

Parametrization of the Personnel Function – Possibilities and Limitations

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Abstract

The aim of this article is to define parametrization as a category facilitating diagnosis and development of HR processes, and to indicate the possibilities and limitations of its usage. The theoretical part of the article is based on literature; the empirical part presents the findings of original research – a survey. The research was conducted on a sample of 41 companies, and the research objective was to define the scope of application and directions of usage of various metrics in the delivery of the HR function. The results of analysis indicate that while there is a growing interest among companies in parametrization of HR functions/processes, its actual application is much lower.

Keywords: the personnel function, parametrization, human resources management.

JEL classification: M50, M51, M54.

1. Introduction

Globalization, increasingly turbulent economic environment and ever-growing competition have become permanent features of today's economic reality. This, together with a pressure exerted on enterprises by various stakeholders towards achieving a continuous long-term growth in value, makes the struggle to gain competitive advantage increasingly difficult, involving more and more aspects of the company functioning. Additionally, the global economic slowdown observed in recent years has had a major impact on the processes of company management, enforcing cost reduction, increased efficiency and process optimization in all functions of the enterprise. A key company function, which currently undergoes radical structural and organizational changes, is the personnel, or HR function. Among major concerns preoccupying personnel departments today, and one of the main reasons for the mentioned changes, are insufficient competences in communicating with other departments in the company's organizational structure. This is so because a large proportion of HR staff (including personnel managers) are not able to use the business language – a universally understood language of numbers (Król & Ludwiczynski, 2006). The company board expects verifiable answers regarding the return on assets and the effects of actions undertaken within the HR processes (Dziechciarz, 2011). Therefore, paraphrasing a statement attributed to Peter Drucker – “if you don't measure it, you can't manage it” (Drucker, 1999), a key challenge facing managers today is the problem of personnel function parametrization.

In view of the above, the aim of the present article is to show the importance of measuring the effects of processes implemented in the delivery of the personnel function in modern-day enterprises, and to identify possible application areas of selected metrics. The empirical part of the article presents the findings of a study in which the authors use secondary sources and results of their own studies conducted within a broader research project exploring the issues of the personnel function and workforce controlling⁹.

2. Dysfunctions in the delivery of the personnel function in light of literature and company practices

To systematize terminology we must first define the key notion of this text, i.e. the notion of the personnel function. According to Antczak (2005) the personnel function deals with all activities connected with people functioning in an organization. It includes executive, advisory and regulatory activities,

⁹ The methodology and the research sample are describes in the empirical part of the article.

although it has to be noted that in modern-day enterprises the division into regulatory and executive functions is much less defined, as the two functions become increasingly merged. In the HR theory and practice there are several synonymous terms used by various authors to describe processes, components and problems of a broadly construed personnel function, such as: personnel administration, personnel management, workforce management, human resources management, human potential management or human capital management (Antczak 2005).

Nowadays, in an effort to put the theory in order, it is accepted that the personnel “element” function of a company, i.e. the part of activities that are supportive of the company main activity (“the task function”), should not be equated with the personnel management function. This a view shared by Gableta (2003), who identifies the “element” personnel functions, such as workforce requirement planning, recruitment, selection, work induction, training and skills improvement, remunerations, and placement (Gableta 2003, p. 165).

We can, therefore, advance a thesis that the term “management” in reference to people in an organisation is a complex, multidimensional notion. These dimensions include (Piwowar-Sulej 2016, p.26):

- process dimension – identifying components and the logical order of activities directed at people and in connection with people;
- functional dimension – delivered through management functions. The specific management functions (planning, organizing, motivating, and controlling) intertwine with and superimpose on activities performed within the “element” personnel function. Identification and classification of these interrelations are still debated and therefore remain a question of convention;
- instrumental (tool) dimension – refers to the selection of appropriate instruments (methods, techniques, ways) of performing actions directed at company employees;
- institutional (actor) dimension – identifies actors engaged in the management, and their prerogatives.

The nature of the personnel function in a specific organization is influenced by many factors, such as company strategy, organizational structure and culture, and various relations among internal and external actors.

Referring to the definition presented above, in modern-day enterprises this is the internal relations that specifically provide a reason for change in the structure and organization of the personnel function (Mayo 2004). Research shows that even though both theorists and practitioners agree as to the role of human resources in gaining competitive advantage, they (practitioners in particular) hold a critical view of the personnel function delivery in terms of effects produced by HR departments. Literature review and analysis of numerous study reports suggest that the real expectations and needs of the business community are not satisfied by activities of personnel departments (Barometer HR, 2012). Literature studies have identified dysfunctions in the delivery of the personnel function based on a “traditional” centralized HR department. The following table present selected dysfunctions which, according to the article’s authors, are the most significant.

DYSFUNCTION	EFFECT
Line managers are not involved in the delivery of the personnel function tasks within individual business units	<ul style="list-style-type: none"> - responsibility for decisions and actions is diffused between the personnel department and line management - decision making process is lengthened - HR specialists have insufficient knowledge regarding the needs and problems of specific units due to lack of participation in task delivery processes
Routine HR processes and tasks are not standardized (automated) and delegated	<ul style="list-style-type: none"> - HR specialists do not focus on strategic issues that create value for the organization - high costs of the functioning of personnel departments

Performance of the personnel function is not measured	<ul style="list-style-type: none"> - HR activities are misunderstood and not accepted due to inability to measure their quantitative and qualitative effects - the relationship between productivity, competitiveness and investments in HR activities cannot be estimated
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Table 1. Dysfunctions of the “traditional” personnel function model

Source: Authors own work based on: (Baron, Armstrong 2008);

Bearing in mind the aim of this article, noteworthy are the dysfunctions relating to not measuring (parametrizing) the personnel function. This deserves a closer look because the question of measurability of people-related processes in an organisation poses a major challenge for the modern-day HR management (Briggs 2011). Further, we may state that in this particular area there is a gap between activities performed within the personnel function and expectations of the business community. For this reason the HR function of today transforms into a function whose success increasingly depends on skilful data management. The HR task is not simply to report and provide data for the company board, but above all to enable the board to make conscious decisions, accurately forecast employee productivity and output, and plan workforce resources in an advanced manner. Observation of global trends suggests that modern-day enterprises show interest in parametrization of the personal function. A report based on global studies, published by the multinational advisory firm Deloitte appears to confirm this finding. The report shows that 78% of large companies (employing 10 000 people or more) believe that HR analytics is an urgent or important issue in the context of activities planned for the immediate future. Authors of the report believe that this is reason enough to place HR analytics among the three highly urgent issues facing companies today (Deloitte, Global Human Capital Trends 2014). However, at the same time it is apparent that despite growing awareness among managers the use of parametrization is still relatively rare (Diagram 1).

The fact that HR analytical capabilities were assessed as excellent only in 7.5% of the investigated firms leads to a conclusion that the gap between performance of the personnel function and real needs of the business is still large. After all it would appear that in modern-day enterprises data derived from measuring HR processes should be used in planning and improvement of employee productivity as common practice. But it turns out that almost 70% of the studied entities rate their capabilities in this area as low.

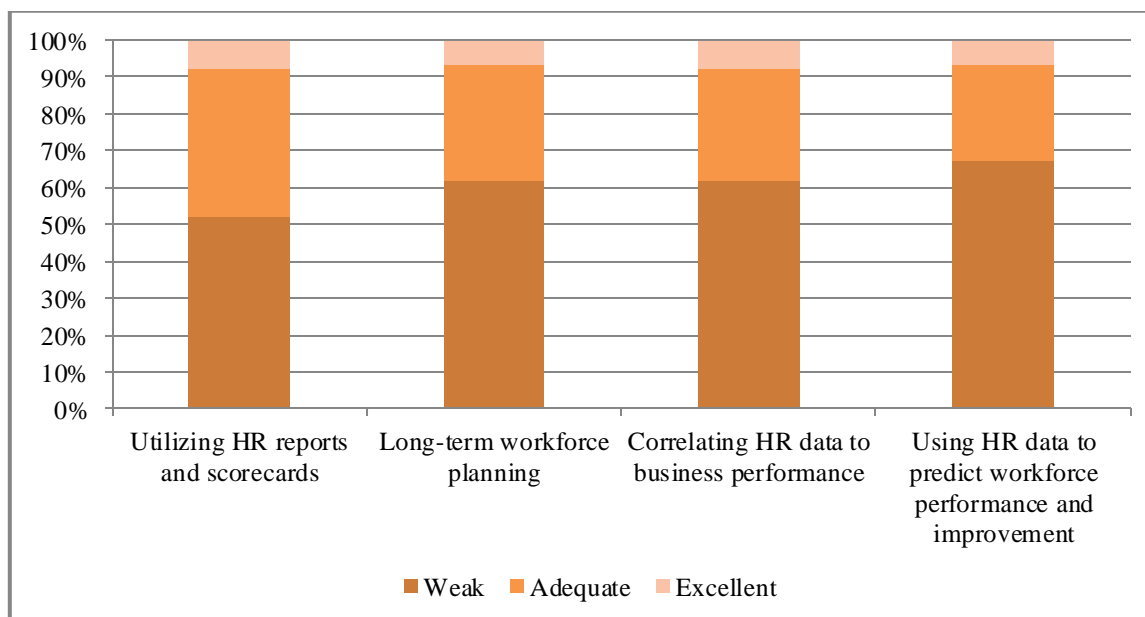


Diagram 1. HR analytical capabilities in the opinion of management

Source: Authors own work based on: (Deloitte, Global Human Capital Trends 2014)

Given that with such fundamental management problems the time interval between identifying a need and implementing (and consolidating) a required change is relatively long, without a doubt

transforming the qualitative approach to the design and delivery of the personnel function into a more quantitative model can be regarded as one of the major issues facing contemporary management. The findings based on Deloitte's report appear to confirm this supposition (see Diagram 2).

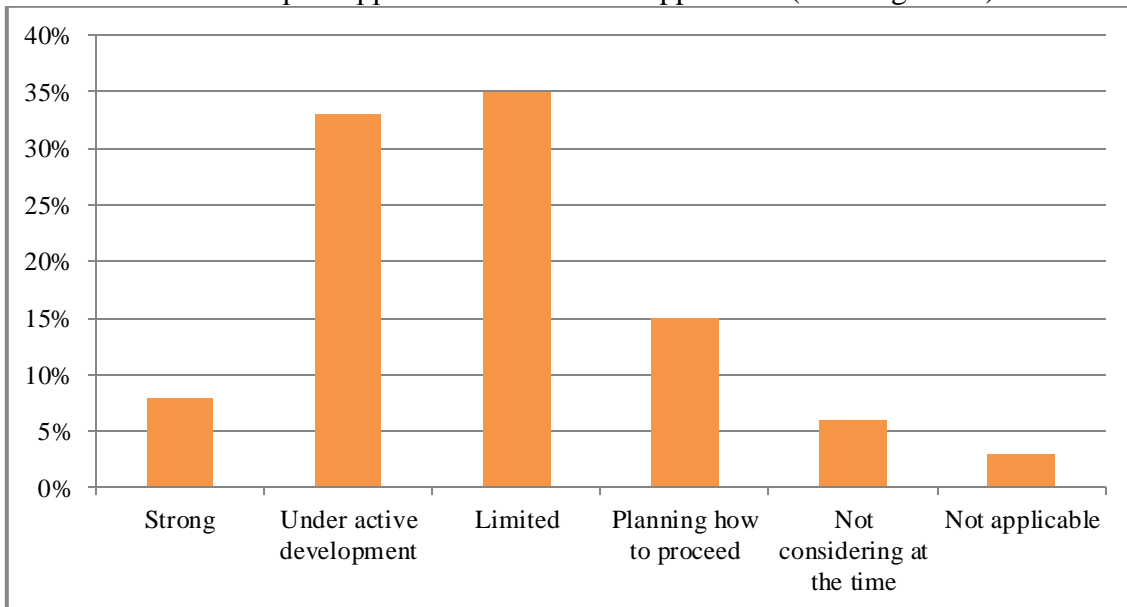


Diagram 2. Current level of HR analytical capabilities

Source: Authors own work based on: (Deloitte, Global Human Capital Trends 2014)

A positive aspect of the HR analytical capabilities development seen in the diagram is the fact that these capabilities in 40% of the investigated firms are either in the phase of active development (33%) or are already strong (8%). It means that companies discern practical business benefits afforded by parametrization of the personnel function. However, in the context of our discussion, valid remains the question as to what aspects of HR functions should be measured to achieve a synergy between delivery of the personnel function and competitive advantage.

3. Key problems and challenges of the personnel function parametrization

The considerations so far lead to a general conclusion that in contemporary enterprises there is a clear tendency on the part of personnel professionals to orientate HR processes towards a more pro-business approach. This, however, requires consistent implementation of a more measurable quantitative approach to a broadly understood management of human resources (Hennessy, McCartney 2008).

Such approach can largely be reduced to a question about what really (in the context of measures and data) is supposed to create value and who is the addressee? The answer is that nowadays with respect to the subjects and the object of HR measurements it is possible to find certain discriminants that can help identify the source of value creation (Bondarouk, Marsman, and Rekers 2014). If parametrization of HR processes were to provide a real support for management decisions, a distinction must be made between the so-called HR scorecard and the metrics used to measure people's performance in an organization.

- The HR scorecard is concerned with indicators measuring effectiveness and efficiency of the personnel function itself. In practice its use helps separate the indicators and statistics describing HR processes from measures and indicators relating to all employees.

- Metrics and indicators measuring people's performance comprise a set of tools aimed at monitoring employees in order to precisely evaluate their efficiency and effectiveness, to make workforce predictions and take decisions about possible changes.

With such approach, a confrontation of the results produced by personnel function parametrization with business performance can lead to right decisions and, consequently, to measurable improvements in various aspects of the company functioning (see Figure 1).

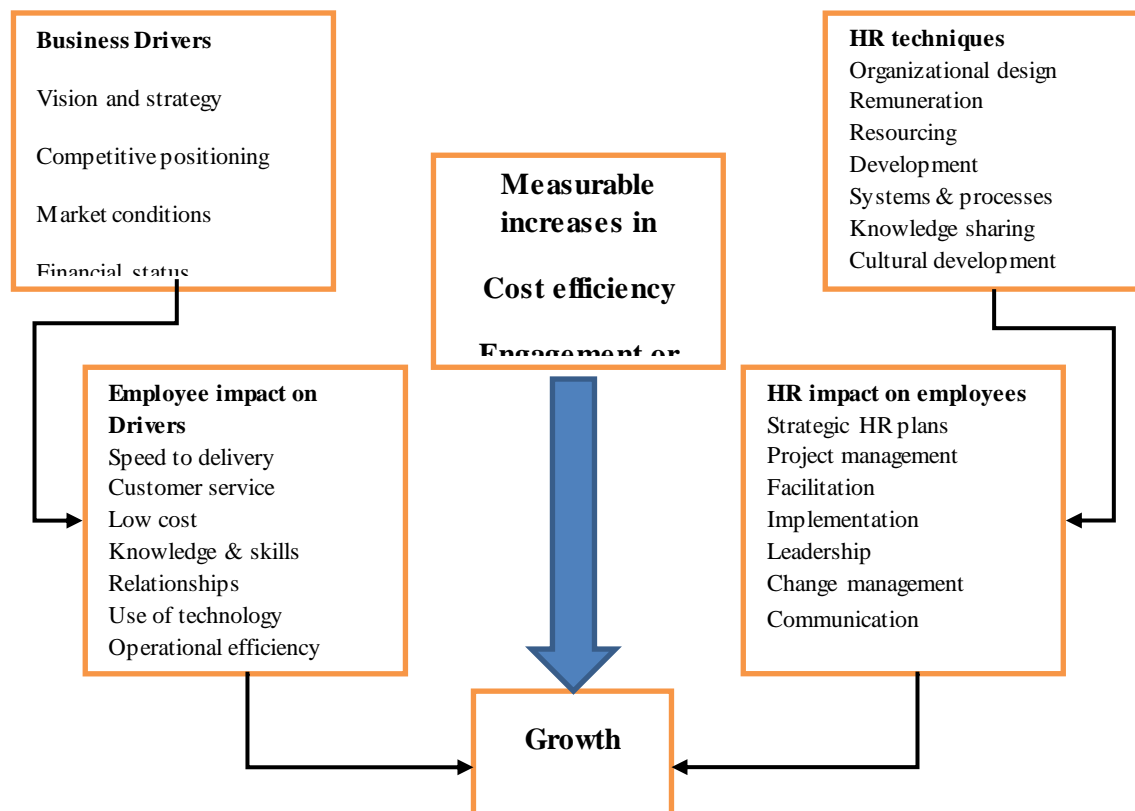


Figure 1. Effects of combining measurable business knowledge with measurable HR knowledge

Source: Authors own work based on: (Deloitte, Global Human Capital Trends 2014)

The above discussion of HR performance dysfunctions, key challenges relating to the issue of the HR function measurement, and impacts of such measurement on business decisions has so far provided a theoretical background, and its purpose was to illustrate and underline contemporary global trends in this area. Literature studies, however, always inspire empirical research. The next part of the article presents the results of studies conducted by the authors, in which a set of specific metrics were used in parametrization of the HR function. A discussion of application areas for these metrics is also provided.

4. The scope and areas of application of the personnel function parametrization in Polish companies in light of empirical studies

With reference to the issues discussed in the theoretical part of this article, the authors used literature studies and observation of business practices to identify possible metrics of HR processes delivery and potential decision areas that might facilitate improvement of business performance, depending on company size and the type of industry to which it belongs. On this basis a series of empirical studies was prepared, to begin in the year 2015. The aim was to examine how controlling instruments were used to make operational and strategic decisions. The studies focused on identifying the practices of using workforce metrics, and their role in the delivery of the personnel function. The studies, using personal interviews and a questionnaire, were conducted on a purposefully selected group of companies. In the first stage of the process a number of open (unstructured) interviews were conducted to narrow down the list of questions to finally prepare a detailed scope of the research. The respondents were company representatives (mid-level and senior managers) selected on the basis of respondent availability and credibility of responses. The respondent group structure is presented in table 1. Before proceeding to the questionnaire, the interviewers outlined to the respondents the aim of the study and explained the meaning of terms used in individual questions and proposed answers. It is assumed that the studies will be continued in the future to deepen and popularize the knowledge on workforce parametrization (Gołembski, Wojtkowiak 2015). For reasons of space limitation the empirical part presents only those partial results of the study that best correspond with the objective of this paper.

Firstly, the researchers proceeded to establish the type and scope of metrics employed in the

measuring of HR processes according to company size and represented industry (Diagrams 3, 4 and 5).

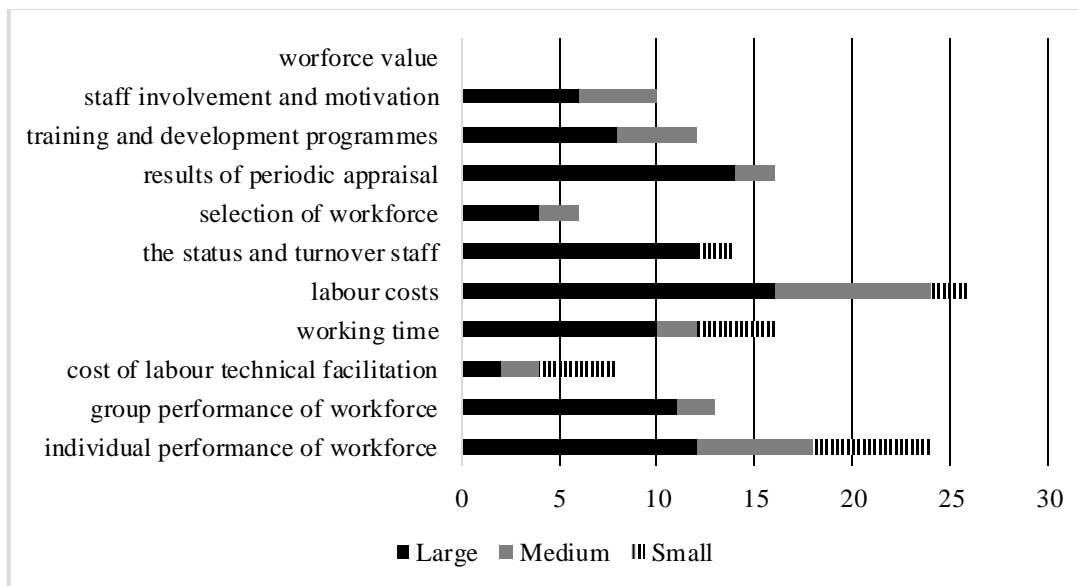


Diagram 3. Metrics used in HR parametrization by company size

Source: Authors own work based on original studies

The first and main finding of the study is the fact that HR parametrization finds the broadest application in large firms. In most cases this is a consequence of intensive international exchange on many levels. One of the benefits of such exchange is undoubtedly knowledge transfer and thus adoption of global management trends, including those relating to human resource management. This is reflected in the fact that the most readily used indicators include labour costs, periodic staff appraisal, and staff turnover. It must be assumed that this is a result of the scale of employment and high share of labour costs in company overall cost structure.

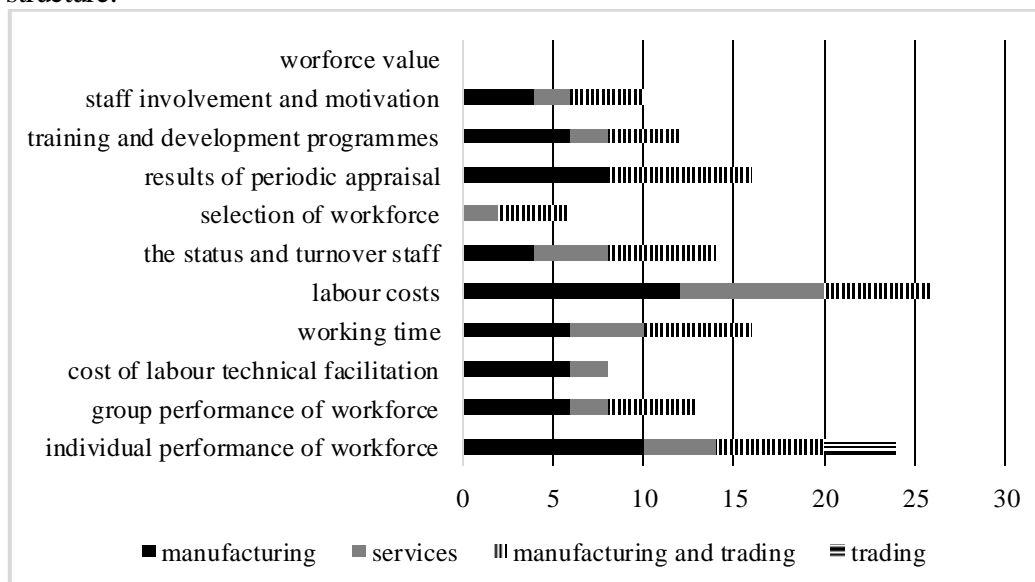


Diagram 4. Metrics used in HR parametrization by industry

Source: Authors own work based on original studies

The leading position of the manufacturing sector in HR processes measurement may seem rather surprising, given the prevailing opinion that the service industry leads the way in introducing management innovation (due to a change from manufacturing to services in the global economy). However, with respect to the types of indicators used, the breakdown by industry returns results similar to the breakdown by company size.

The research logic determined the next step in which the researchers attempted to establish where companies use the measurement results of human resources (Diagrams 5 and 6).

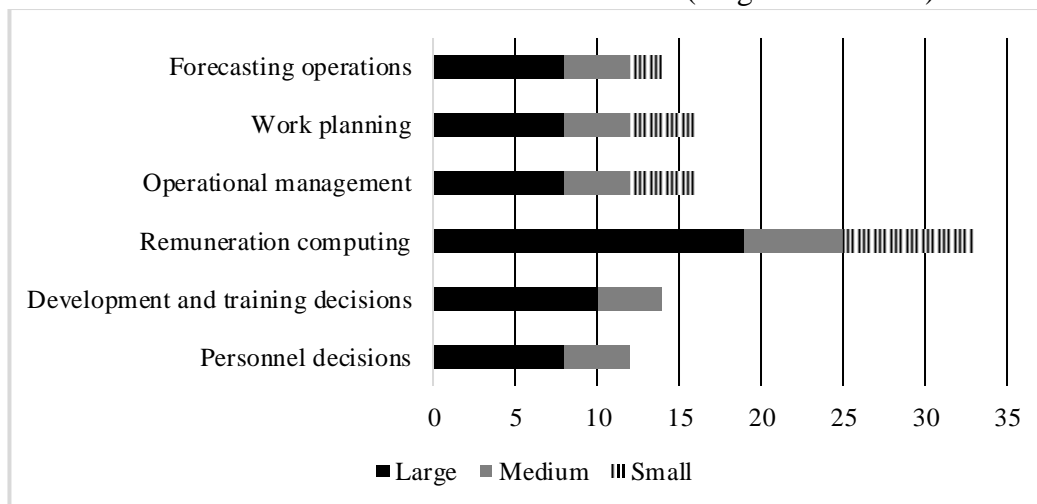


Diagram 5. Application areas of HR measurements by company size

Source: Authors own work based on original studies

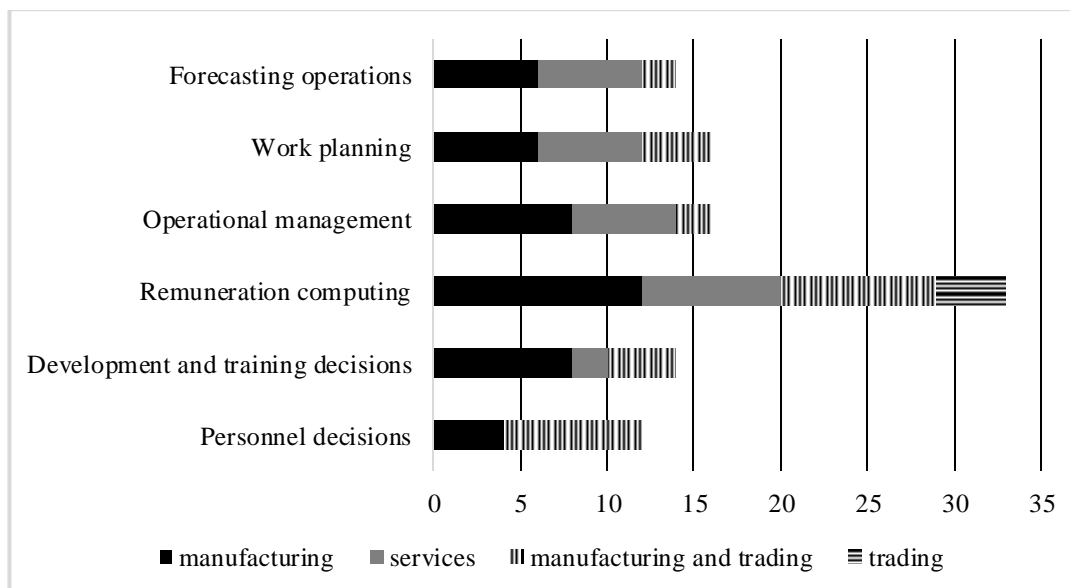


Diagram 6. Application areas of HR measurements by industry

Source: Authors own work based on original studies

A closer examination of the areas where HR measurement results are used paints a rather disturbing picture, suggesting that most decisions made on the basis of such measurements are of administrative and operational nature. It is worth noting here that a true cause-effect relationship can be identified by correlating, for example, the measuring of labour costs with the area of application identified as remuneration computing. This application, however useful and needed, is not commonly associated with value creation or development. By contrast, HR measurement results are rarely used, for instance, in personnel decisions or decisions in the area of training and skill improvement. This can be observed by merely comparing the scores regarding the use of performance appraisal metrics and the scores regarding the application area identified as personnel decisions. A hypothesis can therefore be proposed that in many cases the measurement of HR processes is conducted without purpose and its analytical potential is wasted. This is a clear reason why studies of this issue should be continued.

5. Summary

While the strategic importance of human resources has been considered and debated for at least

thirty years now, solutions regarding the structure, organization and measurement of the personnel function only became to be described and utilized in American and West European firms relatively recently (Boselie, Paauwe 2005). In Poland, by contrast, the theory and practice of the personnel function parametrization aimed at optimization and company performance improvement is still insufficiently explored. This is evidenced by the results of pilot studies presented in this text, illustrating – in particular – a gap between the state of awareness and the practice of using metrics to measure personnel processes. This article is a contribution to the debate and provides inspiration for further in-depth studies on the effectiveness of the personnel function.

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