

Strategic Determinants of Human Resources Management in Businesses

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Abstract: In the present article we analyse the issues of determinants of human resources management in businesses. The purpose of the paper is to show how innovation in human resources helps to develop an organisation's strategy. The foundation was to determine the sorts of business resources, among which human resources have been identified as the basic element of intellectual capital. It has been underlined that intellectual capital is a crucial strategic resource determining the development of a company. Business development is, however, dependent on the innovation of competent employees involved in relevant motivation systems. Model solutions in the management of human resources and the methodology of competency model design have also been underlined in the aspect of business strategies.

Keywords: human resources management, business development strategy, intellectual capital, motivation system

1 Introduction

The strategy of business development requires determining the aim, mission and methods of their achievement. Appropriate management of company resources is essential. Their scope, structure and dynamics are a reflection of determined business production and service tasks. In the resource structure of a company, intellectual capital – human capital – organization capital are of crucial importance. The thus formed capital triad determines the area of human resources management. At its foundation lie the knowledge, innovation and creativity of employees who have particular competence. These aspects can be exploited only

if a proper motivation system is implemented, as an instrument of human resources management in businesses. In such instruments, special importance is also given to EU projects.

2 Basic problems of human resources management

Human resources management in the strategic perspective is a highly important process carried out in a company. Production and service activities are determined by human resources in quantitative and qualitative aspects. Such resources enable the realization of company goals, its mission and acting strategy. The personnel of a company needs to be viewed as the most important asset enabling the company to maintain a competitive advantage. An increase in staff knowledge and skills creates real opportunities for improvement of the company's competitive position [1]. Resource theories stress the importance of highly qualified personnel as the foundation to achieve an international competitive advantage. This thesis is verified by economic development based on new technologies in countries having such industrial areas as electronics, information technology, biotechnology, aviation etc. Such branches enable the achievement of synergetic effects as a result of partnership cooperation of businesses. Positive results are achieved mainly as a result of society education and providing support for science and research [2]. Human resources create value for customers and decide about business potential. It is from this point of view that the human capital – intellectual capital – organization capital [3] areas need to be systematically analysed.

The above relations characterize the management of human resources with a resource approach. (Fig.1) The existing model of knowledge sources characteristic for the resource approach, refers to [4]:

- key abilities that make up knowledge management systems and determine at the same time the set of norms and values
- solutions of problems within employee groups
- implementation and integration processes in the area of new technologies
- scientific experiments and practice
- search for knowledge outside the country.

The above mentioned elements of the model are the outcome of implementation and integration processes, with a focus on the internal aspect of the company, carried out in the work environment through research activities in the area of knowledge created abroad. At the foundation of the integration process of the presented elements lie the key abilities, defined as a strategic resource of a

company, thanks to which it is possible to maintain or improve a given competitive position.



Figure 1
Structure of intellectual capital goals in business strategy – resource approach
Source: Own work based on [5]

3 Innovation in human resources management and development strategy

Human resources management in the strategic perspective requires singling out such areas that bear key meaning in business development. One of the basic areas of business development is employee innovation of implementation. The scope, dynamics and effects of innovation in a company are determined mostly by the level and structure of intellectual capital as a strategic resource for innovation development (Fig. 2). If the above statement were included as one of our theses, we can also form an antithesis. Its content comes down to the statement that random incidents decide about the development of innovation. In consequence, we receive a synthesis which assumes that intellectual capital resources are the foundation of innovation development. At the same time, innovation is determined by random events. In subject literature and research processes, we can find

confirmation of the fact that the basic source of innovation lies in possessing and appropriate application of intellectual capital. Innovation in companies is an important change in its activity, requiring proper organization and strategy of team behaviour [6].

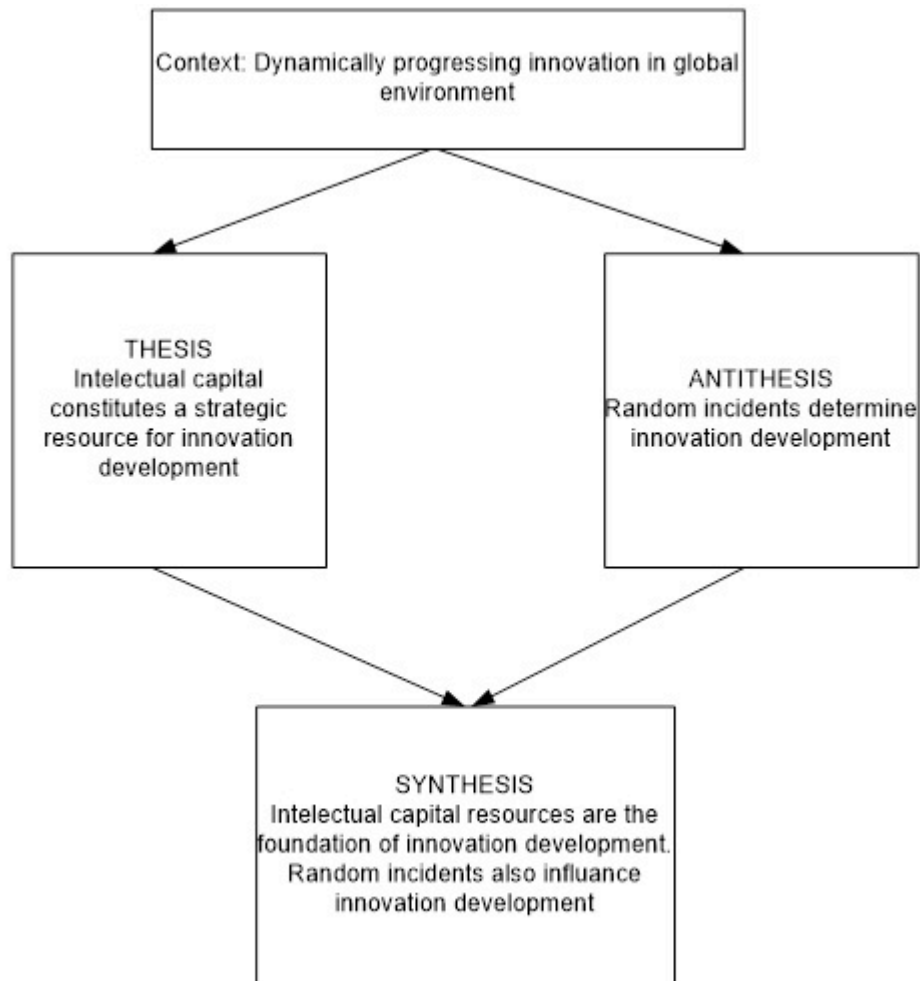


Figure 2
Sources of innovation development from the resource perspective
Source: Own work based on [7]

Therefore, in human resources management, it is crucial to take into account the necessity of implementing change in a company. It is highlighted that an important determinant of change implementation is the possibility of employees' and organizations' resistance (Fig. 3).

The chances of resistance development are diverse. The individual features of an employee, his/her competencies, satisfaction with present work conditions, group integration and potential level of interest threat in the employee team, may be considered as basic determinants.

Therefore, it is important to, while implementing innovation-based change, point to the benefits that are available for the employees and managing staff to achieve. Convincing the teams about the advisability of change in the above aspect constitutes a guarantee of achieving positive results by a given organization and individual employees.¹

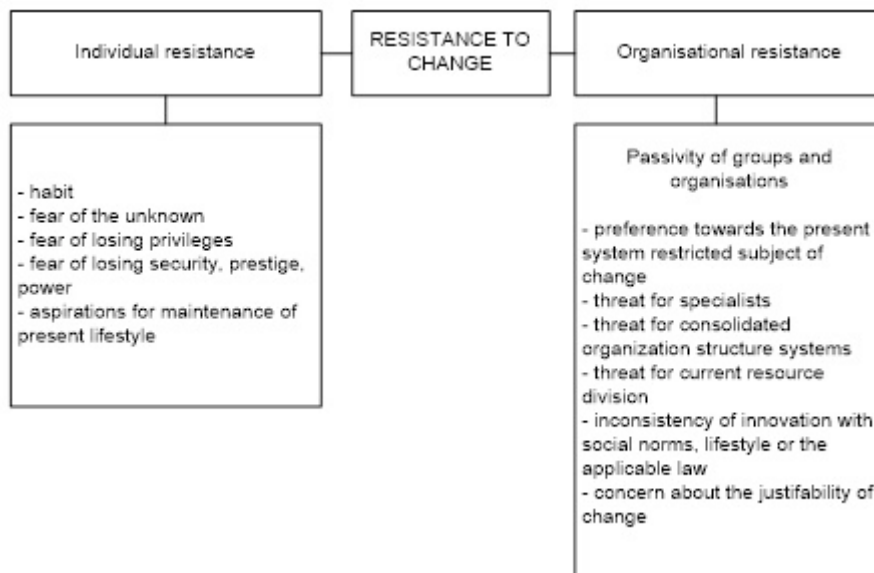


Figure 3
Individual and organizational reasons for resistance to change
Source: Own work based on: [9, 10, 11]

The achievement of positive results in the area of employee innovation requires responsibility of organizational units for human resources management. The development of pro-innovation strategy and reward strategy is crucial in a company [12]. In such a situation, strategic goals support knowledge management in businesses, especially in the area of propagation and application of the selected and implemented innovation solutions [13].

¹ Detailed analysis and assessment of the implications of change implementation in organization can be found in [8].

Surveys have been conducted among group of 65 employees of top and medium level management in order to acquire information concerning the following relation: employee innovation as a key factor of the motivation system and strategic management processes.

The research shows that 63% of employees confirmed that the motivation system in a company increases innovation of the employee. An opposite opinion was expressed by 21%, and 16% gave no opinion in this matter.

Further research was conducted by means of Pearson's chi-squared test. The results show that a motivation system increases the innovation of employees, and moreover, that employees who demonstrate innovation may be promoted in the company in the future [14].

Proper task realization by the employee is the result of the applied motivation system of a company. This system is an important element of business strategy. In order to stress the importance of this problem, it is necessary to point to several key issues directly connected with company strategy. Among them are the following [15]:

- boosting strategies identified with adopting proper behaviour in the area of motivation, with the application of encouragement and punishment elements concerned with task realization results
- motivation attitude determines the relations between reward and punishment, for example, in the strategy only positive motivation can be demonstrated, or in a situation of failure in execution of strategic activities, a punishment may be applied
- connecting work assessment with the achievement of strategic tasks; with a thus formulated problem, it is necessary to define work in measurable categories. In the case of some jobs it is a complex problem, however, in every situation it is necessary to point to the direct connection between the realization of strategic tasks and performance appraisal.

The above issues require a model context (Fig. 4). Human resources management should be examined starting from the recruitment process, through competence assessment, until reward as a basic element of the motivation system.

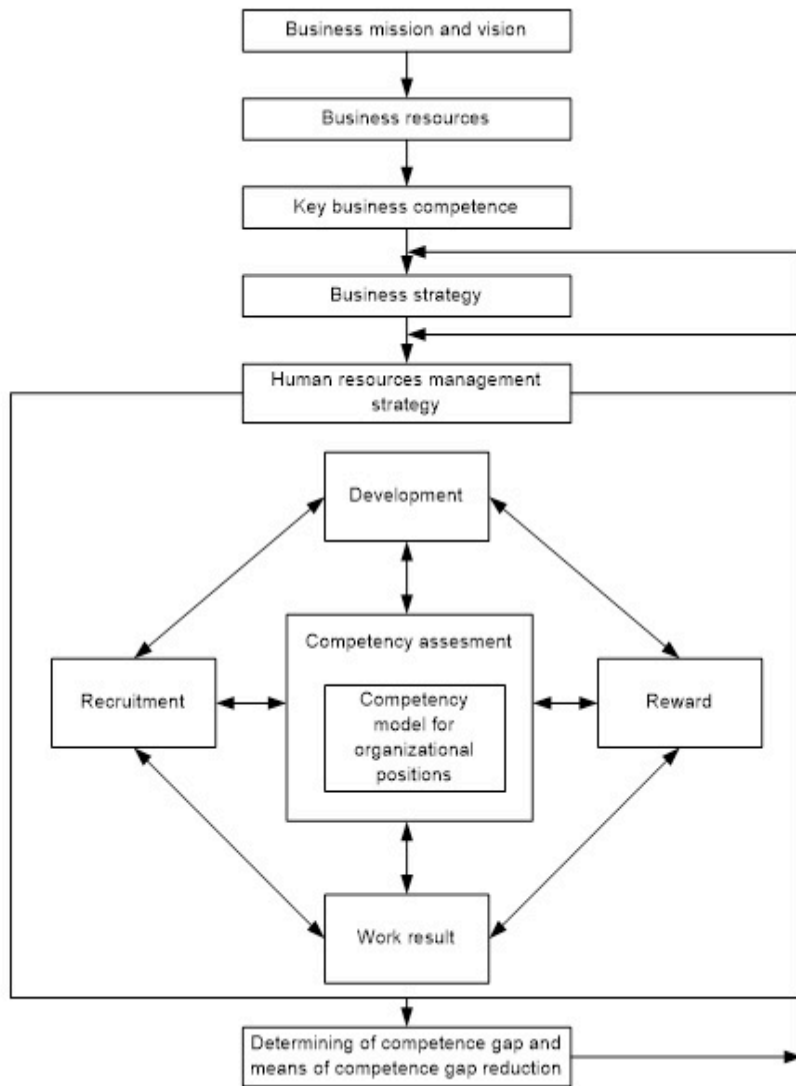


Figure 4
Strategy of Human Resources Management
Source:[16]

In the area of human resources management, projects concerned with employment planning and staffing are realized.² The system of education and development of human resources, as well as appropriate creation of interpersonal relations are of great significance. Of priority are direct and indirect motivation.

In consequence they are actions based on the following:

- in given circumstances, fixing an optimal structure of rewards relative to the organizational, technological and environmental processes
- placement of employees in the organization structure
- working out and implementation of a motivational program of a direct and indirect nature [17].
- The analyses to date also show the significance of competence. The systematics of managing one's own competencies covers such issues as [18]:
- decreasing resources of a fixed-term job
- worsening relationship between employment period and operating period of a business (especially in the case of small businesses)
- upgrading “threshold competencies” (e.g. knowledge of foreign languages)
- necessity of adapting to recruitment process strategy; competencies are treated as a base for creating profile requirements (preparation process requires proper engagement from the beginning of formal education)
- increase in requirements of an organization as a result of change management
- realization of personal development plans and aspirations towards having a career
- financial motivation and preventing job demotion
- presence of gaps in an organization
- constant increase in the opportunities of “personal mastery” achievement

² We may stress the meaning of personality traits. Among them are: risk-taking propensity, control systems relativism, conscientiousness and diligence, providing autonomy and dominance, activity in the labor market. The above traits determine company management processes. Extensive analyses in this area are provided in [19].

- maintaining the ability to apply knowledge in changing conditions of organization functioning
- knowledge of workers' skills,
- ability to seize opportunity on the labour market,
- possibility of working in one's own company; in this case competencies are the foundation of success.

In human resources management, the following assessment criteria are applied [20]:

- employment structure indicators
- labour costs
- employment fluctuation indicators level
- working time utilization indicators
- level of work efficiency
- salaries and their dynamics
- the value of intellectual capital.

The above criteria require compatibility with the business strategy of a company.

For realization of the business strategy of a company, vertical integration processes, that is “internal integration”, are vital. Linking reward goals with business goals is an important issue, however, rewarding strategy requires such a formulation that will convince employees to take actions in accordance with the company business plan [21].

The identified problems of human resources management require proper classification. The classification processes should concern strategic areas of the company's activities in the context of its capital. (Table 1). Human resources have been established as the point of departure. From the analysed capital structure, the following can also be distinguished: customer capital, innovation capital and process capital. For each of the capital types, some chosen elements of company evaluation that are crucial for conducting and developing business entity activities have been indicated. An important problem is also the application of potential indicators and real threats in the business strategy of a company.

Strategic areas	Selected elements of business evaluation	Selected methods of research, analysis and business features evaluation	Indicators of potential and real threats
Employees/human resources			
<ul style="list-style-type: none"> - number of employees - education structure - experience of employees - motivators - identification with a company - internalization of goals - participation in management - employee education inputs - job satisfaction 	<ul style="list-style-type: none"> - number, structure and change in the area of employment - work inspiration - engagement conditions - employees' feelings 	<ul style="list-style-type: none"> - direct observation - survey research among employees 	<ul style="list-style-type: none"> - human resources fluctuation - structure of qualifications and experience - inputs for employee skills improvement
Customer capital			
<ul style="list-style-type: none"> - participation of customers in delivery - number of customers and its changes, - number of customers leaving a company - sensitivity to promotion instruments - complaints management - loyalty indicators 	<ul style="list-style-type: none"> - number of customers, its changes - customer categories from the point of view of a company - change premises among consumers - expected value - customer loyalty 	<ul style="list-style-type: none"> - analysis of income and costs according to consumers - methods of value analysis for the customer – value analysis, feature combination, sensitivity analysis and integrated analysis - methods of satisfaction and loyalty evaluation 	<ul style="list-style-type: none"> - fluctuation indicators - satisfaction measures - loyalty measures - profitability of customers
Innovation capital			
<ul style="list-style-type: none"> - size and structure of innovation - R&D expenses - Employee training expenses - qualifications improvement - Information Technology development - development of new products, 	<ul style="list-style-type: none"> - identification of product development – usefulness for customer and market development - engagement in technical progress (functional and subject technique) - efficiency of innovation activities 	<ul style="list-style-type: none"> - economic analysis - portfolio analysis: analysis of product and customer profitability, technological wallet 	<ul style="list-style-type: none"> - R&D inputs - Innovation of a company: <ul style="list-style-type: none"> - production - distributive - promotional - „profitability” of consumers - marketing expenses (promotion, according to various subject and object references)

distribution and promotional solutions - marketing inputs - innovation costs for 1 customer - investment in new customers - efficiency of investment in new customers			
Process capital			
- administration processes expenses - fitting the workstation of an administration worker - costs of administrative mistakes - productivity of administration workers - scope of information aid for decisive processes - decision haphazardness - wrong decision scale - employee empowerment scope	- analysis of value creation chain for the customer - legitimacy of work inputs proportion in customer value creation - business activity organization	- methods of organizational solutions diagnosis - direct observation	- management costs (administrative, relative) - efficiency of administrative work - wrong decision costs - time of value creation for the customer

Table 1

Business strategy in human resource management

Source: [22] E. Urbanowska-Sójkin, P. Banaszyk, H. Witczak, Zarządzanie strategiczne przedsiębiorstw, PWE, Warszawa 2004, pp. 325-326

On the basis of above presented theoretical analysis, various projects in the area of social capital and human resources are created. The research area shows large diversity. For the purpose of the present study, we have presented only two thematic areas of human resources management in the strategic perspective. The research processes concerned employee competencies and graduates' lots. The competence research was conducted among postgraduate students. The most basic premises are: the acquisition of new competencies (77%), increase in competitiveness on the labour market (68%), increase in the level of job

performance (32%), increase in income (17%), changing current employer (15%) [23].

Research of a similar nature was also conducted among a group of technological university graduates. Among the reasons for starting their university education were: the acquisition of vocational qualifications (49%), interesting education program (41%), and interests (35%). Other motives involved family traditions, recommendations, as well as coincidence [24].

Stage	Consumer behavior	Recommended university actions
I	- passive registration of information about universities (general advertisements of universities, non-binding conversations with family and friends), - formulation of attitudes towards universities	- positive publication of university activities (also local communities), - open days, - building a connection with institutions educating the candidates,
II	- active search for information (education program) - preferred universities are already chosen	- delivering, in a clear way, information about recruitment conditions; - key role of front-line employees
III	- choosing a small number of universities - sending applications	- individual approach towards customers - creating environment facilitating application process (internet programs and websites, as well as providing equipment for admission committee offices)
IV	- acceptance of one or a few received offers	- small number of competitors – building competitive advantage by communicating with the student (i.e. Sending materials on the topic of a given field of study) – building student engagement in relationship with the university
V	- final choice	- welcoming the student - decreasing the level of stress connected with adaptation of new conditions (adaptation days) - full-time course - meeting information-based expectations or part-time students.

Table 2

Direct connection is also shown in research conducted as part of EU projects of European Social Fund

Source: [25] K. Stala, Wpływ uczelni wyższych na zmiany popytu na usługi edukacyjne poprzez realizowane projekty badawcze, [in:] Warunki skutecznej współpracy pomiędzy nauką a przedsiębiorstwami, ed. M. Bąk, P. Kulawczuk, IBnDiPP, Warszawa 2009, pp. 169-170

Conclusions

The theoretical deliberations and empirical research results point to the importance of human resources management. What needs highlighting is the fact of change in this management, on account of the systematically changing labour market [26].

Companies, in the process of human resources management, should seek such motivation mechanisms that, through proper strategy, would enable the development of manufacturing and service business activities. The social and cultural conditions in the management process of a company's resources generate the foundations for business activities in the area of human resources management, especially in the strategic context.

Human resource professionals can apply their knowledge along with performance management tools to help the organization manage to change. Together with human resource planning, helping to identify the numbers and types of employees, the organization will meet its strategic objectives.

The given examples of research point to the necessity of intellectual capital application in order to implement new products and technologies, as well as creativity stimulation. Through such activities, businesses may motivate the innovation of employees. Actions of this sort undertaken as part of the human resources management process, enable the realization of business strategies.

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