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**THE RELATIONSHIP OF PERSONNEL MANAGEMENT AND COMPETITIVENESS OF THE ORGANIZATION**

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**Abstract.** This paper tries to emphasize why in the era of globalization human resources are viewed as a source of competitive advantage. Therefore, the aim of this paper is to reveal that human resources management is essential to ensure success of any organization, which is based on the belief that the organization gains a competitive advantage by using its people effectively and efficiently. Regarding this new challenge of HRM, this paper strives to identify whether the HRM can be considered as a source of competitive advantage of the firms. Finally, the result of this study highlights the value of human resources (HR) and its strategic activities which have an influence on organizations performance and competitive abilities.

**Keywords:** personnel management; organization; relationship; human resource; market scope and etc.

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**ВЗАИМОСВЯЗЬ УПРАВЛЕНИЯ ПЕРСОНАЛОМ И КОНКУРЕНТОСПОСОБНОСТИ ОРГАНИЗАЦИИ**

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**Аннотация.** В данной статье сделана попытка подчеркнуть, почему в эру глобализации человеческие ресурсы рассматриваются как источник конкурентного преимущества. Поэтому цель этой статьи состоит в том, чтобы показать, что управление человеческими ресурсами важно, чтобы гарантировать успех любой организации, основанной на вере, что она получает конкурентное преимущество при помощи своих сотрудников. Относительно этой новой проблемы HRM данная статья стремится определить, можно ли HRM рассмотреть как источник конкурентного преимущества фирм. Наконец, результат этого исследования выдвигает на первый план ценность человеческих ресурсов (HR) и ее стратегических действий, которые имеют влияние на организационную работу и конкурентоспособные способности.

**Ключевые слова:** управление персоналом; организация; отношения; человеческие ресурсы; объем рынка и т.д.

Constant growth and expansion of human needs, the growth of the world population and decrease of the world resources to meet the human needs lead to the necessity of encouraging the economic growth, to the necessity of raising the economic efficiency (both at the national level and the level of individual corporations). Earlier economic theories singled out labor, capital and natural resources among the factors influencing the increase of the economic growth. In the economic growth theories of the first half of the 20th century greater attention was paid to physical capital, increase in the labor force and the technical process, to the factors contributing to the increase in labor and capital productivity. The interest to human capital as a factor of the state economic growth arose in the 1960-s. Calling attention to human capital was connected with the realization of the fact that economic growth and development are not only a function of the originally existing productive factors (such as resources, geographic location, size of the state) but also of human...
created phenomena (such as culture, education and politics). People start to regard human capital as a resource which is no less important than natural resources or capital, as a cornerstone of competitiveness, economic growth and efficiency.

Originally human capital was estimated as a certain aggregate of factors influencing the performance of an individual person, forming their «wealth». Further on assumptions were put forward regarding the influence of human potential on forming the corporate or even the state «wealth», on stimulating the economic growth. The term «human resource management» (HRM) is simply the reflection of three words that does not provide much enlightenment. Where, ‘human’ implies it has something to do with people; ‘management’ places it in the domain of business and organization; but «resource» is a highly ambiguous concept that many people find difficult to relate to [1, 2]. now the question arises what exactly is the «HRM»? According to Storey [3], HRM is a distinctive approach to employment management which seeks to achieve competitive advantage through the strategic development of a highly committed and capable workforce. On the other hand, concerning to HRM, American Management Association (AMA), mentioned it can be described as the organizational function accountable for obtaining and maintaining qualified employees [4]. Therefore, from the various approaches of HRM, we came to know that one of the major sources of competitive advantage of a firm are the employees, i.e. HRM. In short it can be said that HRM is an important tool that includes:

a) planning and directing;

b) development and proper utilization of human resources;

c) counseling employees;

d) build public relationship;

e) classify jobs and prepare wage and salary scales;

f) deal with disciplinary problems;

g) negotiate with labor unions and service union contracts;

h) develop safety standards and practices;

i) manage benefit programs, such as group insurance, health, and retirement plans;

j) provide periodic reviews of the performance of each individual employee;

k) recognition of employees strengths and their needs for further development [1].

Personnel Management originated at the turn of the nineteenth Century, at the dawn of the first Industrial Revolution, and saw an abundance of factories and manufacturing plants across much of the UK significantly multiply. It was the conditions that employees were subject to that was the reasoning beamed the introduction of Personnel Management. It came about due to the unrestrained capitalism of the owners and investors of these factories and manufacturing plants. In the UK these owners were subject to some minimum levels of legalization in the form of the «Factory Acts of the 1840 s 5». These Acts called for some consideration towards the safety and welfare of the employees that worked in these mudstones enlightened capitalists such as Rowntree and Cadbury, who were often motivated by religious convictions, appointed «welfare officers» to monitor and improve the conditions and lives of workers. Their actions would often seem intrusive and paternalistic today: for example, they discouraged drinking out of work hours as well as during. According to this writer the concept of providing care, and giving due care and attention to the welfare of employees in this instance, was the beginnings of Personnel Management and the foundation stone towards HRM as we see it today critical to a Corporation’s growth and prosperity is gaining and retaining competitive advantage. Although corporations may pursue many paths to this end, one that is frequently not recognized is capitalizing on superior human resource management. Currently many companies recognize the growing importance of their human resources but few are capitalizing on them in strategic terms – in many ways to gain competitive advantage. The purpose of this article is to expand on the previous work of MacMillian the year before in which his article presented the concept of strategic initiative. He defines it as: the ability of a company or a strategic business unit to capture control of strategic behavior in the industries in which it competes. The initiative of a company, who proactively games competitive advantage, forces its competitors to respond with a reactive role in order to remain competitive or face being left beamed. The company occupying the proactive position has the greater power. Consequently it is from this idea that MacMillian and Schuler drew their hypothesis that if it can gain strategic advantage, a company can control its own destiny and to that extent it can gain an advantage that’s difficult for competitors to remove and stay in control longer. Thus the financial benefits of gaming competitive advantage are enormous. There is a group of thinkers who remain skeptical about the value that HR can bring to an organization. Some authors still promote skepticism and warn caution about the total success of HRM overall Academics have formed and added models, theories and schools of thought to the field of HRM over the last 20 years and there has there been a real uptake in this area Chapters of books and whole text-books have introduced the subject, (Langford, Hancock, Fellows & Gale, 1995, Durken & White) among others However, according to Dainty, Bagihole & neala, 2000) whilst there is a surge in
academic input into publications regarding HRM there is a distinct segregation between this and its uptake in forming part of the HRM policies and practices.

The theoretical framework of this paper shows Human Resource Management (HRM) plays a crucial role to address and ensure the success of the firm from a global perspective. Consequently, HRM is the function within an organization which is predominantly tasked with the different issues. These are as the role of recruitment, selection and introduction, personnel administration, training and development, performance and reward management, talent management, succession and career planning, labor relations and HR planning that is providing a general direction to the employees. Furthermore, the purpose of this study is to make an analysis and identifies the value of human resources in an organization for achieving the competitive advantage as well as to find the answer for the following queries: What is the role of the HRM in today’s business world.

On this new challenge of HRM this paper tries to describe that there are various important factors playing an important role for increasing organizational performance that leads an organization or a firm to promote their core competences. Among them human resource is one of the most essential factor in an organization that need to be taken into consideration. Several authors have different opinions, among them O’Reilly and Pfeffer [5] said that, we do live in a world in which knowledge, intellectual capital, rather than physical capital, is increasingly important and we need smart people who can do great things – increase productivity, build new products and services – and do so even more quickly. Currently, the 1st role played by HRM in a firm is being support system that provides guidance and supervision for the people management in the workplace. The 2nd role is human resourcing that includes necessary tasks as training, development, recruitment, selection and planning. Another role is the strategic management that plays an important part of corporate strategy, which is a key part of the decision making cycle. In short, it is to be noted that HRM in modern enterprises has two inter-related roles: (i) to foster the performance of an enterprise, and (ii) to act as a support for achieving competitiveness through people [6]. Thus, HR strategy is an important determinant of intensity and diversity of human resource practices that assist and guide managers, and affect the success of the organization [7, 8, 9]. Similarly, Hamel and Prahalad pointed out that human capital represents the only sustainable source of competitive advantage [10].

While analyzing the strategies and driving forces of human resources it is necessary to mention that in the era of globalization human resources are viewed as a source of competitive advantage. According to various management experts, there are different HR strategies, which are as follows: (i) building and guiding coalition; (ii) imaging the future; (iii) understanding current capabilities and identify the gap between business strategy and corporate strategy; (iv) creating a map of the whole management system; (v) modeling the dynamic of the vision; (vi) developing network into action. In view of that, Price stated that a philosophy of people management is based on the belief that an organization gains competitive advantage by using its people effectively and efficiently [2]. Also researcher Khandekar and Sharma mentioned that organizational learning influence strategic HRM to implement human resource practices that can positively impact the knowledge creation process and achieve the strategic goals of the firm [5, 6].

Fig. 1. Source of Market Value Shifted from Tangible Assets to Intangible Assets [15]
Рис. 1. Источник рыночной стоимости, смещаемой от материальных до нематериальных активов [15]
Then again, the strategies of HRM enable a firm to identify and to adopt the human capital initiatives, which are probable for enhancing the competitiveness and shareholders’ value [1, 8]. On the other hand, driving forces are the knowledge, skills, abilities and initiatives of human capital, i.e. the innovative perspective that measures the performance of an economic value added firm. Recent management experts believe that knowledge is one of the vital and major driving forces of HRM to keep pace with the change and to identify the performance driven behaviour of a firm. Performance driven behavior means a combination of performance orientation and professional excellence [7]. Nowadays, it has been observed that business world has shifted its focus from physical assets to knowledge and information i.e. human capital and Fig 1 is the reflection of the importance of HRM. Fig.1 illustrates that how gradually the source of value has shifted from tangible to intangible assets in 2014, where the implied market value of intangible assets reached 81%. This is the most valuable asset that guides the organization to be in a correct path, to be on time, to meet the right person at right place [9]. In a nutshell, this paper shows the strategies of HRM that encourage high individual performance to lead enterprises and to meet competitive advantage [4].

Currently, the question arise is HRM can enable firms to sustain their growth, maximize their economic opportunities, build the capability to meet the social goals in order to critically challenge the twenty-first century. It is necessary to see that in which way HRM can be a source of competitive advantage. Competitiveness refers to a firm’s ability to maintain and gain market share in its industry. It is related to firm’s effectiveness, which is determined by whether the firm satisfies the needs of stakeholders. In order to justify the proposed assumptions this paper represents the Fig. 2 with reference to the other researchers’ opinion concerning the importance of human resource management. Fig. 2 demonstrates that a firm can achieve competitive advantage only if it has adequate knowledge-based worker and if firm realize the significance of knowledge and necessity of knowledgeable employee.

Generally, organizational knowledge consists of two broad categories: (1) knowledge that is explicit codified knowledge and (2) knowledge that is not codified but exists primarily within the minds of employees, tacit knowledge. Further, Fig.2 shows that the distinction between organizational explicit and tacit knowledge is the difference between «know-what» and «know-how» in which organizational «know-how» puts «know-what» into action. One can view tacit knowledge as being intuitive, difficult to express, gained through experience, and shared with others through

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**Fig.2.** Human Resource Management as a Source of Sustained Competitiveness

*Рис. 2. Управление человеческими ресурсами как источник устойчивой конкурентоспособности*
interaction. Thus tacit knowledge is the information about work processes and products that individuals hold. Thus, HRM not only influence the human behavior in an enterprise, but it also affects the crucial development of human resources as a source of competitive advantage. Researcher Stata, Dertouzos, Whipp and Pettigrew have argued that growing numbers of organizations realize the importance of human resources as a key to be innovative and successful enterprise [10].

Evidently, HRM proves to be the key factor for increasing employees’ productivity, meaning that HR practices turn employees into resource of development, as well as into source of competitiveness. On the other hand, Porter [2] suggested that competitive advantage theory not only considers the factor endowments such as human resources, physical resources, knowledge resources, capital resources or the infrastructure inherited by organizations industries or regions, but it also emphasizes how these factors are being created and upgraded consistently [6]. Accordingly, Fitz-Enz also showed in his study that how HR systems contribute to a firm to improve its productivity, by three phases. While phase one – deals with human capital (where organizations make a plan to achieve their goal and for that they acquire adequate knowledge, skills and abilities); phase two – deals with task and process design, business units (R&D sales, production, distribution service) and outputs (service, quality and productivity); phase three- deals with competitive differentiation (product price, product delivery and support) and enterprises goals (profit, market share, companies reputation etc.) [5].

Therefore, based on the illustration of Fig.2 it can be recommended that Proposition 1: suggests that socialization activities (such as teaming and developmental assignments) aid in developing tacit knowledge as a source of sustained competitive advantage. Proposition 2: suggests that formal training practices aid in developing explicit knowledge, indirectly leading to new tacit knowledge as a source of sustained competitive advantage. Proposition 3: suggests that appropriate human resource practices that elicit productive employee behavior moderate the relationship between tacit knowledge and sustained competitive advantage [8].

Finally, on the basis of empirical evidence this study suggests some recommendations for effective utilization of human resources in an organization that can act as a tool for enhancing the competitive advantage of the firms. Such as:

a) to increase the superiority of the firms’ managers should provides a framework that not only offers performance measurements, but helps planners to identify what should be done and measured;

b) to get the best output management should provide better opportunities for their employees truly to implement and execute their modern strategies for business development;

c) to increase the excellence of the firm management should offer education and guidance about the development and advancement of their members;

d) to improve the firms’ competitiveness managers should develop cooperation with other firms in order to enhance joint development as well as to reduce cultural divergences.

To achieve the stated goal it is necessary to analyze the notion of the state national competitiveness. Currently one of the basic tasks facing both states and individual corporations is the creation of competitive advantages. Currently considerable changes are taking place in the world practices: most emphasis is put not on the comparative advantages (presented by labor costs and natural resources costs), as the case was before, but on competitive advantages based on the developed institutional environment, new organizational and institutional forms, unique goods and technologies. In the present paper we will consider the notion of competitiveness at the macro level, i.e. at the level of the states. Analyzing and generalizing a number of definitions one can draw a conclusion that the productivity level of production factors of the present country, the ability of the national companies to compete successfully on the international markets, the ability to maintain high levels of economic growth, the creation of competitive advantages stable in the medium-term and long-term prospect are regarded as the competitiveness of the national economy or state competitiveness. The authors consider that the most complete definition of international competitiveness is the one suggested by the experts of the World Economic Forum. This definition does not only explain the notion under consideration but also discloses its certain, specific components and suggests the tools for their analysis and research [The Global Competitiveness Report, 2009-2010]. According to this definition, national competitiveness is understood as the ability of the national economy to produce and consume goods and services under the competitive conditions existing on the international market, while raising the standard of living of the population and conforming to the international ecological standards. 10 One can refer the following as the components of international competitiveness:

- institutions-factor reflecting long-term competitiveness of a country and defining state stability during economic shocks, such as the current economic crisis which did not exert influence that
would considerably change the competitive positions of the countries by this factor, comparing the indicators of 2009-2010 and previous years. The institutions play one of the central roles in forming the competitive advantages of a country, as they define its investment attractiveness, allow not only to set efficient rules for the interaction of individuals and organizations but also efficient ways of redistribution of economic goods and resources;

– infrastructure – factor contributing to faster interaction among the regions, companies, countries, its good condition prevents overspending of time and resources;

– macroeconomic stability creates conditions for normal and stable development of the country. This factor reflects the condition of the state budget, existence of foreign debts, level of inflation and the existence of the national savings;

– health and secondary education – factor reflecting the most complete use of human potential, the level of labour productivity and the existence of basic knowledge;

– higher education and further education include not only highquality and accessible education system in the country but also its constant improvement, development of supplementary and specialized education, quality of management and level of in workplace training;

– commodities market efficiency reflects timeliness and usefulness of commodities produced in the country, success of their sales, presence of competition between both national and international goods;

– labor market efficiency is a factor indicating the level of access to the information for the potential employees, the level of cooperation between the employer and the employee, gender equivalence during the employment process, remuneration of labor;

– financial sector condition is defined by the reliability of financial institutions, easy access to loans, protection of investors;

– technological equipment level) factor reflects access to the latest technologies and technological products, condition of telephone network, internet access, availability of hi-tech mechanisms;

– market scope is defined by using two indices: national market scope and foreign market scope, and also the market scope of separate foreign countries;

– business condition is characterized by the quality and quantity of local suppliers, marketing development, spread and character of clusters, regulation of foreign distribution, nature of competitive advantages;

– innovation include both technological products along with innovations and research, level of scientists’ grounding, condition of laboratories, availability of production patents. It was necessary to single out indices which could serve an «indicator» of competitiveness condition to achieve the goals of this paper.

There are several opinions concerning this issue. One of them is that the country competitiveness belongs to macroeconomic phenomena governed by such factors as exchange rate, interest rates and budget deficit which is, however, disproved by the experience of a number of countries which have raised the living standard of their citizens considerably in spite of budget deficit or high interest rates. The second group of opinions regards national competitiveness as something which follows from resources which the country has in abundance (e.g. cheap labour force or rich natural reserves). This supposition is also disproved by the experience of a number of states which have reached prosperity having high labour force costs, deficit of labour force (e.g. Sweden and Switzerland), and also under conditions of limited natural reserves (e.g. Japan, Germany and some other states). There is also an opinion that state competitiveness is defined by the government policy: for instance, facilitation of import, grants etc. Another explanation of national competitiveness is that management practices differ considerably in various countries, the relation between the management and the employees, management styles also vary. However, this opinion does not disclose completely the essence of national competitiveness phenomenon either. According to Michael Porter, the only reasonable concept of national competitiveness is the productivity level, the level of achievement of the main goal of the state – that of ensuring high and constantly growing living standard of its citizens. Productivity is the main indicator which defines long-term living standard in the country, which defines average income per capita. That is why in this paper we will regard the living standard of the population in a certain country, average income per capita and GDP per capita as the indicators of national competitiveness. 12 national competitiveness of the state influences the formation of competitiveness of various branches and individual companies as it influences an aggregate of factors providing for the creation of the national environment where companies are born, the environment leading to the formation of competitive advantages.

Moreover, it can be concluded that the key dimensions of the present business environment mainly concentrating on proper access of knowledge, skills and technology up gradation. Where, HRM is considered to be a key player. And people are the
only repository of knowledge, i.e. the main resource. In the current climate of rapid technological change, it is becoming necessary for knowledge workers to be in a continuous learning mode for the betterment of the firm. These days, Government agencies often find difficulties to hire new technical workers and at the same time are showing a decline in training of existing employees. This is a leading indicator of 'brain drain' that must be reversed. So nowadays there is a tendency of modern firms to implement the competitive modern strategies and methods to expand the level of productivity and enhance the competitive advantage. In this circumstance, it is essential to mention that HRM is the backbone of any business, enabling firms to enhance their core competencies through interaction and pooling of information between individuals within an organization. It is assumed that the added value of this knowledge development process will lead the firms to achieve their competitive advantages through the transfer of specific individual knowledge to the collective knowledge, and vice versa.

References