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## MANAGEMENT AND MANAGING HUMAN RESOURCES

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### Abstract

Human resources management is an important strategic branch in every industry owing to its specific task of talent management, selection of competences, employees' knowledge and skills in order to achieve competitiveness in the market. The basic goals of human resources management are recognition of knowledge and skills and management of such information in coordination of employees in their work environment with the aim of employee growth and development which ultimately leads to growth and increased competitiveness in the market. Therefore, present-day human resources management is an important process of strategic management of a company as motivated and satisfied persons are the driving force of every company.

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### Key Words

Human resources management; knowledge; skills; growth and competitiveness in the market.

## INTRODUCTION

In the ever-more-complex and turbulent economy of the late 20<sup>th</sup> century to present-day, there is an evident need for developing human resources and an exponential investment in the same. Hence, human resources have entered the strategic structure of market-oriented companies.

Recently, there has been an observed increase in reporting on the topic of the importance of employees as a powerful tool for achieving a unique (single, uniform) competitive advantage as, after all, it is only *man* who can make that “small” difference happen.

Managing human resources appeared as the key instrument in creating a company’s strategy. Successful management of an individual’s knowledge and skills leads to employee motivation within a business organization, and the quality of work performance important for the organization depends on motivation.

The human factor has a growing significance for the development of a company, business activity and competitiveness, making it the reason for increased interest of scientists and researchers in that particular area.

Human resources management, as a very significant business function, creates a specific manner of management with the philosophy which positions employees as the key competitive advantage. The direction of this philosophy places man in the central position in some elements of organizational success.

For a long time now, successful companies have regarded investing in their employees as investment rather than expense, aware that their employees are their major competitive advantage.

The aim of this paper is to give a short analysis of the trends in human resources management, its direction, key activities and challenges rather than an empirical validation of particular hypotheses.

The problem discussed in the paper is the human factor as one of the key factors in the business success (performance) of organizations. In compliance with the topic, a hypothesis was defined: Carefully selected and motivated employees, provided with adequate knowledge management and intellectual capital, jointly enable successful business activity and maintenance of a unique competitive advantage.

The aim of this paper is to present the importance of human resources in creating a competitive advantage.

The purpose of this paper is to raise awareness of the significance and scope that human resources have in the business processes of a company and also in the company’s positioning with respect to competition.

The National Competitiveness Council of the Republic of Croatia in the working materials by the expert working group for education, growth and development states the following: “Each national economy and its competitive position depend primarily on the quality of its human resources. The use of those resources and investment in their quality are primary factors of development. Education is involved in the increase of competitiveness of an economy as it enables the acquisition of skills,

attitudes, values and knowledge necessary for individuals to meet the needs of work and social roles.

## **DIRECTION IN HUMAN RESOURCES MANAGEMENT IN ORGANIZATIONS WITH RESPECT TO TRENDS**

With respect to the very demanding and turbulent business environment and globalization, organizations are more frequently directing focus on managing human resources. Focus and direction are set through managing the following activities:

- Managing competences
- Managing talents
- Managing knowledge
- Managing intellectual capital

### **Managing competences**

The essential element in any organization is its employees. Only motivated and well-educated employees can meet the goals and tasks set before them. In order for employees to successfully do their work, they need particular skills and knowledge for each position.

Mere possession of particular competences is insufficient for establishing an advantage over competition. A combination of competences aligned with the company's business aims and development strategies is necessary. The goal is for employees and a company to develop together in the same direction. It is important to emphasize that the company can develop and be successful only if the skills needed by employees are clearly defined.

Professional staff, which progresses and is educated, which is capable of tackling challenges and open for innovativeness and creativity is staff which can successfully realize a company's plans and goals. Competence models are very useful when defining and analyzing skills necessary for particular positions and for estimation of necessary but also existing competences of individual employees, teams and organizations. They are a good tool for defining criteria for employee advancement in line with competences. At the same time, they make an exceptionally important link for carrying out company reorganizations where the company, most frequently, along with the reduction of employees must keep the necessary competences. The mentioned management model "detects" talented staff which is the foundation for talent management.

Successful competence management defines necessary knowledge, skills, characteristics and manners of behavior which are necessary for particular work, in particular positions to be carried out successfully, i.e., with improved and more efficient operational performance. In that way, an organized company has a basis for growth and development and increased profitability.

Support and cooperation with top management is crucial for organizing and implementing the competence model. Without support from “the top” it is impossible to get support and establish cooperation among all members in an organization, which is necessary for successful implementation of the model. The key task of human resources management is to educate and inform employees on the impact and influence this model has on them, their work and career development.

The structure of the competence model itself should be defined to be flexible with market changes and adaptable for upgrades and implementation of new competences. The aim of competence management is to recognize and define necessary competences for efficiently carrying out work assignments and success. What follows from the mentioned is the importance of the role of competence management within the system of human resources management.

### **Talent management**

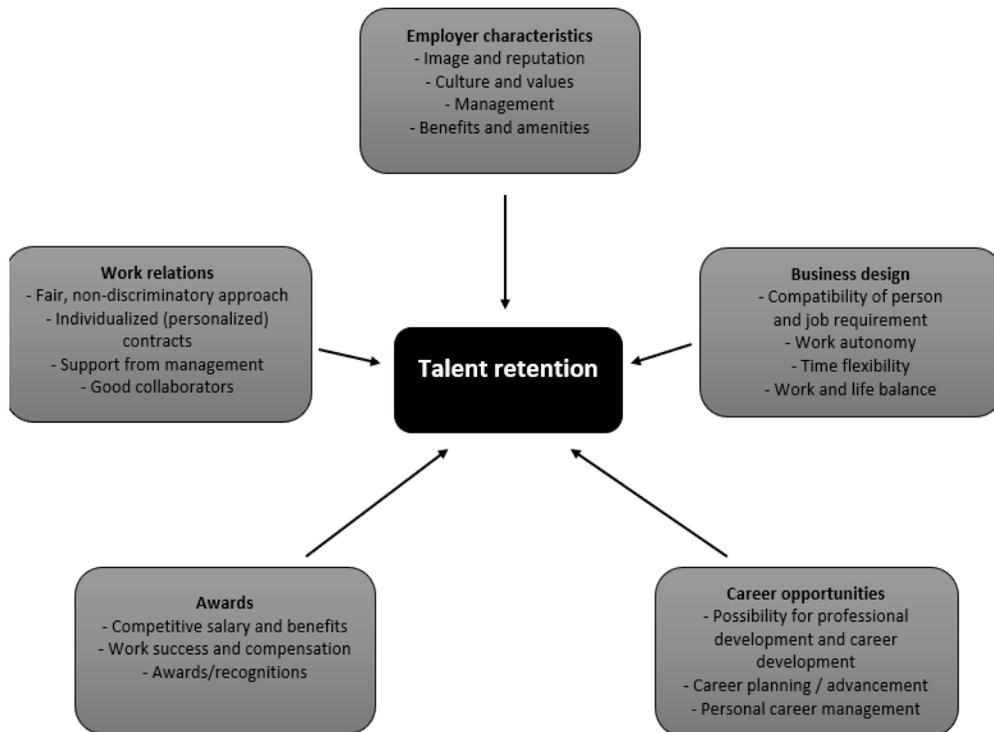
Along with competence management, talent management is one of the strategically greatest challenges for human resources managers. Focus is on employment strategy and retention, remuneration and estimate. The goal is retaining the best, i.e., most talented and most qualified employees and along with competence management is one of the most important tasks in human resources management. Taking into consideration the entire field, talent management today is possibly one of the most demanding tasks in managing human potentials. Globalization, opening of the labor market places entirely new challenges before management and demands, with all available tools, a large dose of innovation.

Having adequate persons in adequate positions is the aim of every successful organization and management of human resources. That is the reason why today organizations place particular attention on talent management.

The tasks which permeate this segment of human resources management are varied. Along with selecting and retaining talents and their development, focus on creating a desirable employer image is more evident. That is the foundation, basis for attracting talented staff and also retaining them.

Retaining talents is one of the key challenges but also one of the key issues of present-day organizations. As has been mentioned, globalization of the talent market and labor market opens new possibilities for talented staff and they are actually becoming most sought-for and most-mobile. On the other hand, this created new organizations which, in a sophisticated manner, search and attract talents for their clients.

### **Figure 1: Talent retention**



Source: Bahtijarević-Šiber, F. (2014). *Management ljudskih potencijala*, Golden marketing, Zagreb.

In order to retain their employees, particularly the talented ones, companies must continuously motivate their employees. Motivation, which has developed to a much higher level than mere financial compensation, is the bond between employees and the company and is crucial for remaining in the company. Motivation can be defined as any enticement which creates, defines and maintains the targeted behavior of employees.

Employee motivation has an influence on a company's business, accomplishment of planned goals and success in carrying out projects. What is most likely fundamental today is that the success of implementing changes which are inevitable in the period before us depend on employee motivation.

In order to retain talents, it is necessary to create a rewards system which is not entirely "routine" but adapted to the preferences of the talent. Only through partial personalization of the rewards system will the organization be capable to retain talents in the organization and achieve among them the "new dimension of loyalty".

In that way, those employees actually become authentic ambassadors of a company and they co-create the desirable employer image. Word-of-Mouth Marketing is becoming more frequently used and is a very efficient manner of promotion companies use for communication with their customers. The same principle could actually be applied through employees

in creating a desirable employer image. According to the research by Mixon (2015) 84% of people trust a recommendation from a friend or acquaintance, while only 45% trust an advertisement. If we apply the same to the company and employees, as we are actually “selling” it to employees, we can conclude that the experience of employees and personalized approach to motivation is a powerful tool for retaining employees on the one hand and acquiring new talents on the other hand.

## **Knowledge management**

Today, knowledge management is particularly challenging for a company's operations considering the velocity of changes. Maximum exploitation and increase of knowledge is an essential task of a modern organization. It is very important to mention that knowledge management is a procedure in which an organization aims to collect particular data and experience from an individual in order to apply such knowledge in certain problem-solving situations.

A significantly large number of employees in companies have hidden knowledge. According to some research almost 70-80%. It is interesting that the same can be transferred only through experience. That necessitates allocation of time, which appears to be a key problem. That is why mentorship, along with planned staff development, is an essential device in transferring hidden knowledge. Classification of knowledge (Gagne 1989):

- verbal information
- intellectual skills
- cognitive strategies

In recent times, knowledge is perceived from the point of assets and capital through which it obtains its commercial value. However, there is a significant difference between goods and other resources with respect to knowledge, i.e., knowledge cannot be exhausted by consumption. What is more, through transfer and sharing of knowledge its value increases and is unlimited as a resource.

With the use and upgrade of what has been mediated through an individual's personal contribution, knowledge can be used in several ways. Unfortunately, a lot of valuable knowledge leaves the company with an employee's departure. Therefore, it is very important to establish a system of management which combines existing knowledge, upgrades it and places particular attention on continuous review of additional space and potential in the existing knowledge along with systematic transfer of knowledge.

### *Structuring as the key to a successful system of knowledge management*

Knowledge should be classified according to a structure considering that lack of structure and mere distribution of knowledge would lead to an overflow of useless data. Organization, identification, and control of knowledge are critical for the functioning of a workplace, product and phases of the process.

### *Knowledge transfer and sharing*

Knowledge transfer and sharing is a crucial sub-process in knowledge management. It demands that persons who need to transfer particular knowledge or information are willing and ready to cooperate and engage additionally.

There are two ways of knowledge transfer and sharing. The first is research of the knowledge bank, databases, internet, i.e., use of information technology while the second is establishing direct contact with persons for which it is known or is assumed to possess particular knowledge.

### *Use and application of knowledge*

The use and application of knowledge is a systematic activity which needs to be encouraged and organized. Conditions and postulates should be ensured for its continuous functioning. The conditions which must be met are individual and organizational prerequisites.

Knowledge processing can result in competitive advantage. Should a rival company achieve product quality and price, a company which is knowledge rich and adequately manages knowledge during that period can achieve a new level of quality, innovativeness and efficiency.

## **Managing intellectual capital**

Intellectual capital is defined as a company's value observed through the sum of values of human, structural and consumer capital. A characteristic of intellectual capital is that it is not tangible as are material assets and that is the reason why it is sometimes very difficult to estimate. The definition derives three types of intellectual capital;

- Human capital – employees' knowledge, their possession of skills and their abilities,
- Structural capital, business processes, databases, patents, intellectual property
- Consumer capital – customer and supplier relationships, consumer capital implies a company's image.

Managing intellectual capital is a systematic managerial activity directed towards identifying, evolving, creating and drawing value from an organization's intellectual asset. The function of intellectual capital is the following:

- Transforming human capital into the organization's capital and asset.
- Measuring intellectual capital.
- Developing and increasing the value of intellectual capital in creating value.
- Drawing value and market capitalization of intellectual property.

Capital can be managed through the following four steps:

- Identifying and evaluating the role of knowledge in business activity as input, process and output – the first step in capital management demands determining the multifold specialization of business activity, who is paid for what knowledge, who is paying and how much and whether the one who possesses knowledge possesses greatest value.
- Matching realized profit with knowledge capital which produced it – the next step is establishing what value do expertise, ability, brand, intellectual capital and other intellectual capital create for the company (organization), i.e., which combination of human, organizational and social capital enables that.
- Developing a strategy for investing in intellectual capital and its exploitation - it is necessary to determine the propositional value, source of control and profit model, strategy for increasing knowledge use in business activity and manners through which the ability to use intellectual capital of a company can be increased.
- Increasing work efficiency through upgrading of employee knowledge – the final step in capital management is increase in employee knowledge productivity whose work does not follow a linear path as does manual work.

The synergy and successful management of all segments of intellectual capital (human, structural and consumer) sets the foundation for creating additional value to an organization and development of competitive advantage in the market.

Every organization has its specific intellectual capital through the three basic elements of intellectual capital (e.g., knowledge, image, organization, abilities) which can be transformed into market value. Managing intellectual knowledge is an opportunity every organization has as it influences the development but also maintenance of a unique competitive advantage. Along with that, successful management increases the market value of the organization itself and generates profitability growth.

### *Crisis and intellectual capital*

In times of crisis, the most powerful tool of an organization in the fight for survival is intellectual capital. Intellectual capital makes the organization less vulnerable to various types of crises. Intellectual capital:

- Tradition, leadership, employees' experience, motivation
- Readiness for innovation and development of new product and service offers in line with market changes
- Image, brand, recognition, loyalty
- Readiness to carry out changes in an organization, process management, growth and development
- Trust and support / customer loyalty
- Process optimization, obstacle removal, introduction of change and improvements

- Satisfaction and loyalty of customers and other external stakeholders.

## **Human capital**

Cohesion, joining into one entity - human capital, along with modern technologies and structural capital produces a synergy of “invisible capital” which, particularly in times of crises, is invaluable. However, the brain, pure technical knowledge, is not sufficient. What is inevitable is the synergy of knowledge and emotions which through product, service, or process innovation is transferred to the customer or employees.

Here it is particularly necessary to mention the importance of leadership. Leaders who “dare” to be innovative, different, less traditional, become a very valuable human capital of an organization. Each crisis brings along irretrievable changes in the habits of customers and employees. Leaders who are ready and who are focused on quick, not long term, planned solutions, who are ready to give their “soul” to the organization even in difficult times without neglecting traditional managerial skills are leaders which organizations will be in need of. Crises, such as the Corona crisis for example, are not a foreseeable crisis. Those who have the knowledge and skills, but also intuition and inspiration to elevate oneself and the organization/team beyond the actual situation and distribute their energy towards “change”, and who trust that unity can lead to a solution, they are the top human capital of an organization. Awareness of the importance of such human capital is becoming more prominent although it is not measurable through traditional value estimates of an individual company.

When referring to human capital, it is important to emphasize the development of each employee but also teams. Again, synergy is the key as the value of intellectual capital is not sufficient rather it is the development of teams and their interpersonal synergy.

## **Consumer capital**

In present-day markets, the product itself is not critical for purchase as products are more or less balanced and the differences between competing products are actually minimal when compared. What counts is consumer trust, the consumer’s emotion relating to the organization and brand with which the consumer shares its life philosophy. The product itself today is taken for granted with all its characteristics, but the difference is in the emotion, in the “invisible”. Successful organizations involve the “consumer” as part of the team and answer to the customer’s needs. Segmentation and focus are crucial here and add value to the basic product.

Attentiveness to the consumer calls for analyses of necessary activities - what direction to take, what changes to introduce, create new or upgrade the existing? The consumer with his needs is the focal point of a successful organization and the purpose of such an organization.

## CONCLUSION

The human factor in a company's development, business activity and competitive advantage, has an increasing significance. For that reason, managing human resources is an important process in strategic management of every company as motivated and satisfied persons are the driving force of a company. Considering the very demanding and turbulent business environment, globalization of the labor market, and the specificities of staff in industries, managing human resources is becoming the strategic peak of an organization. As emphasized in the paper, management of human resources develops a philosophy which considers the employee as the most important potential and key competitive advantage. That philosophy gains ground in any industry which necessitates staff with specific knowledge. The more specialized the industry, the greater the need for particular knowledge, talents and skills.

The paper analyzed basic strategic tasks of human resources management in organizations through competence management, talent management, knowledge management and management of intellectual capital.

In competence management, focus is on establishing, developing, and aligning organizational and individual competences with the aim of achieving business and strategic goals of an organization. Talent management presupposes a broad spectrum of activity of which particular emphasis is given to retaining talent as one of the key challenges in every organization. Globalization of the talent and labor market unlocks new possibilities for talented staff. At the same time, human resources managers are given space for innovativeness and personalization in the system of motivation. Only companies which will be able to apply innovation and personalized approach to talents will be able to retain their talents in the future, and by doing so create a competitive advantage in the market. In addition to the mentioned, it is important to say that the most authentic creator of the desirable employer image is a motivated employer.

In order to increase success of an organization, it is necessary to manage knowledge through enticing and creating conditions for increasing the creation and application of a company's knowledge. Here we particularly emphasize transfer and knowledge sharing as the key sub-process in knowledge management. Unfortunately, some valuable knowledge leaves the company with employee departure for the majority of companies, which opens potentially new areas for improving knowledge management in an organization.

In line with what has been mentioned and market trends, the future of successful organizations must be founded on knowledge. It is necessary to recognize the significance of intellectual capital and accordingly structure tools and techniques which will carry out the transformation of existing organizations to knowledge organizations.

The challenges that the market places before us demand a course of investment and management of intellectual capital as the key device for maintaining competitive advantage.

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