

INFLUENCE OF VARIABLE COMPENSATION ON BUSINESS PERFORMANCE OF THE SPLIT – DALMATIA COUNTY PHARMACIES

Ante MIHANOVIĆ, Ph.D. student

Ante SANADER, Ph.D. student

Mate KRCE, Ph.D. student

Abstract - General

One of the basic prerequisites of effective human resource management is to recognize the importance of motivational systems. A satisfied and motivated worker will work effectively and creatively and with greater focus towards goals. If motivation is absent, there is a danger of lowering the level of work of the best workers to that of the average or even poor workers.

Employees are the most important resource of any company, and successful achievement of a company's objectives depends on their motivation and commitment. The importance of the reward system is reflected in the motivation of employees to do their job with as much quality and efficiency as possible. In most successful companies, in addition to giving a basic salary that is the right of every worker, management introduces a variable aspect of the salary knowing that the basic salary is not enough to motivate employees.

The system of compensation consists of tangible and intangible rewards. Tangible rewards are based on improving the financial status of individuals, while the intangible rewards are directed towards the fulfillment of broader human needs that are related to working behavior. Naturally, tangible rewards dominate in practice, but intangible rewards are increasingly gaining in importance.

Keywords: *variable compensation, stimulation, reward system, Split - Dalmatia County Pharmacies*

JEL Classification: M2, M21, M29

INTRODUCTION

The contemporary practice of human resources management recognizes that the basic salary is not a sufficient motivator for individuals, and companies, which have the possibility to do so, strive to introduce a variable portion of the salary that individuals can, but need not, earn. The basic salary is the right of all employees, and the variable part of the salary goes only to those individuals who earned it with their work.

Different salary systems have different motivational potential. Pay-per-time salary is calculated solely on the basis of time spent at work and typically implies a fixed salary, which means that the motivational potential of this system is the lowest. Since this salary system is the predominant one, it is obvious that by introducing new elements of tangible rewards it is possible to affect the increase in the level of employee motivation, which is already recognized by the instrument of stimulation bonuses.

THEORETICAL ELABORATION OF THE COMPENSATION AND REWARDS SYSTEM – THE TERM COMPENSATION

Compensation can be defined as the total compensation that employees receive for their work in a company. These compensations may appear in cash, goods, and various forms of tangible and intangible assistance.

Compensations that employees receive, depending on the results of their work, are divided into three categories:

- Compensations associated with the results of an individual's work, which represent the main category of these rewards,
- Compensations associated with the results of the working group to which the particular individual belongs, and
- Compensations associated with the results of the company as a whole.

These types of compensations are generally paid in cash, and are treated as an individual's salary. Employee compensations related to the simple fact of be-

ing an employee of the company stem from the fact that the individual is an employee of a particular company and thus they contribute to the individual material standard, although employees are not receiving them in the form of a salary but, rather, in the form of health insurance, pension insurance, meals, scholarships and the like.

Total compensations are divided into three types, namely as (Buble, M .: Principles of Management, Synergy Publishing, Zagreb, 2006, p. 288):

- salaries,
- rewards, and
- benefits

Salary as a complex value consists of five main components, namely: basic salary, an incentive part of the salary, salary supplements, compensations and profit sharing. .

Compensations for work performed

Of all the components, compensations are certainly the most important ones and greatest attention is given to those relating to the work performed. These are compensations to which employees are entitled to when working effectively, and they are (Buble, M .: Principles of Management, op. cit., p. 289.):

- 1) basic salary,
- 2) an incentive aspect part of the salary, and
- 3) salary supplements.

These components of compensation for the work performed are not always included due to the fact that there are companies that have no developed incentive payment system.

OBJECTIVES OF SALARY MANAGEMENT

Salary management covers design, implementation and maintenance of a payment system that helps the company meet its objectives. Therefore, management is dealing with general and specific objectives of salary management.

General objectives

The primary objective of salary management is to increase the efficiency of work and dedication of employees in order to improve the business processes and enhance the business performance of a company. Achieving high productivity and efficiency depends a lot on the ability of companies to attract and retain the right employees and to provide them with the financial and non-financial incentives and rewards that will increase their motivation. (Galetic, L., Pavic, I.: Salary Management, RRiF, Zagreb, 1996, p. 1)

Specific objectives of salary management

Specific objectives are divided according to areas that include: objectives of the organization, individual objectives of the enterprise and collective objectives, i.e. the objectives of trade unions as representatives of employees.

It is often thought that the employees' only primary objective is - to be better paid. High salaries are an important objective of employees and low salaries are economically profitable for the company, but the level of salaries is not the only factor affecting the attitude of employees and employers and the efficiency of workers.

STIMULATIVE PART OF THE SALARY

Salary that also contains an enhancing component assumes that the company has accepted and developed an appropriate system of incentive payments. In this paradigm, the system of incentive payments means that the system where the amount and/or method of calculating salaries encourages employees to attain certain results.

Contemporary relevant literature on human resource management (Macan, 2009, Robergo and Dick, 2010) in the basic functions of human resource management ranks and processes *rewarding and stimulating people*. According to Robergo and Dick (Robergo, ME, Dick, R. (2010) *Recognizing the benefits of diversity: When and how does diversity increase group performance?*, Human Resources Management Review, Vol. 20, Issue 4, pp. 295-308) in the compensation of employees, or persons who are in a contractual relationship the basic points and activities are:

- establishing work standards and linking incentives with performance
- developing a system for measuring and evaluating performance data

- developing a proposal for motivation
- developing proposals and forms of group rewards
- developing proposals and forms of individual remuneration and individual criteria
- developing a proposal of benefits
- developing a proposal for the participation of employees in profits
- developing a proposal for the participation of employees in ownership
- analysis of the reward system
- control of the reward process .

There are various forms that an insurance company management has as the possibility of rewarding employees who work in the classic sales arena. The most common are:

- a) an exclusively fixed salary
- b) fully variable salary (commission)
- c) different combinations of salaries and commissions

a) An exclusively fixed salary is the oldest form of remuneration that is maintained to this day.

Advantages of this form are:

- management of the company can relatively easily change the tasks and plans without major resistance
- a system of pure net salaries is tangible and easier to understand
- payroll is faster and easier
- labor costs are easier to predict in business plans
- employees feel relatively satisfied with guaranteed income.

Disadvantages are:

- it disincentivizes employees to do better work
- inflexible burdening of the labor costs creating work underperformance

- potential conflicts due to the relationships of different abilities of individuals and equal salaries
- suitable for employees with less abilities and interests for work.

b) Fully variable salary (commission) is a reward system that is most widespread in insurance sales.

Advantages of commission are:

- encourages employees towards a maximum commitment and to work at full capacity
- develops competitive spirit among employees
- firmly connects the movement of marketing costs with the overall results of the work
- enables a differentiated approach through various types and percentages of commissions for different types of insurances.

Disadvantages are:

- employees are reluctant to carry out other activities that are not directly related to the commission
- employees can often put pressure on the management of the company to, for example, approve extraordinary discounts for a particular market or segment of insurance holders under the pretext of market conditions (for example, measures of competition), but with the real reason and motivation being to increase sales and earn greater commissions
- full commission has proved to be costly in practice because it is closely correlated with the premium collected
- at a certain stage of sales growth, a commission allows for the realization of higher (undeserved) earnings because the sale is the result of investments in market development and promotion

On the other hand, when there is a stagnation in the market due to falling demand, employees who work on a commission basis lose interest in work because they cannot significantly affect the size of their commission.

c) A combination of salaries and commissions is a method that uses the advantages and disadvantages of both the exclusively fixed salary system and the variable salary system (commissions). It is somewhat a mix of the two systems

and in practice there are many different models (Rock, M. (1984) *Handbook of Wage and Salary Administration*, McGraw-Hill, New York). This combination has proven successful in practice in the case of incentive ratios between fixed and variable portions.

THE SYSTEM OF COMPENSATION IN THE EXAMPLE OF THE SPLIT DALMATIA COUNTY PHARMACIES

Split-Dalmatia County Pharmacies is a public health institution performing health activities in accordance with the Health Care Act and the Pharmacy Act. Given that the activity is not primarily profit-motivated there was a challenge of how to develop a reward system to motivate employees to meet the set business objectives, but in a way that does not violate ethical standards defined by the law and the internal regulations of the Chamber, and not to disturb the quality of service provided to patients.

Collective Agreement for Health Care stipulates that the employer, the Split Dalmatia County Pharmacies, shall pay the employees a salary consisting of the following elements:

- basic salary for the position at which the employee works,
- salary supplements for years of service,
- salary supplements for special and difficult work conditions,
- salary increases based on work performance
- salary increases based on the profit of the institution,
- compensation for being on duty.

BASIC SALARY

The most important element of the compensation system in terms of the employees is the basic salary. In Split-Dalmatia County Pharmacies, basic full-time salary of workers for normal/average work performance in the workplace is a product of the basic salary and the coefficient of the work's complexity.

The basis for the calculation of the basic salary shall be determined in accordance with the Law on Salaries in Public Services. The coefficients of the

job complexity are determined in accordance with the Regulation on Job Titles and Complexity Coefficients in Public Service appropriate to pharmacy activities. Salary supplements for difficult working conditions shall be determined in accordance with the Regulation on Salary Supplements for Specific Jobs in Health Care and the Basic Collective Agreement for Employees in Public Service. Supplements and all other incomes of workers are more fully delineated in the Regulations on Salaries.

The basic salary of the Split-Dalmatia County Pharmacies employees is fixed and it is determined based on the time spent at work. Fixed basic salary implies a monthly average of 176 hours of work. Employees salary is determined by the workplace coefficient multiplied with the base in the accounting period. Basic employee's salary shall be increased:

- I) For special working conditions
- II) For demanding working conditions
- III) Increase of salary based on the profit of the institution (an incentive)
- IV) Compensation for being on duty.

EXISTING STIMULATION IN THE SPLIT-DALMATIA COUNTY PHARMACIES

Workers are entitled to a salary based on the realized profit that is the result of above-average labor production of the workers, that is, in proportion to their contribution to such results.

Possibility of payment of salary on the basis of profits depends on the:

- business results of the institution and reported profit,
- revenue of the institution acquired outside the contract with the Croatian Health Insurance Institute (HZZO),
- orderly settlement of trade payables (within set time limits).

Salary increases on this basis can be up to 20%.

The part of the salary paid in this way - rewards – is not included in the base salary for vacation, sick leave and similar benefits.

A decision to increase salaries on this basis is made by the Administrative Council on the proposal of the Director.

This reward system has averaged about 10%

The key problems in the current system of incentive rewards can be summarized in a few points:

- The largest proportion of the variable part of the salary is realized on the basis of the performance of the financial results of the institution. The result of the institution should be only one of the criteria for the distribution of the variable part of the salary, rather than the sole criterion. This encourages teamwork and collaboration among individuals, but it also diminishes the importance of the work of the organizational unit because regardless of the efforts of individuals the reward is distributed to all employees in the same proportion.
- Unclear (subjective) criteria for determining the variable part of the salary. It is important that the variable part of the salary is understandable to employees, and there must be the possibility for employees to directly affect the indicators for the calculation of the variable part of the salary with their work.
- Encouraging mediocrity. Variable compensation does not encourage above-average effort of employees because employees are aware that the additional reward can only be obtained if the Institution is successful as a whole. There is no incentive for an increase above the average personal commitment of an employee.

INTRODUCTION OF THE NEW REWARD SYSTEM

Pharmacy in Croatia is experiencing a crisis in recent years. The main reason for the fall of income is the decrease of drug prices paid by the Croatian Health Insurance Institute. Attached table

VALUE PRESCRIPTION + ALLOTMENT	January	February	March	1 st quarter
Avg. prescription value and allotment for 2012 in HRK	69.24	74.08	67.07	69.89
Avg. prescription value and allotment for 2013 in HRK	67.79	66.31	66.60	66.92
Avg. prescription value and allotment for 2014 in HRK	60.09	55.43	54.80	56.82
AVERAGE VALUE OF PRESCRIPTIONS FOR 2015 IN HRK	52.69	52.66	52.99	52.78
Difference (14-13) HRK	-7.70	-10.87	-11.80	-10.09
Difference (15-14) HRK	-7.40	-2.77	-1.81	-4.04
Difference (15-13) HRK	-15.11	-13.65	-13.61	-14.13
14/13	-11.36%	-16.40%	-17.72%	-15.08%
15/14	-12.32%	-5.00%	-3.30%	-7.11%
15/13	-22.28%	-20.58%	-20.43%	-21.12%
15/12.	-23.91%	-28.91%	-20.99%	-24.48%

In such an unfavorable business environment, the primary focus of the Board was directed at stopping falling revenues and profitability. They examined several options, whether using punishments to prevent unwanted behavior or stimulation to encourage desirable behavior that would result in stopping the decrease of revenues and possibly bringing about its increase. It was concluded that during the recession they should stimulate successful employees because they create a favorable work environment. Due to the implementation of the stimulation, it is necessary to define completely clear and understandable criteria for everyone; first of all to define the same workload for each employee during office hours in order to obtain the same work load in a fair and accessible manner. The majority of employees in pharmacies are masters of pharmacy and pharmaceutical technicians and it is determined that each unit gets as many masters of pharmacy and pharmacy technicians as provided by the minimum regulations, and the number of filled prescriptions for masters and the values of so-called impromptu sales for technicians.

The starting point when creating a new system of remuneration was as follows:

Material rewards have to be connected to those indicators of work efficiency upon which a group or an individual can have an effect with their behavior

- There must be a clear link between work performance and rewards
- Material rewards must immediately follow the increased work results
- Fair and justifiable differences in material remuneration between good and bad organizational units must be substantial enough to stimulate good work
- Retention of the existing fixed stimulation that workers do not perceive as stimulation but an integral part of the salary.

A reward system should be used to encourage employees of the Split – Dalmatia County Pharmacies to actively participate in the realization of financial plans. The mechanism of action is that the employer identifies desirable behavior and rewards individuals who apply such behavior. The main determinants of the new reward system should support the company's strategic direction in accordance with professional ethical standards.

Strategy and the reward systems are operationalized by reward policies through defining the following areas: amount of salary, the part of the salary that depends on the performance, the impact of market salary policy, equity in remuneration, the salary structure, salary control and communication of the reward system. Various factors that influence the individual's motivation are classified into three groups: individual traits, characteristics of the work situation and job characteristics, where the action is situated in the framework of a general environment that can also affect motivation.

The new model of stimulation in the Split – Dalmatia County Pharmacies should be designed in a way that enables the achievement of the following objectives:

- raising the level of motivation of employees;
- increasing the quantity and quality of performance among employees;
- increasing employee satisfaction;
- achieving better financial results of the entire Institution.

In the first phase of system redesign the emphasis is on the removal of elements affecting the poor performance of the existing model of stimulation. Calculation of the stimulating part of the salary shall be based solely on the

performance of the organizational unit to which the employee belongs to or the performance of the individual and not the performance of the unit on which the individual has no direct impact. Introduction of the organization by centers of responsibility eases the implementation of this model.

IMPLEMENTATION

Guided by these guidelines, a pilot project was initiated and the criteria were defined for calculating the variable portion of salaries of employees of the organizational unit Sales and Galenic Laboratory to a maximum of 5% of the basic salary. Scoring criteria:

- 1) Total purchase value of medicines and goods for sale, 20 points,

Since prescription drugs make up for approx. 65% of the structure of total sales and the purchase value of prescription drugs has continuously declined, more efforts are required to make in order to achieve the same or greater purchase value of medicines. Since this criterion is the hardest achievable one, it is scored with a maximum number of points.

- 2) Total purchase value in retail, 10 points,

In the structure of total sales the purchase value in retail makes constitutes approximately 35% and it is scored with 10 points due to an increase in the range of products and the price growth of a portion of items sold.

- 3) Number of realized prescriptions, 10 points,

Considering that pharmacies that sell prescription drugs have a difficult time achieving the planned purchase value of drugs due to the constant decrease in the price of prescription drugs, this criterion is used to stimulate additional work in the form of growth in the number of prescriptions per unit.

- 4) Total purchase value of galenic preparations from own production, 20 points,

Encouraging the growth of sales of own products for which we achieve the highest price difference.

- 5) Total purchase value of orthopedic devices, 10 points,

Due to competition in the market, it was concluded that it is necessary to further stimulate this part of the range by bringing in patients who are consumers of other medications (diabetes, incontinence and palliative care)

6) The total purchase value of “sales” is 20 points and

Taking into account the ethics and economics, we put products from the program of food supplements, cosmetics, orthopedic footwear and BRX medicines, which can also be sold specialized stores.

7) The price difference, 10 points,

The growth of the price difference in relation to the monitored period of last year.

The total value of points is converted into additional percentages of the salary as follows:

- 1) 100 points - 5% over the basic salary
- 2) 90 points - 4% over the basic salary
- 3) 80 points - 3% over the basic salary
- 4) 70 points - 2% over the basic salary
- 5) 60 points - 1% over the basic salary
- 6) 50-0 points - 0% over the basic salary

A prerequisite for the realization of the right to total stimulation (fixed and variable) is to meet the following two criteria:

- total purchase value at the level of the Institution is equal to or larger than the value for the observed period, in this case the quarter,
- total earnings (price difference) are higher than in the observed period.

Since we divided the stimulation into a fixed stimulation (FS) and variable stimulation (VS), we decided that the total value of stimulation is a maximum of up to a 50% increase in the price difference for the observed period ($FS + VS = 1/2 \text{ TOTAL EARNINGS}$).

1) Total purchase value of medicines and goods for sale, 20 points

Branch	TOT. PURCH. VAL. 14	TOT. PURCH. VAL. 15	15/14	MAINTENANCE 15	15-14	POINTS
1	955.488,62	957.393,17	0,2%	100,2%	1.904,55	20
2	802.225,01	750.495,38	-6,4%	93,6%	-51.729,63	
3	1.136.510,98	1.106.558,73	-2,6%	97,4%	-29.952,25	
4	1.093.487,82	1.572.357,03	43,8%	143,8%	478.869,21	20
5	1.284.476,48	1.184.854,70	-7,8%	92,2%	-99.621,78	
6	1.344.446,11	1.304.169,85	-3,0%	97,0%	-40.276,26	
7	287.763,23	312.935,56	8,7%	108,7%	25.172,33	20
8	2.252.350,95	2.452.693,46	8,9%	108,9%	200.342,51	20
9	1.189.163,07	1.244.257,20	4,6%	104,6%	55.094,13	20
10	2.455.956,67	2.444.738,41	-0,5%	99,5%	-11.218,26	
11	1.786.489,60	1.738.333,24	-2,7%	97,3%	-48.156,36	
12	2.185.294,84	2.220.577,62	1,6%	101,6%	35.282,78	20
13	2.004.477,52	1.959.503,22	-2,2%	97,8%	-44.974,30	
14	1.129.321,12	1.221.841,94	8,2%	108,2%	92.520,82	20
15	456.111,56	440.435,31	-3,4%	96,6%	-15.676,25	
16	736.613,84	731.795,20	-0,7%	99,3%	-4.818,64	
17	1.714.329,02	1.765.453,19	3,0%	103,0%	51.124,17	20
18	536.480,37	534.093,60	-0,4%	99,6%	-2.386,77	
19	678.646,90	631.142,77	-7,0%	93,0%	-47.504,13	
20	116.154,01	118.669,33	2,2%	102,2%	2.515,32	20
21	961.915,65	982.345,77	2,1%	102,1%	20.430,12	20
22	1.321.070,15	1.376.508,49	4,2%	104,2%	55.438,34	20
23	1.948.318,42	2.305.258,85	18,3%	118,3%	356.940,43	20
24	1.517.359,77	1.480.081,65	-2,5%	97,5%	-37.278,12	
25	370.351,02	351.742,42	-5,0%	95,0%	-18.608,60	
26	440.533,17	438.371,98	-0,5%	99,5%	-2.161,19	
27	187.578,00	170.054,50	-9,3%	90,7%	-17.523,50	
28	805.774,91	848.183,32	5,3%	105,3%	42.408,41	20
29	2.474.409,18	2.641.493,25	6,8%	106,8%	167.084,07	20
30	70.015,40	56.905,85	-18,7%	81,3%	-13.109,55	
31	132.052,15	134.188,55	1,6%	101,6%	2.136,40	20
32	150.296,92	143.160,90	-4,7%	95,3%	-7.136,02	
33	1.412.885,25	1.446.420,22	2,4%	102,4%	33.534,97	20
34	1.210.552,60	1.193.892,13	-1,4%	98,6%	-16.660,47	
35	612.436,17	587.812,93	-4,0%	96,0%	-24.623,24	

36	323.597,61	321.949,75	-0,5%	99,5%	-1.647,86	
37		303.262,40			303.262,40	20
TOTAL	38.084.934,09	39.473.931,87	3,6%	103,6%	1.388.997,78	

The table shows that with respect to the total purchase value of medicines and goods at the institutional level that there was an additional income increase of 3.6% or HRK 1,388,997.78

2) Total purchase value in retail, 10 points,

Branch	PURCH. VAL. IN RETAIL 14	PURCH. VAL. IN RETAIL 15	15/14	MAINTENANCE 15	15-14	POINTS
1	441.371,61	379.026,45	-14,1%	85,9%	-62.345,16	
2	352.669,34	334.762,43	-5,1%	94,9%	-17.906,91	
3	334.762,53	360.397,55	7,7%	107,7%	25.635,02	10
4	753.313,81	1.095.274,77	45,4%	145,4%	341.960,96	10
5	616.210,19	576.817,13	-6,4%	93,6%	-39.393,06	
6	405.782,57	401.361,44	-1,1%	98,9%	-4.421,13	
7	287.234,26	312.487,64	8,8%	108,8%	25.253,38	10
8	1.023.966,75	1.211.150,79	18,3%	118,3%	187.184,04	10
9	375.071,28	427.635,92	14,0%	114,0%	52.564,64	10
10	829.980,49	857.690,81	3,3%	103,3%	27.710,32	10
11	475.914,81	500.148,04	5,1%	105,1%	24.233,23	10
12	464.266,44	515.909,39	11,1%	111,1%	51.642,95	10
13	514.541,02	567.020,48	10,2%	110,2%	52.479,46	10
14	462.878,82	506.794,97	9,5%	109,5%	43.916,15	10
15	245.072,49	254.309,35	3,8%	103,8%	9.236,86	10
16	160.064,41	153.537,57	-4,1%	95,9%	-6.526,84	
17	492.129,59	560.202,46	13,8%	113,8%	68.072,87	10
18	183.032,22	193.134,57	5,5%	105,5%	10.102,35	10
19	281.263,01	279.622,26	-0,6%	99,4%	-1.640,75	
20	28.729,97	29.506,24	2,7%	102,7%	776,27	10
21	305.232,59	333.656,61	9,3%	109,3%	28.424,02	10
22	347.971,87	398.404,09	14,5%	114,5%	50.432,22	10
23	397.369,15	426.263,96	7,3%	107,3%	28.894,81	10
24	261.207,73	294.135,08	12,6%	112,6%	32.927,35	10
25	102.028,69	115.608,17	13,3%	113,3%	13.579,48	10
26	70.625,29	79.352,46	12,4%	112,4%	8.727,17	10
27	33.603,84	33.352,42	-0,7%	99,3%	-251,42	

28	489.652,96	510.096,55	4,2%	104,2%	20.443,59	10
29	634.173,84	725.224,98	14,4%	114,4%	91.051,14	10
30	70.015,40	56.714,60	-19,0%	81,0%	-13.300,80	
31	48.122,58	54.954,50	14,2%	114,2%	6.831,92	10
32	24.665,12	32.174,98	30,4%	130,4%	7.509,86	10
33	528.166,14	581.015,22	10,0%	110,0%	52.849,08	10
34	226.864,93	263.919,31	16,3%	116,3%	37.054,38	10
35	89.187,19	110.556,43	24,0%	124,0%	21.369,24	10
36	71.339,83	73.562,60	3,1%	103,1%	2.222,77	10
37		156.330,77			156.330,77	10
TOTAL	12.428.482,76	13.762.112,99	10,7%	110,7%	1.333.630,23	

The table shows that with respect to the total purchase value in retail at the institutional level that there was an additional income increase of 7.36% or HRK 1,388,997.78

3) Number of realized prescriptions, 10 points

Branch	NO. OF INVOICED PRESCRIPTIONS 14	NO. OF INVOICED PRESCRIPTIONS 15	15/14	MAINTENANCE 15	15-14	POINTS
1	7.784	7.513	-3,5%	96,5%	-271	
2	7.490	7.286	-2,7%	97,3%	-204	
3	13.052	12.938	-0,9%	99,1%	-114	
4	5.853	8.942	52,8%	152,8%	3.089	10
5	12.564	12.405	-1,3%	98,7%	-159	
6	12.885	13.898	7,9%	107,9%	1.013	10
7	N/A	N/A				
8	23.140	24.726	6,9%	106,9%	1.586	10
9	13.082	14.013	7,1%	107,1%	931	10
10	28.521	30.273	6,1%	106,1%	1.752	10
11	21.290	22.129	3,9%	103,9%	839	10
12	30.848	33.180	7,6%	107,6%	2.332	10
13	25.141	26.311	4,7%	104,7%	1.170	10
14	10.432	11.380	9,1%	109,1%	948	10
15	3.822	3.830	0,2%	100,2%	8	10
16	7.357	7.251	-1,4%	98,6%	-106	
17	22.216	25.183	13,4%	113,4%	2.967	10
18	6.148	6.272	2,0%	102,0%	124	10
19	6.911	7.074	2,4%	102,4%	163	10
20	1.683	1.626	-3,4%	96,6%	-57	

21	11.330	11.888	4,9%	104,9%	558	10
22	17.605	18.933	7,5%	107,5%	1.328	10
23	25.801	32.419	25,7%	125,7%	6.618	10
24	21.476	21.804	1,5%	101,5%	328	10
25	4.851	4.965	2,4%	102,4%	114	10
26	6.628	7.109	7,3%	107,3%	481	10
27	2.917	2.876	-1,4%	98,6%	-41	
28	6.383	7.467	17,0%	117,0%	1.084	10
29	30.003	33.388	11,3%	111,3%	3.385	10
30	N/A	N/A				
31	1.532	1.772	15,7%	115,7%	240	10
32	2.314	2.365	2,2%	102,2%	51	10
33	17.363	17.816	2,6%	102,6%	453	10
34	17.232	18.615	8,0%	108,0%	1.383	10
35	9.884	9.559	-3,3%	96,7%	-325	
36	4.951	5.253	6,1%	106,1%	302	10
37	N/A	N/A				
TOTAL	440.489	472.459	7,3%	107,3%	31.970	260

The table shows that with respect to the number of prescriptions at the institutional level that there was an increase in prescriptions of 7.3% or 31,970.

4) Total purchase value of galenic preparations from own production, 20 points,

Branch	GAL 14	GAL 15	14/13	MAINTENANCE 14	15-14	POINTS
1	19.808,88	20.316,58	2,6%	102,6%	507,70	0
2	17.059,37	20.146,49	18,1%	118,1%	3.087,12	20
3	19.266,40	26.875,33	39,5%	139,5%	7.608,93	20
4	33.917,61	71.066,94	109,5%	209,5%	37.149,33	20
5	31.699,66	37.053,13	16,9%	116,9%	5.353,47	20
6	21.194,83	26.862,82	26,7%	126,7%	5.667,99	20
7	13.125,43	17.236,86	31,3%	131,3%	4.111,43	20
8	68.989,46	87.847,63	27,3%	127,3%	18.858,17	20
9	23.851,32	28.049,49	17,6%	117,6%	4.198,17	20
10	45.309,59	53.298,14	17,6%	117,6%	7.988,55	20
11	22.286,36	28.168,44	26,4%	126,4%	5.882,08	20
12	30.611,27	38.030,88	24,2%	124,2%	7.419,61	20
13	26.121,45	35.737,82	36,8%	136,8%	9.616,37	20

14	23.772,91	34.491,81	45,1%	145,1%	10.718,90	20
15	11.914,17	17.263,32	44,9%	144,9%	5.349,15	20
16	4.654,37	4.786,19	2,8%	102,8%	131,82	0
17	27.235,29	32.642,06	19,9%	119,9%	5.406,77	20
18	11.148,40	12.660,74	13,6%	113,6%	1.512,34	20
19	16.198,65	19.589,46	20,9%	120,9%	3.390,81	20
20	1.364,68	2.156,19	58,0%	158,0%	791,51	20
21	15.568,24	21.844,68	40,3%	140,3%	6.276,44	20
22	18.986,48	22.873,25	20,5%	120,5%	3.886,77	20
23	20.903,86	29.872,22	42,9%	142,9%	8.968,36	20
24	12.706,32	17.277,35	36,0%	136,0%	4.571,03	20
25	5.730,33	7.034,50	22,8%	122,8%	1.304,17	20
26	2.898,44	3.873,78	33,7%	133,7%	975,34	20
27	1.154,69	1.487,60	28,8%	128,8%	332,91	20
28	17.828,70	23.416,73	31,3%	131,3%	5.588,03	20
29	20.819,06	33.067,20	58,8%	158,8%	12.248,14	20
30	N/A	N/A				
31	2.076,73	2.488,48	19,8%	119,8%	411,75	20
32	1.522,82	1.943,77	27,6%	127,6%	420,95	20
33	33.058,26	44.783,45	35,5%	135,5%	11.725,19	20
34	9.937,61	14.204,52	42,9%	142,9%	4.266,91	20
35	4.351,25	6.487,52	49,1%	149,1%	2.136,27	20
36	2.839,23	3.935,17	38,6%	138,6%	1.095,94	20
37	N/A	9.572,99			9.572,99	20
TOTAL	639.912,12	858.443,53	34,2%	134,2%	218.531,41	

The table shows that with respect to the total purchase value of galenic preparations from our own production at the institutional level that there was an additional income increase of 34.2% or HRK 218,531.41.

5) Total purchase value of orthopedic devices, 10 points

Branch	PURCHASE VALUE OF ORTHOPEDIC DEVICES 14	PURCHASE VALUE OF ORTHOPEDIC DEVICES 15	14/13	MAINTENANCE 14	15-14	POINTS
1	76.886,67	74.671,57	-2,9%	97,1%	-2.215,10	
2	36.931,21	32.668,77	-11,5%	88,5%	-4.262,44	
3	63.433,84	59.017,22	-7,0%	93,0%	-4.416,62	
4	24.319,65	46.403,24	90,8%	190,8%	22.083,59	10
5	45.765,71	39.082,46	-14,6%	85,4%	-6.683,25	

6	92.256,97	92.075,38	-0,2%	99,8%	-181,59	
7	15,20	98,80	550,0%	650,0%	83,60	10
8	55.082,94	49.272,90	-10,5%	89,5%	-5.810,04	
9	59.589,75	66.440,96	11,5%	111,5%	6.851,21	10
10	83.584,36	112.123,86	34,1%	134,1%	28.539,50	10
11	149.329,99	135.729,63	-9,1%	90,9%	-13.600,36	
12	141.298,34	149.923,78	6,1%	106,1%	8.625,44	10
13	152.324,50	161.738,67	6,2%	106,2%	9.414,17	10
14	61.852,66	87.476,18	41,4%	141,4%	25.623,52	10
15	11.554,97	13.576,48	17,5%	117,5%	2.021,51	10
16	98.159,18	100.687,73	2,6%	102,6%	2.528,55	10
17	68.865,52	85.431,99	24,1%	124,1%	16.566,47	10
18	56.332,40	52.360,34	-7,1%	92,9%	-3.972,06	
19	25.207,53	37.103,84	47,2%	147,2%	11.896,31	10
20	8.603,34	14.969,09	74,0%	174,0%	6.365,75	10
21	36.230,15	43.167,64	19,1%	119,1%	6.937,49	10
22	78.715,40	95.041,55	20,7%	120,7%	16.326,15	10
23	162.093,90	203.078,58	25,3%	125,3%	40.984,68	10
24	134.148,50	119.073,63	-11,2%	88,8%	-15.074,87	
25	45.391,28	43.490,79	-4,2%	95,8%	-1.900,49	
26	38.246,96	41.700,66	9,0%	109,0%	3.453,70	10
27	15.265,78	20.594,37	34,9%	134,9%	5.328,59	10
28	17.084,62	19.847,29	16,2%	116,2%	2.762,67	10
29	233.829,03	255.452,99	9,2%	109,2%	21.623,96	10
30	200,94	408,48	103,3%	203,3%		
31	1.457,90	470,20	-67,7%	32,3%	-987,70	
32	20.044,16	10.561,74	-47,3%	52,7%	-9.482,42	
33	72.410,12	91.164,78	25,9%	125,9%	18.754,66	10
34	112.702,95	118.477,02	5,1%	105,1%	5.774,07	10
35	54.183,91	36.130,15	-33,3%	66,7%	-18.053,76	
36	20.691,71	19.487,61	-5,8%	94,2%	-1.204,10	
37	N/A	154.433,23			154.433,23	
TOTAL	2.354.092,04	2.683.433,60	14,0%	114,0%	329.341,56	

The table shows that with respect to the total purchase value of orthopedic devices at the institutional level that there was an additional income increase of 14% or HRK 329,341.56

6) Total purchase value of “sales”

Branch	SALE FIRST QUARTER	SALE FIRST QUARTER	15/14	MAINTENANCE 15	15-14	POINTS
1	10.206,90	10.672,57	4,6%	104,6%	465,67	20
2	9.790,21	11.409,02	16,5%	116,5%	1.618,81	20
3	13.301,50	15.188,18	14,2%	114,2%	1.886,68	20
4	24.681,72	26.538,84	7,5%	107,5%	1.857,12	20
5	18.206,38	21.338,60	17,2%	117,2%	3.132,22	20
6	9.930,55	12.574,14	26,6%	126,6%	2.643,59	20
7	3.673,03	4.394,62	19,6%	119,6%	721,59	20
8	34.466,44	36.879,04	7,0%	107,0%	2.412,60	20
9	15.210,92	18.000,65	18,3%	118,3%	2.789,73	20
10	28.648,05	34.624,42	20,9%	120,9%	5.976,37	20
11	13.062,54	16.590,34	27,0%	127,0%	3.527,80	20
12	17.336,07	19.746,12	13,9%	113,9%	2.410,05	20
13	17.878,80	22.413,80	25,4%	125,4%	4.535,00	20
14	15.534,85	16.364,86	5,3%	105,3%	830,01	20
15	6.492,40	7.663,50	18,0%	118,0%	1.171,10	20
16	2.984,83	3.085,42	3,4%	103,4%	100,59	20
17	18.271,16	22.724,70	24,4%	124,4%	4.453,54	20
18	7.920,54	8.926,37	12,7%	112,7%	1.005,83	20
19	8.747,74	10.800,19	23,5%	123,5%	2.052,45	20
20	1.128,35	1.386,73	22,9%	-100,0%	258,38	20
21	9.580,92	11.400,76	19,0%	119,0%	1.819,84	20
22	12.374,82	14.947,15	20,8%	120,8%	2.572,33	20
23	12.178,62	13.411,16	10,1%	110,1%	1.232,54	20
24	9.333,17	10.614,68	13,7%	113,7%	1.281,51	20
25	4.337,53	4.887,21	12,7%	112,7%	549,68	20
26	2.840,85	3.123,02	9,9%	109,9%	282,17	20
27	1.290,40	1.618,73	25,4%	125,4%	328,33	20
28	10.848,79	13.319,34	22,8%	122,8%	2.470,55	20
29	17.897,84	20.699,85	15,7%	115,7%	2.802,01	20
30	N/A	N/A				
31	2.130,19	3.109,05	46,0%	146,0%	978,86	20
32	1.156,93	1.723,55	49,0%	149,0%	566,62	20
33	23.013,64	26.296,80	14,3%	114,3%	3.283,16	20
34	6.798,14	11.216,48	65,0%	165,0%	4.418,34	20
35	3.296,11	3.794,33	15,1%	115,1%	498,22	20

36	3.038,22	4.305,48	41,7%	141,7%	1.267,26	20
37	3.389,42	3.889,33	14,7%	114,7%	499,91	20
TOTAL	401.236,95	469.946,71	17,1%	117,1%	68.709,76	

The table shows that with respect to the total purchase value of “sales” at the institutional level that there was an additional income increase of 17.1% or HRK 68,709.76

7) Price differences

Branch	PRICE DIFFERENCE ¹⁴	PRICE DIFFERENCE ¹⁵	15/14.	MAINTENANCE 14	15-14	POINTS
1	146.786,69	153.721,10	4,7%	104,7%	6.934,41	10
2	131.725,22	135.665,07	3,0%	103,0%	3.939,85	10
3	161.053,69	178.422,36	10,8%	110,8%	17.368,67	10
4	262.278,56	374.507,99	42,8%	142,8%	112.229,43	10
5	234.768,84	239.336,13	1,9%	101,9%	4.567,29	10
6	175.061,43	195.668,67	11,8%	111,8%	20.607,24	10
7	160.220,49	165.262,53	3,1%	103,1%	5.042,04	10
8	441.760,69	520.495,34	17,8%	117,8%	78.734,65	10
9	168.220,77	196.048,99	16,5%	116,5%	27.828,22	10
10	384.142,01	429.999,23	11,9%	111,9%	45.857,22	10
11	230.083,65	261.562,09	13,7%	113,7%	31.478,44	10
12	294.980,65	345.111,04	17,0%	117,0%	50.130,39	10
13	283.387,06	320.014,15	12,9%	112,9%	36.627,09	10
14	183.285,62	219.053,57	19,5%	119,5%	35.767,95	10
15	85.375,87	92.589,76	8,4%	108,4%	7.213,89	10
16	77.857,35	77.066,76	-1,0%	99,0%	-790,59	
17	246.618,31	296.168,37	20,1%	120,1%	49.550,06	10
18	88.523,67	98.304,60	11,0%	111,0%	9.780,93	10
19	107.956,29	117.579,97	8,9%	108,9%	9.623,68	10
20	15.694,01	18.389,95	17,2%	117,2%	2.695,94	10
21	140.302,90	162.813,48	16,0%	116,0%	22.510,58	10
22	191.657,66	220.462,89	15,0%	115,0%	28.805,23	10
23	235.652,92	306.726,07	30,2%	130,2%	71.073,15	10
24	178.590,12	208.438,21	16,7%	116,7%	29.848,09	10
25	55.296,13	63.905,71	15,6%	115,6%	8.609,58	10
26	52.300,27	62.640,32	19,8%	119,8%	10.340,05	10
27	21.099,28	24.960,37	18,3%	118,3%	3.861,09	10
28	163.855,22	186.959,37	14,1%	114,1%	23.104,15	10

29	325.238,36	392.919,98	20,8%	120,8%	67.681,62	10
30	22.957,52	18.244,56	-20,5%	79,5%	-4.712,96	
31	21.102,10	26.323,41	24,7%	124,7%	5.221,31	10
32	14.996,96	22.098,12	47,4%	147,4%	7.101,16	10
33	240.481,09	279.791,15	16,3%	116,3%	39.310,06	10
34	138.088,08	177.142,15	28,3%	128,3%	39.054,07	10
35	79.954,20	86.527,36	8,2%	108,2%	6.573,16	10
36	43.999,39	50.890,74	15,7%	115,7%	6.891,35	10
37	N/A	48.785,16			48.785,16	
TOTAL	5.805.353,07	6.774.596,72	16,7%	116,7%	969.243,65	

The table shows that due to the price difference at the institutional level that there was an additional price difference achieved in the amount of 16.7% or HRK 969,243.65

Branch	TOTAL PURCHASE VALUE	NUMBER OF INVOICED PRESCRIPTIONS	PURCHASE VALUES OF ORTHOPEDIC DEVICES	PURCHASE VALUE CASH REGISTER	TOTAL PROFIT	GALENIC	SALES	TOTAL POINTS	%
1	20				10	0	20	50	
2					10	20	20	50	
3				10	10	20	20	60	1
4	20	10	10	10	10	20	20	100	5
5					10	20	20	50	
6		10			10	20	20	60	1
7	20		10	10	10	20	20	90	4
8	20	10		10	10	20	20	90	4
9	20	10	10	10	10	20	20	100	5
10		10	10	10	10	20	20	80	3
11		10		10	10	20	20	70	2
12	20	10	10	10	10	20	20	100	5
13		10	10	10	10	20	20	80	3
14	20	10	10	10	10	20	20	100	5
15		10	10	10	10	20	20	80	3
16			10			0	20	30	
17	20	10	10	10	10	20	20	100	5
18		10		10	10	20	20	70	2
19		10	10		10	20	20	70	2
20	20		10	10	10	20	20	90	4
21	20	10	10	10	10	20	20	100	5

22	20	10	10	10	10	20	20	100	5
23	20	10	10	10	10	20	20	100	5
24		10		10	10	20	20	70	2
25		10		10	10	20	20	70	2
26		10	10	10	10	20	20	80	3
27			10		10	20	20	60	2
28	20	10	10	10	10	20	20	100	4
29	20	10	10	10	10	20	20	100	5
30								0	
31	20	10		10	10	20	20	90	4
32		10		10	10	20	20	70	2
33	20	10	10	10	10	20	20	100	5
34		10	10	10	10	20	20	80	3
35				10	10	20	20	60	1
36		10		10	10	20	20	70	2
37	20			10		20	20	70	2
TOTAL									

Number of points per pharmacy unit with respect to the observed value

The table shows the achievement of individual pharmacies with respect to the observed period and the proposed criteria, and the total number of points of individual units, was converted to a percentage of additional incentives for each employee of that unit.

CONCLUSION

As shown in the accompanying tables in the first quarter of 2015, pharmacies met the basic two criteria for achieving stimulation (increase of purchase value in 2015 compared to 2014 and growth of the price difference in 2015 compared to 2014). Thus the first quarter of 2015 compared to 2014 shows an increase in price difference of 16.7% or HRK 969,243.65, while the purchase value increased by 3.6% or HRK 1,388,997.78.

By comparing all seven parameters which form the enhancement part of the salary in the first quarter of 2015 compared to the same period of 2014, there is an obvious increase in all seven parameters.

The cost of the variable part of the stimulation in the first quarter of 2015 amounted to HRK 47,823.77, i.e. 4.93% of the total increase in price difference, which justifies the introduction of the variable part of the stimulation.

The net increase of the price difference after payment of the variable part of the stimulation for the first quarter of 2015 is HRK 921,419.88. This proves that the system of variable remuneration encourages employees to seek additional engagement that results in increased revenue and a price difference. By comparing the old system's fixed salary reward with the new variable system, the new system encourages employees to heightened favorable behavior and increases their motivation.

Due to the successful implementation of the variable part of the stimulation, in the future the ratios of fixed stimulation should be gradually substituted with variable ones.

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