

# THE LINKS BETWEEN HUMAN RESOURCES MANAGEMENT AND CORPORATE AND HUMAN RESOURCES STRATEGY

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## Összefoglalás

*A makrogazdasági környezet jelentősen deklarálja a szervezetek gazdasági eredményességét, így azok az emberi erőforrással való gazdálkodásra, illetve annak a szükségességére lényeges hatást gyakorolnak. A munkaerőpiac jogi szabályozását a parlament, a kormány és a helyi önkormányzati szervek látják el. Mindezek a jogi szabályozók nagymértékben befolyásolják az emberi erőforrás gazdálkodást azáltal, hogy meghatározzák az alkalmazás és felmentés feltételeit, a munkavállalók és a munkaadók jogait. A munkavállalói szervezetek mind a munkaadó mind a munkavállaló egyezőségében a munkavállaló érdekképviseelőjeként vesznek részt. Ezáltal közvetlenül is befolyásolják a szervezetek munkaerő-gazdálkodását. Ebből adódóan a munkavállalói szervezetek jogait a munkajogi szabályozásban is érvényesíthetik, ezáltal a munkaerő-gazdálkodást közvetve is nagymértékben meghatározzák. Kutatásunk a különféle dokumentációk, szabályzatok és írásba foglalt stratégiák meghatározására épül. Elemzésünk célja, hogy megvizsgáljuk, hogy megvalósítható-e a stratégiai emberi erőforrás gazdálkodás megfelelően kialakított folyamatok és szabályzatok nélkül. Továbbá tanulmányozzuk, hogy az írott humán stratégia meglepte milyen előnyökből juttathatja a szervezeteket.*

**Kulcsszavak:** emberi-erőforrás gazdálkodás, Szervezeti és Működési Szabályzat, vállalati stratégia, humán stratégia

## Abstract

*The macroeconomic environment has a significant impact on the economic performance of organisations, and therefore has a significant impact on the management of human resources and the need to manage them. The legal regulation of the labour market is carried out by the parliament, the government and local government bodies. All these legal regulators have a major impact on human resource management by setting the conditions of employment and dismissal, the rights of workers and employers. Employee organisations are involved in both the employer and the employee as the representative of the employee's interests. In this way they also have a direct influence on the management of the workforce in their organisations. Consequently, workers' organisations can also assert their rights in labour legislation, thus indirectly influencing labour management to a large extent. Our research is based on the identification of various documents, policies and written strategies. The aim of our analysis is to examine whether strategic human resource management is feasible without properly established processes and policies. Furthermore, we will study the benefits that the adoption of a written human resources strategy can bring to organisations.*

**Keywords:** human resources management, organisational and operational rules, corporate strategy, human resources strategy

## Introduction

Our research is based on the identification of various documents, policies and written strategies. The aim of our analysis is to examine whether strategic human resource management is feasible without well-established processes and policies. Internal environmental influences and regulations also have a significant impact on human resource management. First, let us consider the Organisational and Operational Rules (OOP), which provide a basic information base for employees. It summarises all the information that helps us to find out quickly and efficiently everything that is needed to help us in our work, in our integration into the organisation and in our relations with our colleagues. This is mostly the case for all types of companies, regardless of size. The development of a written corporate/business strategy requires an analysis of external environmental influences, internal factors and corporate diagnostics. Specific corporate objectives must be derived from the company's mission and vision, and proposals must be developed to achieve these objectives. A specific area is human resources strategy, which deals specifically with human resources objectives and cost implications. In our study, we will examine the proportion of written corporate/business strategy in the companies we have studied. We will also study the benefits that the adoption of a written human resources strategy can bring to the organisation.

## The link between human controlling and effective human resource management

"Personnel, HR or human resources controlling is a method of monitoring and calculation based on planning, control and information technology methods to assess the impact of personnel management decisions, mainly economic and social, as part of corporate controlling" (Roóz, 2006: 291). Human resource management, according to Beer et al. (1984), is the translation of knowledge about managing people effectively into management principles and operational practices. Human resources is concerned with the analysis and measurement of human performance, a subsystem of controlling, human controlling (Ambrus, 2007: 13). Human controlling activities facilitate the efficient operation of the enterprise (Ambrus – Lengyel, 2011: 48):

- is a management tool that helps businesses to achieve rational, cost-sensitive human resource management in their daily lives;
- uses a system of metrics to indicate the use of resources, objectively helping to make the necessary decisions;
- generates the necessary changes itself using its tools;

Human controlling can be divided into three main subsystems:

- cost controlling
- economy and efficiency controlling
- profitability and performance controlling

Cost controlling is based on management accounting, and its activities include determining personnel costs, comparing planned costs with actual costs, identifying variances and their causes, and making recommendations for improvement. "This subsystem includes forecasting and monitoring the costs of recruiting, recruiting, training and developing staff" (Fenyves – Dajnoki, 2015: 69). Economic and efficiency controlling analyses the effectiveness of the human resources function (selection, training, pay system, performance appraisal) and the structure of the workforce (skills,

age, gender, etc.), and examines and evaluates the role and activities of human resources management within the organisation. The third sub-system - profitability and performance controlling - is designed to ensure that managers at the top of the corporate hierarchy are aware of the importance of human resource management within the organisation and the extent to which it contributes to the success, performance and profitability of the business (Dara – Szetei, 2006). An integral part of strategic human resources management is the examination of the human resources strategy and its long-term validity, the human resources audit, which deals with the fulfilment of the actions and schedules related to its implementation and provides continuous information for human resources development. It also includes the long-term analysis of the priorities set in the human resources strategy, projects, programmes, management and motivational tools, activities, strategic objectives and the achievement of objectives (Fenyves – Dajnoki, 2015).

The main task of strategic human resources management:

- strategic planning of the means and resources to be made available to human resources policy;
- conducting long-term complex target reviews and audits related to human resources management;
- to carry out economic calculations on the return on human investment and its effectiveness (Dara – Szetei, 2005).

In the case of operational human resources management, the activities carried out can be broken down into four basic tasks from the point of view of the human resources management department:

- the short-term development of human resources policy ideas and parameters for the year in question, and the elaboration of the human resources strategy in connection with the annual economic plans;
- the definition of asset and resource needs for the current year in line with the strategic plans' allocations;
- gap analysis: systematic and detailed comparison of performance against operational requirements, strategic gap analysis, feedback of gaps to the strategy;
- continuous data processing and management information system operation (Dara – Szetei, 2006).

The human factor plays a crucial role in the value creation process, and as a result, more and more business leaders are focusing on using their workforce more effectively to increase competitiveness. In a globalised world, Naval et al. (2020) argue that a key element of competitiveness is the acquisition and development of human capital. This is in an environment where labour and skills are becoming increasingly important. Company leaders need to develop a strategy to guide their development. Human resource management aims to maximise the contribution of employees' performance to the achievement of organisational goals.

## **Material and methodology**

The answers to the research questions and the conclusions drawn from them were determined on the basis of a sample of 144 people, statistically analysed using SPSS statistical software package, based on the literature review and the answers to a questionnaire of 27 questions we have compiled. One of the objectives of our analysis is to examine whether strategic human resource management can be achieved without properly established processes and policies. We examine the emergence of different types of documentation, policies and written strategies based on the separation of

companies by size. In the case where a relationship between two criteria is examined and both criteria are categorical variables (nominal and/or ordinal scales), the existence of a relationship can be tested by cross-tabulation analysis and the strength of the relationship can be tested by association coefficients. The relationship between the two variables was tested using Pearson's  $\chi^2$  (Chi squared, Khi2, Chi2) test. In our analysis, we created several cross-tabulations (crosstabs), as it is also more practical to store the data by exploring some of the conditional independent variables. (Hunyadi et al., 2000) The relationship between firm size and the emergence of an Organisational Operating Procedure (OOP) is presented in Table 1. After conducting Pearson's Chi-square test, it is found that the significance level is below 0.05 (5%), so there is a relationship between the two variables. Thus, firm size is associated with the presence of SMOs in firms. The Cramer coefficient (0.294) suggests a moderately strong relationship between the two variables.

**Table 1 The relationship between company size and the emergence of HR strategy**

| Chi-Square tests             |                     |       |                                   |
|------------------------------|---------------------|-------|-----------------------------------|
|                              | Value               | df    | Asymptotic Significance (2-sided) |
| Pearson Chi-Square           | 37,452 <sup>a</sup> | 9     | 0,000                             |
| Likelihood Ratio             | 22,405              | 9     | 0,008                             |
| Linear-by-Linear Association | 8,875               | 1     | 0,003                             |
| N of Valid Cases             | 144                 |       |                                   |
| Symmetric Measures           |                     |       |                                   |
|                              |                     | Value | Approximate Significance          |
| Nominal by Nominal           | Phi                 | 0,510 | 0,000                             |
|                              | Cramer's V          | 0,294 | 0,000                             |
| N of Valid Cases             |                     | 144   |                                   |

*Source: own editing*

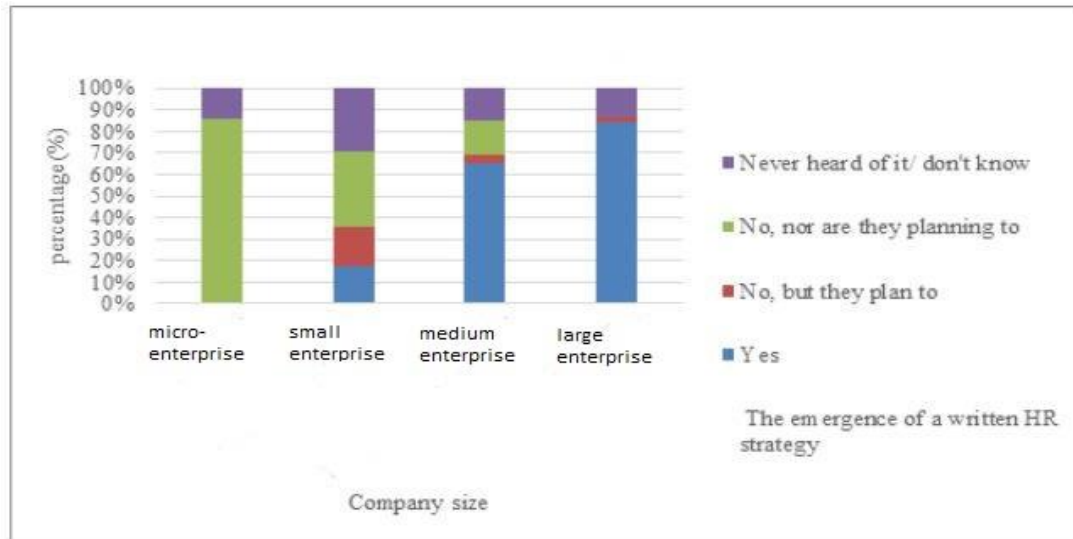
Based on Table 2, between firm size and the emergence of HR strategy, the Chi-square test also shows a relationship between the two variables, with the Cramer coefficient indicating a strong relationship (0.467). "Human capital comprises the know-how, skills, abilities and expertise of the people working in an organisation" (Zéman – Tóth, 2017: 124). As human capital is the main asset, the HR department is responsible for designing and ensuring a people-centred strategy.

**Table 2 Correlation between company size and the emergence of HR strategy**

| Chi-Square tests             |                     |       |                                   |
|------------------------------|---------------------|-------|-----------------------------------|
|                              | Value               | df    | Asymptotic Significance (2-sided) |
| Pearson Chi-Square           | 94,031 <sup>a</sup> | 9     | 0,000                             |
| Likelihood Ratio             | 90,308              | 9     | 0,000                             |
| Linear-by-Linear Association | 35,906              | 1     | 0,000                             |
| N of Valid Cases             | 144                 |       |                                   |
| Symmetric Measures           |                     |       |                                   |
|                              |                     | Value | Approximate Significance          |
| Nominal by Nominal           | Phi                 | 0,808 | 0,000                             |
|                              | Cramer's V          | 0,467 | 0,000                             |
| N of Valid Cases             |                     | 144   |                                   |

*Source: own editing*

Figure 1 shows that, separately from the corporate/business strategy, the written HR strategy is mainly used in large companies, but also in medium-sized companies the proportion of HR strategy formulation is above 60%. Meanwhile, it is not present and not planned to be implemented in micro and small enterprises, which can be attributed to the low employment levels. After all, the larger the company, the more logical it is to develop and manage a written human resources strategy separate from the corporate/business strategy.



**Figure 1 Illustration of the relationship between company size and written HR strategy**

*Source: own editing*

The Chi-square test also shows a relationship between firm size and the emergence of firm strategy, the strength of which, based on the Cramer coefficient (0.381), suggests a moderately strong relationship, as shown in Table 3.

**Table 3 Relationship between company size and corporate/business strategy**

| Chi-Square tests             |                     |       |                                   |
|------------------------------|---------------------|-------|-----------------------------------|
|                              | Value               | df    | Asymptotic Significance (2-sided) |
| Pearson Chi-Square           | 62,819 <sup>a</sup> | 9     | 0,000                             |
| Likelihood Ratio             | 53,774              | 9     | 0,000                             |
| Linear-by-Linear Association | 22,088              | 1     | 0,000                             |
| N of Valid Cases             | 144                 |       |                                   |
| Symmetric Measures           |                     |       |                                   |
|                              |                     | Value | Approximate Significance          |
| Nominal by Nominal           | Phi                 | 0,660 | 0,000                             |
|                              | Cramer's V          | 0,381 | 0,000                             |
| N of Valid Cases             |                     | 144   |                                   |

*Source: own editing*

Table 4 below shows the areas of human resource management in the companies in our sample, based on the average data. In most companies, HR covers labour (4.09) and payroll (4.03), but social affairs is less common (2.56). It is interesting to note that the health and safety and risk functions also scored low (2.47), even though the epidemic situation has enhanced the role of HR in the management of health and safety measures.

**Table 4 Areas of human resource management**

|                |         | involves personnel tasks | labour-related tasks | means the management of social affairs | health and safety risk functions | means wage management |
|----------------|---------|--------------------------|----------------------|--|----------------------------------|-----------------------|
| N              | Valid   | 144                      | 144                  | 144                                    | 144                              | 144                   |
|                | Missing | 0                        | 0                    | 0                                      | 0                                | 0                     |
| Mean           |         | 3,92                     | <b>4,09</b>          | <b>2,56</b>                            | 2,47                             | 4,03                  |
| Std. deviation |         | 1,226                    | 1,164                | 1,358                                  | 1,358                            | 1,332                 |
| Variance       |         | 1,503                    | 1,355                | 1,843                                  | 1,845                            | 1,775                 |

*Source: own editing*

Table 5 below summarises the IT support and software used to document HR processes. The average information shows that some of the respondents use an integrated ERP system (e.g. SAP) to document HR processes in their organisation, but also various IT programmes (e.g. Nexon) are used to track HR processes. Adequate technical and IT support is a prerequisite for successful and smooth operations. "e-HR is an information system tailored to HR, which increases the efficiency of administrative work and also provides significant support for HR-related decisions" (Bokor et al, 2014: 380).

**Table 5 Documentation of HR processes**

|          |         | HR processes are documented in an integrated ERP system (e.g. SAP) | HR uses a specific IT solution to document HR processes (e.g. Nexon, BestHr) | Documentation of HR processes is not related to HR effectiveness |
|----------|---------|--|--|--|
| N        | Valid   | 118  | 121  | 112  |
|          | Missing | 26   | 23   | 32   |
| Mean     |         | <b>2,34</b>  | <b>3,48</b>  | <b>3,74</b>  |
| Variance |         | 3,029  | 2,902  | 2,446  |

*Source: own editing*

In our study, we also seek to find out whether there is a relationship between the operation of a written HR strategy in a company and the retention and development of key people (Table 6) and the identification and regular monitoring of HR dimensions (Table 7). In the cross-tabulation analysis, the result of the Chi-square test obtained shows that there is a significant correlation in both cases, which means that for the sample of 144 items under study, there is a correlation between the

two variables, i.e. the HR strategy in place in the firms ensures the retention and development of key people. "The relationship between the organization's strategy and EEM activities is to elevate and represent the policies and principles in the field of human resources to the level of the top management of the company, and to reflect the long-term business and value creation objectives of the top management in the human resource management" (Bakacsi et al, 2000: 51).

**Table 6 Correlation between written HR strategy and retention and development of key people**

| Chi-Square tests             |                     |       |                                   |
|------------------------------|---------------------|-------|-----------------------------------|
|                              | Value               | df    | Asymptotic Significance (2-sided) |
| Pearson Chi-Square           | 43,627 <sup>a</sup> | 12    | 0,000                             |
| Likelihood Ratio             | 43,028              | 12    | 0,000                             |
| Linear-by-Linear Association | 21,488              | 1     | 0,000                             |
| N of Valid Cases             | 144                 |       |                                   |
| Symmetric Measures           |                     |       |                                   |
|                              |                     | Value | Approximate Significance          |
| Nominal by Nominal           | Phi                 | 0,550 | 0,000                             |
|                              | Cramer's V          | 0,318 | 0,000                             |
| N of Valid Cases             |                     | 144   |                                   |

*Source: own editing*

The calculated value of Cramer's coefficient shows a moderately strong relationship (0.318) between human strategy and the retention and development of key people, while a strong relationship (0.419) is found between the identification and regular monitoring of human dimensions.

**Table 7 Relationship between HR strategy and the identification and monitoring of human dimensions**

| Chi-Square tests             |                     |       |                                   |
|------------------------------|---------------------|-------|-----------------------------------|
|                              | Value               | df    | Asymptotic Significance (2-sided) |
| Pearson Chi-Square           | 75,701 <sup>a</sup> | 12    | 0,000                             |
| Likelihood Ratio             | 81,510              | 12    | 0,000                             |
| Linear-by-Linear Association | 54,388              | 1     | 0,000                             |
| N of Valid Cases             | 144                 |       |                                   |
| Symmetric Measures           |                     |       |                                   |
|                              |                     | Value | Approximate Significance          |
| Nominal by Nominal           | Phi                 | 0,725 | 0,000                             |
|                              | Cramer's V          | 0,419 | 0,000                             |
| N of Valid Cases             |                     | 144   |                                   |

*Source: own editing*

In companies with a human resources strategy, management also pays close attention to the cooperation between HR and controlling and related functions, which can make them more flexible in responding to environmental challenges. Companies must constantly adapt to changes in their environment in order to maintain their operations and profitable management. To be able to respond to market stimuli in a truly timely manner, they need to ensure that control systems operate in an orderly, adaptive and efficient manner.

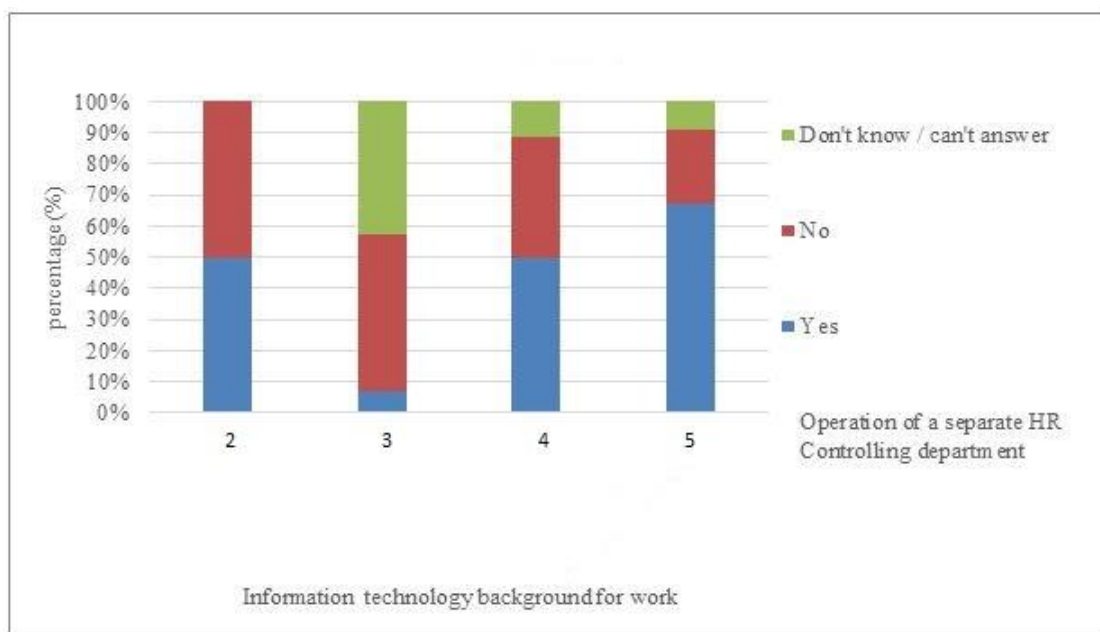
Table 8 examines the relationship between the functioning of the human controlling department and the information technology background provided for the work.

**Table 8 Relationship between Hr controlling and IT**

| Chi-Square tests             |                     |       |                                   |
|------------------------------|---------------------|-------|-----------------------------------|
|                              | Value               | df    | Asymptotic Significance (2-sided) |
| Pearson Chi-Square           | 24,077 <sup>a</sup> | 6     | 0,001                             |
| Likelihood Ratio             | 23,970              | 6     | 0,001                             |
| Linear-by-Linear Association | 12,873              | 1     | 0,000                             |
| N of Valid Cases             | 144                 |       |                                   |
| Symmetric Measures           |                     |       |                                   |
|                              |                     | Value | Approximate Significance          |
| Nominal by Nominal           | Phi                 | 0,409 | 0,001                             |
|                              | Cramer's V          | 0,289 | 0,001                             |
| N of Valid Cases             |                     | 144   |                                   |

*Source: own editing*

The level of significance between the two measures is 0.001, and the Cramel coefficient of 0.289 suggests a medium-strength relationship. Thus, the provision of a modern information technology background is essential for the effective functioning of the HR Controlling department. Figure 2 below also confirms that in fact other areas and work activities also require the development of an IT background. The IT and digital support for processes and activities has been further strengthened by the impact of the COVID-19 crisis.



**Figure 2: Relationship between HR controlling and IT support**

*Source: own editing*

Table 9 shows that in the companies with a separate Human Resources Controlling department, the average data calculation shows that the highest emphasis is placed on HR controlling tasks such as staffing analysis (4.76), employment cost analysis (4.75) and education cost analysis (4.36).

**Table 9 HR controlling tasks**

| What does HR controlling cover in your organisation? | N  | Mean        | Std. deviation |
|--|----|-------------|----------------|
| staff survey   | 83 | <b>4,76</b> | 0,617          |
| analysis of employment costs                         | 83 | <b>4,75</b> | 0,794          |
| time-use analysis                                    | 83 | <b>2,33</b> | 0,951          |
| analysis of absences                                 | 83 | <b>2,43</b> | 1,061          |
| analysis of labour movement and fluctuation          | 83 | <b>2,40</b> | 1,047          |
| study of education costs                             | 83 | <b>4,36</b> | 1,111          |
| Valid N (listwise)                                   | 83 |             |                |

*Source: own editing*

## Results

The use of written documents and strategies in companies (SDMSZ, HR strategy, corporate strategy) depends on the size of the company (micro, small, medium and large). In the course of the application of written documentation and strategies in the companies examined, we came to the conclusion that the Organisation and Operating Rules, which provide the basic information base for the receiver, are present in all types of companies - irrespective of size - while the written HR strategy does not exist at all in the micro-enterprises in our study. A written corporate/business strategy also tends to be more prevalent in larger companies. Companies with a written human resources strategy pay more attention to the retention and development of key people and to the identification and monitoring of human dimensions. Most companies use a specific IT solution to document human processes (e.g. Nexon, BestHr). The key elements of HR need to be aligned with the corporate strategy. Furthermore, the analysis also confirmed that an effective human resources controlling system cannot be operated without a well-managed IT backbone, but in a digitalised world, other work also requires significant IT backing. Human resource management is based on the design, regulation and development of HR processes. The development of a written corporate/business strategy is also indispensable for efficient and effective business operations, although we can state that small, medium and large enterprises tend to place the greatest emphasis on this, while micro-enterprises place less or no emphasis on it. The human resources strategy deals specifically with human resources objectives and cost implications, so micro and small enterprises do not develop a specific human resources strategy due to their low employment levels. As the human factor has always played an important role in value creation processes, it is recommended that more

and more managers focus on the more efficient use of human resources to increase competitiveness. The basic function of human resource management is to help achieve cost-sensitive human resource management and to identify weaknesses in employment and to inform management decisions. Our research has shown that an effective human resources controlling system cannot exist without a properly regulated information technology background, which is why it is important to ensure, among other things, an appropriate regulatory and documentation background.

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