

## HUMAN RESOURCES AS COMPETITIVE ADVANTAGE FACTOR OF AN ORGANIZATION

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***Abstract:** Human resources, in addition to raw materials and instruments of labor, are an essential element of the work. The success of the organization is caused by the recruitment of talented people who will direct their skills, knowledge, and energy towards innovation and competitiveness of the organization. The expertise of the individual or group within the company is a specific competitive ability, whose importance is increasingly coming to the fore in a modern society and a market economy.*

***Keywords:** human resources, strategy, organization, competition*

### 1. INTRODUCTION

Human resources, in addition to raw materials and instruments of labor, are an essential element of the work. Technological advances have contributed to the growth of the modern machines and robots in the production process but human creativity is the main asset and the most important factor in the growth and development of a company. Instead of technical and conceptual factor, increasing importance pays to the behaviorist approach to management. Human resources have become the most important factor in business while personnel management is considered the most important for the success of a company.

HARD ➔SOFT – transition from hard to soft dimension of a company

The success of the organization is caused by the recruitment of talented people who will direct their skills, knowledge and energy towards innovation and competitiveness of the organization.

While 20<sup>th</sup> century was characterized by material values and resources such as money, land, equipment, and intangible value (brand image, customer loyalty), the basic resource of the 21<sup>st</sup> century is knowledge. In developed economies, 50% of GDP is based on knowledge i.e. intellectual property and expertise of people.<sup>1</sup>

<sup>1</sup> Dess et al. Strategijski menadžment, (Beograd: Data status, 2007), 124

## 2. STRATEGY AND COMPETITIVENESS

Strategy is the science and art to set out the main point of attack to any kind of action, in order to achieve goal and success. Strategic management is a series of managerial decisions and actions that determine the long-term business performance.<sup>2</sup> Strategic planning is the process for implementing and updating the strategy when the need arises.<sup>3</sup> Organizations in terms of changing circumstances on the modern markets need to recognize the importance of equal access to the organizational strategy and human resources strategy. Several models define the relationship between organizational strategy and human resources strategy:

- Separation model – there is no correlation between organizational strategy and human resources
- Fit model – highlights the growing understanding on the importance of the people themselves in achieving organizational strategy
- Dialogue model – recognize the need for mutual communication and some kind of a debate
- Holistic model – the people in the organization are viewed as a key competitive advantage and not as a „tool” for the implementation of organizational strategy
- Human resources based model – human resource strategy is seen as a default one

Competitive advantage is what sets an organization apart. The organization has a competitive advantage if it is doing something that other organizations are unable to do so, or does so better than others do.<sup>4</sup>

A strong lobby advocates a position on which the competitive advantage in the job is rather the human potential than the availability of capital or the use of technology.

The importance of human resources as a factor of competitiveness can be seen in the relationship between market and book values of modern organizations. In companies where the knowledge and knowledge management are important participants in the development of products and services and physical resources less important, the market/book value ratio tends to be much higher.<sup>5</sup>

The intellectual capital = Market value of a company – book value of a company  
Experienced and capable workers, talented staff in key areas, superior knowledge and intellectual capital, collective knowledge, managerial knows-how, are potential power that each organization strives to achieve.<sup>6</sup>

The expertise of an individual or a group within the company is a specific competitive ability whose importance is increasingly coming to the fore in a modern society and a market economy.

There are many forms of expertise:

- Competence – an accumulation of learning and skills development in performing internal activities

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<sup>2</sup> Robbins Stephen. and Coulter Mary, *Menadžment*, (Beograd: Data status, 2005), 180

<sup>3</sup> Kastratović Edita, *Uvod u menadžment*, (Beograd: Fakultet za menadžment u sportu Univerziteta „Braća Karić”, 2008)

<sup>4</sup> Coulter Mary, *Strategijski menadžment*, (Beograd: Data status, 2010), 201

<sup>5</sup> Dess et al. *Strategijski menadžment*, 126

<sup>6</sup> Thompson. A. Arthur et al. *Strateški menadžment*, (Zagreb: Mate, 2008), 90

- Core competence – a successfully performed internal activity that is at the heart of strategy and competitiveness of a company. A valuable force of expertise because it has a central role in the strategy of a company and contributes to the success of the market.
- The distinctive competence – competitive valuable activity that a company performs better than its competitors. It is competitively superior resource strength.<sup>7</sup>

The highest priority of building organizations in the implementation process is the need for building and strengthening the competitiveness of valuable fundamental skills and organizational skills.

There are three stages in the process of developing and strengthening the skills and abilities:

Phase 1 – The organization must develop the ability regardless of any initial imperfection or inefficiency.

Phase 2 – Experience grows, the company's staff learns how to run activities consistently successful at an acceptable cost. The ability develops into the expertise.

Phase 3 – If the organization continues to refining its know-how with the increased performance, while becoming better than competitors, then the fundamental skills rise to the level of recognized competence.<sup>8</sup>

The importance of human resources as a factor of competitive advantage reflects in the fact that the company's reputation, the trust of employees, teamwork and organizational culture can hardly be imitated and substituted. This fact leads to the conclusion about the importance of human resources and their role in the phenomena listed above. Organizations need resources that are difficult to imitate or substitute.<sup>9</sup>

Successful organizations must systematically approach to quality human resources as the most important resource. One can achieve this only if complying with the complex approach that involves three vital processes:

- Attracting human capital
- Development of human capital
- Preservation of human capital<sup>10</sup>

Organizations need to pay equal attention to each of these processes in order to build a solid foundation as a guarantee of competitiveness in the brutal market game.

<sup>7</sup> Thompson et al. *Strateški menadžment*, 90-91.

<sup>8</sup> Thompson et al. *Strateški menadžment*, 325.

<sup>9</sup> Coulter, *Strategijski menadžment*, 46.

<sup>10</sup> Dess et al. *Strategijski menadžment*, 128.



**Figure 1:** HRM processes in terms of human capital

The importance of attracting and developing high-quality human resource is reflected in the fact that quality personnel have the ability to recognize the importance of continuous learning and rapid adjustment to changing market conditions. Attracting high quality staff, the organization becomes flexible and the staff identifies with new ideas and mutually sharing visions accepting new changes.<sup>11</sup>

The attitude of the organization on ethical issues can often be criticized in terms of the ethical basis. The inevitability of rapid changes in the global marketplace affect managers regarding the made decisions, which may result in a reduction of interest of one part of employers in terms of business ethics.<sup>12</sup>

Taking into account theoretical and practical scope of human resources, there is a diversification in terms of approach in this regard. Managers have different views regarding the importance of having human factors in relation to the business (organizational) strategy. There are three theoretical approaches to the strategic human resource management:

- Universal access – assume that the high level achievement model is in correlation with a high level of an organizational activity in all contexts, regardless of the competitive strategy of the organization.
- Access based on integration or opportunities – based on two basic forms of integration: external (strategic HRM integrates into the requirements of the business strategy) and internal integration (all policies and activities of the HRM integrate mutually making a coherent entirety, mutually supportive and consistently applied).

<sup>11</sup>Kopilović Radmila, „The learning organization”, *International journal of economics and law*, Vol 1, No 2, (2011):75

<sup>12</sup>Marković, A., Marković, Lj., „New trends in human resources management”, *International journal of economics and law*, Vol 1, No 1, (2011):75

- The approach based on resources – refers to the formation of connections between internal resources, strategy and performance. This approach emphasizes the importance of human capital as a competitive advantage.<sup>13</sup>

### 3. RESUME

The market economy of modern society does not forgive. The most successful organizations survive those organizations that have clearly observed a strategic approach, identified their strengths and weaknesses on one side, and their chances and threats from the other side.

The importance of human resources can be viewed from two angles. High quality personnel are capable of defining and implementing an adequate strategy in the situation in which the organization is. They are able to give their best to the organization in order to be competitive in all dimensions. High quality staff contributes to the competitiveness of the organization in terms of creative ideas and solutions that are directly implemented in the production process or the provision of services (depending on the activities of the organization).

High quality human staff is of crucial importance for the success of an organization, so the human resources management is the process with the most important task – to attract, develop, and maintain (retain) high quality human staff.

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<sup>13</sup>Torrington Derek et al. *Menadžment ljudskih resursa*, (Beograd: Data status, 2004), 34-43