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Strategic Reorientation in Human Capital: A Case Study of the Manufacturing Company

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Abstract: The aim of this article is to present the selected theoretical and practical aspects of human capital and strategic reorientation in human resources management in the manufacturing company. The organisation under the study is one of the producers of machine parts used in different industrial sectors in Poland. In order to achieve the aim of the paper, the following operational objectives have been formulated: (1) to discuss the concepts of human resources management; (2) to identify the strategic reorientation mainly focused on the area of employment in the manufacturing company; (3) to assess the implementation of the changes in the HR strategy of the manufacturing company. The analysis is based on detailed interviews with the top management as well as the source materials collected from the manufacturing company.

Keywords: human capital, human resources management, strategic reorientation in HRM, manufacturing company.

1. Introduction

Both the literature and business practice show that developing human capital as a part of their organisational systems is a priority of contemporary companies. The modern concepts of the company management draw attention to the very important role of human resources in creating non-material resources for the growth and competitive advantage of a company (Nesterak, Kowalski and Czerniachowicz, 2016).

Turbulence of changes affects the transformation of companies into organisations with complex operating procedures, in which the basic resources are the employees with their knowledge, competencies and talents and the created and used intangible assets related to, among others, organisational knowledge and culture, organisational competence and technology, relationships, image etc. (Jamka, 2011; Wiczorek-Szymańska, 2009, pp. 55–68; Szopik-Depczyńska, 2009; Krejner-Nowecka, 2015, pp. 237–253).

The aim of the paper is to contribute to the knowledge and research on the role of human capital and human resources management and to indicate the strategic reorientation in the HR strategy in the manufacturing company. The empirical contribution of the paper concerns the case of the manufacturing company operating in the market of producers of machine parts used in several industrial sectors in Poland. The main research question to be answered in the case study analysis is as follows: *Is the manufacturing enterprise able to fulfil the potential based on the employees, their knowledge, experience and competence in order to employ HR programs and implement long-term reorientation to build its competitive advantage and strive for the growth on the market?*

Taking into account the aforementioned research problem, the following detailed questions have been addressed:

- (1) What are the lessons and best practices identified in the manufacturing company under the HR program and the plan of the strategic reorientation?;
- (2) What is the impact of human capital and human resources management on the change in the organisation?;
- (3) What solutions can be adopted towards strategic reorientation in the manufacturing company focused on achieving success in the market?

The analyses were carried out on the basis of the original source material collected in the entities belonging to the manufacturing

company. The study used detailed in-depth personal interviews, expert interviews, observations and the author's own survey. The scope and the depth of the study were limited due to serious difficulties in accessing reliable data and examining a particular number of entities in the manufacturing company and their employees. For this reason, independent observations, direct measurements and in-depth group and personal interviews were conducted in the manufacturing enterprise in the period between 2014 and 2017 (Czerniachowicz, 2017).

The paper consists of two parts i.e. the theoretical grounding and empirical research based on the case study analysis. Firstly, the theoretical part outlines the assumptions of the human capital concept and the management of human resources. Secondly, the relationships between the concepts of HR management and strategic reorientation are discussed. Thirdly, the role of strategic reorientation in human resources management is analysed.

The literature review provides the foundation for the empirical research. The empirical part of the article starts with the presentation of the manufacturing company and is followed by the analysis of the strategic reorientation in the enterprise. Finally, the Author discusses organisational changes in the company in order to analyse the role of human capital and human resources management in gaining the competitive advantage of the manufacturing company.

2. Selected aspects of human capital and human resources management

Nowadays, human capital is considered of as one of the most important resources of a modern society, of a country and of a company (Eriksson, Lindén and Papahristodoulou, 2017; Lutz, Butz and Kc (Eds.), 2017; Jamka, 2011; Nyberg and Wright, 2015; Kamińska, 2016; Podogrodzka, 2016; Matejun, 2016; Mahoney and Kor, 2015). The formation of a community of knowledge employees, including a network of well-understanding partners, is a decisive factor to meet the demands of the market and the challenges of a society. Intangible assets are becoming increasingly important in the intelligent organisations, mainly the knowledge of highly skilled workers, characterized by an ambition and energy, passion for action, reaching the highest standards and also rules of the business (Kazojć, 2014; Czerniachowicz, 2016).

All issues relating to human capital and resources are widely considered and differently presented in the literature. The analysis of the definitions of human capital and human resources show that it is difficult to interpret as it indicates the ambiguity and complexity of the essence of this capital (Jamka, 2011; Nyberg and Wright, 2015; Król, 2006; Lipka, 2010; Krupski, 2014; Samul, 2013; Molloy and Barney, 2015; Czerniachowicz, 2016; Pochtowski, 2008; Wyrzykowska, 2013; Szopik-Depczyńska and Korzeniewicz, 2011). According to one of the most widespread interpretations, human capital is considered to be the most important organisational resource built with knowledge, competency, skills, health, energy of every human and all the society (Lis, Glińska-Noweś and Kalińska, 2014, pp. 11–31). The approach to human capital usually refers to at least four dimensions: macro, meso, enterprise, and human; thus to interpret the essence of this capital one has to indicate the scale to which it refers (Białasiewicz, 2013, pp. 142–154; Makowski, 2002, pp. 180–181). Finally, it should be remembered that there are close links between all the levels and a common reference point for building intellectual capital and increasing the competitiveness of the entity. The growing importance of the issue of human capital and human resources management (HRM) is also shown by the shift in the approach to the function of human resources in a company, from a purely operational, through managerial to strategic function (Juchnowicz, 2007, p. 13). The concept of human resources management is one of the contemporary concepts, which clearly highlights the role of the human factor, and activities for social progress. It draws attention to the problems of relationships, employee involvement in the affairs of the company, productivity, organisational culture, as well as providing workers with good working conditions, opportunities for development and education. In recent years, this concept has become highly popular because not only operational but also strategic aspects are taken into account (Jamka, 2011, p. 118; Tyrańska, 2007, pp. 179–180; Baron and Armstrong, 2008, pp. 20–21).

According to the model of human capital development, referring to the economic theory of human capital, an employee is a part of the capital of a company. In this concept, human capital can be measured as other elements of the capital, and the work is a cost factor that should be minimized. Therefore, human capital is a major element in the development of the organisation, and investing in the potential of employees is treated as an investment raising the value of an enterprise in

a competitive environment (Karaszewski and Lis, 2013). Consequently, it is a very important element in building a sustainable competitive advantage and success in the market.

The model of human resources management highlights an important relationship between the sub-strategy of human resources with the organisation's strategy, therefore, it is a comprehensive approach to problems concerning workforce management. In this concept, employees are a strategic resource of development whilst management is as important as strategy formulation (Certo and Peter, 1988; Gierszewska, Olszewska and Skonieczny, 2013). The organisation is focused on long-term development of employees, creating an innovative climate inside the team of workers and all the company (Czerniachowicz and Wiczorek-Szymańska, 2011, pp. 191–192). The principal features of the concept of HRM distinguishing it from the previous approaches to the human capital program within the organisation are as follows: treating employees as intellectual potential, a strategic approach to the problem, individualization of labour relations and decentralization of personnel decisions, the introduction and development of employee participation, the creation of new organisational culture.

3. The reorientation strategy program in the analysed manufacturing company

With more than 100-year-old tradition, the manufacturing company offers high-quality products, construction, design and market supplies, extensive knowledge of gear production, and technological support. The main goal of the reorientation strategy program was to re-establish a profitable financial position of the manufacturing company through cost cutting. Answering the first question: *What are the lessons and best practices identified in the manufacturing company under the HR program and the plan of the strategic reorientation?*, it is noted that the top managers were of the opinion that the difficult situation was temporary, thus they planned cost reduction, employment restructuring, change in working methods of the all departments (Gąsior, 2015a, pp. 67–78). The process of strategy reorientation was very expensive and the employees were resistant as it forced them to work harder in order to improve the situation of the manufacturing company. In 2014, the layoffs began and it had a negative impact on the organisational culture.

The managerial staff formulated a market penetration strategy, a product development strategy and product strategies focusing on the market. The top managers also clarified the strategic product groups and market and product development strategies aimed at becoming the leader among producers. The measures taken to achieve this goal included the increase in sales of existing products and also offering new or improved goods for existing local and newly acquired markets. The objectives of this strategy were quality improvement and reducing purchasing cost of materials by 10%, also shortening lead times within the customer relationship management.

The managers planned to modernise its brand graphic image, supporting direct sales with a series of gadgets with the enterprise logo, as a part of the marketing strategy (Keller, 2016). They started using the Internet to reach a wider group of customers and positioning pages. The managerial staff considered raising standards of packaging to the level of market leaders and used web banners on industry-specific portals. The production strategy was carried out through the creation and implementation of a plan for relocating technology, machinery and equipment among the three departments. For the joint production plants, the top managers also introduced production services and implemented procedures for Quality Management System. The production of orders was quicker and more timely and the level of quality meeting the needs of target markets was maintained. The manufacturing company increased production capacity with the introduction of new production technologies, development and research activities.

4. Changes in the human resources strategy in the manufacturing company

Considering the second question: *What is the impact of human capital and human resources management on the change in the organisation?*, it can be stated that the top managers of the manufacturing company formulated new strategy and adopted reorientation in human resources. Its redefined assumptions were as follows: adjustment of employment to the optimum level of production capacity and the structure of realized sales, and also optimization of the costs of HR program. Reducing labour costs was mainly based on the implementation of the just-in-time concept (JIT) and the Kanban system, in terms of the occupied

space, shopping queues and inventory, as well as on the continuous improvement of the 5S system in the concept of Lean Manufacturing. The results of these activities were:

- the possibility of a better control of employee working time;
- simultaneous reduction of the need for machinery refitting caused by the lack of materials;
- on-time availability of the necessary tools ensuring the continuity of production;
- increasing incomes of the manufacturing company by selling redundant items, stocks and scrapping obsolete tools, which resulted in reducing the occupied space.

The managerial staff of the analyzed enterprise considered increasing the sales force productivity to be the most important issue in determining the strategy for customer service. The managers decided to establish three sales regions in Poland and two external markets. The manufacturing company hired new regional sales managers and provided them with the tools necessary for fieldwork, as well as developed and implemented a training system for the sales department staff. The analysed enterprise introduced high labour standards based on a control-incentive system of customer relationship management. Since 2014, orders have been processed and fulfilled according to higher standards than those of foreign and domestic competition, and also the total time of delivering products to customers was reduced to the best level in the industry. The manufacturing organisation reduced the time associated with offering and preparing orders for production.

The top managers introduced some indicators to late or advertise deliveries, check and verify timeliness of realised deliveries, to assess the efficiency of delivery, and the loss of production due to lack of supply, operating efficiency and productivity. Within these tasks the manufacturing company also introduced new solutions for supplying materials and raw materials to the enterprise and created a bonus system based on the indicators. It started collaboration with new shipping enterprises and providers of supplies necessary for the production of semi-finished products and materials, thereby reducing purchasing costs. Another important result was the reduction of warehouse working time, thus limiting working time of warehouse workers and shortening overtime and other related costs. Other benefits included providing better quality of service for customers by reducing the number of mistakes and shortening the time for searching parts.

The managers primarily took up the challenge to reduce the amount of complaints due to the poor quality of purchased materials and made a ranking list of current and potential suppliers. The manufacturing company also defined a quality indicator of suppliers. The managerial staff reduced the number of complaints arising from poor quality of parts fitted to the products and, at the same time, improved the quality of products and thus started to acquire new clients. Another benefit was a positive impact on the image of the manufacturing company on the market.

Human resources program contributed to professional presales service for customers, which was related to offering technical advice on the selection of products, customer training on the preparation and the proper use of products as well as home demonstrations. The professional service in the enterprise was associated with after-sales service, based on managing complaints, and also organising technical training of employees. The customer service strategy included the development of distribution channels and focused on increasing sales of new products, an individual approach to customers and professional advisory service and the launch of an online store. The manufacturing company also introduced a system of foreign customer service. Important in this enterprise was the close cooperation between the sales and purchasing departments resulting in an uninterrupted flow of information on suppliers in order to sell surplus stocks. In the following years these measures led to a better control of the size of inventory and warehouse costs and occupied space. Other expected results were mainly noticeable in the more efficient management of human resources due to the ability to monitor the work of employees allowing to make instant adjustments necessary to maintain production. Another desired outcome was the reduction of storage costs and costs associated with hiring other transport companies on Polish territory and also cutting costs of delegating workers to the current material supply.

5. Conclusion

The subject literature presents diverse concepts of human capital and human resources management in the enterprise. All practical models show different approaches to workforce management with regard to the assumptions, expectations, recommendations and management roles

within the organisation. There has been a change in the way one sees a company's competitiveness and the impact of human resources on achieving competitive advantage.

Concluding the reasoning and answering to the third study question: *What solutions can be adopted towards strategic reorientation in the manufacturing company focused on achieving success in the market?*, it can be shown that the top managers, after an earlier assessment of the state of the organisation, decided to adapt the company to the new market conditions. The analysis of the manufacturing company showed that its strategic advantage was based on more than a 100-year-old tradition of offering high-quality products for several industrial sectors, extensive knowledge of gear production and market suppliers, customers and technological support, construction and design. The managers of this company strove to implement strategic reorientation in 2014 due to a difficult market situation. The top managers introduced a number of changes and modifications in the manufacturing company and its functioning. The employment restructuring required funds for redundancy payments for workers laid off due to economic reasons. The managerial staff changed the organisation of production in order to reduce all costs of manufactured products and created a new organisational structure. The manufacturing company also restructured its departments, introduced new management methods and defined competence matrix for its workers and developed a training program for employees (Gąsior, 2015b, pp. 389–406).

The top managers applied Lean Manufacturing techniques and the just-in-time concept (JIT), together with the statistical methods for production, and set targets for specific processes. As for all departments, they reduced the costs of specific processes by 20% in 2015 compared to 2014 (Czerniachowicz, 2017). In subsequent years, the company still strove to reduce these costs. The managers eliminated all inefficient operations and activities in the human resources program and introduced restructuring systems that improved the functioning of the entire organisation. Constant improvement and organisational changes in human resources management have since become the main strategic objective of the presented manufacturing company.

Summing up, the organisation under the study implemented changes in almost every area of its operations, including restructuring of the organisational structure, introducing changes in decision processes and the value system, which may be a recommendation for other production

entities wishing to implement a strategic reorientation. It is important that both the personnel and the managers supported with HR programs were involved in the program of changes. As a result, between 2012 and 2016, the studied organisation was able to strengthen its competitive position and build a strategic advantage on the market. When analysing this case study, it can be also concluded that effective strategic reorientation should be preceded by the definition of new goals, alignment of resources management, and the introduction of new rules of cooperation with clients and business partners.

Another suggestion and recommendation for other companies is to build a strategy based on both internal (human, material and non-material) and market resources related to customer value. This is because the strategy sets out the program of internal changes and external activities on the market, and the customer-oriented strategy requires a sense of responsibility from all employees of the company. It is important to have a relationship with the environment that should be based on trust and tailored to the needs and expectations of consumers and business partners. Only such a strategic change will lead to new, innovative ways of doing business.

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