

THE IMPORTANCE OF HUMAN RESOURCE MANAGEMENT FOR THE SUCCESS OF THE COMPANY

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The paper first briefly presents the environment and challenges the companies will encounter in the forthcoming decade. Further, the author investigates challenges which will impact the implementation of human resource management. As there exists a two-way link between the companies and the environment, this contribution also illustrates the link into the other direction, and shows how the competitive advantage for the individual company can be gained by effective human resource management.

1. INTRODUCTION

In the next decade, the management of human resources in companies will have a key role in crises management as well as in attaining the effectiveness and competitiveness of their businesses both in Slovenia and in other parts of the world. Let us first define, in short, the terms "competitiveness" and "effectiveness" so we could then present the interrelation of these terms with the management of human resources in a particular company.

Competitiveness refers to the company's ability to maintain and gain market share in its industry. Compared with this, the effectiveness is determined by whether the company satisfies the needs of people inside and outside the company. Such needs are, for example, the expectations of stakeholders for the returns of investment, the requirements of customers for high quality products or services and the requirements of employees for satisfying work and reasonable compensation for their services.

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Human resource management (HRM) contributes to a company's competitiveness in many ways. First, it helps with selecting employees who have to be innovative, creative, and successful in performing their jobs. Second, it assists in preparing employees to work with new manufacturing and service technologies. Third, it contributes to the competitiveness of the company through rewarding good performance.

A number of writers stress the importance of exploiting and actively managing the human resources of the company (Sparrow and Marchington, 1998; Amit and Schoemaker, 1993; Coff, 1997; Pfeffer, 1994). They argue that human capital, under limited organisational control, can have the potential to generate 'economic rent', i.e. people are an asset, not just a cost. Therefore, the need to understand these sources of advantage and to convert them into practical contributions has become paramount.

The paper first gives a short account of the environment and challenges the companies will face in the next decade. We will then examine how these challenges will influence the performance of human resource management in companies. Since there is a two-way connection between companies and their environment, we will devote our attention also to gaining a competitive advantage by the effective management of human resources.

2. COMPETITIVE CHALLENGES

Four competitive challenges the companies will face in the next decade will increase the importance of human resource management. These challenges shown in Figure 1 are as follows (Noe et al., 1994):

- the global challenge
- the quality challenge
- the social challenge
- the technology and structure challenge.

2.1. The global challenge

We are in the midst of a global restructuring of the world's markets. Slovenian companies and companies from the developed, market oriented countries find that to survive they must compete for foreign markets, as well as fend off foreign companies' attempts to gain ground at home. To meet these challenges, Slovenian business must expand into foreign markets and do a better job of preparing employees for international assignments.

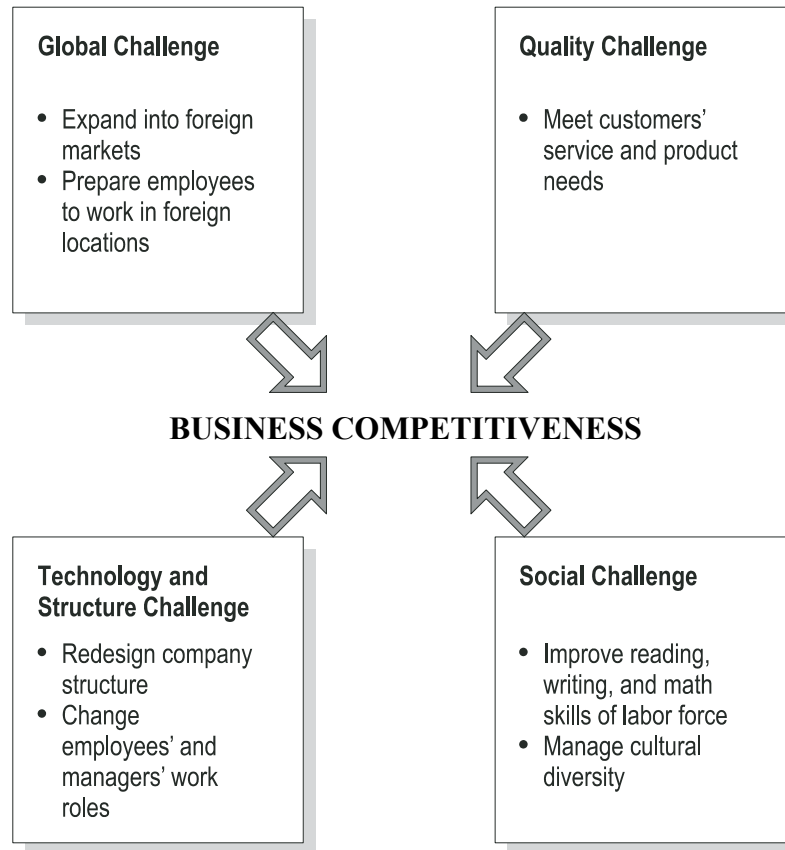


Figure 1. Competitive challenges influencing companies

Companies that enter global markets must recognize that these markets are not simply mirror images of their home country. Countries differ along a number of dimensions that influence the attractiveness of direct foreign investment in each country. These differences determine the economic viability of building an operation in a foreign location, and they have a particularly strong impact on HRM in that operation. Although researchers in international management have identified a number of factors that can affect HRM in global markets, we mention only four factors: culture, human capital, the political-legal system, and the economic system.

In spite of all differences, if the company is organized and managed correctly, it will be able to face any global problem. The following six

principles can be used to make a company's strategy come alive and prosper in a global economy (Antony et al., 1993):

1. Build a fluid, dynamic organization so that it is relatively easy to respond to changes and opportunities as they arise. This means both people and structures must be adaptable.
2. Create a mechanism to respond to revolutionary change instead of routine change.
3. Keep specialization to a minimum and stress interchangeability.
4. Draft the best employees, regardless of their expertise. If the company hires the best employees, they can learn whatever is needed to survive and develop in the global environment.
5. Develop from within, but stimulate from outside. Since the company hires the best employees, there is no reason to fill positions from outside. However, it is also suggested that new ideas be infused into the organization by hiring consultants or temporary workers.
6. Encourage everyone to take full responsibility for everything. Encourage managers to develop their workers' talents. Encourage workers to make decisions and follow through.

2.2. The quality challenge

L.B. Forker defines the quality as the extent to which a product or service satisfies the customer's requirements (Forker, 1991). He classifies customers on external (vendors, suppliers) and internal (employees and departments within the company) basis.

The experts dealing with the quality field define this term differently. The major difference between the experts' definitions of quality is whether the customer, product, or manufacturing process is emphasized. These differences are shown in Table 1.

As we can see from Table 1, Deming and Juran emphasize how well a product or service meets the customer's needs. Cosby's approach to quality emphasizes how well the service or manufacturing process meets engineering standards. Taguchi thinks the value of the product is good when it is not harmful to customers as well as when it operates without unintended variability. The strategies that companies may use to improve quality vary depending on which quality expert's philosophy the company chooses to follow.

Table 1: Summary of experts' various approaches to quality (Forker, 1991)

Expert	Definition of Quality	Emphasis
<i>W.E. Deming</i>	How well a product or service meets customers' needs	Customer
<i>J. Juran</i>	How well a product or service meets customers' needs Company willingness to service product after sale	Customer
<i>P. Crosby</i>	Product conforms to engineering standards zero defects	Manufacturing
<i>G. Taguchi</i>	Product operates without unintended variability Product does not harm customer	Value of Product

2.3. The social challenge

In the newspapers and professional journals, we could recently read a lot about the populations in Slovenia ageing as well as in other developed, market oriented countries. According to these unfavourable facts, we can expect the average age of the labor force will grow in these countries in the next decade (Treven, 1998). The age of employees is an important factor that should not be neglected in companies. The values of employees are namely to a great extent influenced by their age and they have an important impact on their motivation for work as well as their effectiveness. Table 2 shows the values of employees regarding their age.

Table 2: Dominant Values in Today's Work Force (Robbins, 1991)

Entered the Work Force	Approximate Current Age	Dominant Work Values
1940-1950	50-70	Hard work. Conservative. Loyal to the organization.
1960-1970	30-50	Quality of life. Nonconforming. Seeks autonomy. Loyal to self.
1980-1990	Under 30	Success. Achievement. Ambition. Hard work. Loyal to career.

Table 2 proposes employees to be segmented according to the point of time when they joined the work force. Since most people start work between the ages of 18 and 23, the eras also correlate closely with the chronological age of employees. The next assumption, which also emanates from Table 2, is connected with the impact of the point of time of the individual entering the work force upon one's work values.

Although the era in which the individual enters the work force no doubt has a great influence on his work values, in the future, there will be several

aspects of work that all employees will value regardless of their background. Employees will view work as a means to self-fulfillment, that is, a means to more fully use their skills and abilities, meet their interests, and allow them to live a desirable life-style. The new employee values will require that companies develop human resource management that provide more opportunity for individual contribution and entrepreneurship (Hall, Richter, 1990).

In the forthcoming years, employees will place more value on the quality of nonwork and family life, they will demand more flexible work policies that allow them to choose work hours and locations where work is performed.

2.4. The technology and structure challenge

Technological advances in manufacturing, transportation, telecommunications, and microprocessors are expected to have a major impact on work design, company structure, and the skills that employees need to be successful. Hence, we can expect that technological advances will result in five major changes in companies in the next decade:

1. Employees will be given more responsibility for work and will use a wider variety of skills.
2. There will be an increased use of teams to perform work.
3. Managers' role as coaches and resource persons will increase.
4. Company structure will continue to flatten.
5. Human resource information bases will be increasingly available.

New technology causes changes in basic skill requirements and work roles and often results in combining jobs. For example, computer-integrated manufacturing uses robots and computers to automate the manufacturing process. The computer allows the production of different products that meet market demands simply by reprogramming the computer.

As a result, laborer, material handler, operator/assembler, and maintenance jobs may be merged into one position. Computer-integrated manufacturing requires employees to monitor equipment and troubleshoot problems with sophisticated equipment, share information with other employees and understand the interaction between components of the manufacturing process.

Work teams are one of the most popular methods of increasing employee responsibility and control (Torrington, Hall, 1995). Work teams involve employees with various skills, who together interact to assemble a product or

provide a service. Work teams frequently assume many of the activities usually reserved for managers, such as selecting new team members, planning work schedules, and coordinating activities with customers and other units within the company (Tudor, Srića, 1996).

The next change we can expect in the next decade refers to the changing role of a manager. To gain the maximum benefit from the introduction of new technology in the workplace, managers must be able to move away from the “military model” of management, which emphasizes controlling, planning, and coordinating activities, and instead focus on creating work conditions that facilitate employee creativity and innovation. The manager’s job will increasingly be to empower employees (Tyson, York, 1996).

The traditional organisational design emphasizes efficiency, decision making by managers, and dissemination of information from the top of the company to lower levels. However, this structure will not be effective in the work environment of the next decade, in which personal computers will give employees immediate access to information needed to complete customer orders or modify product lines. Therefore, many companies have recognized the need to move to an adaptive, high-involvement organizational structure.

Let us represent in short the last of the changes we expect in the next decade as a result of the usage of technological advances in companies. The improvements in technology related to microcomputers and software have made it possible to store large quantities of data and to perform statistical analyses that were once only possible with large mainframe computers.

Hence, it is possible to design effective human resource information systems which will be able to acquire, store, manipulate, analyze, retrieve, and distribute information related to the company’s human resources.

3. THE ROLE OF HUMAN RESOURCE MANAGEMENT: MEETING THE COMPETITIVE CHALLENGES

The management of human resources plays a crucial role in determining a company’s success in meeting challenges. Besides, the effective HRM can contribute to the economical success of the company. All of its activities, e.g. compensation, staffing, training and development, performance management and others, are connected with investments. These investments directly affect employees’ motivation and ability to provide products and services that are valued highly by customers (Treven, 1995).

Human resource management that helps companies deal with the four competitive challenges can be grouped into the five dimensions shown in Figure 2. The five HRM areas include managing the internal and external environments, assessing work and work outcomes, acquiring human resources, developing human resources, and compensating human resources.

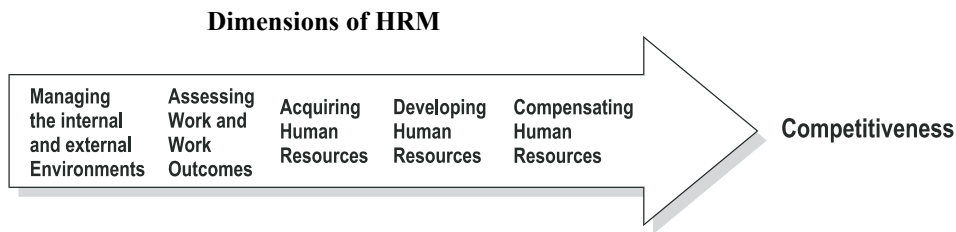


Figure 2. Major dimensions of human resource management

3.1. Managing the internal and external environments

Managing the internal and external environmental factors allows employees to make the greatest possible contribution to company productivity and competitiveness. Creating a positive environment involves:

- linking HRM to the company's business objectives,
- understanding international HRM issues,
- ensuring that HRM complies with state and local laws,
- creating an employment relationship that benefits both the company and the employee.

3.2. Assessing work and work outcomes

Assessing the work of employees can be defined as a process of stating the quality and the quantity of performed work in order to accept the more objective human resource decisions (Srića, 1994). This area of human resource management deals with:

- designing work to maximize employees' innovation, creativity, product quality, and customer service,
- determining employees' productivity and quality of their work,
- measuring employees' attitudes about the work and work environment.

3.3. Acquiring human resources

Customer needs for new products or services influence the number and type of employees businesses need to be successful. Terminations, promotions, and retirements also influence human resource requirements. Managers need to predict the number and type of employees who are required to meet customer demands for products and services. This area of human resource management deals with:

- determining human resource requirements, i.e., human resource planning,
- recruiting employees and placing them in jobs that best use their skills,
- selecting employees.

3.4. Developing human resources

Managers need to insure that employees have the necessary skills to perform current and future jobs. Due to new technology and the quality movement, many companies are redesigning work so that it is performed by teams. As a result, managers and employees may need to develop new skills to be successful in a team environment. This area of human resource management deals with:

- ensuring that employees have the skills needed to perform their current job,
- preparing employees for future work roles,
- identifying employees' work interests, goals, and values, and other career issues.

3.5. Compensating human resources

Besides interesting work, pay and benefits are the most important incentives that companies can offer their employees in exchange for contributing to productivity, quality, and customer service. Also, pay and benefits are used to reward employees membership in the company and attract new employees. This area of human resource management deals with:

- creating pay systems,
- rewarding employee contributions,
- providing employees with benefits.

4. CONCLUSION

The employees in a company use their skills and knowledge in order to gain appropriate productivity and quality as well as design innovative products

and services which distinguish from the competitive ones in the market. For gaining the competitive advantage, it is necessary to assure a suitable work environment, training and developing opportunities, job design and politics which help employees coordinate their work and other activities.

The surveys of recent researches show us that employees who can fully develop and use their skills and take greater responsibility contribute to a greater extent to gaining the competitive advantage of the company than those who have no possibility for confirming their capabilities in the work environment. Hence, new values of employees require such human resource management orientation which allows more chances for an individual to contribute to the aims of the company.

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PODUZEĆA**

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