

## Human Resources – A Value Driven Perspective

Marius Daraban

“Lucian Blaga” University of Sibiu, Romania

[marius.daraban@dmc.ro](mailto:marius.daraban@dmc.ro)

### Abstract

*The information age has changed many of the “classical” business activities by altering the core values and management principles. Human resources management has also changed and has adapted to the new challenges of the 21<sup>st</sup>-century information age. The hunt for knowledge and for the determined business value is driven by more complex and far-reaching human resources activities. Companies must change their “classic” view on human resources to prevail and to be successful in the new complex and speed century. Human resources have changed its old working principles to fit the requirements of constant data, information, and knowledge “hunting” and morphed to a proactive and dynamic business value driver. The main objective of the paper is to show and document that human resources management is 21<sup>st</sup>-century business value and knowledge driver that business organizations must use in their quest for the ultimate competitive advantage.*

**Key words:** human resources, value driver, information age, economic value

**J.E.L. Classification:** M00, D46, O15

### 1. Introduction

When talking about a business or a business organization the concept of human resources cannot be ignored. Right next to the viability of the business idea and the needed business capital the human resources are an essential element that supports a business idea to become reality by transcending from just a well-thought business plan to an operational, activating organization.

A business organization can be defined as being an entity formed for the deployment of commercial activities by making use of resources to create value for its shareholders. One of the critical resources that a business organization needs to control and can use is human resources.

Like any other business resource, also human resources, represented by the employed or needed staff/employees need to be properly managed and handled to reach the defined business organization goal.

Since the very early stages of development of human society, there was a clear need for attracting, retaining, training and developing the best available people for the achievement of an organizational goal.

“During pre-historic times, there existed consistent methods for selection of tribal leaders. From 2000BC to 1500BC, the Chinese used employee screening techniques and while Greeks used an apprentice system.” (Tubey, et al., 2015, p. 1)

As of today, there is hardly a universally accepted definition of Human Resource Management. Human Resources Management (also known as HRM or HR) is the activity of managing the organization's human resources by maximization of staff performance to assure the organizational strategic goal.

## **2. Theoretical background**

The 21<sup>st</sup> century has come with a lot of changes and challenges to the daily life of humans. One major change in the daily life of humans is determined by the information age that has started in the 1990s with the breakthrough of electronic data processing.

The massive adoption and rapid development of information technology have led to a paradigm shift in business management and business philosophy. Data, information, and knowledge have become the "prime commodity" of the information age of the 21<sup>st</sup> century. Business organizations, like any organization, are generating data, information, and knowledge from within their own organizations.

The current paper proposes a detailed look at business human resources management from the perspective of the information age where data, information, and knowledge are prime products for the business organization. Modern human resources management is more than a clerical activity, it has become a main business value contributor by meeting all the key requirements of the information age, it is creating economic or business value, through the proper and efficient management of organizations knowledge.

## **3. Research methodology**

Qualitative research was the main research methodology used for the present paper. Interviews and free discussions with human resources professionals and executives have been highlighted the main research objectives. Document analysis in form of publications and articles and social and professional media analysis confirmed and documented the main findings of the present paper.

## **4. Origins of human resources management**

Human resources management has evolved alongside the development of human society to fit the new challenges and requirements of the social and business realities. Early human resources employees were called personnel administrators, due to their mainly reactive and administrative role in managing worker's relations. Even more, the performed activities have been mostly secretarial and did not have any link to the strategy of the business organization.

HRM has evolved and developed at different rates all over the globe, it was mainly driven by the adoption of power-driven machines and industrialization. This process created a lot of jobs that have had simplistic, monotonous operations that have been performed also in unhealthy or even dangerous working environments and that has led to the separation in white and blue-collar.

The concentration of workers in industrial factories has led public attention to focus on labor environments and employment conditions. The economic theories of the time, early 1900, have highlighted the potential conflicts between employers and employees.

"Governments became involved in these issues and passed a series of laws to regulate the hours of work for women and children, to establish minimum wages for male labor and to protect workers from unhealthy or hazardous working conditions." (Tubey, et al., 2015, p. 2). In the given new frameworks, companies have begun to focus and to analyze the nature of work and work systems still focusing on the main goal of getting maximum efficiency of the available human resources for the achievement of the strategic business goals.

HRM has evolved and developed as a reflection of human society and the industrialization of businesses. Starting 1900 until 1940 the personnel management function was mainly assimilated to the supervisor, line managers that have faced the early stages of the modern HRM, like recruiting, training, etc. Until the 2nd World War human has faced some major events, the great depression from the 1930s and the first World War, have scared human society, trade unions have been active but mainly focusing in basic working conditions and pay. Personnel functions have been mainly limited to personnel administration like wages, disciplinary actions, and welfare. Starting 1940 until the mid-1970 the marks of World War II are visible in all areas of the business, because of the lack of resources a more professional approach to personnel management was needed and has appeared. The scarcity of labor resources in critical post-war industries have determined and

increase in requirements and a change in approach, topics like labor performance and recruitment, retention and training of personnel became the main preoccupation of personnel management.

Personnel administration has morphed towards human resources management at the time when it became obvious that staff, personnel, employees are more than a workforce. This transformation has represented the incorporation and development of the secretarial activities of personnel administration into the management of human resources, a strategic business activity, that was oriented towards organizational efficiency. Human resource management sees staff as human resources that are recognized as assets, owning knowledge, skills, aptitudes, and potential. The business assets called human resources demand a different management strategy as opposed to seeing human resources as costs. Human resources, properly managed, are the key factor for a business organization that pursues its business goals.

What is today known as Human Resources Management has evolved and has morphed from the more "simplistic", administrative orientation of personnel administration? The main differences of the old view, personnel administration and the new view, human resources management, are shown in table no. 1 further below.

The old concepts of personnel administration have evolved and have transformed to meet the requirements of the new social, business and economic environment. The changes in the old concepts have accompanied and supported the new socio-economic environment.

*Table no. 1 - Personnel Management vs HRM*

<b>Factor</b>	<b>Personnel Management</b>	<b>Human Resource Management</b>
<b>Time and planning perspective</b>	Short term, reactive, ad hoc, marginal	Long term, proactive, strategic, Integrated
<b>Psychological contract</b>	Compliance	Commitment
<b>Employee relations perspective</b>	Pluralist, collective, low trust	Unitarist, individual, high trust
<b>Preferred structure/system</b>	Bureaucratic/mechanistic, centralized, formal/defined roles	Organic, devolved, flexible roles
<b>Roles</b>	Specialized/professional	Largely integrated into line Management
<b>Evaluation</b>	Cost minimization	Maximum utilization (human asset accounting)

*Source:* Adapted from 'Human Resource and Industrial Relations', Journal of Management Studies, 24 May, p. 507

## **5. HR as a corporate knowledge-based organization**

The concepts of human resource management (HRM) and human resources (HR) are replacing the obsolete and aged concepts of personnel administration or personnel management. Today's meaning and role of HRM is people management within a business organization. "Human Resource (HR) management deals with the design of formal systems in an organization to ensure the effective and efficient use of human talent to accomplish organizational goals. In an organization, the management of human resources means that they must be recruited, compensated, trained, and developed." (Birkend , et al., 2013, p. 1)

Human resource management has an important role and contribution to the business knowledge management function due to the fact that it manages people that are the source of tacit knowledge for business organizations. Considering the knowledge management view, the role of human resources management is to attract, retain and develop intellectual capital that covers the business organization's needs.

"Organizational learning is an integrative characteristic of most companies although not all of them can utilize it for the creation of an improved performance. Organizational knowledge and knowledge management and interconnected and both are widely dependent on human resources." (Birkend , et al., 2013, p. 5)

In the classical view, HRM has its focus on securing, training, motivating and retaining the business organization's workforce while concentrating efforts to maintain and control labor costs. Due to changes in paradigm, influenced by the information revolution, HRM must contribute to the accomplishment of the sustainable competitive advantage of the business organization by capitalizing on the core asset of the employees, their knowledge. HRM enables, facilitates and assures the proper organizational environment for employees to use their knowledge to achieve the corporate strategic goals by securing, training, motivating and retaining the best workforce.

"The approach of KM and HR is much complex due to the fact that HR internal consultants should be leading factors in defining the learning organization through shared knowledge or through specific policies that have as aim to increase the orientation to discover and share the knowledge." (Chasovschi, et al., 2010, p. 3)

"Nowadays, the knowledge workers are found at almost all levels of the workforce, from low wages to high wages." (Dobre, 2012, p. 1)

Modern HRM must set up procedures and systems so that employees can deliver maximal efficiency by securing, training, motivating and retaining needed staff by encouraging and creating a work environment that fosters and promotes learning, communication, and knowledge sharing.

"In the knowledge-based economy, the human resources management activities will be not resumed by the conventional functions of staffing, training, and development, performance management, etc." (Antohi, 2013, p. 2)

In the context of the knowledge-based society, Human Resources Management includes the same traditional functions but with a changed approach. Recruitment, retention, and development of staff are viewed as procurement of knowledge rather than procurement of labor force.

Human resources management creates, distributes and uses knowledge through the creation of systems and processes that leverage the new point of view on employees and the labor force. The modern HRM, to fit the requirements of the knowledge-based society and to assure the needed competitive advantage, can be summarized as a business organization that fosters, promotes and assures knowledge creation by itself and by the managed employees.

The processes and systems created by HRM are custom designed and proprietary to the business organization and use the specific knowledge, background, and experience of the HR staff to gain a specific competitive advantage.

## **6. HR as a corporate business value driver**

Modern Human Resources Management defines and profiles competitive and innovative business organizations of the 21st century, a century of the information and knowledge revolution. Even though the main processes of Human Resources are the same, sourcing, retention and development of needed labor force, the influence of the information and knowledge revolution has left its mark.

The classical processes have been adjusted and updated to match the requirements and the newly transformed demands of market competition that is now focused on the "prime commodity" of the knowledge economy.

The transformation of the role and focus of HRM has led to new challenges of business organization management. HRM is one of the main drivers of the value chain and its contribution to the business organization margin has been demonstrated and is accepted.

HRM creates value through the generated specific knowledge of the sourced, retained and developed employees. The available pool of potential employees, valuable and accessible knowledge resources, is not unlimited, this puts business organizations in increased and more complex competition. The creativity and innovation of the business organization HRM create value the more the needed knowledge is in short supply.

One other solution to access the needed knowledge at the level of the business organization is the investment and fostering of the knowledge organization. This process is a time-consuming process that can not react quickly to the changes in the markets and competitors. The organizational HRM can mediate and manage these aspects by retention and motivation systems and policies for the existing staff.

## 7. Conclusions

HRM has progressively increased in complexity because of the changing market requirements and competition. The created value and the resulting competitive advantage has put business organizations into the position to assure and to sustain the growing reach of HRM in the business value chain. Human resources are one of the most important and relevant business functions and activities that need to be treated with the utmost attention by business managers, stakeholders, and shareholders. Based on the existing business goals the activity of the human resource must find, acquire, retain and develop the needed business human resources by aligning and understanding the business strategic goals.

By assuring the needed employees, human resources (HR) defines, develops and distributes specific activity and business knowledge. The knowledge creation and management process are influenced by HR in two ways, by creation, implementation, and management of rules and regulations for internal business use and by sourcing of employees that contribute to the overall business knowledge creation and management.

The creation and management of internal rules and regulations for employed staff are based on existing legal frameworks, the tacit knowledge of HR staff and business organization goals and organizational culture. Knowledge is created by adjusting the HR rules for the achievement of business goals. In the case of HR, knowledge creation is the basis of the organizational culture that transforms and adjusts the "level" of the business organization so that tacit knowledge is transformed in explicit knowledge by its employees and fosters the learning organization.

Business value is created by the sourced, retained and developed staff that assures and enables further development of business organization and operations. In the information age, the information worker, the knowledge worker, is enabling, transforming and distributing knowledge and created business value true the shaped improved and streamlined operational and organizational business processes, tools and systems.

The main challenge for the HR of the 21st information is the sourcing, retention, and development of needed skilled and trained human resources that can contribute to the knowledge and value creation process of the business organization. The HR function has transcended the clerical, administrative role and has morphed into a creative, proactive knowledge-based organization that is contributing to the business organization value creation process by tapping into the core of the knowledge creation and development, the tacit knowledge transformation from tacit into explicit knowledge by creating an adequate framework for the employed staff.

Disruptions in the knowledge and value creation process can be determined by socio-political instability, increased labor union power, missing or low management performance and lack of clear business goals and perspectives that determine a decrease in employee and employer branding.

Human resources in the information age imply a delicate balance between demand and supply of needed skilled resources that can be acquired by business organizations that are proactively and flexibly acting on the labor market.

In Romania, in the last years, one of the major battles that are fought by companies is the battle for knowledge, through the intense and wide-reaching recruiting campaigns. Local companies like UiPath, Bitdefender, TotalSoft, Zitec, Kaufland, Lidl, etc. have developed strong high-performance HR departments and have integrated HRM in their business strategic activities.

## 8. References

- Antohi, I., 2013. The Challenges of Human Resources Management Practice in a Knowledge-Based Organization. *Ovidius University Annals, Economic Sciences Series*, pp. 1060-1063.
- Birkend, A., Nexhbi, V. & Sadudin, I., 2013. *Human Resources and Knowledge Management*. Zadar, Croatia, ToKnowPress, pp. 1037-1043.
- Chasovschi, C., Bejinaru, R. & Bordeianu, O., 2010. Optimization of human resources function through knowledge management. *The Annals of the "Stefan cel Mare" University of Suceava. Fascicle of The Faculty of Economics and Public Administration*, 10(2), pp. 208-215.
- Dobre, O.-I., 2012. Managing human resources in the knowledge-based economy. *Review of Applied Socio-Economic Research*, 3(1), pp. 68-76.

- Tubey, R., Rotich, K. J. & Kurgat, A., 2015. History, Evolution, and Development of Human Resource Management: A Contemporary Perspective. *European Journal of Business and Management*, 7(9), pp. 139-149.