



## **A REVIEW ON STRATEGIC ROLE OF HUMAN RESOURCES MANAGEMENT**

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### **ABSTRACT**

*Today in the world, global competition is the basic element to define firms' strategies as a result industrial economy has been experienced to pass toward to knowledge economy. As being a competitive market development day by day it's very difficult to enhance sustainable growth for the firms' side. All researchers and practitioners are aware of the advantages and disadvantages of a competitive work environment and try to find ways for adapting to competitive conditions. Human Resource Management, as a concise expression of a new philosophy and practice of management, represents the result of accelerated changes in the modern world and the importance attached to people and their potentials nowadays. One of the most significant differences between the human resources management and personnel management is a strategic approach. The strategic approach to human resources management is a developing process that is formed, and which changes according to events within the organization and environment. The paper clarified the basic characteristics of the personnel management and human resource management. We have analyzed the current trends in human resources management and pointed out the strategic approaches to human resources management.*

Keywords: Human Resources, Management, Personnel Management, Strategic Management.

## **Introduction**

Today in the world, global competition is the basic element to define firms' strategies as a result industrial economy has been experienced to pass toward to knowledge economy. As being a competitive market development day by day it's very difficult to enhance sustainable growth for the firms' side. All researchers and practitioners are aware of the advantages and disadvantages of a competitive work environment and try to find ways for adapting to competitive conditions. These efforts have mostly focused on human resource management practices in the last two decades especially with the emergence of strategic human resource management approach. There is a considerable difference between the prospects or prescriptions in favor of the "investment in man", and the practices of the companies. Human resources function is well developed and completely recognized, its importance is increasing, but nothing makes it possible to think that the most traditional constraints and priorities were confused: the control of market, requirements of finance and short-term profitability, surveillance of competitors, the possibility of recruiting a well-educated labor under advantageous conditions: many factors invite to found the idea of "strategy of human resources".

Human resources are the most important resources of the organization and they must be considered with the highest level of attention and interest. People, their development, their abilities, motivation and the manner in which they are managed, become a decisive factor of competitiveness and development of each organization. One of the areas of management which has developed most in recent years is the area of human resources management. To manage employees as the most significant resource of the organization is a very complex and multidimensional process. The transition process, in which we are, with involvement in contemporary integration processes, etc., requires a different approach to people. Traditional models of human resources management are giving way to more modern, more flexible, more practical and more humane forms of governance and development.

## **The Main Characteristics of the Personnel and Human Resources Management**

The approach which is called "management of human resources" (human resources management) appeared in the theory in the 1980s. Until then, it was mostly talked about personnel management. Although many critics thought that it was a new approach and a big change, it was only a rethinking of the processes within the organization. Today, it is

necessary to think not only about the processes within the organization but also outside of the box. Organizations are becoming less and less the center of permanent employment, personal safety, career opportunities and resources to meet employee`s needs in relation to work. Thus organizations become different from those we are used to. There is an increase in a significant growth of non-standard forms of employment, such as: temporary employment, part-time employment, external consultant employment and so on. By studying this trend, it can be noted that the concept of organization and operation is very different from what we are used to. As a result, there is a need for new models and new roles that will make these new roads less uncertain. Political society will also need to implement changes.

The importance of human resources is growing and effective management of these resources is of strategic interest to organizations that can provide a competitive advantage over rivals. Human resources management is a subsystem of organization management that provides capable and responsible staff for every position and enables every individual and organization as a whole to achieve maximum business goals. Under the management of human resources it is implied "policies and activities in the process or the process of planning, recruiting, selection, socialization, training and development, evaluation of performances, rewarding, motivating, protection of employees and implementing the work regulations, undertaken by the management of the organization, in order to provide the staff with necessary abilities, qualities, and potentials and their adequate training and motivation to achieve the expected results and acquire organizational and personal goals" (Jovanović et al., 2004).

Human resources management is constantly changing and improving thereby abandoning traditional management models, giving way to more modern, more flexible, more practical and more humane forms of management that characterize humanization of the relations of production expressed through increased motivation, satisfaction and adequate stimulation. A number of domestic and foreign authors deal with defining human resources management and two different meanings are mainly used. One meaning describes the activities of management and personnel management, and the other term is used to designate a specific approach to people management as for human resources management (Torrington et al., 2004).

## Personnel Management

Personnel management activities are implemented by organizational units for Human Resources which are required to meet certain goals in the name of the organization, namely: 1) objectives relating to employees, 2) goals related to work, 3) objectives relating to management changes, and 4) administrative goals (scheme 1) (Torrington et al., 2004).

*1) The objectives relating to employees.* - Realization of these goals include: establishing organizational structure, determining the types of contracts relevant for the employees' work, selection and staff development. It is necessary to start employing and retaining the best workforce, to maintain level of competence required for the employees and the dismissal of those for whom it is estimated that they no longer have a role in the organization.

*2) Goals related to work.* - Specialists in human resources must take care that individuals are motivated and dedicated to work. To attain these objectives, it is important to provide: training and development, reward system, employee discipline, individual behavior, achievement and retention of high labor standards, employment initiatives and their involvement in the development of new ideas.

*3) The objectives relating to management changes.* - Changes do not occur as a result of external influences in modern organizations, but they are permanent and run through the need for innovation and competitive pressures. Acquiring these goals is achieved by hiring and developing people who are able to initiate the process of change and recruiting agents for change who have influence on the acceptance of change. If employees participated in creation of changes, they will be supported more.

*4) The administrative goals.* - These goals include keeping accurate data about employees, the results of work and training, and operations in accordance with the law and which clearly sets out monthly payments for employees. It is necessary to harmonize the taxes and contributions, health monitoring, system safety, conclude collective agreements with employees and payroll compliance and regulation of working time with the legislation.

These objectives are achieved by employing people specialized in certain fields of human resources management. These people are expected to give legal advice, achieve consulting agreements and take care of the whole relation between management and

employees. Activities in the field of training and development are given to freelancers, but also to experts in the field of management development within the organization who are responsible for training. Instead of term "clerk" or "manager", the term "consultant" is increasingly used for a specialist in the area of training. Instead of standardized courses organized by the training department, training line managers determine training as they want it. In organizations, in addition to specialists in these fields, there are people working as generalists. A generalist must have extensive knowledge in the field of personnel management and is responsible for implementing a series of personnel activities, and covers the whole field of personnel management. In addition, a generalist performs certain activities in the area of human resources management, as well as in the sphere of development policy. Specialists must possess in-depth knowledge and expertise to perform complex tasks in the field of personnel management. The increase in size and complexity of the organization, aggravation of the number of laws related to personnel activities and the creation of multinational organizations, raise the need for international human resources management, which requires specialized knowledge (Orlić, 2005). Human resources administrators and assistants who perform administrative work related to personnel, are employed in lower positions in the organization.

### **Human Resource Management**

In the last two decades of the twentieth century, the shift from personnel management to human resources management led to some changes which resulted in difference of opinions. The first opinion indicates that the personnel management focuses on the labor force, while the human resources management is focused on resources. Personnel Manager directs his work on his employees, finding and training them, deals with their problems, satisfies the needs of employees in relation to work and takes care of their wages. Personnel Managers are always between the management and employees.

Human Resources Management is mainly directed toward the needs of management for the provision and use of human resources (this may not always be employees). Activities are carried out with other members of management who deal with human resources, rather than directly with employees, and the emphasis is on planning, monitoring and control, not on mediating. The differences between these two approaches are shown in the second scheme (Torrington et al., 2004)

According to this view, human resource management gives more emphasis to what has been done for managers, rather than what managers have done for employees, and that there is a preventive role of line managers. It can be concluded that human resource management is a contemporary mutational change in the long development of personnel management, that had six stages of development and management of human resources represents the seventh stage.

The main role of human resource management is the alignment of structures and human resources to the planned scope and structure of business of the organization. This is a concern about the human component of the organizational structure of the organization. We distinguish between strategic and operational human resource management (Babić & Stavrić, 1999). Strategic management of human resources is based on the general strategy of the organization and the strategies of its organizational units, and operational management develops strategic plans for the staff.

Development of human resources management as a scientific and teaching discipline is characterized by favoring liberal goals and principles. The modern concept of human resource management is not just a man who goes to work and gets paid, but matters and is treated as a subject of management. Human resource management is increasingly becoming a collective activity involving managers and employees. The environment of constant change, rapid development of science and technology, increase of competitiveness, daily facing with specific difficulties and challenges, requires from the organization's management to constantly search for good and adequate solutions.

Basic characteristics of human resources management are:

- Employees are viewed as assets or as human capital which should be invested in by providing opportunities for learning and development of "learning organization";
- Human resources are viewed as a source of competitive advantage;
- Reducing the number of management levels for more direct communication between the managers and employees;
- Decentralization of the management process and the transfer of part of management competencies from higher to lower levels of management;

- Participation of employees in management through the involvement and active participation in performing management activities;
- Ongoing flexibility of management process and control activities in order to find acceptable and sustainable solutions for environmental requirements;
- Increased independence of employees in decision-making and work, making them happier and more motivated to work;
- Favoring knowledge, skills and creativity, "which leads to the intellectualization of work overall, when thoughts and ideas become fuel of economy" (Ilić, 1997);
- Orientation to the man and his values as the most important resource of the organization;
- Commitment to achieving individual goals and interests, not only organizational and
- Humanization of productive relations between the organization's management and employees.

It can be concluded that there was a decisive move in the treatment and management of human resources in the organization. All this gives importance to human resources management, and those who are in charge of it are faced with serious challenges.

### **Current trends in human resources management**

Modern world is affected by rapid changes, in which industrial technology gives way to information technology, and traditional ways of organizing are greatly transformed and adjusted to requirements of the 21<sup>st</sup> century. All that changed the concept, structure and layout of traditional organization. Organizations in which people work are constantly changing and evolving, creating new trends and issues that require consideration and resolution. New trends and new circumstances have a direct impact on human resources management. Such trends or circumstances are seen as: 1) increasing competition; 2) management of international business; 3) technological innovation; 4) operations in accordance with current regulations; 5) union activities; 6) ethical issues; and 7) the best practice versus best fit.

1) *Growing competition* – The novelty that human resource management is faced with in contemporary environment is growing competition in the labor market, which lowers prices and affects the organizational unit of human resources to cancel certain workplaces

and to develop new ways for intensifying work. If the organization decides to increase the value and quality rather than reduce prices, this will entail the need for finding and motivating highly skilled workers. Regardless of whether the strategy of "low price" or "higher values" is adopted, we need fundamental changes towards employees. Faced with increased competitive pressures in recent years, organizations are increasingly resorting not only to formal contracts but also to a "psychological contract" with employees. The psychological contract refers to expectations, i.e. what one party can benefit from the other. Certainly, the novelty is ceasing of long-term employment as well, i.e. employment for life.

Growing competition affects organizational units and increases pressure on human resources department to justify its existence. Lately, there is an increased interest in ways to assess the contribution of the Department for Human Resources in achieving business goals. They remain and survive only where it appears they contribute to the achievement of target values.

2) *Management of international business* – A consequence of globalization is an increase in the number of multinational organizations, which requires more employed HR professionals working in organizations that are owned and controlled by someone from abroad. The problems that arise in the globalization are institutional and cultural differences. It is therefore necessary to develop a global standardization and establish a balance of global and local human resources managers.

3) *Technological innovation* – Information technology, telecommunications, laser applications and alike, are constantly evolving and have a direct impact on the development and management of human resources. It is possible to define three types of challenges that are put in front of the organizational unit for human resources, as a consequence of the aforementioned progress.

The first type of challenge is how the organizational units for human resources are engaged in their work, namely: the use of electronic mail and the Internet for communication and gaining information; use of the Internet as a new way for recruitment; development of Internet access to training and learning; the use of computer databases for storing information about employees and report writing; and application of computer technology in everyday tasks such as planning of human resources, administration relating to the calculation of earnings, and alike (Torrington et al., 2004).



The second type of challenges that technology causes is a general change in the organization, demanding a response by the organizational unit for human resources, reflected in the need of recruitment, selection and bringing people of different skills and qualities. Experts in human resources have to plan and implement changes in technological development.

The third type of technology that affects the change in management of human resources is the need for finding new ways of managing employees who work on research and development for the progress of the organization.

4) *Doing business in accordance with applicable regulations* – Experts in human resources must follow and comply with laws and regulations whose number is growing, and which are related to employment, health and social welfare, gender and racial discrimination, arbitrary dismissals, birth right throughout, union recognition and more. This all leads to an increase in employment costs, the unwillingness of creating new job positions, but also to greater social security of workers.

5) *Trade union action* – For the management of human resources, it is essential to establish good and productive relationship with the union, which tries to improve business success. Trade unions often support constructive initiatives and contribute to management and help us notice things that otherwise we would not be aware of.

6) *Ethical issues* – Human resource management has always had an ethical dimension, but it often meets ethical dilemmas typical of cases where there is conflict between what is in the interest of the organization and what individuals on the basis of their ethical principles consider right. When it comes to human resources, the organization can be criticized on ethical grounds, such as: avoidance of answering about the organization work; dismissing an employee because of ill health, ignoring the need for changes in health security because it requires greater investment, providing training opportunities to some individuals, and denial to others, discrimination on the basis of age, and more. Experts in the field of human resources must vigorously advocate the combination of efficiency and fairness and the need to build a solid business foundation for turning to ethics, transparency and consistency to employees.

7) *Best practice versus best fit* – This view has a consequence on the entire field of human resources and it refers to management, which is currently the most important theoretical debate in the field of human resources. This view raises a question whether there

is a best way for carrying out activities related to human resources, and that is applicable everywhere. Some authors argue that there are certain practices of human resources whose implementation helps the organization gain advantage over its competitors and they advocate the view "best practices".

Human resource practices implement their positive influence by: 1) providing and improving the competence of employees, 2) impact on their motivation and commitment, 3) planning job so that employees are encouraged to give their best at work. By borrowing elements from the theory of expectations, this model suggests that all three elements should be present in order to reach the best results. The positive attitude of an employee should affect the level of the results of the organization, such as low levels of absenteeism, turnover rates of employment and vacancies, and a high quality of productivity (Guest, 2000). "Best practices" in management of human resources include modern methods of selection, commitment to employees, continuing education, employee development, rewards and improved working conditions.

The view of "best fit" emerged in the 1950s. This view emphasizes the connection between the practice of human resource management and achieving the advantage over competitors, but it highlights the dependence of specific circumstances in every organization. What is best for one may not be best for the other. The final decision on both of these views has not been made yet.

### **The strategic approach to management of human resources**

There are three theoretical approaches to strategic management of human resources, namely: 1) universal access, 2) access to opportunities and fitting, or 3) an approach that is based on resources.

1) *Universal access* focuses on the concept of human resource management "best practices", based on four objectives of human resource policies that must be met in order to obtain the desired organizational result (Scheme 3) ( Guest, 1989).

Human resources policy objectives are:

- Strategic integration (human resource management is integrated into strategic planning);
- Commitment (employees feel as a part of the organization and they show it by their
- relationship to performance);

- Flexibility (structure of the organization is flexible) and
- Quality (high quality employees provide high quality goods and services).

There are four ways in which human resources generate competitive advantage, namely:

- The resource must have a value (merging with the requirements of the individual
- competencies of the organization estimated value);
- Low frequency of resources (organizations that have difficulty in searching for the best
- talents);
- Difficult to imitate resources (the inability of competitors to copy resource);
- A resource should be indispensable (human resources do not become obsolete as
- opposed to technology and can switch from one market to another)

## **Conclusion**

The profession and practice of human resource management are subject to significant change and redefinition. Unfortunately, many organizations and systems have not sufficiently perceived importance and the role of human resources management, so that their role is reduced to perform common administrative tasks related to personnel. The transition process in which we are, transformation and integration in international community, requires a radical change in relation to human resources and how they are managed. In order to successfully cope with an increasing competition and rapidly changing environment, it is necessary for modern systems and organizations to allow the release of creative potential by applying new principles regarding human factor. The knowledge, skills and creativity must be favored, which leads to the intellectualization of work overall. For this purpose, it is necessary to recruit, develop and retain human resources who are highly trained, motivated and dedicated to his work. The strategic approach to human resource management, focuses on understanding, predicting, directing, changing, development and adaptation of human behavior and human resources in the organization, which requires a commitment from employees, self-control, a high degree of confidence, professionalism, ongoing education and striving.

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