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## **Formation of Human Resource Management System in Organizations**

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**Abstract:**

*The article deals with the formation of personnel reserve as one of the components of an integrated management system. A model of strategic human resource management has been described. The ways of solving socio-psychological contradictions in the process of formation of personnel reserve have been outlined; the basic principles of personnel reserve system have been proposed, and in addition, a three-level scheme of the formation of personnel reserve has been developed, indicating the information flows aimed at the implementation of the corporate strategy of development of the professional capacity of integrated association staff.*

*Arguments showing that the human resource management system cannot be assembled like a mechanical construction, but should be “grown” in the long process of institutionalization of the developed project have been proposed.*

**Keywords:** *Human Resource Management, Human Resources, Service, Motivation, Organizational Behavior, Personnel Policy, Personnel Reserve, Personnel.*

**JEL Classification:** *J20, J24, J31*

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## 1. Introduction

The transition to a market economy under the conditions of the restructuring of the Russian economy has led to the emergence of a fundamentally new situation in the field of human resource management. There are certain requirements that are specified for each person, for his/her knowledge, special training, career development, self-realization, the process of his/her professional development (Zaytseva, 2002; Sultanova and Chechina, 2016). Today business is dynamically developing and its requirements in terms of staff have been increased. Organizations and companies need competent experts who will be engaged in the development of new technologies, products and processes.

Currently, in studies on the problems of personnel and human resource management there is a lack of standardization of categorical and conceptual apparatus; it is possible to detect a number terms and definitions used according to a variety of core bases: personal management, personnel administration, personal and industrial relations, human resource management, human being management, etc. (Novikov, 2013; Theriou, 2015; Theriou *et al.*, 2014; Havlíček *et al.*, 2013; Firuscu and Popescu, 2015).

## 2. Literature Review

The main discussion around the differences in personnel management (PM) and human resource management (HRM) can be reduced to the following two questions:

1. To what extent HRM model is a deviation from the dominant orthodoxy of personnel management or is it just the thing that good HR managers have always done?
2. To what extent have the organization actually adapted HRM model in practice?

What is the difference between PM and HRM – the answer to this question was given by M. Armstrong (Murashova, 2012) “Some HR managers do not represent what is behind the acronym of HRM, according to others this concept is only “old wine in new bottles” (Armstrong, 1997).

## 3. Concept headings

From the standpoint of social and economic psychology, HRM is a strategic and holistic approach to managing people, who individually and collectively contribute to the achievement of organizational goals.

Based on the analysis of the main similarities and differences of approaches to personnel management and human resource management Table 1 shows the characteristics of the strategic and traditional approaches to HR. Terminology

differences may be related to the nature and directions of activities. Thus, the term “personnel” is often used by small firms (where fewer than 100 people are employed) (Morozova, 2016). Those who use the term “human resources” are large companies and organizations with the number of employees more than 2500 people.

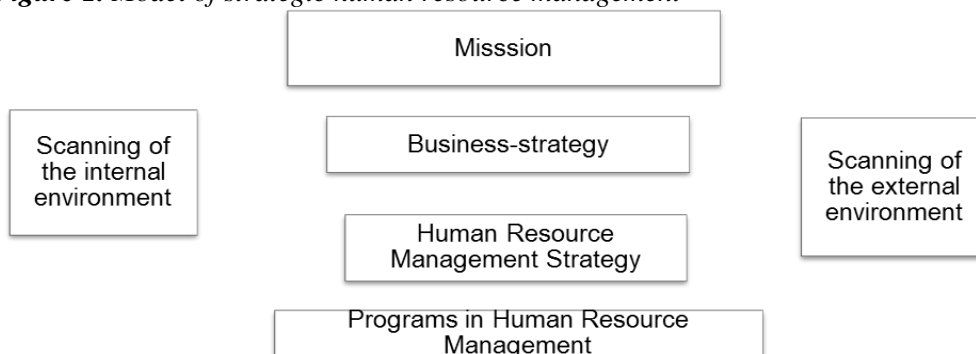
**Table 1.** Strategic and traditional approaches to HR

	<b>Characteristic</b>	<b>Human resource management (strategic approach)</b>	<b>Human resource management (traditional approach)</b>
1	Strategy planning and formulation	Participation in the formulation of the overall organizational strategic plan and coherent HR units activities with organizational strategy	Participation only in operational planning
2	Power	Has a high status and power	Middle status and power
3	Area of activity (coverage)	All staff: managers (executives) and employees	Persons in positions related to the implementation of the same type and current responsibilities
4	Decision-making	Participation in strategic decision-making	Take only operational decisions
5	Integration (relationship - interaction)	Full integration with other parts of the organization	The degree of integration with other departments – from small to medium
6	The basis of the psychological contract	Adherence	Subordination
7	The basis of behavior	Values / Mission	Norms, traditions and practice
8	Relations characteristics	The high level of trust, unitarianism, individualism	The low level of trust, pluralism, collectivism
9	Organizational structure	Flexible roles, flat structure, teamwork	Formal roles, hierarchy, division of labor, management control
10	Coordination	Coordination of all HR management activities	Coordinates some personnel-related activities
11	Management style	The dominance of the horizontal management	Vertical management of subordinates
12	Personnel reserve and selection	There are systems of selection and qualification	Recruitment is carried out without a scientific system of selection and qualification
13	HR function	Decentralized	Centralized
14	Goal	Combining of available human resources	Ensuring the availability of the right people in the right places at the right

			time
15	Planning	Integrated into corporate planning	Workforce planning - a consequence of the production plan and the response to it
16	Task	The development of an integrated corporate culture and balancing of current needs of the integrated organization with the surrounding business environment	Achieving a compromise between economic and social partners

Qualitatively the new approach to human resource management allows linking organizational and management structure of the personnel policy of the organization with the main purpose of its activities, defined by development strategy (Zaytseva, 2012).

**Figure 1.** Model of strategic human resource management



Approaches to personnel management in the common organization management system do not occur randomly, but under the influence of several groups of factors, of the first and the second order, which determine the maturity of the organization, its internal readiness to move to more modern methods of management (Murashova, 2012). The factors of the first order (internal forces) have a direct impact on the human resource management system. Second-order factors (external forces) influence indirectly, by creating external conditions for the existence of the organization.

Among the internal forces that affect the formation of the concept of human resource management of organization, there are primarily administrative and managerial, social and cultural and personal factors that shape the content of the institutional human resource management of organization that have been highlighted (Myakushkin, 2005). It is these factors which determine the internal readiness to move to the current level of human resource management, which are the premises

and at the same time the driving forces of this transition, or, on the contrary, are like barriers and hamper the change in human resource management system.

#### 4. Results

Based on the analysis of the evolution of views on the organization personnel, the conclusion has been made that the transition to a more efficient concept of human resource management involves disturbing the equanimity of the current control system and, in fact, building it anew on the basis of new rules and approaches (Morozova, 2015). Summarizing large number of studies, both in Russia and abroad, six scenarios of the organization transition to a more modern human resource management can be distinguished, depending on the action of the selected groups of factors:

*The evolution from the “top”*: The high level of education, professionalism, self-awareness and mobility of senior executives in the company allow them to see timely the phenomena that hamper the development of the organization and to predict their negative consequences for business.

*The conflict “in the middle”*: As a result of the natural upgrade of the management team, the organization engages managers with progressive views in its middle management who is accustomed to work in a progressive environment (Maksimtsev, 2016). They begin to encourage the organization to be upgraded, so that classic conflict between “insiders” and third-party experts grows up.

*The revolution from the “bottom”*: At present, it is quite a rare scenario for Russia. It requires a high level of social and economic literacy of employees, their social activity, readiness to accept responsibility and the desire to change their lives.

*The pressure at the “side”*: The desire to increase the profitability of production is accompanied by technical and technological re-equipment, which, in turn, forces the organization to revise the current concept of human resource management in the direction of increasing the value of the labor force for the organization, delegation of authority to the performance level, as well as the involvement of the largest possible number of people employed in the organization of management processes.

*The pressure “around”*: Changing labor market conditions, the progress of society as a whole create an active environment (institutional context), which makes organizations review the basic settings on the role and place of employees in the organization’s management system. Expansion of intellectual and social horizons of employees leads to a revival of their activity and increases in pressure on the administration, and may contribute to the development of events according to the scenario of the revolution from the bottom.

*The pressure from the “outside”*: Sooner or later, the state is also get involved in the regulation of relations between employees and employers. The need to support and guide the progressive development of society encourages the state to pass part of the public burden (welfare growth, the solution of demographic and similar problems) on to entrepreneurs. Entrepreneurs, in turn, seek to recoup the increased costs by enhancing the effectiveness of employees’ work.

The undertaken analysis allowed concluding that at the domestic enterprises the revision of human resource management concept is carried out through a series of organizational changes (modification of the financial management system, customer service, upgrading the production process, etc.) (Murashova and Morozova, 2012). In most cases, the review process is forced by strong internal or external threats (i.e. influenced by external factors), rather than the maturity and professionalism of managers (Myakushkin, 2005). It is concluded that the reason for this delay is:

- 1) resistance to change on the part of senior management of the organization, lagging behind in their vision of the situation that is emerging in the market and within the organization;
- 2) an outdated administrative and managerial staff clinging to their power;
- 3) passivity and inertia of employees.

The current stage of development of the theory and practice of HRM in Russia suggests that it is beginning to institutionalize from chaotic and largely intuitive management activities. The institutionalization of human resource management is the development and the subsequent establishment of rules, regulations and ideological orientations of conscious and systematic impact on human resources at the enterprise in the internal documents, in the production activities of the enterprise and the real behavior of employees with the aim of regularizing the contradictions between individual, group and organizational interests for their joint implementation (Danilova, 2011).

A set of principles that formed the basis for the construction of an integrated system of human resource management has been formulated, the most important quality characteristics of the integration process have been identified (Morozov, 2015). Thus, starting from strategic planning features and the organization’s mission, two related human resource management principles have been formulated: the principle of “optimal control point (zone)” or the balance of interests, and the principle of “vertical management decision-making” or chain of command.

The principle of optimal control point reflects the fact that human resource management is an integral part of the corporate (public) system of the organization management. Actually, in human resources management activities there are three subjects to management that are both appropriate to be considered both as levels of human resource management in the organization: the organization as a single socio-economic system – bearers of collective interests, formal and informal groups within

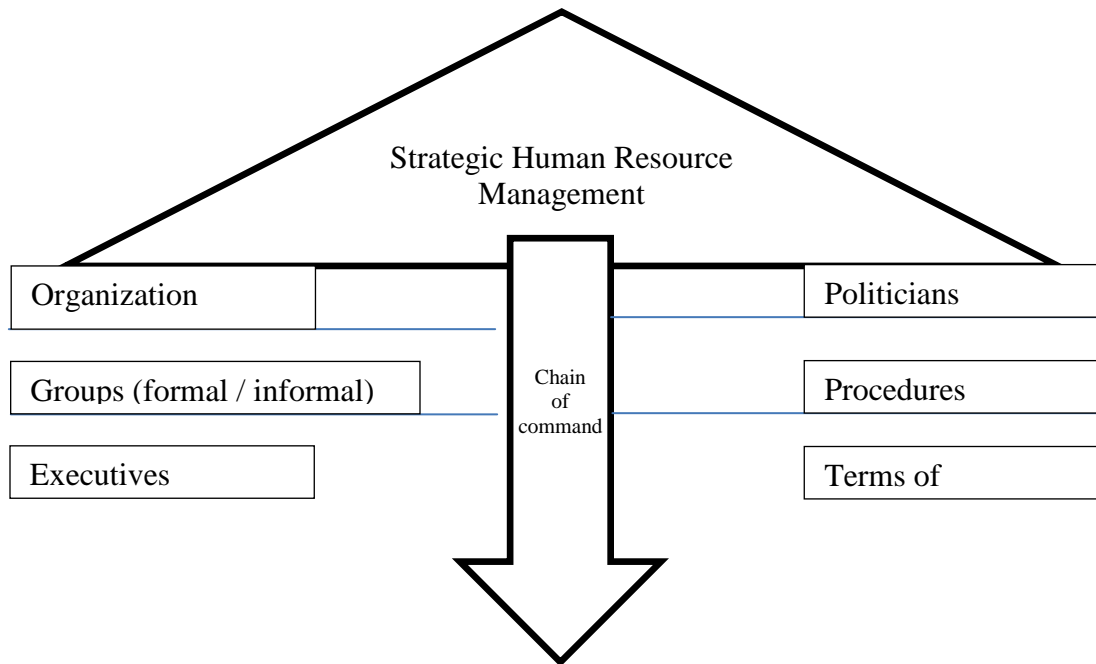
an organization – bearers of group interests, individual performers – bearers of individual interests (Markelova, 2015). All three levels coexist in human resource management system simultaneously, and are a continuation of each other. At the same time, there is an area in which the interests of the organizations, groups and executives coincide. Contextually, this area is characterized as interest in the organization prosperity.

Management decision within the framework of human resource management, will only be most effective in terms of the undertaken efforts and the resulting efficiency when it takes into account the interests of all three subjects to management, and consequently, does not allow the selfish interests of one of the subjects to management prevail over the others and, therefore, does not cause the response of resistance on the part of the subjects to management, whose interests have been infringed. Intersection zone of interests of all three subjects to management was called an optimal control area and a place of application of a particular management solution within this area – an optimal control point.

Constructing HRM integrated system requires consideration of the multiplicity of HRM subjects to management. To implement this task, the following principle is used – the principle of vertical management decision-making. It points out that the administrative decision is built “top to bottom” in an integrated system of HRM through four groups of tools: HRM strategy – for corporate governance, policies in the field of HRM – for the management of the organization level; procedures – for the level of group management; technical specifications – for controlling the level of each executive.

Tools in human resources management are understood as formalized management approaches, methods, techniques and practices that regulate and organize all aspects of the professional life of employees and are aimed at improving their employment rates (Figure 2).

**Figure 2.** The implementation of the principle of vertical management decision-making through the use of HRM tools for subjects to management at different levels



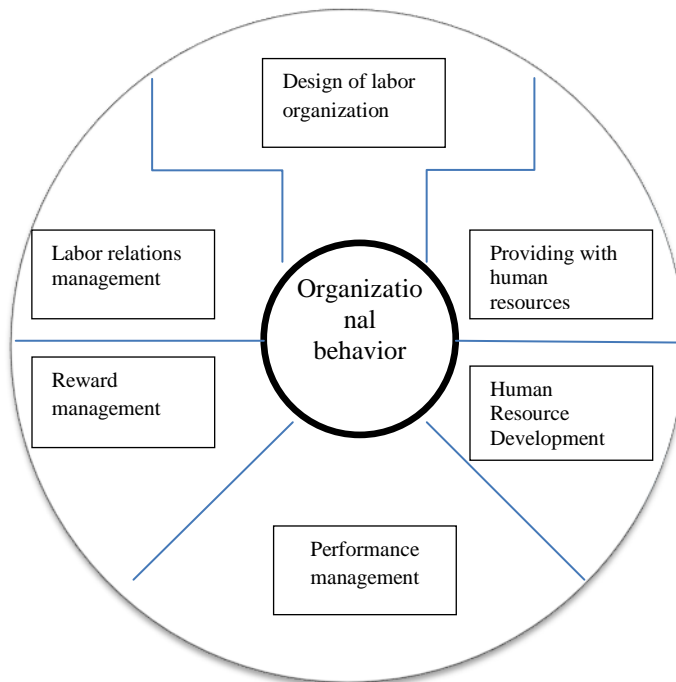
In order to generalize and create a typology of HRM tools and technologies, to integrate them into subsystems, another principle has been offered, which has been called the “circle of personnel”.

The circle of personnel reflects the fact that all processes in HRM have a cyclical nature and describes the natural law of the workers staying in the organization from the moment of hiring and up to dismissal: creation of a workplace → hiring → adaptation / training / development → summing up the work results and providing feedback → payment of remuneration and non-financial incentives → administrative support of the labor process (which ends the previous cycle, and at the same time opens a new one).

If the organization is in the early stages of its development, and its management technologies, including HRM technologies have not finally taken shape, this cycle is realized spontaneously. With the “maturation” of the organization internal natural processes are taken under control, and then directed and controlled either by functional managers or HRM specialists (Figure 3).



**Figure 3.** Personnel circle



Thus, subsystems selected in the personnel circle, in which tools and HRM technologies are united, have a double nature: on the one hand, they reflect different stages of the natural staying of people within the organization, the life cycle of human resources, on the other – are the tools of influence on employees and management of entire system (Dolgov, 2011).

Combining together the principles of optimal control point, vertical of management decision-making and the circle of personnel helped building three-dimensional structural-logical model of HRM, called “personnel cylinder”. As part of the personnel cylinder of business area of HRM activities arranged in the corresponding subsystems are decomposed depending on the subject to management (Figure 4) (Zaytseva, 2012).

Personnel cylinder is crowned by strategic HRM, which, as it has been proved in many respects depends on the vision and orientations of top management and the owners of the enterprise, as the key normative and ideological representations of senior management define the capabilities and limitations of the existing HRM system. “A funnel” of release of employees from the organization terminates personnel cylinder.

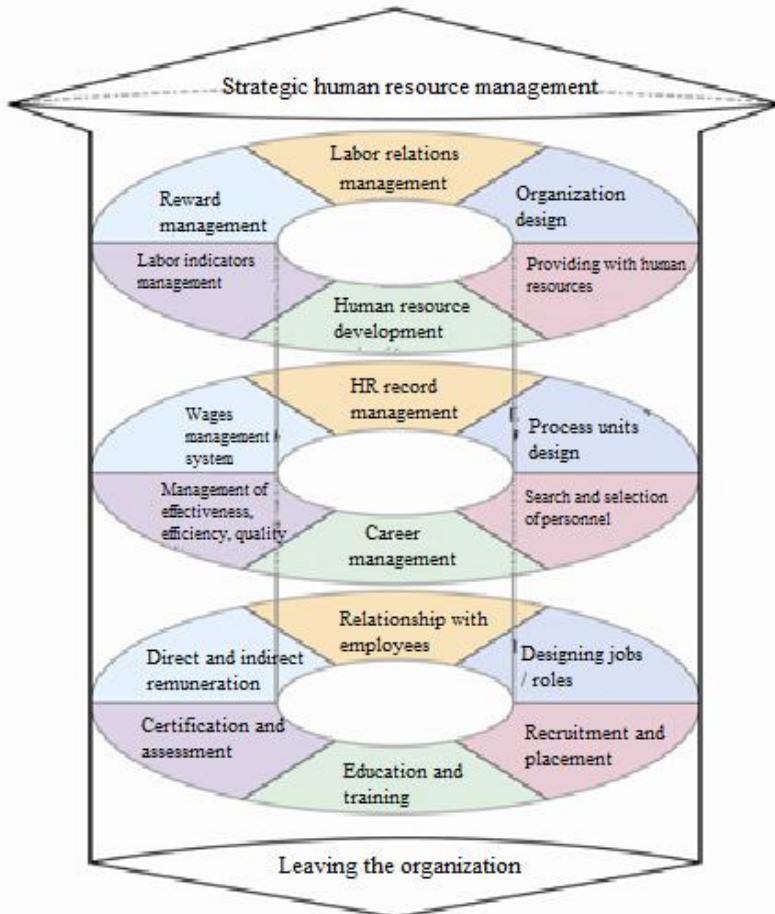
Next, we consider the relationship of HRM subsystems within the organization's management system. A description of each of the subsystems is given taking into consideration different subjects to management. In heart of the HRM integrated system there is a subsystem of organizational behavior management. Such HRM system configuration allows accurately reflecting the motivational nature of all human resources management tools, as well as it evidences of the fact that the ultimate purpose of the use of all HRM tools and technologies is the impact on the workers' behavior and their work.

However, organizational behavior cannot be reduced to the question of motivation, because the employee often has to work well in spite of his/her momentary desires and psychological states. It is more correct to speak not only about motivation (motivation / encouragement), but wider – about stimulating labor (coercion / hobby). This calls for a more detailed examination of the administrative, motivational and stimulating potential of human resources management tools.

Further, it is shown that the subsystems of designing the organization and providing manpower, from which personnel cycle begins, are key elements in ensuring the HRM effectiveness. This is due to the fact that errors and mistakes made in the framework of these subsystems block the possibilities of a positive managerial impact on an employee at later stages of personnel cycle.

Providing human resources prepares the ground for the work on personnel development. The greatest attention is paid to the continuous development of the organization in two modern management approaches: “knowledge-based organization” and “balanced scorecard” (BSC) (Morozova, 2014). These two approaches are inherent to the concept of human capital and explain from different points of view the fact that in modern industry the importance of the basic means of production gradually decreases, while the importance of human capital increases.

Figure 4: Personnel cylinder



The following after the development of human resources is a subsystem of indicators of labor management. Since the performance of work should be considered as a function of many variables, not all of which are dependent on the worker, then the labor performance management includes not only the impact on the employee’s work and behavior, but also the management of his/her working space, as well as the general working conditions, working environment of organization.

Remuneration management subsystem has a special place among all HRM subsystems. On the one hand, the compensation of work of employees is a kind of “base” of social and economic relations between the employee and the employer. It also has the character of “hygiene factor” (by F. Herzberg), which does not motivate on its own, but creates the conditions for the absence of demotivation in employees. On the other hand, as soon as the sum of the fixed part of the financial compensation exceeds a certain value (in this case – the minimum consumer budget), labor

compensation turns into a kind of “superstructure”– it serves as a motivating factor (Radkevich, 2014). In other words, after the initial motivation of an employee for the way desired for the organization by using the correct amount of the fixed base of material compensation, the employer does “fine-tuning” or “sharpening” of employees’ behavior through the variable part and immaterial remuneration.

The singled out sequence of subsystems (blocks) in the composition of the personnel cylinder is of fundamental importance; it is much more effective by to “embed” a newly hired employee in the existing system and allow him/her to raise it to a new level through his/her work by adapting and introducing into the swing of things, than to break the current division of labor system for one, even a stellar employee.

## **5. Conclusion**

As it has been described above, the HRM integrated system requires specific management tools designed to assist in the observance of the interests of different levels of management of the organization and to carry out a comprehensive impact on the staff. In the process of institutionalization, HRM tools take the form of company’s internal documents that may have a different legal status, different audiences and different substantive content.

An important conclusion of the study is that in the era of the transition to a knowledge economy, companies need to rethink the human resource management function in the organization and expand its capabilities. HRM professionals need to be considered the same experts in the field of management, as the specialists in finance, sales, or production and they should be introduced on an equal footing in companies/organizational and management structure.

Thus, it is shown that the majority of Russian companies’ executives follow the outdated management paradigm, according to which the HRM Service is assigned to the administrator role that accompany, but not create changes in the organization. In the center of the organizations’ development plans are still classic priorities of industrial economy are: priority development of the material base and the focus on short-term and medium-term financial performance indicators. Special measures to improve human resource management practices are carried out very rarely. At the same time, the quality of HR management is included in the performance indicators of both organizations themselves and functional managers who carry out operational management and is encouraged on the average only in a quarter of all companies.

Even fewer companies believe knowledge and experience in the field of personnel management as the main criteria for selection of candidates for senior positions. At the same time, the presence of highly significant correlations between the company’s success in the field of HRM and financial performance of their work convincingly shows that smart and modern human resource management should be treated as an important factor in ensuring the effectiveness of the organization.

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