Study of the Interaction and Harmonization in the Management of Human Resources (the Case of Large Industrial Companies in the Country)

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Summary: From a scientific perspective, the interaction and harmonization in the human resources management system are an insufficiently examined problem, which affects their practical implementation in our companies. This article presents the main results of the research into them based on the application of two methods: targeted survey and development of a harmonization profile of the system. Conclusions on the state of interaction and harmonization in the system have been drawn and recommendations for improvement have been made. Empirical research has been conducted in 30 large companies from Bulgaria's industrial sector.

Key words: human resources management system, diagnostic analysis, interaction between key components, harmonization profile.

JEL: M12, J24, L20, O15.

Background

In the last decade the interest of researchers and practicing managers in the creation and/or improvement of human resources management systems (hereinafter HRMS) in companies has been growing. This subject is regarded as particularly significant in human resources management, a priority even, and that is no accident. There is no doubt that systems created in accordance with scientific requirements can be considerably beneficial in terms of enriching and developing a company's workforce potential.

A colorful picture emerges of HRMS operating in the large industrial firms in Bulgaria. They are characterized by a varying range of components, by varying degrees of completion, including in terms of in-house regulations, by varying levels of quality and therefrom – effects of their function.

Subject of this feature is an inadequately examined problem within HRMS, namely

the issues of interaction and harmonization between their key components. The key components that stand out are: recruitment and selection; job performance appraisal; training and development; and compensation management. Their vital importance in making such systems function properly is highlighted in almost all publications dealing with this field.

The thesis, which this research paper is setting out to prove, is that: in the HRMS functioning in the country's large industrial firms there are a number of "problem fields", out of which stand out poor interaction and unachieved harmonization, resulting in insufficient positive effects from using the system.

The proof of the research claim is based on an empirical survey conducted in 30 large firms of the Bulgarian industry.

The following limits have been introduced in the paper:

- Issues on the methods of examining the interaction and harmonization in HRMS are the subject of a previous paper by the author¹.
- The results presented from the practical research are based on the application of only two methods.
- 1. Scope of the sample of industrial firms and short description of the research toolkit.

T he sample was limited to include only large industrial firms from Bulgaria, i.e. those having staff of more than 250 persons. The reason for making this choice was that creating

a HRMS in large organizations is essential for successful staff management. Another important argument is that it is precisely such companies that make a significant contribution to Bulgaria's GDP and export.

The researched companies are shown in Figure 1 only as a location due to the author's undertaking to keep confidential and refrain from citing their names in publications with a big circulation.

Several facts stand out in the synthesized form of the firms' description:

- by number of staff: out of the researched firms **13** employ **250** to **499** persons and **17** employ **500** to **4,400** persons;
- the selection of companies encompasses examples of different subsectors of Bulgaria's processing industry;
- the predominant part of the firms included in the sample have the leading position in their respective industrial subsector;
- **28** out of the total of **30** firms are exportoriented, i.e. in the last **3** years they exported more than **50** % of their production to foreign markets;
- **16** out of all researched companies are Bulgarian-owned, while the rest are either owned by a foreign entity, or have at least a partial foreign ownership interest.

The research presented in the paper is based on two methods targeted at managers in the field of human resources management, in their capacity of respondents:

• survey method including a questionnaire specially designed to examine the interaction and harmonization of the system's key components;

¹ Koleva, St., Interaction and Harmonization in Human Resources Management Systems, paper in Economic Alternatives Journal, Issue 1, 2011.

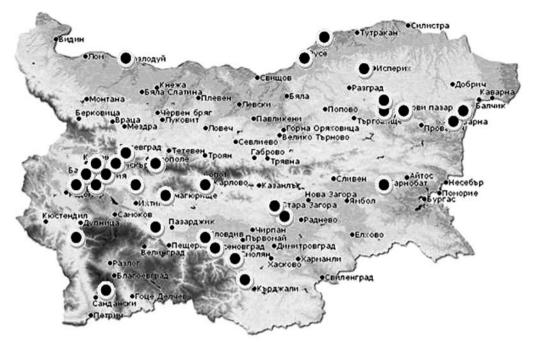


Figure 1.

(Vidin, Lom, Kozloduy, Svishtov, Ruse, Tutrakan, Silistra, Knezha, Byala, Razgrad, Isperih, Dobrich, Kavarna, Montana, Byala Slatina, Pleven, Levski, Byala, Popovo, Novi Pazar, Balchik, Berkovitsa, Vratsa, Mezdra, Cherevn Bryag, Pavlikeni, Targovishte, Provadiya, Varna, Botevgrad, Teteven, Troyan, Gabrovo, Sevlievo, Tryavna, Veliko Tarnovo, Gorna Oryahovitsa, Aytos, Karlovo, Stara Zagora, Samokov, Sofia, Kyustendil, Dupnista, Peshtera, Plovdiv, Radnevo, Nova Zagora, Yambol, Panagyurishte, Elhovo, Burgas, Nesebar, Pomorie, Karnobat, Velingrad, Parvomay, Dimitrovgrad, Razlog, Blagoevgrad, Asenovgrad, Smolyan, Harmanli, Haskovo, Svilengrad, Kardzhali, Blagoevgrad, Gotse Delchev, Petrich, Sandanski, Chirpan)

• method of harmonization profiles including step-by-step instructions on how to implement its basic form

The research tasks set in the study are as follows:

- to establish the state (degree of completion and comprehensiveness) of the key components of the HRMS in the examined firms;
- to discover the state of the interaction and harmonization between the key components of the HRMS in the examined firms;
- to present brief arguments in support of recommendations for improving the interaction and harmonization of the studied systems.

2. Main results of the study.

2.1. Summaries and conclusions from the questionnaire survey.

The Recruitment and Selection component, as an entry to the system, is covered in the first question of the survey (see Figure 2).

The combined answers form the basis of the following observations:

Confirmation that selection in the companies is target-oriented, i.e. the aim is to ensure a match between the requirements for the vacant

1. In your company, selection through assessment of the professional and personal qualities of the applicants is based on:

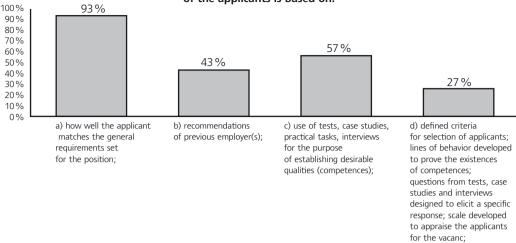


Figure 2.

position and the qualities (professional and personal) of the applicants for it.

The share of those confirming the use of various methods to establish desirable competences in the applicants is comparatively high.

2. Job performance appraisal of staff in your company is based on:

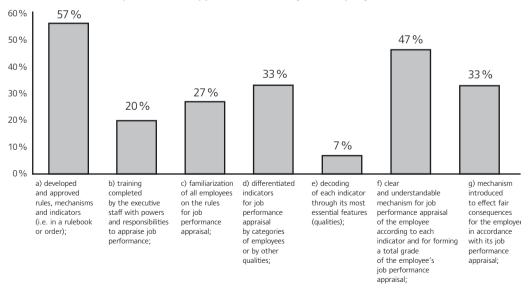


Figure 3.

The share of companies making selections based on competency profiles and lines of behavior is comparatively small.

The **Job Performance Appraisal** component is covered in detail in the **following survey question** (see Figure 3):

The combined answers allow for the following observations and conclusions to be made:

Around 60 % of those surveyed acknowledge the presence of company regulations on this significant activity in the system's scope.

Nearly half of those surveyed express the view that the mechanisms for job performance appraisal of, and forming a total assessment grade for, the staff are clear and understandable.

Between 25 % and 35 % of those surveyed confirm: the presence of differentiated indicators

in the appraisal; that the results of the appraisals have consequences for the staff; that training in the rules and mechanisms for job performance appraisal has been completed.

The conclusion is that there definitely are "problem fields" in job performance appraisal and that generally the potential of this component has not been used to its full extent by the examined companies. The issues, which have been particularly neglected, are those related to training the executives responsible for appraising staff and exhaustively decoding the appraisal indicators. Without a doubt, this complicates making an objective appraisal of staff's job performance and greatly reduces the potential positive effects of the appraisal.

The survey question on the state of training has been reduced to its regulatory structure, scope within the companies and the principles on which it is based (see Figure 4).

3. The training of employees in your company, along with a number of measures and actions not specified here, covers the following:

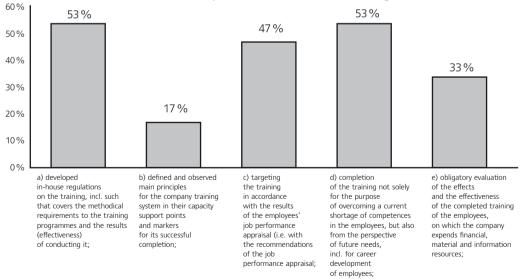


Figure 4.

The first observation from the combined answers is that in over half of the examined companies this important activity is regulated and that its goal is to both overcome the shortage of competences and provide for future needs for new or advanced competences of the employees.

A positive result, which applies to half of the examined companies, is the binding of training with the recommendations from the job performance appraisal. In the context of interaction of the system's components, it can be said that in general this is a good practice in the companies.

Around 1/3 of those surveyed admit that there is practice in the companies to evaluate the effects and effectiveness of the training, however, only 17 % confirm that the companies follow basic

scientific principles for creation of the system and staff training programs. The conclusion is that the examined firms have at their disposal unused reserves for the successful implementation of training activities and systematic enrichment of their workforce potential.

The **Compensation Management** component is particularly significant for companies in the Bulgarian industry on account of the decisive part of remuneration for staff and the company itself. The **survey question** focuses mostly on the mechanisms of monetary compensation with a view to evaluating thereof (see Figure 5).

The combined answers allow for the following observations and conclusions to be made:

The two outmost possible answers ("a" and "d") aim to establish the degree of compliance

4. Compensation management is the component in HRMS with respect to which a feeling of satisfaction (dissatisfaction) is formed in the employees to the greatest extent. Underline the answers that apply to the situation in your company:

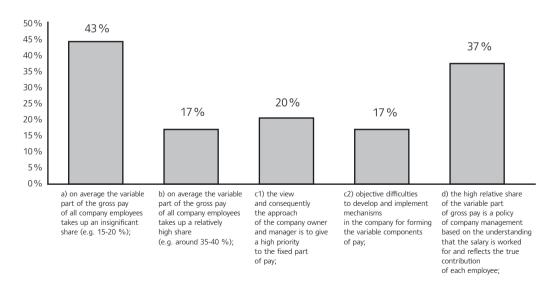


Figure 5.

of a very important scientific recommendation, namely – has the firms' management adopted a policy to significantly increase the relative share of the variable part of pay and reduce the share of its fixed part. Only 37 % of those surveyed confirm that this policy is followed.

Forty seven per cent of those surveyed confirm that the relative share of the variable part of pay is far too small. In these companies, no provisions have been made to use compensation and its mechanisms as a powerful stimulating factor for increasing work results. It is a concern that 20 % of those surveyed confirm that owners and management of the firms support the view of keeping compensation fixed.

Fewer than 20 % of those surveyed state that there are objective difficulties in increasing the relative share of the variable part of pay.

The **following questions** of the survey are directly oriented toward the state of interaction and harmonization of HRMS, and are partially intended to elicit the expert opinion of those surveyed regarding this problem.

5. Between recruitment and selection of staff, on the one hand, and job performance appraisal, on the other, there is a connection between causes and consequences, and thus interaction too.
Assess to what extent you agree or disagree with the statements.

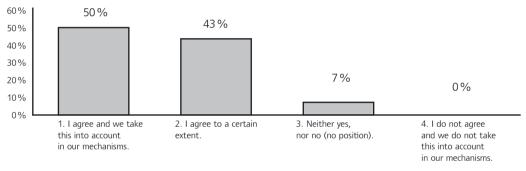


Figure 6.

6. Through job performance appraisal and the results thereof an evaluation is also made of the quality of how recruitment and selection of staff for the company is performed. Assess to what extent you agree or disagree with the statements.

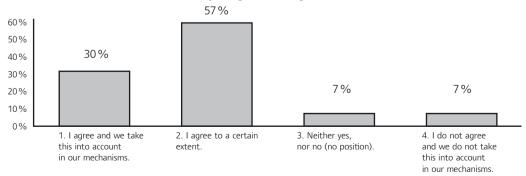


Figure 7.

Figures 6 and 7 show the combined opinion (view) of those surveyed regarding the interaction between recruitment and selection, on the one hand, and job performance appraisal, on the other.

The conclusions one is forced to make are:

- the predominant part of the questioned managers share the view that there are connections and interaction between the highlighted components;
- half confirm that the company regulation has coordinated the two components;
- 30 % of those surveyed admit that the results of the evaluation have an effect on assessing the qualities during recruitment and selection and, therefrom, that there are opportunities to improve the process of recruiting and selecting new employees for the company.

The **next survey question** is thematically similar, the combined results of which are shown in Figure 8.

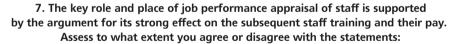
In around half of the examined companies not only is there support for the thesis that job performance appraisal has an effect on training, but there is confirmation that their interaction has been considered in the company regulations on HRMS.

40 % of those surveyed hesitantly share the view set forth in the survey question, but do not confirm that its recommendations are included in the system's regulation.

The conclusion one is forced to make is that in general a "problem field" is predominantly present in the examined companies, which is particularly expressed by the underestimation of the key place and role of job performance appraisal in the overall interaction between the system's components.

The answers to questions 8 and 9 (see Figure 9 and 10) have been interpreted as a whole.

The first conclusion is that those surveyed understand and admit the importance of harmonization if the system is to function as a unified organism. The actual awareness of this problem by persons that have important functions in implementing the components of HRMS is a starting point for taking actions and making improvements.



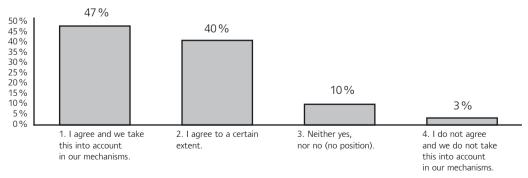


Figure 8.

The second conclusion concerns the fact that 67 % of those surveyed confirm that the requirements for harmonization of the key components of HRMS have been met. The general formulation of Question 9 leads to certain reservations (doubts) that an optimistic picture has been painted of the state of harmonization, which may be overcome by also using other research methods.

The purpose of the **next survey question** is to establish and summarize views and practical approaches on the degree and depth of the regulation of the components of HRMS (see Figure 11).

The bar chart enables us to summarize the wildly-varying views and the consequent approaches used with respect to regulation of

8. The harmonization of the four components of HRMS is a significant problem for the successful function of the system and achievement of the objectives set for it.

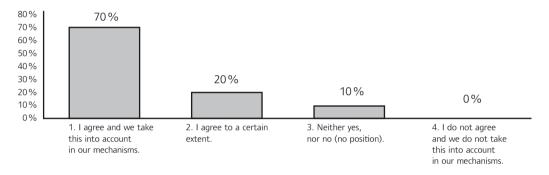


Figure 9.

9. The harmonization of the four components requires: introduction of aligned approaches and rules through which they are implemented; closeness and coordination of the targets, which they pursue in order to achieve the system's objectives; basing the activities according to its components based on the criteria for appraisal of the employees

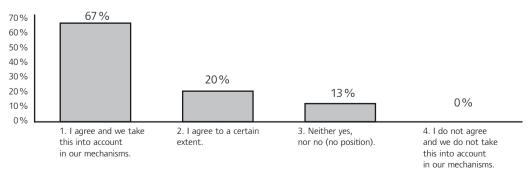


Figure 10.

10. The four key components of HRMS in the company do not require strict in-house regulations, rather they need markers in the form of instruction on implementing them and a higher degree of freedom for the executive staff

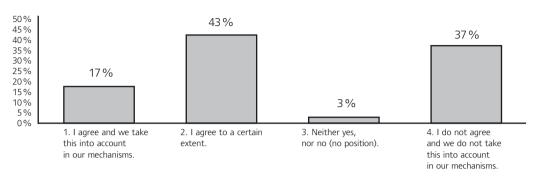


Figure 11.

the system or the degree of freedom had by the persons performing the activities within the system's scope. They are understandable given the experience of those surveyed and the lessons learned by observing the system's function. In order to achieve harmonization in the system, it is necessary to make a priority of the "rules and regulations" and the necessity of executive staff to follow them, with this view being shared by 37 % of those surveyed.

The eleventh survey question can be defined – to a certain degree – as a continuation of, and elaboration on, the previous one.

There is no question that the quality of human resources in any given firm must be considered when attempting to harmonize HRMS, though this does not make it a key factor for harmonization.

The combined answers (see Figure 12) confirm to a great extent that the "quality of human

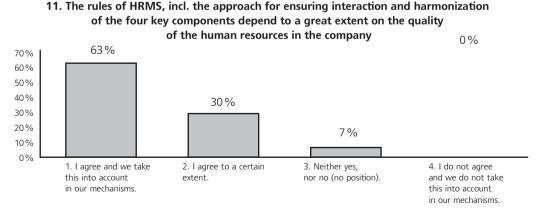
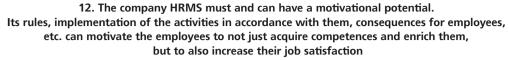


Figure 12.



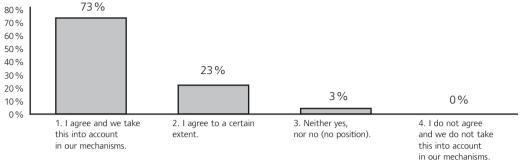


Figure 13.

resources" factor has been taken into account in the creation and improvement of the system and in ensuring interaction and harmonization within it.

The last survey question addresses an important aspect of functioning human resources management systems, namely the presence of motivational potential and, respectively, motivational effects on the performance of employees.

The combined answers (see Figure 13) show that those surveyed predominantly share the notions of, and support, the thesis that the system has (must have) the potential to motivate. There is confirmation that the system has been created by also considering the perspectives of it having a motivational effect on the employees.

2.2. Analysis of the harmonization profile of the human resources management systems.

The method of harmonization is the author's adaptation of famous – in theory and in practice – motivation and competency profiles. The method was applied by the heads of human

resources management departments in thirty large industrial companies. They were given the necessary methodical instructions and training on how to perform the expert evaluation that they were expected to make.

The risk of individual managers giving assessments that do not match the actual state of the harmonization factors (in particular, to give an optimistic picture regarding the factors) is avoided by:

- making the managers aware that they are participating as experts in a study aiming to give a general harmonization profile of the examined companies, rather than an individual profile of each company;
- giving clear instructions on the conditions that must be met to assign the respective expert grade (1, 2, 3 and 4). The reasoning to assign each grade of the scale is shown in Table 1.

The author is of the opinion that given this the expert grades can be assumed to be faithful.

The primary information supplied by the experts has been processed and is shown in Table 2.

Table 1.

Nº	Grade	Conditions necessary to give the relevant grade
1	Grade 1: Very Good	The factor has been brought into compliance with scientific achievements and good foreign practices. Its state in the company completely meets the requirements for harmonization of the system's key components.
2	Grade 2: Good	The factor complies to a reasonable extent with scientific prescriptions and successful foreign practices. Its state in the company creates minor difficulties for the harmonization of the system's key components.
3	Grade 3: Satisfactory	Compliance of the factor with scientific prescriptions and good foreign practices is inadequate. The state of the factor creates difficulties for the harmonization of the system's key components and significantly reduces the positive effects of its function.
4	Grade 4: Poor	The state of the factor is unsatisfactory from the perspective of harmonization of the system's key components. It must be improved from the ground up in order to achieve the system's goals.

The harmonization profile for all thirty human resources management systems from the perspective of the state of the harmonization factors was compiled based on the data of the table above (see Figure 14).

The main conclusions stemming from the applied method are as follows:

- 1. The combined ranklist compiled from the ten most important harmonization factors (see Table 1) largely comes very close to the range of factors set in the methodology of the research.
- 2. The actual (real) harmonization profile is within the first zone of the perimeter inscribed in Figure 14 with a bold black line. The maximum (theoretically possible) harmonization profile matches the outline of the circumference. The comparison shows that there is a huge potential for harmonization in HMRS, stemming from the combined expert evaluations on the state of the harmonization factors.
- 3. The harmonization factors that stand out as critical are 8, 7 and 6. They can be decoded as follows:
 - connections between causes and effects that have been overlooked and failure to make each component of the system exert its

influence on the other key components (applies to rights and in the opposite direction);

- serious weaknesses with respect to embedding evaluation of the employees in the system's components – evaluating their potential and its expansion (professional knowledge and skills, experience, personal qualities, work attitude); basing the evaluation on similar criteria and indicators, even if they are not always identical;
- completely inadequate effects of motivation on the employees due to obstructions to the interaction between components, i.e. they have not been harmonized.
- 4. Factors 5, 10 and 4 have similar problems to the critical ones, namely:
 - there are weaknesses in the goal setting in the system, i.e. non-conformance and incoordination between the companies' strategic objectives, the system's objectives and the specific objectives to be achieved when implementing the systems' key components;
 - even with the common focus of the activities of the systems' key components on the companies' human resources, the objective to increase their workforce potential and use it effectively has not been achieved;

Table 2.

Nº	Harmonization factors	Combined results of the study (%)			
	Haimonization factors		Grade 2	Grade 3	Grade 4
1	Clear and well-defined personalized powers and responsibilities of employees (incl. in their job descriptions) regarding performing the activities and providing suitable training for them.	50.00	23.33	16.67	10.00
2	Level of development of key components of the system in terms of in-house regulations (such as Rulebooks and Orders with the relevant range of rules, mechanisms, indicators, methods and forms).	40.00	23.33	23.33	13.33
3	The existence of a directorate/department of human resources management in the company with evidence that its professional and administrative capacity is adequate for the purposes of the system.	46.67	20.00	13.33	20.00
4	Surety (guarantees) that the system's rules are being followed by all, including anyone from the executive director to the direct managers in the company.	30.00	3000	2667	13.33
5	Implementation of goal-setting in the system, resulting in accord and conformance between the company's strategic objectives, the system's objectives and the specific objectives to be achieved when performing the system's key activities.	23.33	30.00	20.00	26.67
6	Motivational charge embedded into each activity (motivational effects) that grows significantly when the activities are interacting successfully, i.e. when they have been harmonized.	20.00	33.33	40.00	6.67
7	Staff evaluation embedded into each activity (incl. applicants for the vacancies) – grading their potential (professional knowledge and skills, personal qualities, work attitude) and basing the grade on similar criteria and indicators, even if they are not always identical.	16.67	36.67	33.33	13.33
8	The principle of the subsequent effect of each system activity on the consequent key activity (also applies in the opposite direction) has been followed.	13.33	40.00	36.67	10.00
9	Availability of resources (financial, material and informational) for the system's key activities.	43.33	33.33	16.67	6.67
10	Focus of the key activities on one object, namely the common goal to increase the work potential of the company's human resources and take advantage thereof.	26.67	33.33	30.00	10.00

- there is a lack of, or there is insufficient, surety (guarantees) that the systems' rules are followed by all, incl. anyone from the executive directors to the direct managers in the companies.
- 5. The remaining four factors, that is to say 1, 2, 3 and 9, can be said to comply to a large extent with the scientific prescriptions. Their state does not give rise to significant difficulties with respect to the harmonization of the systems' key

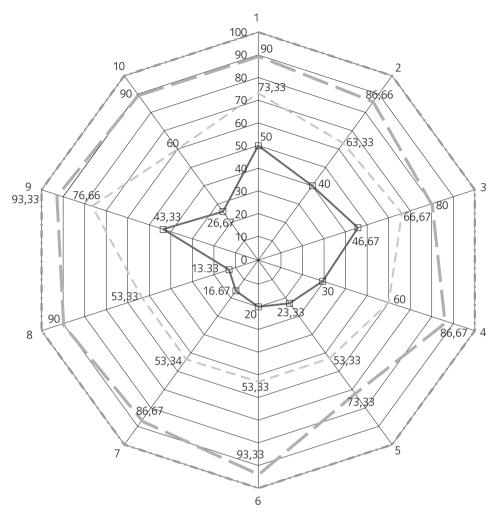


Figure 14.

components, especially given the aggregation of the first and second grade (see Figure 15).

6. The low (unsatisfactory) level of harmonization in the systems stems from the real problems and weaknesses in the interaction between the key components, contained in the harmonization factors identified as critical and problematic by means of the expert evaluations. The failure to achieve a high degree of conformance between the components throws the systems and their function as a unified organism off balance.

The harmonized profile, which was compiled and analyzed in brief, presents a combined picture of the examined companies pertaining to the level of harmonization of the HRMS in operation. A special note must be made of the actual possibility of developing harmonization profiles for every company. The preconditions for experiencing the benefits of the method in question, if applied to a single company, are:

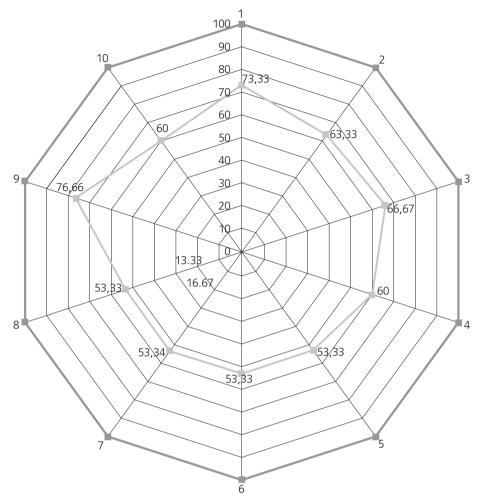


Figure 15.

- careful and well-argued selection of executive staff to be appointed as experts, who can make a sufficiently objective evaluation of the state of the harmonization factors;
- in-depth grasp of the critical and problem factors and taking actions to eliminate their critical and problematic aspects;
- regular (e.g. biannual) compilation and analysis of the company harmonization profile and assessment of the changes therein.

3. Conclusions and recommendations.

T he study conducted on the interaction and harmonization in HRMS in some of Bulgaria's large indiustrial companies gives grounds to draw the following conclusions:

• The failure to appreciate the importnace of creating a HRMS in the form of in-house regulations, which is a characteristic of around half of the examined companies, gives rise to serious difficulties in ensuring interaction and harmonization in the system and makes the activities administrative in their essence.

- There are a number of weaknesses and problem fields in the companies that have created a HRMS, manifesting themselves in two ways:
 - poor range and content of the key components, particularly in terms of the toolkit (evaluation methods) provided for them and the comprehensiveness of the documentation provided for the system;
 - partially implemented interaction between job performance appraisal, training and development, and compensation management.

These weakness, coupled with the insufficient competence of the persons put in charge of conducting the system's activities, bring about serious difficculties for its function as a unified organism.

- The essence of the evaluation, which spans the system's four key components and has a leading role in effecting their interaction and harmonization, has not been properly understood by the persons authorized to carry it out in the examined companies. The insufficient use of a modern scientific toolkit, combined with non-observance of the system's rules and mechanisms, results in a low degree of conformance of the system's components and, respectively, in a low level of harmonization within it.
- Regardless of the fact that the surveyed managers realize the necessity of ensuring the existence of motivational effects in the functioning HRMS, the number taking advantage of the opportunities in this important direction is insufficient. The low motivational potential of the system is mostly a result of the imperfect interaction and harmonization of its key components.
- The study confirms the benefits of using the two methods to examine the state of interaction

and harmonization in companies' HRMS. There is no doubt that the method of harmonization profiles is more imporant on account of its specific focus on harmonization in the system and the opportunities to establish the problem fields therein by strictly following the method's requirements.

• As a whole, the study enables one conclusion, which is important for the companies of our business practice, to stand out: managerial staff, and the departments of human resources management in particular, in the examined companies are gradually taking measures and actions to create and improve their HRMS. They realize the benefits to be had from the system's function under successfully harmonized components. There is an understanding that ensuring interaction and harmonization in the system opens the door to opportunities for enriching the workforce potential of the companies and, consequently, the competitive advantage of their human resources.

The completed study, and the conclusions drawn therefrom, enable the formulation of **recommendations** to the managers of the industrial companies, managers and specialists from the departments of human resources management and other stakeholders, as follows:

- 1. The creation and improvement of HRMS in the form of in-house regulations must be made a priority task for the company management. Its successful solution is to be based on:
 - clear, orderly and well-thought-out human resources policy, publicized in the company and public domain;
 - development of "rules" of the system in accordance with the above policy and with understanding that they are the means to its realization:
 - using if necessary the assistance of consultants in the creation and improvement in HRMS.

- 2. Updating of the job descriptions based on the understanding that they are a fundamental condition for the successful function of HRMS. Inclusion of rights and responsibilities in the job descriptions stemming from the regulations of the system.
- 3. Increasing the role of the departments of human resources management, incl. by advancing their professional capacity for work and results of the function of HRMS in a way that is adequate for the scientific requirements. In addition to this, taking actions to attract new highly educated specialists with in-depth knowledge of the system, its key components, as well as the scientific toolkit used to maintain them.
- 4. Objective-based training (if necessary) and regular training of executive officers, and in particular the heads of the managerial hierarchy, in the rules and mechanisms of HRMS. Also, creation of other prerequisites and conditions for following the system's "rules", restrictions on the use of subjectivity, fair treatment of all company employees.
- 5. Dissemination of the rules of HRMS to all company employees and provision of means to get feedback on whether they see the rules as fair.
- 6. Regular compilation and analysis of the companies' harmonization profiles. Highlighting and resolving the critical and problem aspects of the harmonization factors. Achieving a high degree of conformance of the system's components and increasing the level of harmonization between them.
- 7. Taking steps to begin compiling competency profiles in the companies initially for managers and key employees, and gradually for all positions and employees. Binding the updating of the competency profiles to the results of apprasing the job performance, training and development of the employees.
- 8. Adoption of a good practice in the companies related to making ongoing

analyses and assessments of the HRMS in operation and the effect it has on enriching the labour potential of the companies and taking advantage thereof.

Conclusion

There is no doubt that the problems of creating and improving the HRMS in the country's business organizations give rise to challenges for the management and the consultant teams working in this field. The study, even though it confirms many weaknesses and problem fields with respect to the interaction and harmonization of the examined systems, gives grounds to make the following observations:

- There is a high degree of awareness and recognition of the importance of having a properly created and successfully functioning HRMS on the part of company management.
- To a great extent, there is a presence of attitudes and willingness to use the assistance of consultants in the companies from the examined field

The positive attitudes stem from the belief that the managers confirmed they have, namely that human resources can bring a competitive advantages to the companies. Achieving such a goal naturally relates to improving the HRMS in operation and, especially, by focusing on improving the interaction and harmonization within them.

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