

# Developing the function of human resource management with a view to building competitive advantage of enterprises in Bosnia and Herzegovina

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# **DEVELOPING THE FUNCTION OF HUMAN RESOURCE MANAGEMENT WITH A VIEW TO BUILDING COMPETITIVE ADVANTAGE OF ENTERPRISES IN BOSNIA AND HERZEGOVINA \***

## **ABSTRACT**

Contemporary business environment generates hyper changes and hyper competition, which is why enterprises are challenged to search for new sources to preserve and build competitive advantage in the global marketplace. In the theory and practice of management, the general view is that people and their knowledge are becoming a fundamental value in modern enterprises, and that successful human resource management is an important determinant of competitiveness. However, the importance of having specific knowledge and skills in the enterprises in Bosnia and Herzegovina (BiH) is still not recognized and human resources of these enterprises are not treated in accordance with their importance. Therefore, the objective of this paper is to point to the state and prospects of human resource development in the enterprises in BiH in the context of improving their competitiveness. This paper includes the results of one part of the empirical research covering 120 enterprises from BiH. The research was conducted in order to identify and analyze the situation in the field of key phases of human resource management in these enterprises (job analysis, human resource planning, management and selection of human resources, training and human resource development, evaluation of work performance, selection and implementation of the reward system, and management of human resource fluctuation). Based on the results, it can be concluded that the human resource management in these enterprises is underdeveloped when viewed as a special managerial function or business function, but also when treated as a separate modern business orientation in which people and their knowledge are the key value in the enterprise. The study results also show inadequate organizational treatment of human resource management in the enterprises in BiH, considering that managers' awareness about the importance of establishing a department of human resources in these enterprises is still not sufficiently developed.

**Keywords:** human resources, competitive advantage, enterprises in BiH

## 1. Introduction

The first half of the 20<sup>th</sup> century is connected to the beginning of development of a commonly named structural approach to the enterprise strategy, focused toward elucidating the relationship between environment, behaviour, and enterprise performance. According to this approach, which was redefined and improved in the 1980s by Porter, features of the industry determine the degree of enterprise competitiveness. However, since the 1990s, in the management related literature and in business practice, intensive affirmation has been evident of the resource approach to enterprise strategy, according to which modern enterprises that work under conditions of great uncertainty and variability should build their competitive advantage on internal resources, which are hard to copy or imitate.

The end of the 20<sup>th</sup> and the beginning of the 21<sup>st</sup> century was characterized by the idea that people and their knowledge are a valuable organizational resource and that competitiveness in a hypercompetitive global market should be built on that basis. In spite of the fact that the view of the importance of human resources was generally accepted, human resources management in the former Yugoslavia was underdeveloped and limited to the basic function of personnel administration. Furthermore, while management schools existed, they performed the functions of supporting the status quo rather than developing professional managers and professional management skills (Purg, 1992). Human resources in BiH enterprises, with regard to building and maintaining competitive advantages are still not getting satisfactory attention, as evidenced by the results of the empirical research which will be presented in this paper.

The study attempts to establish the links between human resource management and competitive advantage. The principal research method employed included sample and measurements tools and data analysis concerning human resource management and competitive advantage. Finally, in the discussion based on the empirical analysis, relevant conclusions are drawn.

## 2. Various approaches to competitiveness

### 2.1 Structural approach to strategy of enterprise and competitiveness

Structural approach to the strategy of the enterprise is based on a commonly named *Structure – Conduct – Performance* (S-C-P) paradigm. *Structure* is named after the structure of the industry measured by factors such as the number of competitors in the industry, heterogeneity of costs of the entrance to and exit from the industry. *Conduct* relates to specific enterprise activities within the industry, including changes in pricing policy, product differentiation, secret agreements, as well as exploitation of the market position. *Performance* has two meanings: the first relates to the performance of an individual enterprise and the second one to the performance of the economy as a whole (Barney, 2002). Therefore, according to the structural approach, the features of the industry within which an enterprise operates define the range of its possibilities and limitations, and determine its competitive advantage.

Although the S-C-P paradigm has been a revelation in understanding the market and competitive behaviour of enterprises in the industry, numerous objections have been raised regarding this approach. The first one relates to dealing exclusively with public politic issues, instead of the issues of enterprises such as finding ways to minimize, not maximize above average profits. The second disadvantage of this approach relates to the use of a limited list of structural variables in order to explain the profitability of certain industries, which limits wider possibilities of an enterprise's activities with the aim of improving its competitiveness within the industry (named as *Conduct* within the S-C-P paradigm).

M. E. Porter, considered as the most important structuralist, has tried to eliminate all the mentioned weaknesses of the S-C-P model. In his article named "*Note on the Structural Analysis of Industries*" Porter puts an emphasis on enterprise and maximization of its profit and an increase in enterprise competitiveness, unlike previous structuralists who focused on the matters of public politics. In 1980, Porter published the book "*Competitive strategy: Techniques for Analyzing Industries and Competitors*", which largely contributed to understanding the analysis of the industry. Until the 1990s, it

was a dominant model in the field of business strategy. Porter used the concepts of industrial organization (market power, profitability, entry and exit barriers, etc.) in order to shape its general model of five competitive forces for explaining effectiveness and performance of enterprises (threats of potential new competitors; threats of existing competitors; threats of substitute products; negotiating skills of supplier; negotiating skills of the buyer).

The intensity of the five identified forces and their mutual relationships, according to Porter, defines the differences between industries in determining long-term sustainable profits. In addition, accepting the nature of these forces, according to this author, enables the formulation of an adequate strategy for each enterprise. Examining the forces of enterprise, which enable basic competitive advantages in a wider competitive area, Porter has identified three generic competitive strategies (costs leadership, differentiation and focusing) (Porter, 1980).

According to the structural theory, the essence of enterprise's strategic behaviour comes down to connecting the enterprise to the key element of its environment - industry, where achieving sustainable competitive advantage within the industry is the foundation of its success. Therefore, the structural theory affirms the so called external orientation of the strategy of the enterprise leaning toward the external sources of competitiveness. However, since the 1990s onwards, many authors have started criticising the structural approach toward the enterprise strategy (Downes, L.: *Beyond Porter – A Critique of the Critique of Porter*). Their mutual approach summarises the following: internal resources are more important than industrial structures in achieving and maintaining competitive advantage. Greater intensity of turbulence and dynamics in the environment on a global scale has contributed toward the affirmation of the opinion that the position in the environment does not secure the only foundation for designing the strategy of the enterprise. Under the influence of the mentioned changes in the environment, a significant decrease has been established in the actual possibility of quality strategic positioning and establishing advantages based on using unique positions in industrial and macro environment. (Tipurić, 1999). Also, some practical researches have shown that differences in profits within the industry are more important than profit differences between whole industries, which are the consequence of international compe-

tion, rapid technology development, and diversification of the enterprise outside industrial borders. Consequently, according to the opinion of various authors and based on the results of empirical studies, enterprises of today should base their competitive advantage and strategic actions on their own internal potentials, which is a central determinant of the so called resource strategy approach.

## 2.2 Resource approach to the strategy of the enterprise and competitiveness

The idea that internal resources are more important than industrial structure for the establishment and maintenance of competitive advantage of an enterprise became the denominator to a large number of theoreticians and practitioners since the 1980s. The idea is based on a commonly named resource theory (model) of the enterprise strategy (*The Resource – Based View of the Firm*).

The term resource includes tangible, intangible, and human resources. Tangible resources are various physical (material) and financial resources an enterprise has. Intangible resources are invisible resources in the form of reputation of the organization, organizational culture and the so called technological resources (patents, author rights, business secrets, "know-how", etc). Human resources are expressed in the form of knowledge and skills owned by the employees (Grant, 1995). The basic hypothesis of the resource theory is that quality and quantity of resources are not equally distributed among the competitors and that the heterogeneity of resources enables enterprises to build various business strategies.

The most influential concept in the resource theory is the concept of "core competencies". Its founders and followers are G. Hamel and C. K. Prahalad.

In their publications, these authors have built a rational theoretical framework for examining an enterprise's success on the basis of commonly named internal competitiveness.

G. Hamel and C. K. Prahalad define core competencies as "areas of specialized expertise which are the result of harmonized complex technology flow and business activities" (Hamel, Prahalad, 1994). It is actually a complex and incorporated set of complementing technologies, knowledge and skills, whose superior coordination of business activi-

ties and superior use of available resources give a source and foundation of competitive advantage to an enterprise. According to G. Hamel and C. K. Prahalad, the Porter theory of comparative advantages does not give the right answer to the question why certain enterprises are capable of continuously creating new forms of competitive advantage, while others are just their followers. Also, according to the Porter model, it is difficult to recognize critical points of industry restructuring and the building of new forms of competitive advantage. Furthermore, it is difficult to discern what the main trigger in the process of the creation of a competitive advantage is.

### 2.3 Critiques of the structural and resource approach to competitiveness

In their publications, Advocates of the structural approach to the strategy, especially M. Porter, have expressed critical opinion toward the concept of "core competencies" as well as toward the resource theory in general. Numerous empirical researches which confirmed the basic assumptions of the resource approach have contributed toward the affirmation of the resource strategy approach, one of the most important being the conducted by R. Rumelt. This author has conducted his research on 588 productive enterprises, classified according to SIC (*Standard Industry Classification*) in 261 industries, during a 4 year period, using the method of multivariate analysis of variance. Based on the results of the research, Rumelt states that the effects of the business unit largely outmatched industrial. Contrary to the assumptions of the structural approach, R. Rumelt concludes that enterprises are very heterogeneous and that the rate of return primarily depends on the enterprise itself, as well as its resources, while differences in the size have almost no impact. Effects of corporation in explaining the variance were shown to be completely irrelevant, which means that belonging to a corporation does not have any synergetic effect.

The results of the mentioned empirical researches have challenged the work of M. Porter. His statements that enterprise has to build strategy in the context of forces which form the profitability of its industry, was denied by G. Hamel and C. K. Prahalad with the statement that enterprise needs to identify its core competencies and should base

its strategic orientation upon them. Furthermore, a large number of authors are of the opinion that under conditions of a hyper changing environment, formalized strategic thinking is pointless. Consistent with that opinion, in the 1990s many enterprises started to intensively use concepts such as business processes re-engineering (BPR) and total quality management (TQM), respecting the assumption that focusing on business processes and quality is the most important source of competitiveness.

In his article "*What is Strategy?*", M. Porter has emphasized that implementation of the mentioned concepts enables only operational improvement, but rarely results in the long-term sustainable profitability of the enterprise. Porter states that operational effectiveness means that "you are running the same track, only faster than others, while strategy is the second track choice: the one you have chosen to win in" (Porter, 2005).

M. Porter is particularly critical toward the concept "core competences", emphasizing that it is circular, since it explains successfulness of an enterprise by possessing unique competences, without explaining what makes resources and competences successful. According to this author, resources are important because they are a prerequisite for performance activities which create advantages in particular markets, not because they have their own value. Therefore, the importance of resources is valued by their role in the process of performing activities directed toward achieving competitive advantage. For Porter, a resource based view strategy approach is applicable in environments marked with incremental changes, with a limited number of strategic variables or their combinations and the most important advantage of the concept, according to this scientist, is in the assessment of possibilities and opportunities for diversification based on integrated resources and business activities.

Besides noted defects in the resource approach to competitiveness, during the past years, a large number of enterprises, in terms of hyper change and hyper competitiveness, are more orientated toward "looking" for new sources of competitiveness, which would be difficult for competitors to imitate and especially to copy. Human resources and their knowledge and skills in that context have been recognized as a significant internal resource serving as the basis for successfully building competitiveness.

### 3. Human resources and competitiveness of modern enterprises

#### 3.1 Human resource function

Every company has knowledge, skills, values and specific characteristics, which in terms of proper management of available resources can be converted to a value in the market, which can achieve a competitive advantage. The emphasis is on achieving sustainable competitive advantage through effective and efficient utilization of tangible and intangible resources available within the firm. Tangible resources (material and financial assets) are covered by traditional measuring system, balance sheet and income statement, and other financial reporting forms. On the other hand, organizations are increasingly becoming aware of the role of intellectual capital in the newly created value, which cannot be adequately presented in the financial statements of the business. This is the most valuable asset as it guides the organization into a correct path, to be on time, to meet the right person, at a right place (Dransfield, 2000).

The resource based view predicts that competitive advantage can be achieved through acquiring and maintaining idiosyncratic resources which are rare, difficult to imitate, and non-substitutable (Barney, 1991). Namely, human resources are satisfying the most important criteria of uniqueness defined by the resource approach advocates for strategy and competitiveness. DeSaa-Pérez and Garcí'a-Falco'n (2002) pointed out that human resources are valuable because they are different in their capacities and abilities, and therefore, in their contribution to the firm. They are rare because it is difficult to find people who guarantee high performance levels. Their inimitability emerges from the difficulty in duplicating people's knowledge, abilities, experience, etc. Lastly, they are difficult to replace because not everybody has the same capacity to adapt to different environment and technologies.

Human resource management as a source of competitive advantage has evolved a great deal over the past 20 years. Indeed, developments in the human resource management theory, research and practice have helped transform human resource management from a reactive function focusing on administrative and bureaucratic issues to a proactive function focusing on integration. Indeed, hu-

man resource management (HRM) as we know it today was until the beginning of the 1980s considered as personnel management, and was meant to encompass a broad range of employee concerns and employment policies. Insights from the human relations (Mayo, 1933) and human resources (McGregor, 1960) schools of thought have found their way into human resource management as a means of trying to make organization-employee relations more just and humane. From the beginning of the 1980s a new orientation appears toward integrative, proactive and strategic observation of working factors in the company.

A significant trend in HRM theory and practice has been toward making the function more supportive of organizational strategies (Liu, Combs, Ketchen, & Ireland, 2007), transforming human resource management into strategic human resource management. In this line of analysis, the role of human resource management seems to be largely assumed: HRM should promote the interests of the organization whilst discharging the organization's legal obligations to employees. This is not surprising, given the role of government regulation in the employment relationship and the increasing desire of HRM professionals to be strategic partners rather than mere members of the "personnel department" (Van Buren et al., 2011).

Further, HRM as we know it today is quite different in its orientation from the previous manifestations of HRM in organizations. Ferris et al. (1999) propose that changes in HRM theories and practices have generally been driven by changes in the broader social, legal, and political climate in addition to organizational demands for efficiency.

According to Beer (1997), competition, globalization, and continuous change in markets and technology are the principal reasons for the transformation of human resource management. Additionally, a revolution in capital markets has given shareholders a more powerful voice and has made it possible for them to claim a larger share of the corporation's resources. As a consequence of these forces, Beer considers that corporations are finding themselves in the midst of a revolution in organizing and managing people that will continue well into the 21<sup>st</sup> century. A flatter, less bureaucratic, less hierarchical, faster and more responsive organization is emerging as the model for the future. In such an organization people will be employed in a more cost effective manner. Beer identifies three waves of

change that are the main reasons for the transformation of HRM. According to Beer, the focus on cost effectiveness is the first change that will cause transformation of the human resource (HR) function. As the second major force for change Beer induces Chief Executive Officers and their attempt to discover is HR function up to the task. The third major force for change is development of knowledge on the potential for organization and their people to be a source of competitive advantage. To make the transformation of the human resource function successful Beer suggests that:

*“The older administrative, compliance, and service oriented human resource activities will have to become more differentiated from the new strategic HR activities.*

*Administrative service centres do not have to reside within the HR function, however; a more radical, and probably superior solution, is to transfer these centres to a corporate service organization which will provide HR services for a fee. Increasingly HR services are being outsourced to external vendors. Moving administrative and service functions out of HR is essential if a new strategic role is to emerge. Still another way the HR function will transform itself is by eliminating human resource systems and practices long held to be central pillars of effective human resource management” (Beer, 1997, p. 52).*

Consequently, the human resource management, which deals with recruiting, developing, and keeping the best people, now has the opportunity to move out of the background into the mainstream of organizational strategy and management. In a world in which all work is knowledge work and intellectual capital is crucial for economic success, it is logical that the ability to attract, retain, and use the talents of people provides a competitive edge (O'Reilly, Pfeffer, 2000: 257).

### 3.2 Human resource management and competitive advantage

The result of effectively managing human resources is an enhanced ability to attract and retain qualified employees who are motivated to perform, and the results of having the right employees motivated to perform are numerous. They include greater profitability, low employee turnover, high product quality, lower production costs, and more rapid acceptance

and implementation of corporate strategy. These results, particularly if coupled with competitors who do not have the right people motivated to perform, can create a number of competitive advantages through human resource management practices (Randell et al., 1984).

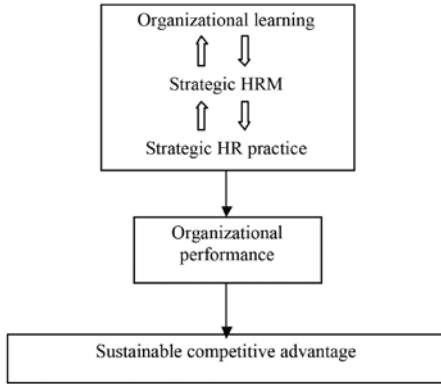
Ulrich (1991) also discussed how human resource practices can be used by firms to develop strategies that will lead to a sustained competitive advantage, stating that there must be a focus on the relationship between human resources, strategies and competitive advantage. Ulrich partially relied on the resource-based theoretical perspective in describing human resources as a competitive advantage by expanding Porter's (1980) model of competitive advantage to include organizational culture, distinctive competence, and strategic unity as mediators in the strategy-competitive advantage link. This perspective focuses on human resource practice that enables a firm to have a competitive advantage relative to other firms.

In terms of determining the factors that increase sustainable competitive advantage through people, Khandekar and Sharma (2005) examine the foremost benefit of high-quality HRM – organizational performance, and seldom take a second step of investigating its impact on organizational competitive advantage, as followers of the resource-based view do. They prove that there is significant impact of strategic HRM on sustainable competitive advantage. They propose a model of organizational learning and strategic HRM for sustainable competitive advantage (Figure 1).

There is significant impact of the strategic human resource management variable on sustainable competitive advantage. The findings of the study also suggest that organization-based learning HR strategies do help in promoting individual, team, and organization-wide learning in yielding high performance for sustainable competitive advantage. Strategic human resource management practices like strategic HR planning, recruitment and selection, improved rewards systems and adding flexibility to them, developing the employees' management skills of the line managers, improving organizational capabilities by developing employees skills, revamping training and development to deliver the learning belief and the transformation of human resource is the key to sustainable competitive advantage for the organizations (Khandekar, Sharma, 2005).

**Figure 1** *The model of organizational learning and strategic HRM for sustainable competitive advantage*

organizational learning and strategic HRM for sustainable competitive advantage



Source: Khandekar, A., Sharma, A. (2005), "Organizational learning in Indian organizations: a strategic HRM perspective," *Journal of Small Business and Enterprise Development*, Vol. 12, No. 2, pp. 222.

However, according to the resource based view, because human resources are characterized by causal ambiguity, social complexity and unique historical conditions, not all firms can successfully develop human resources as a sustained competitive advantage through imitating the HR practices of firms (Ulrich, 1991) that have successfully developed human resources.

While recognizing the importance of human resource practices, Wright et al. (1994) proved that they are easily imitated and/or substituted, and thus cannot by themselves be a source of sustained competitive advantage. Therefore, the source of sustained competitive advantage lies in the human resources themselves, not the practices used to attract, utilize and retain them (Wright, McMahan, McWilliams, 1994). Authors demonstrate theoretically the 'job' behind the role of human resource practices in developing sustained competitive advantage. Although human resource practices are not themselves the sources of sustained competitive advantage, they play an important role in developing sustained competitive advantage through the development of the human capital pool and through moderating the relationship between this pool and sustained competitive advantage by affect-

ing human resource behaviour. Authors discuss that through the human resource capital pool and employee behaviour human resources can constitute a sustained competitive advantage. However, this human capital pool can also be developed and behaviour brought in line with firm goals through human resource practices which are under the control of managers (Wright, McMahan, McWilliams, 1994).

What can be concluded from the previous is that, in order for employees to act as a source of competitive advantage, first they need to be knowledgeable and motivated by their managers and human resource practice used in an enterprise. Consequently, the starting point for enterprises that wish to manage their human capital successfully, are activities of human resource departments.

#### **4. Results of the empirical research on conditions and perspective of human resources as a basis for building competitive advantage of BiH enterprises**

##### **4.1 Methodology of the research**

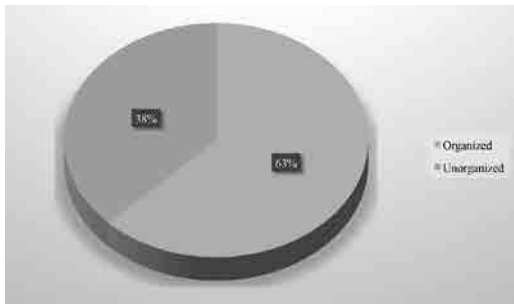
In order to examine the function of human resources in enterprises and their ability to contribute to enterprise competitiveness, the empirical research was conducted. In this paper we present the results of the research regarding identification and analysis of the conditions and perspective of human resources in Bosnian and Herzegovinian enterprises. The research was conducted from February to June 2014. The main sample of this research consists of 120 Bosnian and Herzegovinian enterprises, which are geographically dispersed and distributed by branches. Out of a total of 120 distributed questionnaires, 104 have been returned, which makes 86.7 % of the research sample. As the basic instrument for data collection for this research a survey questionnaire has been used. Survey questionnaires have been delivered by a random sample method to all top managers of enterprises comprising the sample (with a possibility for them to be filled in by general managers or some of the top management members).

The survey questionnaire comprised 34 questions, grouped in nine logical units, of which the first one is related to general data on the enterprise, the need of organization for HRM function and the expertise



of HRM employees, while the remaining eight units are compatible with the chosen content elements of the subject research. While designing a significant part of the survey questionnaire, we relied on the basic process phases of human resource management.

**Chart 1 Organization of the function of Human Resource Management**



Source: Results of personal research

The HRM scale included the strategic integration of the set of HR activities, functions and processes – HR planning, recruitment and selection, training and development, performance appraisal, compensation and rewards, and organizational exit – carried out to attract, develop and maintain the strategic HR that allows the firm to achieve its goals.

**Chart 2 Form of organization of Human Resource Department**



Source: Results of personal research

The survey questionnaires were delivered in person or sent by post, with a brief covering letter explaining the importance of the research.

Descriptive statistics calculations and independent samples t-tests were conducted using the Statistical Package for Social Science (SPSS).

#### 4.2 Results

The goal of the research was identification and analysis of the conditions and perspective of human resources in Bosnian and Herzegovinian enterprises. The results of one part of the conducted research will be presented and interpreted below.

The research results show (as visible in Chart 1) that in the case of 65 enterprises (62.5%) there is an organized function of human resource management, while on the other hand, 37.5% of them (n=39) do not have this function organized.

Chart 2 shows the dominant form of organization of the human resource department. Namely, as the results of the conducted research show, in 10.6% cases, the human resource department is organized as a separate unit (n=11), while in 89.4% of cases, tasks related to human resource management were grouped together with the general and legal affairs within the personnel department of the organizational unit (n=93). By using the Chi Square test it was determined that there is a significant difference in the number of enterprises in which human resource management was organized as a separate organizational unit, compared to enterprises in which activities in that area are performed within the personnel department,  $\chi^2=64.65$ ;  $df=1$ ;  $p<0.01$ ; whereby there are significantly more enterprises in which activities related to human resources are grouped with general and legal affairs.

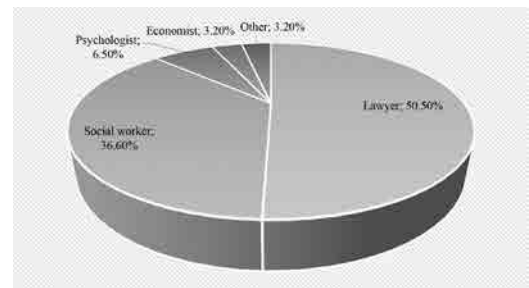
Table 1, which shows part of the results of the empirical research, indicates that, concerning activities related to recruitment and employment, the human resource department is mostly involved in activities related to interviewing (37%) and temporary employment (25.2%), while recruitment and candidate testing related activities are more limited. Based on these results, it is easy to conclude that the top management of an enterprise keeps a significant part of the authority related to recruitment and selection and does not delegate it to experts from the human resource department, which can be a significantly limiting factor in treating human resources as a source of establishing a higher level of competitiveness.

**Table 1 Affairs under Human Resource authority**

		Fully agree	Agree	Partly agree	Do not agree	Do not agree at all
Recruitment and employment	Recruitment	17.2	28.3	26.3	16.2	12.1
	Interviewing	37.0	33.0	18.0	4.0	8.0
	Testing	18.0	34.0	29.0	6.0	13.0
	Temporary employment	25.2	37.9	21.4	8.7	6.8
Training and development	New-hire orientation	14.4	54.4	15.6	7.8	7.8
	New-hire training	29.2	38.2	20.2	6.7	5.6
	Improvement of productivity	30.0	35.6	22.2	2.2	10.0
Income	Administrative income	18.0	29.2	27.0	9.0	16.9
	Job description	25.6	42.2	14.4	10.0	7.8
	Manager's income	15.7	28.1	23.6	21.3	11.2
	Stimulations	24.2	30.8	20.9	9.9	14.3
	Job evaluation	32.6	29.3	23.9	6.5	7.6
Benefits	Insurance	35.2	31.9	13.2	8.8	11.0
	Vacations	40.9	29.0	18.3	5.4	6.5
	Paid and unpaid absence	34.8	34.8	16.3	6.5	7.6
	Retirement plan	30.2	30.2	16.3	15.1	8.1
	Participation in profit	21.4	10.7	27.4	25.0	15.5
Personal files	Information systems	37.8	25.6	18.9	6.7	11.1
	Employees' files handling	51.6	34.4	9.7	2.2	2.2

Source: Results of personal research

As for the activities in the area of training and human resource development, according to the results of the conducted research, the focus of the human resource department in Bosnian and Herzegovinian enterprises is mostly on productivity improvement (30.6%) and employees' training (29.2%). When talking about participation of human resource departments in creating and implementing income policies, based on the research results it can be concluded that authority in this department is limited, and that human resource department is usually responsible for evaluating work performance (32.6%) and creating job descriptions (25.6%). Based on all this, it can be concluded that human resource department only ensures inputs for decision making at higher levels in an enterprise.

**Chart 3 Employees performing jobs in Human Resource Management**

Source: Results of personal research

**Table 2 Skills of experts in Human Resources**

		Fully agree	Agree	Partly agree	Do not agree	Do not agree at all
Role of strategic partner	Ability to analyse current and future business organizational goals and role of human resource department in achieving them	39.4	40.4	12.8	3.2	4.3
	Ability to analyse fluctuations	22.8	34.8	21.7	5.4	15.2
	Productivity and analysis of potential problems with consumers in order to propose suitable solutions in the human resource management area	36.2	33.0	18.1	3.2	9.6
Role of change agent	Overcoming resistance of employees toward new policies and practices, technologies and job descriptions made by human resource department	24.5	45.7	14.9	6.4	8.5
Role of employees' lawyer	Leading and counselling employees and presenting employees' opinion to the management	22.3	31.9	29.8	9.6	6.4
Role of administrative expert	Creating, introducing and continuously improving human resource management systems and understanding how technology can make them more efficient and cheaper	28.7	40.4	20.2	3.2	7.4

Source: Results of personal research

The data show that employees in human resource department usually perform activities related to organization and recording data related to absence (40.9%), tasks related to health insurance (35.2%), monitoring and documenting paid and unpaid absence from work (34.8%), and the human resource department function is primarily administrative and documentary. The results show that the focus of employees in human resource department is more on handling employees' files (51.6%) than on the development of information systems which would ensure the input for making important decisions in the area of human resources (37.8%). The presented results, as well as the fact that human resource employees spend a lot of time dealing with employees' discipline (50.5%) and respecting work related legislation (50.0%), show that modern human resource departments have not been established in Bosnian and Herzegovinian enterprises and that we are still dealing with the classic personnel departments.

The previous statement is confirmed with the data shown in Chart 3, from which it can be seen that jobs related to human resource management in Bosnian and Herzegovinian enterprises are usually performed by lawyers (50.5%) and social workers (36.6%), while a small number of psychologists are

involved in these activities (6.5%) as well as economists (3.2%), and people of other occupations (3.2%). The Chi square test has determined that there is a significant difference in frequencies of people conducting activities in human resource management,  $\chi^2=80.50$ ;  $df=4$ ;  $p<0.01$ ; where the mentioned activities are usually performed by lawyers.

According to the results of the empirical research, which are shown in Table 2, it is evident that respondents in Bosnian and Herzegovinian enterprises included in the research, are of the opinion that the role of strategic partner and the role of change agent are recognized as important skills that experts dealing with human resources should have. However, as the results of the research show, the respondents give the same importance to the role of the lawyer and to administrative roles of human resource experts, which brings us to the conclusion that in Bosnian and Herzegovinian enterprises there is still a perception of the human resource department as an "administrative" centre which deals with issues related to work legislation of employees.

In order to determine if there is a significant difference in activities under the authority of human resource department, we used the independent samples t- test.

**Table 3 Comparison of activities under the authority of human resources, regarding the form of organisation of the human resource department**

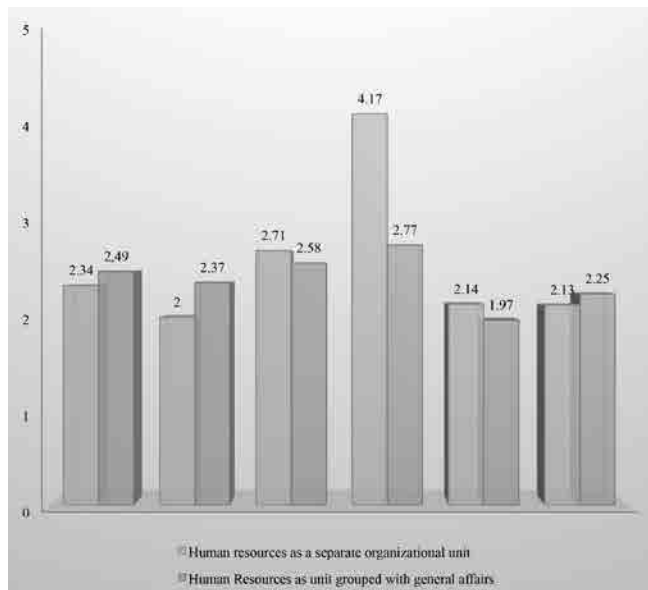
Affairs	Human resources as a separate organizational unit		Human resources as a unit grouped with general affairs		Total		t-test	
	M	SD	M	SD	M	SD	t	p
Recruitment and employment	2.34	0.80	2.49	0.91	2.47	0.89	-0.506	0.614
Training and development	2.00	0.80	2.37	1.00	2.33	0.98	-1.189	0.238
Income	2.71	0.90	2.58	1.00	2.59	0.98	0.418	0.677
Benefit	4.17	0.19	2.77	0.93	2.92	0.98	2.977	0.005
Personal files	2.14	1.33	1.97	0.88	1.99	0.93	0.536	0.593
Relations with employees and social community	2.13	0.74	2.25	0.84	2.24	0.82	-0.468	0.641

Source: Results of personal research

Prior to performing the analysis we have created six job categories by accumulating estimated values of certain activities from mentioned

categories. In this way we have obtained an average estimation of the importance of certain job categories which fall under human resources department jurisdiction, while lower values mark a higher value of certain category.

**Chart 4 Comparison of average estimated importance of affairs of Recruitment and employment, Training and development, Income, Benefits, Personal files and Relations with employees and social community**



Source: Results of personal research

**Table 4 Skills of experts in Human Resources with regard to the type of organization of Human Resources department**

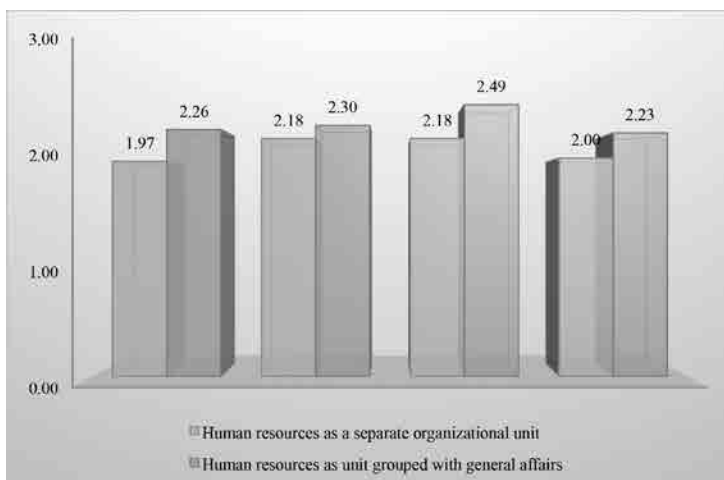
Skills	Human resources as a separate organizational unit		Human resources as a unit grouped with general affairs		Total		t-test	
	M	SD	M	SD	M	SD	t	p
Strategic Partner	1.97	0.72	2.26	1.03	2.22	1.00	-0.886	0.378
Change agent	2.18	0.87	2.30	1.20	2.29	1.16	-0.319	0.750
Lawyers	2.18	0.75	2.49	1.17	2.46	1.13	-0.858	0.393
Administrative expert	2.00	1.00	2.23	1.14	2.20	1.12	-0.634	0.528

Source: Results of personal research

The results show that the largest number of respondent estimates that handling personal files is the most common job the human resources department deals with (1.99±0.93).

By analyzing the differences between enterprises which have organized the human resources department as a separate organizational unit and enterprises whose human resources management jobs were grouped with general jobs within the personnel department, we have established the existence of a difference in the estimated importance in the area of employees' benefits management,  $t=2.977$ ;  $p<0.01$ ; where examinees from the enterprises that have established human resources department, listed groups of jobs seen as less common and less important (4.17±0.19), compared to the enterprises which have an organized personnel department (2.77±0.93).

**Chart 5 Comparison of average estimated importance of skills of experts in Human Resources with regard to the type of organization of Human Resource department**



Source: Results of personal research

As for the other five groups of jobs (Recruitment and employment, Training and development, Income, Personal files and Relations with employees and social community) significant difference between the two groups has not been determined,  $p > 0.05$  (Chart 4), which shows a lack of awareness regarding the role and tasks of the human resources department in modern enterprises.

In order to determine if there is a significant difference in perception of the importance of certain skills of experts from human resources considering the form of organization of the human resources department, we used the independent samples *t*-test.

Prior to performing the analysis we have created four categories of activities by accumulating the estimated values of certain activities from the mentioned categories.

In this way, we have obtained an average estimate of importance of certain skills that human resource experts should have, whereby the lower values mark higher value of a certain category.

The presented results show that the largest number of examinees estimate that administrative experts' skills are the most important skills a human resource expert should have ( $2.20 \pm 1.12$ ), while a skill of strategic partner is somewhat less important is ( $2.22 \pm 1.00$ ).

By analyzing the differences between Bosnian and Herzegovinian enterprises which have Human Resource departments as separate units and the enterprises in which HRM activities are performed within organizational units of general and legal affairs,

we have determined that there are no differences in the estimated importance of skills of experts in human resources (Strategic partner, Change agent, Employees' lawyer and Administrative expert),  $p > 0.05$  (Chart 5).

## 5. Conclusion

In spite of the fact that human resources were generally acknowledged as important, in former Yugoslavia human resources management was likewise underdeveloped and limited to the basic function of personnel administration, and as results of our research show, similar HR function is still underdeveloped in BiH enterprises. Human resources in Bosnian and Herzegovinian enterprises, with regard to building and maintaining competitive advantage are still not getting satisfactory attention.

Consequently, the transformation and advancement of human resource management in BiH should be the key to its competitiveness. Namely, the study proves that human resource management in BiH is not developed enough to be a firm ground for achieving competitive advantage through people.

Moreover, the study shows that the management in Bosnian and Herzegovinian enterprises neither recognizes the importance of human resource department as an important function within the organization, nor is the expertise of staff in the department taken as an important link in the development of other human resources in an organization.

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#### **(ENDNOTES)**

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## **RAZVIJANJE FUNKCIJE MENADŽMENTA LJUDSKIH RESURSA U SVRHU JAČANJA KONKURENTSKE PREDNOSTI BOSANSKOHERCEGOVAČKIH PODUZEĆA**

### **SAŽETAK**

Savremeno poslovno okruženje generira hiperpromjene i hiperkonkurenciju, što poduzeća stavlja pred izazov traženja novih izvora za očuvanje i izgradnju konkurentskih prednosti na globalnome tržištu. Opće je teorijsko stajalište i praksa menadžmenta da ljudi i njihovo znanje danas postaju fundamentalna vrijednost u suvremenim poduzećima te da uspješno upravljanje ljudskim resursima predstavlja značajnu determinantu ostvarivanja konkurentnosti. I pored toga, u bosanskohercegovačkim poduzećima još uvijek nije prepoznata važnost posjedovanja znanja i specifičnih vještina, te se ljudski resursi u ovim poduzećima ne tretiraju u skladu s njihovim značajem. Cilj je ovoga rada ukazati na stanje i perspektive razvoja ljudskih resursa u bosanskohercegovačkim poduzećima u kontekstu poboljšanja njihove konkurentnosti. Rad obuhvaća rezultate jednoga dijela empirijskog istraživanja kojim je obuhvaćeno 120 bosanskohercegovačkih poduzeća, koje je provedeno s ciljem da se identificira i analizira stanje ključnih faza menadžmenta ljudskih resursa u ovim poduzećima (analiza posla, planiranje ljudskih resursa, pribavljanje i selekcija ljudskih resursa, obuka i razvoj ljudskih resursa, ocjenjivanje radne uspješnosti, izbor i primjena sustava zarada, te upravljanje fluktuacijom ljudskih resursa). Na temelju rezultata istraživanja, može se zaključiti da je menadžment ljudskih resursa u ovim poduzećima nedovoljno razvijen i kada se na njega gleda kao na posebnu menadžersku funkciju, i kada se on posmatra kao poslovna funkcija, ali i kada se on tretira kao posebna savremena poslovna orijentacija prema kojoj ljudi i njihovo znanje predstavljaju ključnu vrijednost u poduzeću. Rezultati istraživanja također pokazuju i neadekvatan organizacijski tretman menadžmenta ljudskih resursa u bosanskohercegovačkim poduzećima, budući da svijest menadžera o značaju uspostavljanja sektora za ljudske resurse u ovim poduzećima još uvijek nije dovoljno razvijena.

**Ključne riječi:** ljudski resursi, konkurentne prednosti, bosanskohercegovačka poduzeća