Human resource management: elaboration

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Abstract:
The text under discussion reviews problems and prospects in the problem of human resource management activity. The analysis emphasizes the problem of measuring value for three main market actors: managers, employees and customers. It is argued, that the main task of HRM manager is achieving efficient level of value for these actors. Furthermore researching of this HRM theory helps us to examine the possibilities for developing cooperation between HRM managers from different companies and organizations. Sets of these measures can help us understand the process and the prospects of this cooperation not only in terms of market level, but also in terms of improving total macroeconomic situation in long-term period.

Key words:
Human resource management (HRM), company’s strategy, synergy, motivation of employees, overpopulation, customer’s value, company’s value, HRM operational tasks.

Introduction

The global financial crisis has demonstrated the necessity to develop new strategies for company’s operation activity. Increased relationship between CEOs and their employees can lead to synergy between workers and managers or to large-scale instability inside organizational structure.

Under these circumstances, the role of high-skilled human resource managers (HRM) is increasing, leading to a growth in their level of responsibility within the organization. Therefore it is necessary to develop new approaches and
define new tools to achieve the highest level of the linkages between HRM and the interests of the company.

In this paper we will examine the relationship between the company's strategy, value of participants inside and outside company’s activity and efficient strategy of HRM. Also, special attention will be paid to key areas of HRM operations, analyzed the interests of participants and negative externalities that arise from their interactions.

**Part 1. The connection between HRM and company's strategy.**

**Company's value**

Human resource management is the management activity taken by commercial firms, state owned enterprises and other organization to recruit, retain and motivate their employees (Palgrave Macmillan, third edition, 2011).

As we can see from the definition, HRM includes integrated system consisting of various elements. These elements make human resource manager to create conditions for carrying out the strategy of the company (or other organization). From this point of view, it appears quit significant to evaluate HRM operations, main strategy of the organization and the activities related to personnel management.

Implementing the right strategy is one of the main factors determining the success of a company in economies within well-developed capitalism organization. It should be mentioned, that the experience of western companies in the sphere of creating an effective strategy is directly related to the company's mottos.

In the advanced western economies, economists believe that company’s strategy should be created based on a close relationship with the company’s goals. These goals, determined by the company, should meet the value of customers. It should be noted that at the same time determining the right value is difficult enough in terms of operational activities of a firm. In contrast, russian companies often too formulate particular information without taking particular value of their
clients into consideration. That is why most strategies of russian companies turn well-known facts or specific figures.

This part will highlight and assessed with cases of two aviation companies "Suhoi" and "Boeing".

The website of Boeing indicates that the company is focused on finding and defining value for direct consumer. The phrase «We continue to expand our product line and services to meet emerging customer needs» shows a direct correlation between the activities of employees, managers and corporations desire to meet consumer's expectations (Boeing website, 2014).

Then there is the specification of the necessity which can help to achieve the desired results for meeting the value of consumers. ("Our broad range of capabilities includes creating new and more efficient members of our commercial airplane family; integrating military platforms, defense systems and the warfighter through network-centric operations; creating advanced technology solutions that reach across business units; e-enabling airplanes and providing connectivity on moving platforms; and arranging financing solutions for our customers ") (Boeing website, 2014).

At the same time the russian corporation «Suhoi» emphasizes that "the main purpose of holding "Suhoi" is the formation and stable development of cost-effective and high-tech aircraft international company." It is also underlined that "the activities of the aviation holding company " Suhoi " is organized in the interests of the state , regions, partner companies , russian society and each employee of the holding"(Boeing website, 2014).

It turns out that the strategy of “Suhoi” could actually lead to the satisfaction of consumer's value, but most of these functions are instruments for achieving particular goals.

Ultimately, it can be assumed that the main problem with ensuring the competitiveness of russian companies is largely associated with the correct formulation of objectives, the main idea of which should be valued by customers.
Solution of this problem is connected with the ability to attract qualified human resource managers, who would be able to identify and determine the optimal balance among three groups of participants: managers, workers and consumers. Finding the optimal balance can play a key role for the successful development of Russian companies in long-term period.

Part 2. Elements of human resource management

HRM is always associated with human behavior, which explains the large number of possible instruments of HRM. That is why effective model development of HRM includes theoretical and empirical approaches.

It should be mentioned that efficiency of HRM is quite difficult to calculate. However, in practice, HRM achievements can be calculated by using financial and non-financial indicators (for example KPI method). Difficulties in the evaluating HRM efficiency make HRM prove their necessity to the organization. During the crisis, most companies prefer to reduce costs by firing their employees, while experienced HRM could prove that was an ineffective measure. Look at the simple sample (J. Coyle-Shapiro, K. Hoque, I. Kessler etc., HRM, 2013).

Chinese company produces 5,000 toys per day, has 500 workers. Each worker gets 100 Yuan per day. Now we can calculate some financial indicators:

Labour productivity = 5000/500=10 per day
Total labour costs=500*100=50000 Yuan per day
Unit labour costs=100/500=1/5 Yuan per day.

Usually a company is interested in reducing the unit labour costs, as well as in increasing productivity. Mathematically it means:

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\begin{align*}
\text{max} \text{Labour productivity} \\
\text{min} \text{Unit labour costs}
\end{align*}
\]

Finding the optimal balance between the interests of owners, profit and interests of employees lies on HRM. Reducing the negative effects of labour costs can be achieved by increasing productivity. Increasing productivity can be done
through the introduction of innovation and technological progress. This means the necessity to implement staff training, that help employees to work with the new equipment, programs, etc. For best performance, it is necessary to motivate the employee by maximizing their value.

Here we meet with typical prison’s dilemma:

<table>
<thead>
<tr>
<th>1.1 cooperation between managers and employees</th>
<th>1.2 partly cooperation</th>
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<tbody>
<tr>
<td>2.1 partly cooperation</td>
<td>2.2 no cooperation between managers and employees</td>
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*Figure 1. HRM prison’s dilemma, done by the author.*

1.1 Cooperation between managers and workers leads to the increasing of value for both parties. It also neutralizes the effect of information asymmetry and moral hazard inside internal relations. This alternative creates the most efficient interaction between the two parties;

1.2, 2.1 are responsible for cases of partial cooperation. From both parts there is a possibility for emergence of moral hazard. Managers can provide workers with different bonuses, but it would not lead to better performance of these workers. Consequently, employees can work well and managers can simply dismiss some of them;

2.2 There is no mutual understanding and cooperation between workers and managers (often owners). This form may be characterized by low production culture, high risks for both sides.

It turns out that the main strategic task of HRM is trying to achieve ideal situation 1.1, where we can observe the maximization of value for all parties. From this point of view we can explain the role of HRM like the “third management part” that let achieve Pareto-Optimal decision.

In reality, one of the main tasks of HRM is to organize complex retraining process to male employees more flexible. This training process should initially be focused on continuous learning. It should be noted that it is often difficult to meet
the needs of employees, provide them with “right educational menu”. HRM need to organize courses with set of knowledge that would be useful to the employee in their individual capacity. That is why it is more efficient to develop a mechanism that would allow employees to choose what they would like to attend and what not.

At the same time company always meets with another important factor "depreciation of human knowledge“. Employees who graduated from universities are gaining practical experience, but lose touch with the advanced scientific achievements. A similar effect can be observed in various organizations where people use their experience and real facts and do not use up-to-date achievements (for example it is very actual for people who work with economy).

Figure 2. Model of training process (Torrington et al. 2011, p 398)

A systematic up-to-date approach for trainee process was outlined by Torrington et al. (2011, p.398). This approach includes four main steps in organizing and evaluating trainee process. The main problem of this approach is to meet the need of employees, maximizing their value. Most of workers understand which knowledge they need or which specifications can improve their work. Providing workers with particular “educational menu” can reduce their efficiency
of trainee process, while workers can get uninteresting courses. One of the possible decisions to this problem can be examined in the next part.

To maximize efficiency, it is also necessary to use rational mechanism "spillover effect", which involves the redistribution of new knowledge from an employee who has been trained to the rest of the other employees. A similar effect can be observed in many Russian state corporations when employees learn to use new software (eg SPSS, Eviews, Stata), after which they train other colleges.

To achieve maximum value for employees, managers and company we need to implement new model of cooperation between different structures: universities, companies (government organizations) and research centers.

**Part 3. Model "Practice -Science - Universities"**

Taking into account Russia reality, where there is a close relationship business organization, government structures and universities we will try to suggest a brand-new model of organization interactions between these groups. This approach can maximize their value; solve the problem with transferring experience to the younger generation. Also it can reduce the effect of the “depreciation of knowledge”, as well as increase the efficiency of the developed scientific achievements in various fields.

![Figure 3. Model "Practice -Science - Universities". done by the author.](image)

We should introduce some specification of this model:
1) Total value- utility of participants;
2) University- represents universities, different educational organizations;
3) Science- represents different research centers;
4) High-skilled employee- represents workers of government and business sector.

Model involves close collaboration between employees (practice sector), students (young generation) and science (the last achievements in the science). It should be noted, that in Russia most research centers situated in the universities. Experienced workers should come to the universities (e.g. twice a week) to read lectures; organize practical training in their field. During this process, they will communicate with young students having the opportunity to celebrate those who have a high potential in the fields for their company. After this they can suggest students with trainee program in the company or practical work.

At the same time employee can communicate with scientific laboratories, where they can carry out get answers on the issues with which they face in their practice. Research centers get opportunity to analyze requests practice sector, after which solve specific problems that would be implemented in practice area with more efficiency.

This approach carries out maximization of value for all participants in this model. Enterprise gets employees who are inextricably linked to the scientific activity that takes place in the world. This means a reduced effect “depreciation of knowledge”, minimizing the information lag. Also, companies have a real opportunity to attract young professionals who are familiar with the practical activity. Certainly there is reduced working time of “experienced staff”, but it will enable others to show them from best side.

Universities get real opportunity to help their students to find a job. Also it can stimulate students to actively increase their knowledge and improve their performance, while the best students get the best suggestion for job.

Research centers get real opportunity to solve real problem to practical organizations. Moreover practical organization can buy specific research
achievements, while they would be familiar with them. In terms of country this approach can lead to the total increase in the efficiency of scientific research process while they will be totally connected with practical aspect.

This approach meets with problem of transactional costs that happens because of difficult organizational process for these connections between these sides. That why in the overall view we should calculate easy optimization task:

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\begin{align*}
\max & \quad \text{total value} \\
\min & \quad \text{transactional cost}
\end{align*}
\]

In the end it should be mentioned that this approach can increase synergy between this groups. But here we meet with the question who will organize this process. Logically, this interactivity should be organized by HRM from these groups. Furthermore HRM can explain managers why it is quiet significant to get connections with other member of model. At the same time this model should be implemented with help of government, while can increase total country value from different points of view.

**Conclusion**

It can be argued that nowadays we can observe an increase in the role of human resource management. Last crisis shows that the efficient organization of production can be achieved only with the participation of managers and workers. These groups of participants should achieve maximum synergy between each other. It means that modern conditions require cooperation from both sides, while there are now much more challenges to the company. Increasing synergy, organizing cooperation process is main operational task for HRM.

One of the possible ways of achieving these goals can be regarded as a model that was described in the third part. The advantage of this model involves maximization of value for the three groups of players. Furthermore, this model addressing the problem of choosing a “right menu of knowledge” to the worker that also can minimize transactional costs. Employee has the opportunity to learn
what he really needs, and not what he thinks for its executives. This approach is based on liberal foundation that is why it is more efficient.

**References:**