan

Recruitment and Selection

Public Sector: Employment within Azerbaijan's public sector follows established procedures. Key aspects include transparency and fairness, ensuring that the best candidates are chosen through standardized tests, qualifications, and structured interviews [16]. Nevertheless, this lengthy process poses challenges in attracting talent [2].

Private Sector: Recruitment focuses on flexibility and performance. Candidates' experience, skills, and fitness are crucial [8]. Companies evaluate candidate value through behavioral interviews, technical assessments, and psychometric evaluations [9]. Digital platforms and internal referrals speed up this process, aligning it with market needs [14].

Statistical Overview:

Workforce Distribution: In 2024, Azerbaijan's labor force totaled approximately 5.3 million individuals, with around five million actively employed. The public and private sectors support a balanced employment distribution, employing over 876,000 people each [17].

Recruitment Trends in Azerbaijan (2023-2024):

➤ Public sector job openings increased by 12%, reflecting the government's efforts to enhance administrative efficiency [2].

➤ Private sector hiring grew by 18%, driven by the expansion of the oil, IT, and finance industries [4].

➤ 85% of private companies use online recruitment platforms compared to only 43% in the public sector [3].

These statistics reveal differences in hiring processes across businesses and highlight the need for organized, data-driven HRM practices to enhance Azerbaijan's employee attraction and retention. These trends emphasize the hiring patterns in Azerbaijan's public and private sectors. Organizations should adopt strategic, data-informed HRM practices tailored to their sector needs to improve hiring and retention.

Compensation and Benefits

Public Sector: In Azerbaijan, the government manages the salary system for public sector employees [2]. This system considers each worker's seniority and position when figuring out their pay. It provides employees with a reliable income, social security guarantees, pension options, and robust job security, fostering a more secure future. However, there are few performance-related rewards to recognize employees' efforts, which may dampen motivation for some [18]. Furthermore, performance-based incentives are limited [4].

Private Sector: The private sector offers competitive benefits like commissions, bonuses, and higher salaries through performance-based pay [3]. Multinational corporations offer rewards such as stock options, paid leave, and health insurance to improve the quality of life [14]. However, job security in this sector is generally weaker than in the public sector [12], suggesting employees face risks even with higher earnings.

Statistical Overview:

- Public sector wages increased by 10% in 2023 [17].
- In the private sector, salaries for middle and senior-level employees are 30% higher than in the public sector (IMF, 2023).
- 72% of private sector employees receive performance-based bonuses, compared to only 18% in the public sector [3].
- Pension coverage in the public sector is universal, while in the private sector, only 65% of employees benefit from pension plans [2].

Performance Management

Public Sector: Performance management in the public sector often emphasizes seniority and structured evaluations, prioritizing compliance over individual creativity [2; 18]. This adherence may stifle talent and innovation, but the new "13th-month salary" rule boosts workforce motivation.

Private Sector: Employs a KPI-driven strategy, prioritizing promotions based on merit and performance incentives. Uses 360-degree feedback, continuous evaluations, and performance bonuses to keep top talent [3; 4].

Employee Motivation and Engagement

Public Sector: Job security, benefits, and community service motivate employees. However, limited advancement and lack of recognition may reduce engagement [16; 18], preventing them from reaching their full potential.

Private Sector: External factors, including career advancement opportunities, competitive salaries, and an engaging workplace, primarily drive employee motivation.

Performance-oriented rewards and leadership growth initiatives enhance employees' commitment to their roles [7; 8].

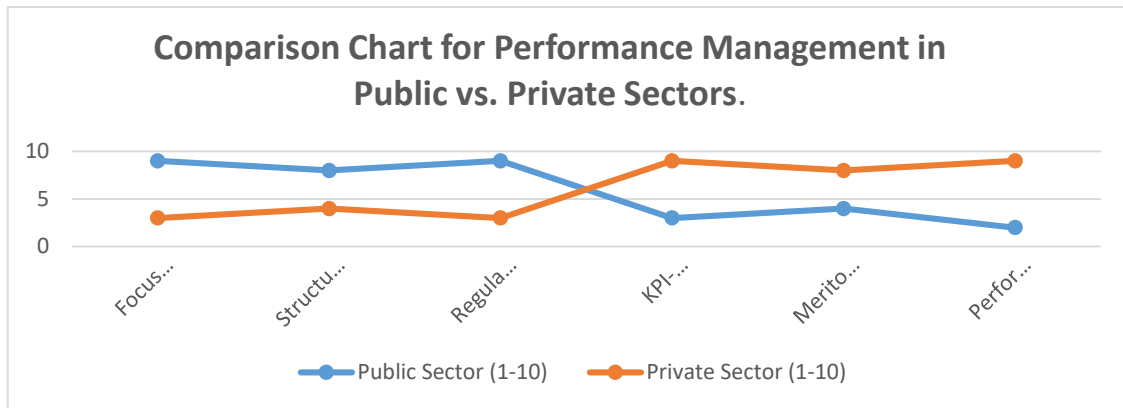


Figure 5. Sectoral Employment Breakdown (2022)

The Impact of SHRM on Organizational Success

Enhancing competitiveness demands strategic human resource management (SHRM), which aligns HR practices with business strategies to effectively manage talent. It is vital to nurture talent and promote a culture of performance and adaptability. Long-term success depends on SHRM, enabling businesses to adapt to market changes. In Azerbaijan, SHRM influences vary between public and private organizations due to distinct goals and legal frameworks.

SHRM and Organizational Efficiency

Efficiency is vital for an organization's success, affecting performance, costs, and service delivery. Strategic Human Resource Management (SHRM) is crucial for workforce planning, developing skills, boosting employee engagement, and shaping overall efficiency.

Public Sector: In Azerbaijan, managing public sector employees involves strict rules and regulations. While this ensures stability and fairness, it hinders adaptability and swift adoption of new ideas. As a result, organizations progress slowly, diminishing operational efficiency [2]. **Key Challenges in Public Sector Efficiency:**

- **Slow Recruitment Processes:** Bureaucratic hiring structures cause delays in filling vacancies, which impact workforce ability.
- **Rigid Job Roles:** Strict job descriptions hinder employee adaptability and cross-functional collaboration.
- **Limited Performance-Based Evaluations:** HR policies focus on tenure rather than productivity, resulting in inefficiencies in talent utilization [18].

Example: A report from a government agency in Azerbaijan revealed that 56% of its budget was chosen for salaries. Nevertheless, performance metrics indicated a modest productivity score of 67 out of 100 due to structural inefficiencies [4].

Private Sector: Private organizations focus on operational efficiency with SHRM through flexible workforce management, performance-based incentives, and data-driven HR decisions. Key Strategies for Efficiency:

- Digital Workforce Planning: AI-driven HR analytics optimize hiring and workforce allocation [3].
- Agile HR Policies: Adaptive job roles enhance cross-functional productivity.
- Performance-Based Culture: Companies reward efficiency, leading to higher engagement and output.

A prominent Azerbaijani oil and gas company boosted efficiency by 30% after adopting KPI-driven workforce management and automated HR performance monitoring systems [4].

Table 2. Comparison of Organizational Efficiency

Factor	Public Sector	Private Sector
Innovation Policies	Slow – Bureaucratic	Fast – Agile & Experimental
Use of HR Tech	Low Adoption	High Adoption
Employee Autonomy	Limited	High
Encouragement of Innovation	Moderate	Strong

SHRM and Innovation

Public Sector:

- Public Sector: Hierarchical Structures Stifle Innovation: Centralized decision-making impedes grassroots creativity.
- Slow Adoption of Digital HR Solutions: Only 35% of government agencies in Azerbaijan use AI-driven HRM tools [18].
- Limited Employee Autonomy: 85% of public sector workers believe strict regulations hinder creativity and innovation [2].

Private Sector:

- Promotes Entrepreneurial Mindset: Workers are encouraged to take the lead.
- Quick Uptake of HR Tech: 85% of Azerbaijan multinational firms use AI-powered HR analytics [4].
- Flexible Decision-Making: Startups and tech firms advocate rapid experimentation and iterative solutions [3].

SHRM and Workforce Productivity

Research shows that strategic human resource management (SHRM) affects employee productivity in the UK and the US. Many HR studies neglect horizontal alignment and integration. Employee productivity, defined by Campbell (2009) as actions meeting goals over time, evaluates performance [19]. Comparing goals with outcomes is vital for assessing

workplace performance [20]. Motivated employees are more productive, as motivation significantly affects their output and efficiency.

Public Sector:

- Job Security Fuels Retention: The World Bank (2022) reports that 72% of public sector employees prioritize job stability over salary increases.
- Insufficient Incentives Decrease Productivity: Only 18% of government employees receive performance-based bonuses [18].

Private Sector:

- Competitive Compensation Increases Productivity: Seventy-two percent of private sector employees report increased job satisfaction because of merit-based pay [8].
- Upskilling & Career Growth Boost Engagement: Employees receive training and career development.

Research Methodology

This study utilizes a mixed-method approach to evaluate how Strategic Human Resource Management (SHRM) influences organizational success in Azerbaijan's public and private sectors. It merges quantitative and qualitative techniques to examine HRM practices related to recruitment, performance management, and compensation strategies.

Research Design

- Research Approach: Mixed method (Quantitative & Qualitative)
- Research Type: Comparative & Explanatory
- Sector Focus: Public vs. Private sector organizations in Azerbaijan
- Data Collection: Surveys, structured interviews, case studies

Data Collection Methods

Quantitative: Data is collected through Likert-scale surveys from 250 employees.

- Variables: HR practices, motivation, employee efficiency
- Analysis: Descriptive statistics, regression, correlation
- Qualitative: 10 HR managers interviewed + case studies

Analysis: Thematic analysis via NVivo

Reliability and Validity

- Reliability Measures: Surveys and standardized interview protocols that have been pilot-tested.
- Validity Assurance: Cross-sector analysis and expert validation of results.
- Ethical Considerations: Data confidentiality, informed consent, and objectivity analysis.

Data Analysis Techniques

Table 4. The collected quantitative and qualitative data are analyzed using both statistical and thematic methods

Method	Purpose	Tools Used
Descriptive Statistics	Summarize survey data	SPSS, Excel
Regression Analysis	Assess the impact of SHRM on retention and productivity	SPSS, Python
Correlation Tests	Examine the relationship between HRM and efficiency	SPSS, Stata
Thematic Analysis	Identify trends in interview responses	NVivo
Comparative Case Studies	Analyze SHRM adoption in public vs. private sectors	Manual Coding, NVivo

Challenges and Future Trends in HRM

Human Resource Management (HRM) in Azerbaijan's public and private sectors meets various challenges, yet new global HR trends open doors for innovation and development. This section outlines the main HRM challenges while examining the future trends that will influence Azerbaijan's workforce.

HRM Challenges in Public and Private Sectors

- Talent Retention – High turnover in the private sector, limited career growth in the public sector.
- Regulatory Barriers – Complex labor laws slow HRM adaptability.
- Digitalization Gaps – The Public sector lags in AI-driven HR adoption.
- Skills Mismatch – Workforce skills do not align with market demands.
- Evolving Work Models – Slow adaptation to hybrid and remote work structures.

Future Trends

- AI and HR Analytics – Enhancing recruitment, performance tracking, and decision-making.
- Performance-Based HR – Agile workforce structures and KPI-driven incentives.
- Employee Well-Being – Increased focus on work-life balance and mental health initiatives.
- Reskilling & Continuous Learning – Upskilling programs to bridge competency gaps.
- Global Talent Strategies – Attracting international talent and fostering workplace diversity.

Strategic Outlook

HRM must embrace digitalization, flexible policies, and talent development to enhance competitiveness, ensuring a resilient and future-ready workforce.

Conclusion and Recommendations

Summary of Key Findings

This research explores SHRM practices in Azerbaijan's public and private sectors, highlighting differences, challenges, and future trends. Key findings include:

- Job stability, regulations, and pay are key in the public sector, but bureaucracy and outdated HR systems hinder efficiency and creativity.
- In the private sector, HR management focuses on KPIs, competitive pay, and technology, boosting productivity and innovation, yet challenges persist in talent retention and regulatory compliance.
- Both sectors face hurdles in retaining workers and adapting to digital changes within regulatory frameworks, underscoring the need for cohesive HR strategies.

Recommendations for Improving SHRM Practices

To address these findings, the following strategic recommendations are provided for Azerbaijan's public and private sectors:

Public Sector Recommendations:

- Adopt Performance-Based Incentives: Introduce KPI-driven performance management and merit-based rewards to enhance motivation and productivity.
- Accelerate HR Digitalization: Invest in AI-powered HR systems and digital tools to streamline recruitment, employee evaluation, and training processes.
- Improve Recruitment Efficiency: Simplify hiring procedures to reduce delays and attract talent more effectively, ensuring competitiveness with the private sector.

Private Sector Recommendations:

- Improve staff retention by creating career advancement opportunities, offering long-term benefits, and introducing flexible hybrid work arrangements.
- Enhance your workforce by investing in employee growth through expanding training opportunities for skill development and leadership advancement to boost competencies and increase engagement.
- Ensure that HR policies align globally to enhance adherence to labor norms, attract talent globally, and sustain competitiveness.

Policy Implications for Government and Business Leaders

Government Policy Implications:

- Let us simplify labor laws and HR regulations to give flexibility in managing performance and designing compensation plans while promoting the adoption of HR tools.
- Let us offer rewards and necessary resources to drive forward digitalization efforts in government entities to boost effectiveness and openness.
- Promote collaboration between private sectors in resources by fostering the exchange of top HR methods and technological innovations.

Business Leader Implications:

➤ HR practices must be aligned with organizational strategies to enhance business performance effectively and sustainably while fostering innovation and gaining an edge.

➤ Let us encourage a mix of in-office work setups to appeal to professionals and stay current with evolving workforce practices worldwide.

➤ Let us improve talent mobility and diversity by creating strategies for recruiting talent and facilitating exchanges of workers across borders to foster innovation and diversity in the workplace.



Final Thoughts

Both sectors should adopt an integrated strategic human resource management (SHRM) approach to foster economic growth and enhance competitiveness. The amalgamation of the public sector's stability with the private sector's innovation will cultivate a robust and adaptable workforce. Policymakers and leaders must pursue these strategies to position Azerbaijan's workforce effectively within the global economy.

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STRATEJİ HRM VƏ TƏŞKİLATDA UĞUR: İCTİMAİ VS. AZƏRBAYCANDA ÖZƏL SEKTOR

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Xülasə. Tədqiqat Azərbaycanda dövlət və özəl sektorda strateji insan resurslarının idarə olunmasına (SİRİ) həsr olunmuşdur. İşə qəbul, motivasiya, əməkhaqqı və fəaliyyətin qiymətləndirilməsi sahələrində aparılan müqayisəli analiz sektorlar arasında struktur fərqlərini üzə çıxarır. Özəl sektor innovasiya və məhsuldarlığa, dövlət sektoru isə sabillik və normativ uyğunluğa üstünlük verir. Kadr idarəçiliyinin effektivliyini artırmaq məqsədilə hibrid SİRİ modelinin tətbiqi tövsiyə olunur.

Açar sözlər: İR, dövlət sektoru, özəl sektor, motivasiya, effektivlik, hibrid model.