

**Review paper**

## **RELATIONS IMPROVEMENT BETWEEN ORGANIZATION AND EMPLOYEES IN THE FUNCTION OF PROMOTION OF ORGANIZATIONAL COMPETITIVENESS \***

*UDC 005.96*

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**Abstract.** *In a dynamic and competitive modern business environment organizations can survive and succeed only if consumers are offered products and services with superior characteristics, compared to products and services provided by competition, or if similar products and services are offered at lower prices. The sources of an organization's competitiveness may be found in various resources that the organization has or various competencies which are characteristic of the company. In the last decades, human resources have become one of the most significant organizational potential for achieving and maintaining competitiveness. In order to attract, keep and use the potential of human capital, an organization should create an internal business environment that would stimulate the manifestation and purposeful application of the potential. The aim of this paper is to point out the increasing contribution of the human resources to the competitiveness of the organization, as well as to demonstrate that efficient application of various measures can attract and promote the development of the personnel that significantly contributes to creating multiple values for the organization, which makes them an important source of its competitiveness.*

**Key Words:** *human resources, competitiveness, management, organization.*

### THE INFLUENCE OF THE HUMAN RESOURCES ON THE COMPETITIVE ADVANTAGE OF AN ORGANIZATION

Modern organizations can survive and develop if they succeed to capture and retain the markets in which they can sell their own products or services, thus creating conditions

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Received January 31, 2012 / Accepted February 12, 2012

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\* The paper is a result of research within the projects number 179081 and number 179066, funded by the Ministry of Education and Science of the Republic of Serbia

for renewing the invested resources and achieving profit. Modern markets include a great number of participants who are forced to "struggle" permanently for resources, consumers, for their piece of the market "cake", etc. This competitive struggle which is obvious among market participants is permanent, tough and ruthless. Surpassing the competition in this struggle means gaining appropriate competitive advantage.<sup>1</sup>

The possibilities and options for gaining competitive advantage are infinite. M. Porter, for instance, points to two elementary options for gaining competitive advantage. One of them is gaining competitive advantage through the so-called cost leadership, whereas the other refers to gaining competitive advantage through the application of differentiation strategy (2, 81-83). In general, an organization can gain competitive advantage if products or services it offers to consumers have some superior characteristics (quality, price or similar), compared to the products and services offered by the competition. In order to achieve this goal, the organization itself has to be, even slightly, superior to its competition. Superiority of an organization is determined by the qualities it possesses and which differentiate it from its rivals. These qualities may refer to (compare to 3, 89-91):

- the quality of human resources of the organization (experienced, educated, skilled, dedicated and loyal employees);
- valuable tangible assets of an organization (valuable equipment, attractive location, possession of valuable and rare natural resources etc.);
- significant intangible assets (good reputation in community, famous brands, consumer loyalty etc.);
- flexibility of the organization (ability to respond quickly to changes of the market conditions, product innovation capability, relatively short period between the moment of new product development and its marketing etc.);
- significant strategic partnerships (partnerships with suppliers which reduce functioning costs or increase product quality, joint investments which provide access to new technologies, expert knowledge or new markets etc.).

Over the last decades human resources have become an important strength of the organizations because these resources cannot be copied, they are difficult to imitate, and they possess specific qualities. From technical executives, whose role in the organization included performing uncomplicated tasks due to simple technology that was used at the time, the employees have now become one of the key factors of the organization's success. This is a consequence of the fact that nowadays the members of the organization are expected to have relevant knowledge and skills which would enable them to perform more demanding and more complex tasks at the workplace. Strong competition, more complex technology, high demands by consumers and other external stakeholders, are just some of the factors that have created the modern business environment within which the knowledge and skills of the members of the organization directly influence successful performance of the organization. In addition, there are other qualities possessed by organization members that may contribute to improving the structure of human resources in

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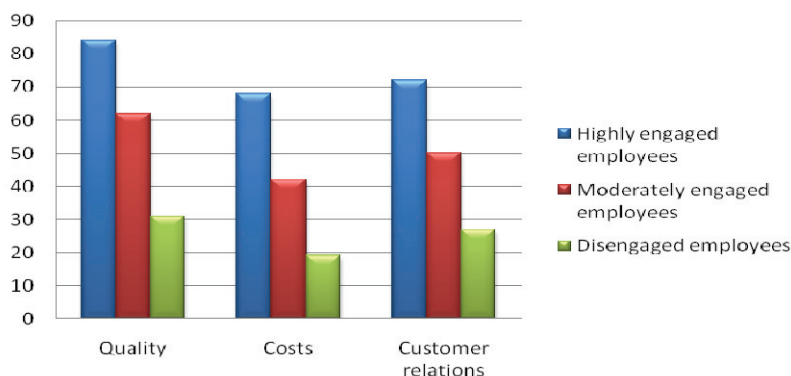
<sup>1</sup> According to R. Grant, competitive advantage of an organization represents its capability to surpass competition in attaining the primary goal of the organization (compare to: 1, 230).

the organization. This primarily includes their dedication and loyalty to the organization, their responsible and their citizenship behavior, etc.

In 2005, the "Towers Perrin" consulting group conducted a research which included 86.000 employees from 20 different countries in Europe, Asia and America. The research showed that the behavior of the employees within the organization had a direct impact on costs, product or service quality, relations to consumers, etc. In general, this behavior influences the values created by the organization, as well as its competitiveness. It should be emphasized that the results of the research demonstrated that, on average, organization members participate with around 59% in product or service quality, around 43% in the reduction of costs, and with about 50% in maintaining the good relations with consumers (5, 3). However, the research also showed that there are deviation from these average values obtained from sample. The deviation are attributed to the degree of dedication of the members of the organization, in other words, to the jobs they perform in the organization. Therefore, members of the organization from the sample, were classified into three categories. The first category included the so-called highly engaged employees. These are employees with above average qualities (skills and knowledge) necessary for performing the tasks, which they eagerly invest in order to achieve better results that would, in turn, enable them to make progress in their career and their organization to achieve better business results. Moderately engaged employees composed the second group. These are individuals who also have above average qualities, in terms of knowledge and relevant skill level but who are willing to perform only the jobs that would bring them appropriate benefits and rewards. The third group was composed of the so-called disengaged employees. These are the employees whose knowledge and skill level is within average but who are not willing to undergo additional training and education. They do not have any particular ideas and ambitions related to their job and they perform their tasks up to the level they are required and in the way they are appointed.

The results of the research showed (Figure 1) that the highly engaged employees have great share in the organization's created value due to the fact that they are prepared to perform their jobs at any cost and under any conditions and to achieve high results (since this helps promote their career which is their primary goal). Their positively impact quality about 84%, the contribution to reducing costs is 68%, while they participate with 72% in maintaining good relations with consumers. It is obvious that the presented percentages concerning various contributions of the so-called highly engaged employees in the organization are way above average. In this context, the contribution of these employees to the competitiveness of the organization is above average as well. The primary goal of the so-called moderately engaged employees is not building their career but using the career as a springboard for achieving other life goals. In this sense, these employees are not willing to sacrifice their free time or their energy for promoting the functioning of the organization if it is not adequately rewarded. Therefore, the results of the research show that the moderately engaged employees contribute less to the created value of the organization, compared to the highly engaged. According to the results, their positively impact quality of products or services is 62%, to the reduction of costs 42%, while their contribution to promoting customer relations is 50%. It is evident that the moderately engaged employees also add value and contribute to the competitiveness of the organization, but their contribution in this sense is smaller, compared to highly engaged employees. The smallest contribution to the value added within an organization and its competitiveness

comes from the so-called disengaged employees. They positively impact quality of product or services 31%, to reduction of costs with 19% and to customer relations with 27% (compare to: 5, 8-10).



**Fig. 1.** Contribution of different categories of employees to the value of the organization. Source: Executive Report: Winning Strategies for a Global Workforce, Attracting, Retaining and Engaging for Competitive Advantage, Towers Perrin Global Workforce Study, 2005, 10, [www.towersperrin.com](http://www.towersperrin.com)

The obvious contribution of the highly engaged employees promotes the functioning of the organization, its created value and its competitiveness. Therefore, managers should focus on finding, attracting and employing individuals who possess, not only the relevant knowledge and skills, but also other qualities (dedication, loyalty, citizenship behavior, socially responsible behavior, etc.) which significantly determine their workplace behavior and engagement. In addition, a manager is expected to be able to identify a possible "hidden" potential in current employees and members of the organization and to use the appropriate mechanisms to effectively motivate and encourage it. In order to succeed, among other things, the managers need to be familiar with the nature of individual goals and expectations of current and potential organization members.

#### IDENTIFYING THE GOALS AND EXPECTATIONS OF EMPLOYEES

Members of an organization are actually individuals who possess qualities needed for performing tasks and activities in specific positions within the organization and who also bring with them their expectations, demands and individual goals. They make up the contents of the so-called psychological contract. This is not a written document; it refers to the domains of various expectations, demands and limitations in terms of rights, privileges and obligations of both organizations and its members. The contents of the psychological contract vary not only among different organizations but also within a same organization. This is primarily the consequence of the fact that the expectations that organizations have, with respect to their members, change over time, along with individual expectations of the members with respect to the organization (Simic, 2010, 12).

These changes have been particularly emphasized during the last decades and are mostly the result of intense changes in the organizational environment. Rapid development of technology, and chemical and nuclear industry has led to the creation of specific workplaces which may seriously endanger or damage the health of the employees (increased radiation, negative effects of chemical elements, physical injuries, etc.). In addition, the development of computers and digital technology (video surveillance, tapping devices etc.) increases the possibility of monitoring and controlling the work and behavior of employees at the cost of their privacy (10, 479-481). Also, intensive business globalization, among other things, increases the mobility of the workforce, reduces the stability of organizations, leads to mergers, acquisitions and other changes which influence the survival of workers and their maintenance of current jobs. Insecurity of the workplace and strong competition on the workforce market compel the modern employee to undergo permanent education and training. This is the source of yet another expectation of the employees with regard to the organization they belong to which refers to the possibility of development and career progress. Heterogeneous workforce, as one of the consequences of globalization, has also contributed to complex expectations of current members of the organization in terms of reducing various types of discrimination at the workplace.

These, as many other expectations, which current and potential employees have with respect to the organization, must be carefully monitored and analyzed by managers. This is necessary if organizations want to attract personnel with different qualities necessary for further successful functioning. People will be prepared to enter an organization and maintain their jobs only if the organization fulfills all, or most, of their realistic expectations.

#### PROGRAMS AND MEASURES FOR PROMOTING RELATIONS WITH EMPLOYEES

Modern organizations apply a variety of programs and measures in order to meet different expectations that their employees have.

A very important instrument that may be used for managing the relations with employees is a system of compensations developed within the organization. This system encompasses all the rewards, both direct and indirect, which an organization gives to its employees in exchange for their work (11, 466). Direct earnings or rewards include all the payments that the organization gives to its employees directly for their contribution in fulfilling the goals of the organization. The direct rewards include basic income<sup>2</sup> and a stimulus in the form of payment for above average results, such as: bonuses, pay rise and other long-term stimulations in various forms. Stimulations may be periodical such as pay rise on the basis of individual results of an employee, bonuses paid at the end of the business year or individual short-term rewards for a particular contribution to the organization. The stimulations can also be long-term, such as offering the company's shares on more favorable terms or as presents, and the like (9, 268). Indirect rewards can have different forms and they are not directly connected with the achieved results of the employees. These include: benefits (related to insurance, retirement, benefits during non-working periods such as income during sick leave, holidays etc.), various fringe benefits (the use of company's mobile phone, company's car, employee transport etc.) (12, 342).

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<sup>2</sup> Fixed reward which is paid on the basis of the work done at the workplace.

A well-defined stimulative system of compensations can help motivate, shape and correct the behavior of employees in accordance with the goals of the organization. In addition, appropriate long-term direct rewards (associating the stimulations with the achieved results, inclusion in property by granting stocks or employee stock options etc.) can be used to "tie" the employees and managers to the organization and reduce the negative effect of the so-called agency problems. Therefore, shaping the system of compensations and predicting the stimulatory measures for attracting, motivating and maintaining the most talented employees have gained more attention over the last years (13, 511).

In addition to providing a good compensation system, there is an increasing number of companies which conduct various measures for providing good working conditions and satisfying different non-material demands by employees. According to research done by Richard Welford, by satisfying the non-material goals and expectations of their employees, the organizations are increasingly more focused on (14, 25):

- encouraging heterogeneity of the workforce and eliminating all possible forms of discrimination (gender, racial, national, age),
- improving the working conditions,
- professional development and progress of personnel,
- increasing the human rights of employees,
- eliminating corruption and immoral behavior within organization etc.

Global changes that have developed lately have lead to an increase in diversity<sup>3</sup> among organization members. For instance, changes in the way of living have lead to increased participation of women in workforce structure, immigration has lead to creating multicultural and multiethnic business environment, lengthening the working span has increased the participation of older people in the structure of the workforce, etc. Because of these, and many other changes, there are people with completely different expectations, habits and values within a same modern organization. Considering that the degree of cultural freedom and fulfillment of the goals that members of an organization have concerning the workplace reflects directly on the behavior of the employees, on their motivation, loyalty to the organization and their success in performing the tasks, many organizations conduct various programs and measures to promote diversity, to enable the groups of employees to satisfy their specific needs (if they do not affect the interests of other employees and of the organization) and eliminate various forms of discrimination (gender, racial, ethnic and any other discrimination not based on the accomplished results). This means that, all employees in the organization, regardless of their gender, race and nationality, should be treated equally, in other words, they should be paid the same amount of money for performing the same jobs, they should be given equal possibilities for career development and treated equally when they apply for a job, etc. (15, 429-444).

Because discrimination was particularly frequent in the past (discrimination against women, skin color, minorities, etc. was reflected in smaller income, they were rarely employed in well-paid jobs and they were rarely employed as managers, compared to men, Caucasians, etc.), so many countries passed laws which severely sanctioned different

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<sup>3</sup> Diversity refers to variations in important human features which differentiate people from each other. The primary dimensions of diversity are: age, ethnicity, gender, mental or physical abilities, origin and sexual orientation.

forms of discrimination. In addition to undertaking the measures determined by law, some organizations conduct a number of their own actions for promoting equality and eliminating discrimination (15, 444). Modern organizations tend to implement the idea about equal opportunities for everybody and about respecting the differences among people into their own missions, they create written plans which would predict the ways of implementing the mission and determine the managers responsible for monitoring the realization of these plans<sup>4</sup>. Some organizations also provide additional conditions for people with special needs (elevators and flat tracks instead of stairs, audio and visual signalization for people with hearing or eye damage etc.) in order to ensure equal working opportunities within the organization. There are also organizations which go further in their attempt to meet the various demands of their members and they design the programs of the so-called "affirmative action"<sup>5</sup> which promote and affirm the traditionally discriminated employees (16, 276-279).

Safety and healthcare assurance at the workplace is one of the traditionally important demands of organization members. This requirement generally concerns the possibility to use uniforms and protective masks, to have well-defined working hours and overtime, social and healthcare insurance, protection from sexual<sup>6</sup> and racial harassment, appropriate protection from infectious diseases, etc. Many countries have a great number of standards and regulations whose application increases safety and protects the health of the employees at the workplace. Health and safety issues are becoming increasingly important and they are part of the pattern for the certification of a greater number of products and services.

The measures that include training, instructions and promotion of professional development of employees are becoming increasingly important and they improve relations with employees, as well as the performance of the organization. Researches show that the companies around the world invest millions of dollars into various employee training programs in order to increase employee competence which, in turn, would increase their own competitiveness.<sup>7</sup> Available data show that, for instance, employee education programs are conducted in over 70% of the most successful companies worldwide (the best conditions exist in Europe with 86%, 77% in North America and 44% in Asia) (14, 23-39).

Educational programs conducted within organizations can be very different. Organizations usually conduct so-called planned trainings with groups of employees in order to prepare them to perform new jobs successfully, to use new technologies, etc. Transfers of employees from one unit to another are also very common and this enables the employees

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<sup>4</sup> About 70% of companies from the Fortuna 500 list conduct programs of affirmative action, encourage diversities, provide support for traditionally discriminated groups and reward managers who successfully accomplish the goals of promoting the heterogeneity (16, 285).

<sup>5</sup> Affirmative action programs refer to completely equal hiring opportunities given to all potential employees around the world in order to form a wider circle of qualified candidates and then to identify the "promising candidates" within groups that have traditionally been discriminated against (women, people with different skin color, people who have been unemployed for a long time, people with special needs etc.), to provide them with mentors who will monitor their development, organize various trainings and other forms of support and additional specialization in order to train them for managerial positions and jobs that are paid better.

<sup>6</sup> Sexual harassment at the workplace exists when some of the organization members, men or women, allow repeated, undesired sexual attention or when working conditions are hostile or threatening in sexual terms. This also includes physical behavior, for instance, suggestive touching – as well as verbal harassment, such as sexual allusions, jokes or inappropriate suggestions.

<sup>7</sup> Companies spend 1,5 - 2% of their total income budget for various training and education programs

to become familiar with different jobs within the organization and to gain a better understanding of the functioning of the whole organization. In addition to trainings in their own facilities, some organizations also send their employees to education and training programs organized by other institutions. This happens when an organization believes that training in another institution would significantly contribute to the promotion of knowledge and skills of its employees. Considering that attracting and maintaining the most talented workforce is becoming a priority in many organizations and one of the most significant factors in establishing the difference between successful and unsuccessful organizations, there is an increasing number of organizations which invest in the development of their own "talents" (by financing the programs of additional education, attending formal educational programs of higher levels, attending specific informal educational programs and specializations which the employees choose by themselves or which are suggested to them, etc.) and encourage lifelong learning and education of all their members. For these reasons, offering the possibility of learning and promoting the skills of employees are programs which are becoming integral to the current policies of managing relations between employees and modern organizations (17, 551).

Business ethics has lately been given more attention. Therefore, organizations are beginning to apply important measures for promoting the relations with employees which include promotion of ethics and creating the so-called "ethical organizations". Among other things, this includes: ethical behavior by top managers (because the employees look up to them), designing and applying the ethical code, establishing departments and appointing people responsible for the application of ethical rules, hiring people who show high level of ethics, organizing different ethical training programs for managers, etc. (19, 234-235).

Developing a good rewarding system, promoting differences, providing good working conditions, enabling development and education for employees, encouraging ethical behavior and meeting other demands that employees value, these are all factors which make an organization more attractive to the so-called talents. The talented workforce, in turn, contributes to the organization's success and competitiveness.

#### CONCLUSION

In modern business environment, organizations make remarkable efforts to identify relevant potentials for acquiring and maintaining their relevant competitive position. Although the list of potential is long and determined by various factors, during the last decade, the increasing number of organizations identifies own human resources as their strength. This is due to the fact that qualities of organization members (their knowledge, skills, commitment and loyalty to the organization, their civic and socially responsible behavior etc.), cannot be imitated or copied. In regard to this fact, the efforts of modern managers are predominately focused on finding, attracting and employing individuals who possess these qualities and making them to remain within the organization as long as possible, as well. This objective is achieved, besides other things, by creating the organizational environment which intensifies the unselfish manifestation of values of the organization members, relevant for successful functioning of organization and improvement of its competitiveness. Adequate reward system, promotion of diversity within the organization, promotion of ethics in organization functioning and similar systems are just some of



the programs and measures within the organization that can shape the business environment which encourages the promotion of the best qualities embodied in human capital.

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## UNAPREĐENJE ODNOSA ORGANIZACIJE SA ZAPOSLENIMA U FUNKCIJI JAČANJA ORGANIZACIONE KONKURENTNOSTI

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*U dinamičnom i konkurentskom savremenom poslovnom ambijentu, organizacije mogu opstati i uspeti samo ukoliko potrošačima ponude proizvode i usluge superiornijih karakteristika, u poređenju sa proizvodima i uslugama koje nude konkurenti, ili ukoliko proizvode ili usluge, sa karakteristikama koje su slične konkurentskim, ponude po nižoj ceni. Kao izvori konkurentnosti organizacije mogu se javiti različiti resursi kojima organizacija raspolaže ili različite kompetencije koje su joj svojstvene. Tokom poslednjih decenija, ljudski resursi postaju jedan od najznačajnijih organizacionih potencijala za sticanje i održanje njene konkurentnosti. Da bi privukla, zadržala i*

*iskoristila potencijal koji ljudski kapital sa sobom nosi, organizacija treba da kreira takav interni poslovni ambijent koji će podsticajno delovati na maksimalno ispoljavanje i svrsishodno korišćenje tog potencijala. Cilj rada je da ukaže na pojačani doprinos ljudskih resursa konkurentnosti organizacije kao i na različite mere čija efikasna primena može unaprediti procese privlačenja i razvoja onih kadrova koji u većoj meri doprinose kreiranju više vrednosti za organizaciju, zbog čega postaju jedan od značajnih izvora njene konkurentnosti.*

**Ključne reči:** *ljudski resursi, konkurentnost, menadžment, organizacija.*