

## THE FUTURE OF HUMAN RESOURCE MANAGEMENT: WHO AND HOW WILL MANAGE TALENTS?

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**Abstract:** *In order to survive as a business function and profession, HRM will have to manage changes in order to make HRM experts real, dynamic and innovative business partners. The HR department faces a number of challenges. Personnel experts are working under increasing pressure, they need to reconsider, define and evaluate their role. HRM has never been as needed as it is now. Managers are now facing a very competitive environment, and in the future, they will need to ensure the organization's extraordinary value. In order to achieve this, it is necessary to focus on learning, quality, teamwork and other processes that determine how the tasks will be performed and how they will behave towards workers. The research conducted in this paper was a pilot study created in order to explore the changes in HRM that occurred in the last few years. The pilot research was performed in the period between February and March in 2018 in order to collect responses from HR managers regarding several questions about changes in the role of HRM specialists. The questionnaire was developed based on the Deloitte University Press report (2017). The sample of the pilot study consists of 35 companies from Serbia (46%) and Hungary (54%). The authors tried to explore the changes in HR in terms to find out the roles that HR managers will have in the new business environment. The authors used Factor analysis in order to group similar HR roles in dimensions and explore the nature of the new HRM. The results pointed out that HR managers in Serbia and Hungary have to improve the HR profession and employee relations, be good at change management, strategic management issues and technology usage.*

**Keywords:** *Human resource management, talents, HR roles, factor analysis*

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### 1. INTRODUCTION

**H**uman resource management (HRM) can be defined as a managerial process that consists of several interconnected activities such as job analysis, HR planning, staffing, training and development, career management, compensation and benefits, retirement, health and safety at work, industrial relation, etc. HRM has passed its transformation journey from poor personnel activity in the past to the strategic business partner nowadays. In order to survive as a business function and profession, HRM will have to manage changes in order to make HRM experts real, dynamic and innovative business partners. The HR department faces a number of challenges. Personnel experts are working under increasing pressure, they need to reconsider, define and evaluate their role. HRM has never been as needed as it is now. Managers are now facing a very competitive environment, and in the future, they will need to ensure the organization's extraordinary value. In order to achieve this, it is necessary to focus on learning,

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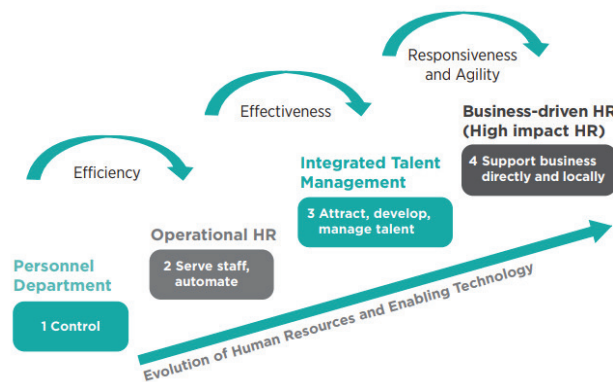
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## 2. THE CHANGES OF HUMAN RESOURCE MANAGEMENT PROFESSION AND HR MANAGERS

When speaking of the HR profession, it is important to highlight the research made by Bersin, who stated that over the last 30 years HR organizations have gone through several transformations, moving from „an operational role (the ‘personnel department’) to one of ‘HR as a service center’ to one focused on ‘driving talent outcomes’“.

Picture 1: The four phases of HR, [1, p. 5]



HRM evolved over time, but besides the function, it is very important to explore the most important demographic characteristics that followed from 1987 to 2012. Those are:

- *Feminization of the profession.* In the last 15 years (from 1997 to 2012), the percentage of men working in HR dropped from 70% to 38%, while the share of women working on these jobs increased from 30% to 62%.
- *Education of HR professionals.* The increase in the educational level of HR professionals.
- *Career development forms for HR professionals.* Economic demands that HR with fewer resources achieve more results (efficiency), application of information technology and outsourcing have changed the size and shape of HR departments. Human resources experts are increasingly individual associates who offer specialist services (34%). HR career can often be in the form of functional knowledge and specialty but in the form of the leading role of the HR manager.
- *A number of years in the HR profession.* Over the last 15 years, an increasing number of HR professionals (25%) have spent less than 5 years in HR positions.

- *The role of HR professionals.* In the last 5 years, there has been a decline in the percentage of HR experts who are generalists (49% to 40%). Recruitment, training, development, HR planning and communication are areas of increased specialization of HR professionals [11, p. 459-460].

The next question that needs to be answered is what competencies are needed for HR managers in order to generate success in this business and to contribute to the organization. According to Ulrich's 1997 study, four basic roles of HR professionals were defined. Each HR role was crucial in achieving partnership relations with top management and contributing to company goals. Human resource management experts are independently responsible for the results of each role, but may also include assistants in performing tasks arising out of the described roles. The following illustration shows the division of responsibilities so that the overall responsibility is expressed with the number 10.

Table 1: HR roles [9, p. 43]

<b>STRATEGIC PARTNER</b> Line managers 5 HR specialists 5	<b>CHANGE AGENT</b> External consultants 3 Line managers 4 HR specialists 3
<b>ADMINISTRATIVE EXPERT</b> Corporate HR 5 Outsourcing 3 IT 2	<b>EMPLOYEE CHAMPION</b> HR 2 Line managers 6 Employees 2

Dave Ulrich also briefly described the four HR roles in the following form.

Table 2: HR roles, activities, and results [9, p. 25]

Role description	Role title	Result	Activity
Strategic human resources management	Strategic partner	Strategy execution	Harmonization of HR activities and business strategies: "Organizational Diagnosis"
Enterprise Infrastructure Management	Administrative expert	Building an efficient infrastructure	Reengineering of the process: "Shared Services"
Transformation and Change Management	Change agent	Creation of a new organization	Transformation Management and Change: "Ensuring Ability to Change"
Employee Contribution Management	Employee champion	Increase employee loyalty and capabilities	Listening and answering employees: "Providing resources to employees"

HRM experts should learn to think strategically and operatively. The role of employees' champions was changed the most in the recent past. According to the traditional understanding, HRM was solely responsible for employee loyalty. Today, HR experts are expected to train line managers, to adequately respond to the demands of their subordinates and to educate employees to know how to solve problems. Successful execution of HR tasks is largely the task of HR

departments. HRM at enterprise level aims to reduce the administrative tasks of specialized HR professionals. More efficient execution of HR tasks is enabled by outsourcing and the usage of information technology. Responsibility for the role of a strategic partner is shared by human resource managers and line managers. HR experts share the task of change agents with line managers and external consultants [8].

According to the latest research by Ulrich, Younger, Brockbank and Ulrich, the roles that an HR expert should have in the organization are the following:

- **Strategic Positioner.** HR experts think and act outside the organization by winning four levels of business. First, they learn the language of business, which concentrates on financial issues. HR professionals must be able to understand the context and essence of business relationships. Secondly, they need to participate in creating an organization's strategy. Third, they need to see and serve key customers of their organization. Fourthly, they need to have a wealth of knowledge of the general business conditions that affect the sector and geographical region in which the organization operates.
- **Credible Activist.** Effective human resource professionals are credible activists because they build personal trust by demonstrating business skills. Credibility is gained when HR professionals achieve what they promise, building personal relationships of trust that they can rely on. They communicate clear and consistent messages with integrity. They also have an adequate view not only of HR activities but also of business requirements. In the end, human resources experts need to be self-aware and dedicated to the development of their profession.
- **Capability Builder.** An efficient HR expert integrates individual employees' abilities into effective organizational capabilities. Capabilities are the institutional strength of the organization and affect its reputation. Capabilities can be expressed in the form of a company's culture, processes, or identities. Such capabilities include customer service, speed, quality, efficiency, innovation, and collaboration.
- **Change Champion.** As champions of change, HR professionals should enable the integration of isolated and independent organizational activities into sustainable processes of changes, which are continuously occurring. They should represent the internal capacity of an organization to manage change. As the change champions, HR experts should allow changes to occur at the institutional level (change in behavior patterns) at the level of the initiative (to make changes happen) as well as at the individual level (enabling personal changes).
- **Human Resource Innovator and Integrator.** Efficient HR professionals need to be innovative and integrate HR practices into integrated solutions for future business problems. They need to know the latest information on the key HR areas that relate to human capital (talent sources, talent development), performance management (performance assessment, awards), organizational design (teamwork, organizational development), and communication.
- **Technology Proponent.** At the core level, HR professionals need to use technology for more efficient work on high-level administrative systems such as benefits and wages, health insurance and costs and other administrative services. In addition, HR experts should use technology to help people stay connected to each other. The growing trend in the use of technologies is also social networks, which need to be included in HRM. HR professionals who understand technology will create a better organizational identity outside the company and improve social relationships within the company. As a proponent of the use of new technology, an HR expert must access, promote, analyze and harmonize technology to achieve information, efficiency and build relationships [11, p. 463-464].

Most famous consulting companies defined the most important challenges to management practice and human resource management in the near future. Ernst & Young's associates in 2015 have identified six trends that will have a significant impact on management practice: digitalization (technological development - changing modes of operation), entrepreneurship, global markets (the spread of global market and the growing gap between developed countries and countries in development), urbanization (urban development), natural resources (an increasing need for them and a growing need for sustainable systems), health expenditures (which are increasingly burdensome, and require new organizational solutions) [7]. The authors of the Boston Consulting Group, based on the research carried out in 2015 in 27 countries of Europe, define five challenges that will significantly influence HR activities of organizations in Europe, including talent management, transformation into learning organizations, harmony between work and private life, managing change and changing culture, and managing demographic changes [6, p. 483].

In the pursuit of achieving business results, the human side of this function is forgotten even within the profession of HRM. HRM is at risk of intellectual and professional impoverishment because of pro-market ontology (immediate shareholder interests of profit-taking) rather than a more inclusive pro-business orientation (a focus on longer-term sustainability of both organizations and people) [4]. HR experts are trying to become business partners with top management and focus on the re-engineering of the HRM process, measuring HRM results, and harmonizing HRM practice with the business strategy of the company, often ignoring the human aspect. Conversely, sometimes it is wrong to think that HRM's sole goal is to make employees happy. However, this business function should build a working atmosphere in which employees will be loyal to the company on the basis of meeting their needs [10].

Based on the above-mentioned, the authors decided to explore the trends in HRM that are important for the future, and the roles that HR managers should have in order to manage employees properly.

## **EMPIRICAL RESEARCH**

The research conducted for this purpose was a pilot study created in order to explore the changes in HRM influenced by digitalization. The pilot research was performed in the period February – March 2018 in order to collect responses from HR managers regarding several questions about HRM.

### **3.1. Methodology**

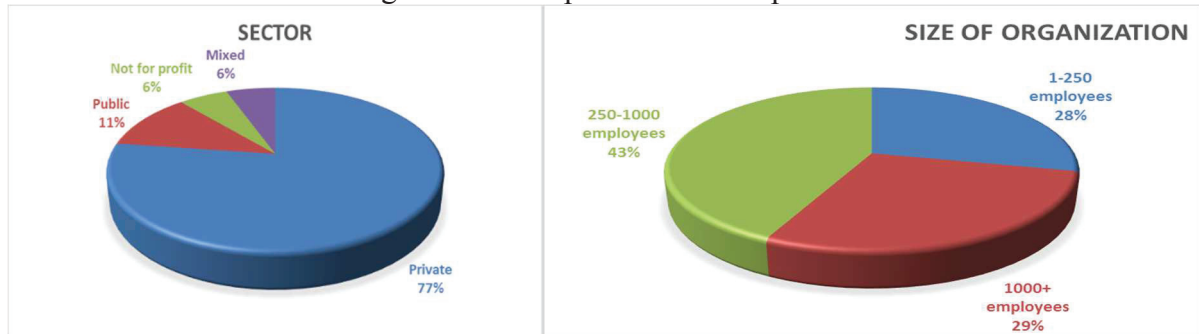
The questionnaire was developed based on the Cranet questionnaire (Cranet, 2017) and the Deloitte University Press report (2017). The first set of questions is related to the size, sector, and industry of the organization. The second part of the questionnaire contains question related to the HRM – the existence of HR department, HR roles of respondents, state of organizational results (profitability, productivity, service quality and rate of innovation). The third part of the questionnaire contains questions related to the importance of the digitalization for organizations, the usage of an HR information system for HR activities, and the rating of the HRM trends for the new digital economy. The questions are created with the predefined answers, where we used a Likert scale (1-5) and dichotomous answers (0-1) in most of the questions.



### 3.1.2. Sample

The sample of the pilot study consists of 35 companies from Serbia (46%, 16 companies) and Hungary (54%, 19 companies). Picture 1 presents the structure of the sample related to the size and the sector of ownership.

Figure 1: Description of the sample



Source: The authors' own design

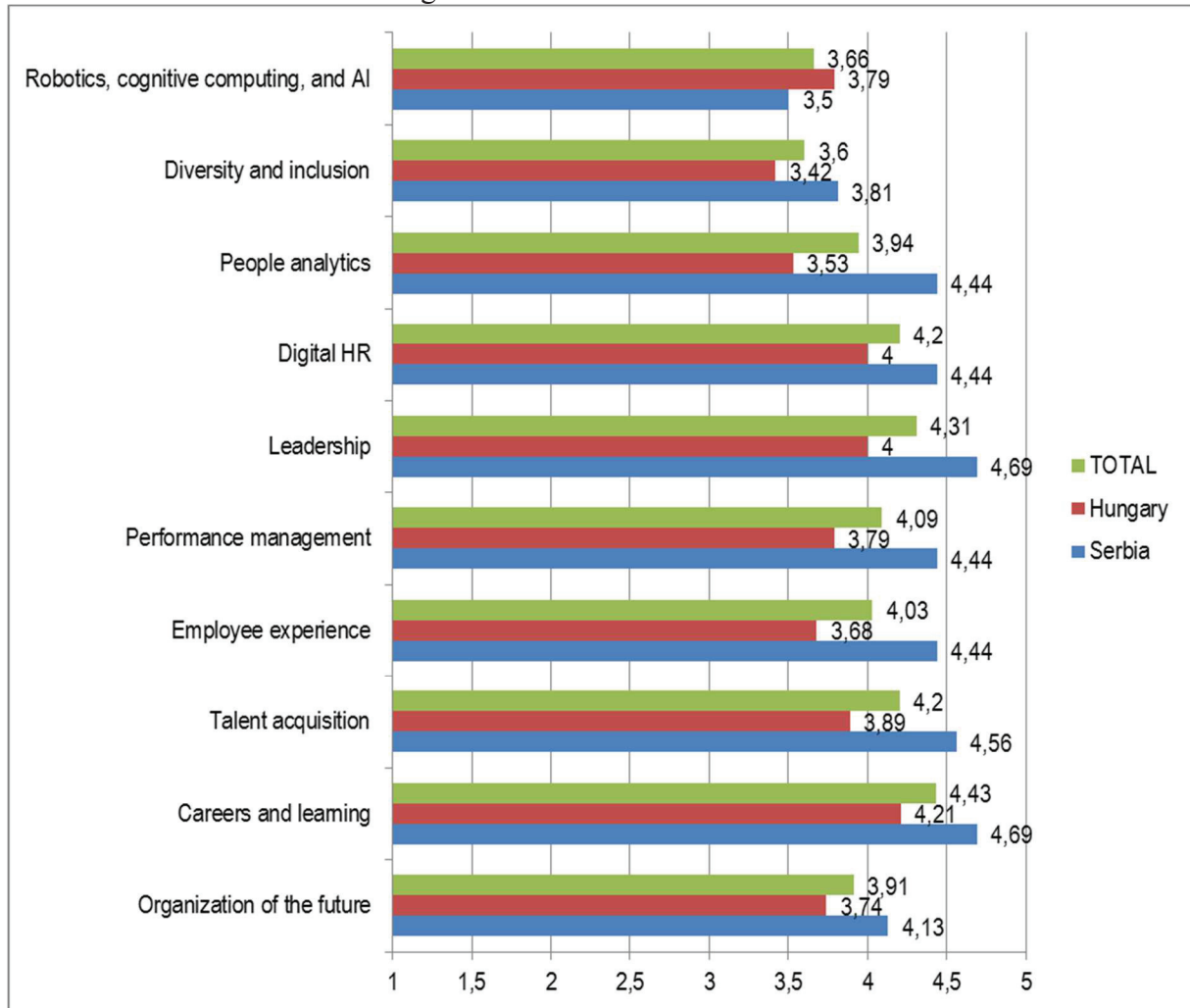
The largest share of the companies has between 250 and 1000 employees (43%), followed by companies with more than 1000 employees (29%) and SMEs (28%). Most of the respondent companies are from the private sector (77%), 11% are public (11%), 6% are mixed (private and public) and another 6% are not-for-profit organizations. All respondents represent one company (managers or HR managers). Best represented in the sample are companies from IT and telecommunications (20%), followed by electricity, gas, steam, and water supply, waste management (11.4%), manufacture of food, beverages, textiles, wood and paper, coke and refined petroleum, and related products (11.4%), and transportation and storage (11.4%). Almost two thirds of the respondents work in the area of services (62%), while the manufacturing sector represents 38%.

### 3.2. Results

Data from figure 2 point to the ratings of the importance of a certain number of HR trends in 2018/2019. We can conclude that all mentioned dimensions of HR are important for future business. According to mean values of responses (responses from 1-not at all important to 5-very important), it is obvious that career and learning, leadership, talent acquisition, digital HR, performance management, and employees' experience are the most important dimensions of future HRM, in the whole sample and in particular country.

The respondents found that diversity and inclusion and robotics and AI in HRM will be less important than previously mentioned areas. These results are in line with the previous research made by Deloitte University Press [2], [3], that also explored these trends in the HRM.

Figure 2: HR trends in the future



Source: The authors' own design

In order to explore the most important roles of HR managers in the future, the authors used Factor analysis with varimax rotation. Factor analysis was used to summarize several roles of HR managers into a smaller number of underlying dimensions as critical factors. The extraction method was the principal component analysis. VARIMAX rotation was used to transform a set of interrelated variables into a set of unrelated linear combinations of these variables. Only variables with a factor loading than 0.5 were extracted to aid interpretation. Eigenvalues greater than 1 were used to determine the number of factors in each data set. In addition, a reliability test based on Cronbach's alpha was used to test the internal consistency of questionnaire responses.

Table 3. KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		,749
Bartlett's Test of Sphericity	Approx. Chi-Square	698,363
	df	190
	Sig.	,000

Source: The authors' own design

Table 3 shows two tests that indicate the suitability of the data for structure detection. The Kaiser-Meyer-Olkin Measure of Sampling Adequacy indicates the proportion of variance in

variables that might be caused by underlying factors. According to the data in table 3, KMO is 0,749 which is acceptable and that factor analysis can be done with potential success. Bartlett's test of sphericity tests the hypothesis that the correlation matrix is an identity matrix, which would indicate that the variables are unrelated and therefore unsuitable for structure detection. According to the data in table 3, small values (less than 0.05) of the significance level indicate that a factor analysis may be useful with the present data.

Table 4. Results of the factor analysis

<b>Rotated Component Matrix<sup>a</sup></b>			
	<b>Component</b>		
	<b>1</b>	<b>2</b>	<b>3</b>
Improving the utility of HR operations	,838		
Shaping the HR profession	,820		
Shaping organization and communication practices	,803		
Influencing and relating to others	,788		
Improving through self-awareness	,758		
Earning trust through results	,755		
Capitalizing organizational capability	,744		
Driving performance	,730		
Leveraging social media tools	,629		
Sustaining change		,888	
Initiating change		,847	
Creating a meaningful work environment		,710	
Building a leadership brand		,695	
Developing talent		,670	
Aligning strategy, culture, practices, and behavior		,600	
Decoding customer expectations			,862
Co-crafting a strategic agenda			,781
Connecting people through technology			,611
Optimizing human capital through workforce planning and analytics			,594
Interpreting global business context			,565
<i>Eigen values</i>	<i>11,545</i>	<i>2,037</i>	<i>1,447</i>
<i>Cumulative percentage variance (%)</i>	<i>57,724</i>	<i>10,184</i>	<i>7,237</i>
<i>Cronbach's Alpha Based on Standardized Items</i>		<i>0,961</i>	
<i>Cronbach's Alpha Based on Standardized Items for factors</i>		<i>0,856</i>	
<i>Extraction Method: Principal Component Analysis.</i>			
<i>Rotation Method: Varimax with Kaiser Normalization.</i>			
<i>a. Rotation converged in 5 iterations.</i>			

Source: The authors' own design

Each component has a quality score as an Eigenvalue. Only components with high Eigenvalues are likely to represent a real underlying factor. The authors used Eigenvalues higher than 1 to explore factors. Based on the Eigenvalues, we considered three underlying factors.

In order to explore which dimension creates which factor, we perform the component matrix (the Pearson correlations between the items and the components) as factor loadings. Since in this step we got some cross-loadings, we decided to do the varimax rotation. This analysis tries to redistribute the factor loadings such that each variable measures precisely one factor. The final rotated component matrix showed three factors, which we, based on the variables, described as:

- Factor 1: Improving HR profession and relations;
  - Improving the utility of HR operations,



- Shaping the HR profession,
- Shaping organization and communication practices,
- Influencing and relating to others,
- Improving through self-awareness
- Earning trust through results,
- Capitalizing organizational capability,
- Driving performance,
- Leveraging social media tools,
- Factor 2: Change management and leadership;
  - Sustaining change,
  - Initiating change,
  - Creating a meaningful work environment,
  - Building a leadership brand,
  - Developing talent
  - Aligning strategy, culture, practices, and behavior,
- Factor 3: Strategic management and technology usage;
  - Decoding customer expectations,
  - Co-crafting a strategic agenda,
  - Connecting people through technology,
  - Optimizing human capital through workforce planning and analytics,
  - Interpreting global business context.

Described factors are new HR roles that HR professionals should execute in the future.

## **CONCLUSION**

HRM profession passed a long journey from poor personnel office, related to just a few activities (signing work contracts, pay administration, and employees' records) to contemporary business partner role (where HR is seen as an important managerial function that adds value to a company). During that transformation HR changed as a function, but also there are detected changes in the demographic characteristics of people that work in HRM, and in the roles that HR managers should have in the organization.

Based on the results of the empirical research (a pilot research) in Serbia and Hungary, it is found that HR activities such as career and learning, leadership, talent acquisition, digital HR, performance management, and employees' experience will be the most important dimensions of future HRM, in the whole sample and in particular country. On the other hand, diversity and inclusion, robotics, and artificial intelligence in HRM will be less important than previously mentioned areas. This can be explained in the sense that although the AI and IT will take the head role in business, HR will not be replaced just with computers and IT. Human factor will remain the most important part of HRM.

Results of factor analysis showed that all explored variables that present roles of HR professionals can be seen as three factors a) improving HR profession and relations, b) change management and leadership, and c) strategic management and technology usage. The first factor is related to the need of continuous improvements of HR profession in terms of inclusion of social networks in it, creating stronger relationships between employees, and improving HR activities based on new knowledge, skills, and abilities. The second factor is a role of change management. HR professionals should initiate and sustain changes, create a leadership brand in organizations, and develop talents. The third factor, as HR role, is seen as a wider strategic and

business partner in terms of understanding the whole business, clients, and customers, and optimizing human capital through workforce planning, analytics, and technology usage.

As it is seen in the research, HR professionals will have some new roles, as added to previous. In this process, IT and business skills will be very important in order to achieve its special position as a business partner that can add value to a company.

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