

HRSM As an Effective Factor for Business Companies

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Abstract: Human Resources Strategic Management (HRSM) is a global challenge today and Georgia is no exception. In the condition of increased competitiveness, companies are facing HR strategic management problems. Each company intends to be competitive and leader in the market. Also, businesses are trying to create motivational systems for the staff and successful functioning of the company itself. Though, there are existing many obstacles, which prevent to implement strategic management processes efficiently. Also, there is increased significance of technologies, financial resources, entrepreneurship and on the contrary has increased importance of human resources strategic management. To study this issue and importance of HRSM the quantitative survey has conducted and totally 40 HR professionals has been surveyed from private businesses. Also, the works, articles, books of other scientists related to this field have been studied.

Keywords: Human Resources, Strategic management, challenges.

I. INTRODUCTION

In the 1880-1930s, "classic theories" began to develop, the main idea was to maximize human work in exchange for remuneration. On the way to global technologies' development human functions in the manufacturing process have changed, and the development of human resource management as a science has begun from the beginning of the twentieth century and raised the question about human factor importance and their proper management to achieve effective business results.

From the 60's, there has been a special focus on the human factor. At this time the agenda has come to study not only human but human behavior. Recognition of human as a valuable asset for organization. The role and significance of the human being was especially elevated in the post-industrial era when it became the main factor of development of individual companies and countries as well as economics [1].

In recent years, human resource management has undergone a serious transformation. Today, human resources play an important role in the development of companies. Moreover, they are considered as a source of competitive advantage for them. In addition, human resources are one of the most profitable investments for companies. They are distinguished with different

physical and intellectual capabilities, which in turn affects the development of the organization. According to the “Harvard School”¹, people should be seen as potential assets

and not as variable costs”. This idea was followed by the strategic and facilitating management of human resources from administrative management.

Based on the foregoing, strategic management of human resources is a global challenge. In this regard, Georgia, as the country on the path of development, is no exception. Moreover, on the background of rapidly growing technological processes, existing business companies in Georgia face serious difficulties in strategic management of human resource. In particular, the business strategy of organizations is often incompatible with the Strategic Management of Human Resources (SMHR).

II. METHODOLOGY

2.1 Theoretical and methodological basis

The work is based on research of Georgian and foreign scientists on strategic management of human resources; Materials published in international review journals: articles, publications, monographs; Research reports on HRSM-related research on Georgian market; Books of scientists and electronic sources related to other topics. HR managers/specialists of the Georgian market and other persons working on the issue were interviewed during the survey.

It is noteworthy that in the example of companies operating in Georgia there is no significant data on the overall research on strategic management of human resources. In order to improve the practical part of my work I conducted a survey (see Annex #1). The goal of the research was to evaluate the effectiveness of strategic management of human resources on the companies’ effectiveness. The questionnaire was used as a research instrument, which was included both open and closed type questions. The survey was conducted through online questioning method and interviewed 40 HR specialist from companies operating in Georgia. Random selection method was used for selection of companies that have both strategic plans as well as who do not have no-strategic plans in the companies.

According to the findings, general trends have been revealed regarding strategic management of human resources. At the same time, all the hindering factors identified. Within the scope of the study, the role and importance of persons working on human resources management (specialists, department / department heads) has been studied in the strategies’ development process. The study has shown different trends in the companies who has and does not have strategic plans. As a result, the approach was developed in which case the strategic management of the organization performs a high degree of performance and affects its efficiency. Also, defined the importance of existence of strategic development plans and its impact on turnover rate.

The statistical analysis of the data was carried out using the statistical program – STATA. Different methods of statistical analysis are used, in particular: Chrombach's alpha for measuring the internal agreement of questionnaires and Wilcoxon tests for the inspection of the hypothesis. Correlations and reliability between variables have been identified through

¹ <http://fayllar.org/grigol-robaqizis-saxelobis-universiteti-akademiuri-macne.html?page=2>

these methods.

2.2.Goals and Objectives

The main goal of work was to study of impact of strategic human resources management on efficient functioning of companies in Georgia.

The objectives are as follows:

- Analysis of the theoretical-methodological basis of human resources strategic management;
- Assessment of the role of HR specialists in the strategic management process;
- Analysis of factors affecting strategic management of human resources;
- Assessment and analysis of strategic management efficiency of human resources in companies operating in the market;
- Develop recommendations.

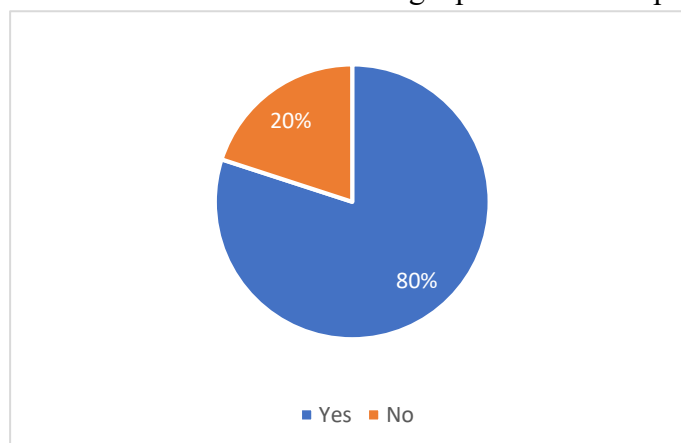
The object is Human resource units of companies operating in Georgia.

2.3 The work includes abstract, introduction, methodology, situational analysis, conclusion and references

III. SITUATIONAL ANALYSIS

Today, small and medium-sized enterprises focus on human resource development than before, because of sudden changes in HR field has become a strategic factor that affects the success of the companies'. Employee's intellectual capital, knowledge and competence determines business success or failure in dynamic environmental conditions [2]. Hence, the issues related to HRM business have become relevant for several reasons. First of all because HRM is considered to be top priority; Second, HRM is a subject of special interest, as human resources play a vital role in establishing sustainable competitive advantage; Third, especially in small companies, the workforce plays an essential role [3]. The existence of the HR Institute is in the process of deciding the management policy of decisive people. In most of the surveyed companies - 80% (see Diagram N3.1), along with the strategies of individual departments, there is also a Human Resource Management Strategy. More specifically, 92% of the large companies surveyed have a strategic plan (see Diagram # 3.2). It is not surprising that large companies have to make great efforts to maintain positions in a competitive environment.

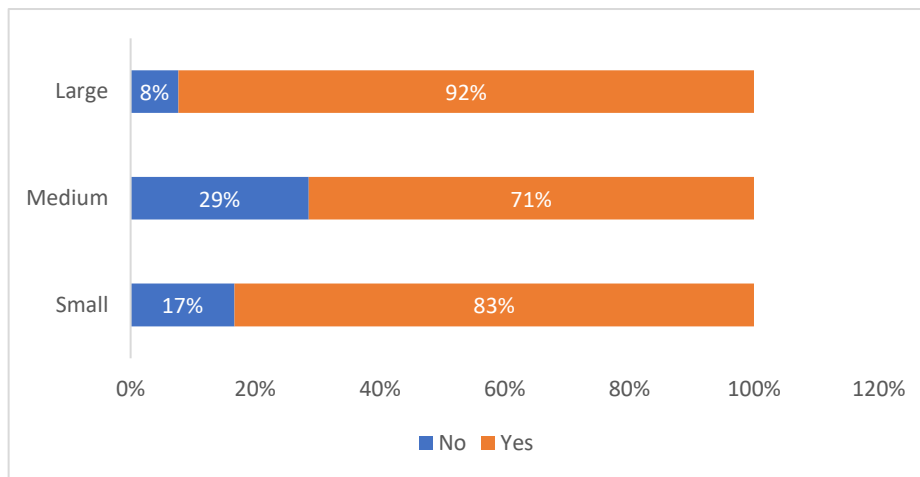
DIAGRAM N3.1 HR strategic plan in the companies



Source: made by author

For comparison of large and small businesses, we can say that the office space, different number of employees and the level of production in small companies is small. Consequently, it is similar to the HR department. A typical small business implies a maximum of 49 people. Having a specialist in a small company means more role than managing of human resources [4].

DIAGRAM N3.2 HR strategic plans per company size

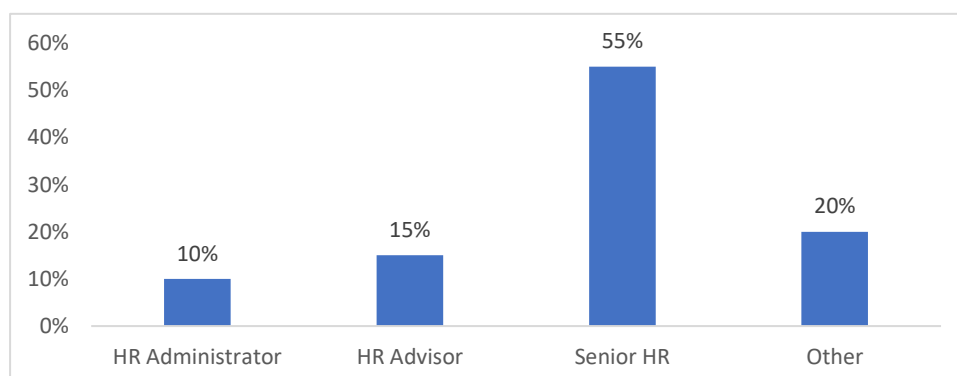


Source: made by author

According to 83% of respondents, the company is represented by the department/department /specialist. In companies where HR is the institute there are some form of medium or large companies. Working as a specialist in a large company, means management of human resources and having experience and creation of corporate culture. Besides, management of a large number of personnel is related to challenges and complex managerial approaches. Depending on the above, it may be concluded that a large number of employees in the large size (employees > 249) have the need to manage their complexity, which is the reason why HR department exists separately.

It should be mentioned as well how important is HR for the companies. From the survey results 70% of interviewed companies, who has HR unit/Specialist has also HR strategy. And also, the companies, who have HR strategic plans, have qualified HR specialists. It means defined roles for HRs in the organizations. 55% of interviewed respondents perform the functions of the Senior HR in the company (see Diagram # 3.3). Advisor's function is 15% and administrative only 10%.

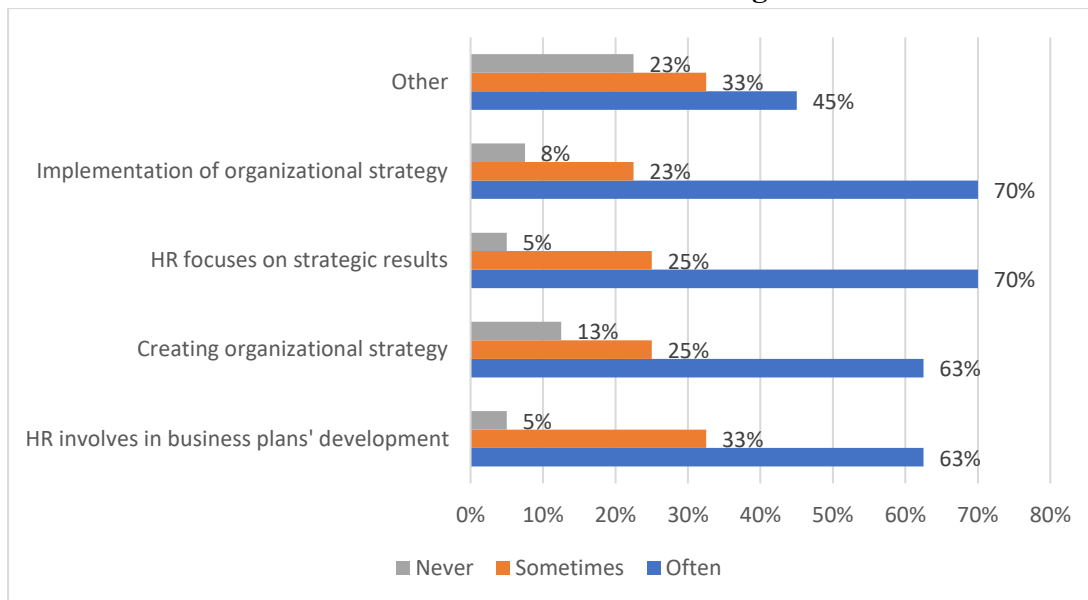
DIAGRAM N3.3 Main roles of HRs in the companies



Source: made by author

According to this data, we can say that traditional approach of human resource management is gradually experiencing transformation to a strategic approach [5]. It is a positive fact, but it should be noted that human resource managers do not only work on strategic planning. In fact, they combine administrative activities with the strategic content of the company due to the lack of staff in the company.

DIAGRAM N3.4 HR involvement in the organizational functions



source: made by author

The best way for HR specialist/unit to be successful is that HR should be involved in business management processes as well. But sometimes HR specialists are not fully involved in these processes what is the main factor of HR unit success. In most cases HR specialists are often involved in implementation of organizational strategies, focus on strategic results and develop business objectives (70-70%), only the 33% sometimes are involved in creating organizational strategies and 13% are never involved in creating organizational strategies and implementation (see diagram N3.4).

According to the survey revealed direct dependence between HR strategic plan and personnel turnover rate. I decided to check that dependence because One of the most important criteria to measure effectiveness of HR department in the company is turnover rate (excluding voluntary turnover rate). Based on the survey, it was found that the lowest 1-5% of the turnover rate is fixed in 80% of the companies with HR strategic plan and in 20% of companies with no HR strategic plan (see Diagram N3.5). 6-10% turnover rate is in 78% of companies who have HR strategic plans and 22% who do not have.

During the survey factors affecting on HR management process have been identified both internal and external, which are the serious challenges for the managers today. If today's business managers ask what is the biggest challenge for them, the answer is – cost management. Costs for workforce may include health insurance, training expenses, and rent expenses [6]. Cost reduction, as a rule, primarily affects on low-level staff employed,

dismissal of the material system of motivation or other benefits.

Additionally, according to a survey conducted by the World Federation of Personnel Management (CHFPMA), the 3 major challenges associated with managing human resources have been shown to influence HR management. Among them are the most remarkable - management of changes, leadership development and measuring of human resources efficiency. The change is the same as transformation, fast conversion, flexibility, sudden learning, speed, all this is related to the change. Changes affect both the organization and the staff. Managers are obliged to make quick changes to the changes. Consequently, the change of management is one of the challenges of personal development. In response to these challenges, the manager will develop a single model in response to the expected and unexpected changes.

The next challenge is to develop a leadership that is based on the research conducted by the World Federation of Personnel Management (FPMA)

As a result, Global Leadership Development has demonstrated how critical strategic initiatives to hire the right people in the workplace, and that the culture of the organization determines the quality of performance and that the managers should become leaders in the future in order to be able to sustain stable development in the long term.

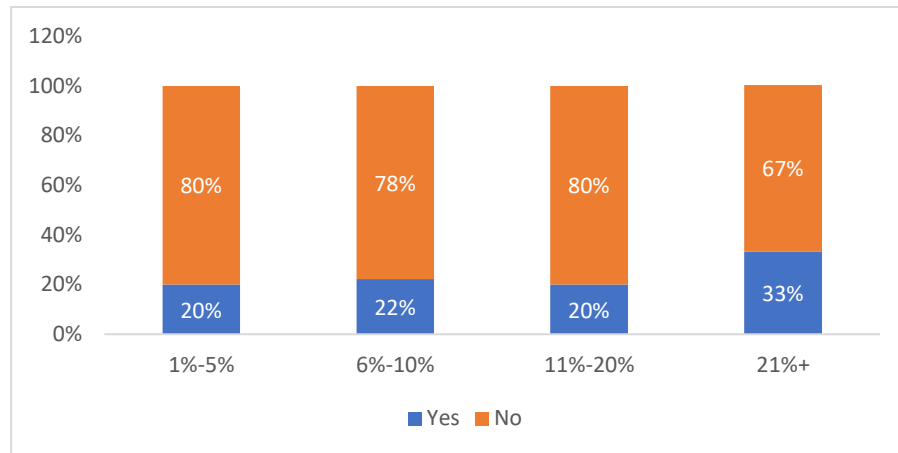
The third important challenge is the absence of mechanisms for measuring management efficiency. According to the study, it is revealed that organizations do not use any mechanisms for measuring efficiency, and for sure efficiency has positive effect on the company's performance.

At the same time, the role of technological changes on HR management should be noted. Technologies bring the world closer to each other and provide them with the rich means of interaction. They reduce both the geographical distance and the difference between languages and cultures. The role of managers of human resources management is to make communication with staff easy and technological innovations easy to use.

Technological changes create a competitive environment and provide businesses with different methods of struggle. This means that companies that create value chain between business competitiveness and HR create a company's competitiveness in the market [7]. Imagine that human resource management practices should ensure to make all the parties interested, inside and outside the company.

According to research conducted in companies in Georgia to study human resources management, the respondents were asked to set up the factor and barriers that are most likely to interfere with their activities. The challenges related to HR issues and their involvement in organizational development processes.

Depending on the level of personnel turnover rate and the strategic plan, we can evaluate the situation, in particular turnover rate in the companies. The fact that the highest turnover rate - 21%+ is observed in 67% of strategic non-strategic companies and 33% of HR strategic plan businesses. The fact underscores the importance of strategic planning and processes in the company. Because strategic planning along with the development of personnel development programs includes creating motivation programs for employees and maintaining them at work.

DIAGRAM N3.5 Turnover rate per existing strategic plans in the companies

source: made by author

Consequently, we can conclude that the existence of an HR strategic plan is important in the companies with large number of employees and their strategic management needs are high. In this part of the survey, the respondents' answers were summarized and revealed how HRSM is generally affected by the company's performance. In general, companies have different indicators for the performance of the company. Such as the improvement of product quality and sales growth in the market. Improvement of product quality in accordance with increase in sales increases with increased profits. Hence, companies need to improve the vital part of the organization, such as human resources. Strategic management of human resources has a positive effect on achieving company objectives. If we consider these resources as knowledge, skills, behaviors, competences, etc. The survey shows that 70% of the organizations prove that the performance of the company changes as a result of strategic management of human resources while 16.7% That the strategic management of human resources had minimal impact on the results of the company. Minimal impact is caused by poorly managed housing resources. Although a large part of HR managers is involved in the development of business goals and organizational strategy. Only 13.3% of respondents said that strategic management of human resources had no effect on the company's performance and effectiveness. These companies do not have an organizational business strategy or HR strategies.

For the statistical evaluation of the factors and variables affecting on company's performance, here is presented correlation matrix (see diagram N3.6).

DIAGRAM N3.6 Correlation between variables

	var1	var2	var3	var4	var5	var6	var7	var8
var1	1.0000							
var2	-0.4827	1.0000						
var3	0.1837	-0.3116	1.0000					
var4	-0.1313	0.2949	-0.1531	1.0000				
var5	0.2727	-0.4788	0.1454	-0.1484	1.0000			
var6	0.4439	-0.6350	0.2905	-0.0323	0.5472	1.0000		
var7	0.0255	-0.1913	-0.0179	0.0330	0.2120	0.2601	1.0000	
var8	-0.1101	0.0113	-0.1332	-0.0408	-0.1452	-0.1899	-0.3655	1.0000

source: made by author

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Correlation coefficient usually ranges from -1 to 1. The scheme shows that there is a positive correlation between the HR management process and the size of the organization (coef = 0.2727). Also, there is a positive correlation between the organization's size and the working hours on HR issues (coef = 0.4439). The positive correlation between the existence of HR strategic plan and the perfection of HR management process, all means that the increase of one variable from the list leads to an increase of the second variable.

The correlation's negative coefficient is the highest among HR issues and the existence of HR service/department/specialist in the organization, which means that these two variables have a moderate negative connection.

In order to prove the effect of the HR strategic plan for companies in the work force, I use the test of the Wilcoxon. Wilcoxon test shows the average statistical comparison between two dependent variables. The Wilcoxon test has a zero hypothesis that both variables are derived from the same population. It creates all the observable differences between the two dependent variables and uses the standard normal distribution of the Z variable to test the significance.

According to Wilcoxon's test, the **zero-hypothesis** of the test implies that there is no difference between personnel turnover rate and strategic business plan, it means that the the existence of a strategic plan does not determine the reduction of turnover rate in the company. There are two hypotheses formed that look like:

Zero hypothesis: $H_0: \mu_2 - \mu_1 < 0.5$

Alternative hypothesis: $H_A: \mu_2 - \mu_1 \geq 0.5$

Where μ_2 is an average turnover rate in the companies where there is an HR strategic plan and μ_1 is a turnover assessment in the companies that do not have a HR strategic plan.

The text was composed as follows: The first group of companies in which the HR strategic plan is divided, is based on the size of the company (small, medium and large), and the subdivision of the two subsidiaries in addition to the functions and obligations performed by the average size companies are: Senior HR and other. Similarly, subdivisions are the second type of companies where there was no HR strategic plan.

As a result of the test, the difference is important ($\text{Prob} | Z | = 0.5637$) Between these two groups we can say that the existence of an HR strategic plan determines the personnel turnover in the company, also it impacts o company's efficiency.

wilcoxon signed-rank test

sign	obs	sum ranks	expected
positive	2	6	4.5
negative	1	3	4.5
zero	1	1	1
all	4	10	10

unadjusted variance 7.50
 adjustment for ties -0.50
 adjustment for zeros -0.25

adjusted variance 6.75

Ho: var1 = var2
 $z = 0.577$
 Prob > |z| = 0.5637

DIAGRAM N3.7 The results of Wilcoxon test

Source: made by author

IV.CONCLUSION AND ROCCOMENDTIONS

To sum up, according to survey results existence of HR strategy does not impacts on company's performance. In particular, in large size companies have the necessity to have HR unit because of large number of employees, which need complex management.

One trend also revealed I linked with HR roles. In most cases, they serve as the role of senior HR specialists, which includes HR policy planning, strategy development and decision making with heads. Only a small number of specialists perform an administrative role does not mean that in most companies the human resources managers work only in a strategic direction. Due to the lack of staff, they often have to combine administrative and strategic functions, including routine activities - making orders, preparation of contracts, etc.

Also, the problem is that HR specialists are not fully involved in development and implementation of strategic plans in the companies. In most cases, this is the one of the problems why HR work is not so effective. Besides, there are some more factors affecting on HR effective management process, which are: changes, leadership development and measuring of HR efficiency.

According to the survey results, it was found that there is positive and negative correlation between personnel turnover rate and existence of HR strategy. After the comparison of two groups with HR strategies and no HR strategies seems, that turnover rate is higher in the companies who does not have HR strategy. It means, that there is no complex approach to manage employees.

The recommendations are the following:

- ✚ Perfection of human resources management stages (Recruiting, staffing, Selection, development and maintenance)
- ✚ Creation of skills development-oriented programs;
- ✚ Matching human resource strategies with company's strategy;
- ✚ Establishment of HR effectiveness mechanisms;
- ✚ Support to HR department initiatives;
- ✚ Assessment of HR strategy impact on company's effectiveness;
- ✚ Monitoring and updating of HR roles and functions.

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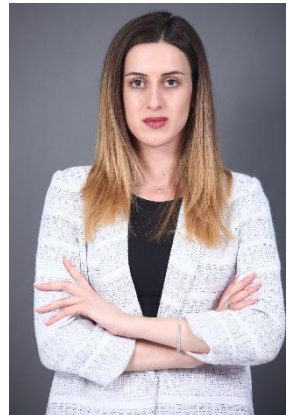
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