

DEVELOPMENT OF HUMAN RESOURCES AS STRATEGIC FACTORS OF THE COMPANIES' COMPETITIVE ADVANTAGE

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Jelena Vemić Đurković

Faculty for Service Business, University Educons
djurkovic.jelena@yahoo.com

Abstract. *Today, in the midst of a complex and turbulent environment, the world economy and market are developing quickly. In the analysis of their competitive factors, the prevailing understanding is that the bases from which everything begins and on which everything depends are the people and their position rather than structure and function. Competitive position of any business system within the global business environment depends on its flexibility, inventiveness and focusing on their employees' quality. The subject of this article is the development of the employees as the generic function of human resource management from the viewpoint of its influence on individual performances, and based on this, on direct effect on the company's development and the increase of its competitiveness. The main starting point of this article is the idea that knowledge, as the result of the employees' development, is becoming a strategic resource and centre of competitive advantage and differentiation in modern economy. Attempting to change from within to adjust to external changes, modern organizations encourage development of employees and seek after methods and instruments enabling them to change the employees' knowledge and skill structure as the basis of organizational development.*

Key Words: *Development of human resources, knowledge, human resource management, competitive advantage, education, learning organization.*

1. INTRODUCTION

The complexity of the entire globalization process, which gave rise to increasing mutual dependence of different economies, branches and organizations, makes new issues with respect to human resources and their knowledge as the sole creative factor of the new value and profit creation actual. Instead of the present day domination of natural and financial resources, the world's well-developed countries are redirecting their developmental goals and strategies toward the domination of human resources. The change in role and

the way of functioning of the present day business systems as basic management subjects requires radical change in role and importance of their employees. It is necessary to create new, modern and quality human resources that may effectively accomplish the goals of business and developmental policy; all this in conditions of huge economical uncertainty, quick technological changes, dynamical transformation and change of proprietary relationships. The competitive position of any enterprise in the present-day highly competitive market requires good and well-developed basis of employees on which all the work and strategy, both of growth and development, are founded. Development of human resources is becoming a daily and eternal challenge that any business system has to face sooner or later.

The success of an organization significantly depends upon the manner in which it manages human potentials. The main starting point of this article is that the basic resource of modern business operation is the human and that the development of employees as the most important function of human resource management in knowledge economy, represents essential change in approach to the human as the key organizational resource of gaining competitive advantage. More than ever before, as the only real competitive advantage of an enterprise, human resources are being placed in the center of all researches and of practices of developed countries, and investing into their development is increasingly considered to be the key factor of difference between successful and unsuccessful enterprises. The idea of the definition of this article's subject has emerged as a response to the present-day transitional events in the entire Serbian economy and society.

The present process of our transition, transformation of collective ownership into different forms of ownership, inclusion into global trade flows, foreign investments into national enterprises, etc., requires radical changes and stand on human resources, manner of their application, development and management.

Enterprises are increasingly becoming "learning organizations" which means organized, systematical learning and development on any organizational level, in any business system, at any workplace, and anywhere else where necessary. To project efficient developmental programs is becoming a strategic task for any enterprise and a basic part of its development's overall strategy. The goal of this article is to change the perception in understanding the development of employees as both the key strategic way of business policy of qualitative growth, development and competitive advantage of any enterprise, and the basis of development of modern economy. Human resource development is an inseparable part of the organization's development. In a dynamical environment, development of employees needs to be understood by modern organizations as the condition of survival, constant need and the basis of their own flexibility and mobility.

2. IMPORTANCE OF HUMAN RESOURCES IN THE KNOWLEDGE ECONOMY

Nowadays, enterprises are turned to the intangible and invisible capital, named intellectual capital. Productive tangible assets like raw materials, basic assets, and even managerial knowledge are not seen anymore as resources that create new and prosperous enterprises. Instead, knowledge, innovation and cooperation are becoming the three basic elements of the new infrastructure necessary to create prosperity in the new economy – knowledge economy (11, p. 54). To preserve and improve their market position, enter-

prises need to be able to create new knowledge instead of relying on the existing. The dynamics of development is increasingly complex and therefore knowledge quickly becomes obsolete and there is need for new and higher quality one. The ability of actual business systems to keep the level of success and to advance further depends on human resources and their permanent development.

The new economy depends largely on the employees' skills and knowledge, to a larger extent than the traditional industrial economy. The basic property of the new economy is that non-material resources are becoming carriers of the enterprises' performances, and they results solely from the activities of human resources. The most important element in the new economy is the initiative, creative and problem-solving employees. The fact that employees may affect the use of their own potential, as well as that of other resources, makes them the most important resource in gaining competitive advantage for the enterprise. By their characteristics, other resources also influence this, but their importance depends mainly on the employees. Indeed, all the aforementioned is the starting point of the holistic approach to knowledge management. Human resources, hard-to-copy employees with specific knowledge need to be considered as the key of gaining competitive advantage for the enterprise and not only as tools to implement the determined organizational strategies (10, p. 32).

Knowledge as the key resource of modern business operation and generator of development is an exclusively human product, inseparable from the human being as a specific creature. While physical work was visible and measurable (the well-known studies of time and motion measuring from the first days of organizational theory), knowledge is a fluid product of the human mind, often invisible, hidden and measurable only when it creates a new value. It is impossible to produce knowledge forcefully and by control. It is produced by stimulation and human developmental and spiritual challenges for which the enterprise needs to create appropriate environment. Resources themselves have strategic aspect within the organization. When we consider human resources as the enterprise's most important tool, then the most important task is to create such working environment that will stimulate the employees to develop their skills and to apply them to the maximum extent. In that way they will contribute to the development of the assigned strategy (7, p. 67).

The enterprise is successful and good only to the extent of goodness and success of its employees. As creative and inventive parts of any enterprise, employees have a leading role in creation and maintaining of its competitive advantage. Only highly educated, properly motivated employees who continually learn new business skills may rise up to the challenges imposed by the new business environment. Pressure of competitors, technological development and the global market imposed the continuous development of human resources as the key imperative of the global strategic efficiency. In such environment, enterprises unable to continually refine their knowledge resources cannot survive. In order to survive, enterprises must arm themselves with the deadliest weapon available today – with knowledge.

3. HUMAN RESOURCE DEVELOPMENT AS THE GENERIC FUNCTION OF HUMAN RESOURCE MANAGEMENT

Since human resources are the basic factor and requirement for development and competitiveness of the enterprise, they also need to develop. Development is an integral and continuous system transformation from existing state into a new state of larger efficiency. This means continuous motion forward in progressive direction. As bases of modern business systems, flexibility and adaptivity have their foundation in human resources, which is the organization's only dynamic element. The dynamics of human resources is achieved through their continuous development, thus they become basic capital, and source of strength and success of any enterprise. Human resource development is an imperative for any organization that plans to be successful (10, p. 190).

Human resource development is typically defined as a set of measures and activities within the organization, which are focused on adjustment of knowledge, capabilities and skills of employees to the future requirements of the enterprise's business operation, and activities. Human resource development represents a set of activities and measures in the organization focused on qualitative changes of individuals, manifested not only by mechanical changes in knowledge and skills, but also by attitudes, motivation, values, interests and behaviour. Thus, this is a well-planned and designed concept, which requires time and harmonization of individual and organizational goals. Development of the employees' skills takes much more time than structural and process interventions, so the organization needs to pay attention to these activities in timely manner, i.e. to make them continuous. Development of employees is a continuous process that includes formal education, working experience, relationships with other people and personal and skill evaluation (10, p.191). This enables the employee to prepare for future jobs. Regardless of the developmental approach being used, employees need to have developmental plan which establishes: the necessary kind of development, developmental goals, and the best access to the development in order to achieve developmental goals, and the evaluation of the entire process (7, p. 346).

In modern economy, the market winners are those enterprises that learn; organizations that truly believe in the idea that people and their knowledge are the greatest and the most valuable treasure. Modern business systems gather information from the environment, transforming it into knowledge, incorporate this knowledge into their organizational structure and finally respond adequately to issues and problems coming from the environment. Only "learning organizations" are able to adjust to changes in their environment and at the same time to initiate changes by which they gain competitive advantage. Employees are in the core of the organization's competency and the task to respond to all challenges coming from the environment through gaining new knowledge and its use is their responsibility. Thus, investments into human resource development increase both the employees' value and the value of the organization as a whole. According to this new paradigm people, i.e. the workforce is not perceived as a factor of expense, but as the carrier of intellect and high work potential. Modern organizations are more humane, offering job security, prosperity, development and education, advancement of common values, respecting their people not only as workers, but also as their members. Educated people are flexible and motivated, they initiate changes to which they adjust more easily, they make better use of knowledge gained through work, experience and training, they are more productive and motivated at work, etc (2, p. 215).

Employee development as the key function of human resource management is related also to other functions that are mutually dependent and provide optimum results only as a whole (12, p.278). It cannot be viewed separately either from planning, job analysis which enables the identification of job requirements, or from rewarding as a developmental sustain. However, development is indirectly contained in the processes of socialization and orientation of the newly employed, career management and evaluation of the employees' performance. Therefore, employee development needs to be viewed integratively within the concept of human resource management.

In general and long term sense, the use of different developmental approaches enables the dynamics within the organization, better understanding of existing potentials, motivation of employees to gain new knowledge and skills, and creation of organizational climate and culture that stimulate changes. Besides, employee development facilitates the adjustment to new job requirements, reduction of costs of selection of new workers and larger degree of motivation and identification of employees with organizational goals. It is important to underline the generic nature of employee development, which generates organizational business success by (3, p.143):

- Increasing the level of knowledge and abilities of employees;
- Increasing the level of motivation of employees by satisfying their human needs;
- Increasing the employees' flexibility and mobility.

4. A STRATEGIC APPROACH TO HUMAN RESOURCE DEVELOPMENT

The traditional approach to human resource development is characterized by insufficient correlation with the enterprise's planned goals. Technological development, radical changes of machines, new materials, working methods, organization, knowledge, structural changes in the economy, transition from the industrial to post-industrial era, sharp struggle with competitors and the need for constant increase of education, all these are necessary prerequisites for the change of such a traditional approach to employee development in the organization. Because of the turbulent technological and structural changes, the rate of annual obsolescence of knowledge (especially of specialized knowledge for some technologies) in developed countries reaches 40%, with 10% of workplaces being terminated, with the same percentage of newly opened workplaces (11, p. 39). This imposes large responsibilities to bypass the differences between the employees' competencies and requirements of the job. Structural changes in economy and the changing market requirements require flexible organization, qualitatively different leadership and management, as well as an adjustable system of education and development. There is a transition from traditional approach into a higher level that characterizes the post-industrial era of economy and the era of modern economy based on knowledge as the fundamental economical resource. The current concept of human resource development seeks to satisfy the requirements of the modern business system in terms of constantly updating the level of the employees' overall competencies (craftsmanship, skills, motivation and behaviour, as well as the influence on efficiency of the organization as a whole). The goal of the current concept of human resource development is to develop the employees, to enable them not only for the job and skills, but also for thinking, problem solving, cooperation, taking responsibilities etc. This concept is characterized by strategic approach to the human re-

source development, i.e. the connectivity of developmental goals with organizational goals (3, p. 147).

Employee development is built into the foundation of the very concept of human resource development. Thus, it is one of the key indicators of differentiation of the human resource management and the personnel-staffing function. In contrast with personnel-staffing function, which is mainly oriented to provide with staff of appropriate qualifications and their adequate distribution onto workplaces, human resource management is based on dynamic perception of employees, with the employees being treated as important resources which need to be adjustable to changes from the environment in order to perform the function of achieving competitive advantage. Indeed, the modern concept of human resource management is characterized by developmental and dynamical orientation toward the employees, as compared of the staffing (personnel) function primarily focused on administrative and normative regulations. Moreover, human resource development as a strategic and generic function belongs to managerial responsibilities, rather than to the staffing functional organizational unit. Employee development as a long-term and planned activity affirms the strategic nature of human resource management, which relies on the strategy of the enterprise. This means that in setting and achieving its goals, the organization has a long-term perspective, continually connecting its internal strengths and weaknesses with the chances and threats in the environment. The basic internal strengths are coming from the employees' potentials. The basic managerial function is the function of leadership, which implies acknowledgement, activation, and development of these potentials and their optimal allocation and use (10, p. 198).

In modern economy, human resource development is a permanent category constantly conditioned and shaped by the business environment and the numerous intense changes it contains. In such economy, human resource development becomes a priority and has strategic importance for any actual business system. Due to strategic management of human resource development, enterprises directly connect their investment into human capital with the results of their business operation, which is indeed the purpose and goal of developmental strategy. This is the only way for the strategy of human resource development to be in accordance with the requirements of implementation of the business strategy and to influence proactively the creation of a future business strategy. The structure of human resource development arises from comparing the requirements of jobs being derived from organizational goals and the employees' existing abilities. By working on the employee development, the organization accomplishes its goals (12, p. 275).

5. THE IMPORTANCE OF HUMAN RESOURCE DEVELOPMENT IN INCREASING THE ENTERPRISE'S COMPETITIVE ABILITIES

The current speed and level of scientific and technological development and also the changing market conditions impose an increasing need for permanent human resource development, as well as the development of the overall human potentials. The knowledge of employees quickly becomes obsolete. Survival in the global economic system requires permanent update of knowledge, skills, abilities and adoption of new knowledge during the entire working life. Therefore, today it is essential to turn the entire business system towards the production and diffusion of intense necessary knowledge as well as towards

their flexible availability and use, and their constant improvement. Business systems as basic economical subjects of the modern economy are developing and acting based on principles of the new business philosophy conditioned by the radical change of role and importance of the human factor. Indeed, entirely new organizational forms are being created today which intensify all business resources, especially human resources, and provide their more efficient management and use in order to achieve better business results and increased market competitiveness in the environment of global economy and entrepreneurial principles. The development and prosperity of the entire modern global economy is based on human resources, information, knowledge, quality, and speed. Therefore, instead of the previous technical-technological, material, financial and other resources, the world's economically developed countries rely mainly on human resources and their knowledge. This is because products with more knowledge built-in are more competitive on the global market and yield more profit. The variability and dynamics of the current economic development are the main determinants of human development and therewith of the overall working processes. In the ever-changing world, enterprises can function by relying tightly on learning and development, and progress instead of relying on the past. The value of a successfully managed developmental process is the same both for the individual and the enterprise. Combination of work and education, as well as their harmonization is an essential requirement of a modern and future worker and organization. The demand for well-developed and expert human resources is changing more quickly than the human resources themselves. Therefore, it is necessary to build a new strategy for human resource development. Only high-quality workers of knowledge may carry and sustain competitive advantage, and only such human resources can follow the modern day business operations characterized by quick, dynamical, complex and unpredictable changes.

Successful global organizations are focused on education and development of their employees in order to make use of their knowledge and skills for improvement of business operations, development and growth. The achievement of organizational strategies is possible only if the employees possess knowledge and skills necessary to implement those strategies. Thus, education and development are becoming a strategic imperative for modern enterprises. Specifically, by investing into employee education and development the enterprise increases the value in value chain, productivity, product/service quality, customer/buyer satisfaction and so on. This finally leads to increased success and competitiveness of the enterprise.

Numerous empirical researches have proved the multiple cost effectiveness of investing into employees by improving their knowledge and skills and by making use of them. For example, on a sample of 590 profit and non-profit organizations, Delaney and Huselid (1996) have proved the positive correlation between the amount of education and the success of the enterprise (5, p. 949-969). On a sample of 101 foreign organizations operating in Russia, Fey, Bjorkman and Pavlovskaya (2000) have concluded that the success of an enterprise is affected positively by non-technical education (6, p. 1-18). Studying American, Asian and European organizations, Appleyard and Brown (2001) have found that the amount of education is critical for the success of a company (1, p. 436-471). By studying 78 high-technology organizations, Collins, Smith and Stevens (2001) have found that the dimensions of knowledge creation positively affect the growth of sale (4, p. 1-36).

The process of employee development unfolds in the manner that stimulates creativity and inventiveness and shapes the entire organizational knowledge, which unifies the or-

ganization and makes it different from any other. In order to maintain its position and increase competitive advantage, the organization needs to be able to create new knowledge, instead of relying on the existing. Once responsibility and privilege of those of higher position and expert jobs, today development and education are responsibility and requirement for all. The bigger the organizations are, the more assets they spend on education and provide their employees with greater and more diverse developmental possibilities.

6. CONCLUSION

Modern economy – economy of knowledge – affirms entirely new resources of non-material nature, as knowledge, information, standards, quality, time, speed, design, etc. These are new resources becoming the predominant carriers of economical development. Present-day researches in the field of human resource management increasingly improve the understanding of importance of the employees in achieving business results and goals, as well as the perception that human resources have become the key competitive factor on the global market of goods and services.

The permanent development of human resources arises as the process of enabling the employees to perform creative destruction, i.e. to be inventive and creative, to create additional value for goods and services, since the added value is the basis of increasing competitive advantage on the global market. Human resource development in the enterprise is a conditioned and conditional factor of the overall social development, which in turn depends on characteristics of the global competitive market. When speaking of employee development, we think primarily about organizational activities directed towards affirmation and development of the employees' potential (abilities, competencies), essential for future business activities.

Theoretical analysis of this work indicates that in the current situation of global competition, every individual employee must contribute to achievement of the enterprise's strategic goals. This is possible only if the core, importance and role of every individual in the system are properly understood and if their development is affected and stimulated deliberately. This is the only way of continuous organizational development through achievement of larger profit, higher quality, lower costs and higher productivity. The basic conclusion of this work is that it is the harmonization of the employees' performances with that of the organization, through which developmental strategy of the enterprise is achieved. Here, human resource development is the most important process requirement, since it is the development of every individual through which the organization's developmental goal is achieved. With this manner of development the individual is able to contribute to the business system's goal. Only the creative human work is the factor of value creation and of overcoming adverse economical situations.

Enterprises approach and understand the essence the development of their employees as capital goods seriously, considering them as potential and capital that needs to be kept, improved and developed. High-quality workers may carry and sustain competitive advantage, and they are the prerequisite of business operation of all business systems characterized by quick, dynamical, complex and not always predictable changes in the environment. Interconnection of work, education and development is the way to overcome economic crises, since a "learning society" has to be also a "working society", and vice versa.

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RAZVOJ LJUDSKIH RESURSA KAO STRATEŠKI FAKTOR KONKURENTSKE PREDNOSTI PREDUZEĆA

Jelena Vemić Đurković

Današnja svetska ekonomija i privreda nalaze se u brzom usponu i složenom i turbulentnom okruženju. U analizi njihovih konkurentnih faktora, sve više preovladava shvatanje da je čovek i njegov položaj, a ne struktura ili funkcija veći osnov od koga sve počinje i od koga sve zavisi. Konkurentna pozicija svakog poslovnog sistema u globalnom poslovnom, okruženju, zavisi od njegove fleksibilnosti, inovativnosti i fokusa na kvalitet svojih zaposlenih. Predmet ovog rada je razvoj zaposlenih kao generička funkcija menadžmenta ljudskih resursa iz ugla njenog uticaja na performanse pojedinca i na toj osnovi posrednog efekta na razvoj preduzeća kao i jačanje njegove konkurentnosti. Glavno polazište rada je u stavu da je znanje kao rezultat razvoja zaposlenih, postao strateški resurs i izvorište konkurentne prednosti i diferencijacije u savremenoj ekonomiji. U nastojanju da se menjaju iznutra, kako bi bile prilagodljive spoljnim promenama, savremene organizacije podstiču razvoj zaposlenih i tragaju za metodama i instrumentima koje im omogućavaju promenu strukture znanja i sposobnosti zaposlenih, kao osnovu organizacionog razvoja.

Ključne reči: *razvoj ljudskih resursa, znanje, menadžment ljudskih resursa, konkurentna prednost, obrazovanje, učeća organizacija.*