

THE INFLUENCE OF THE FACTORS FOR CREATING THE VALUE AND COMPETITIVE ADVANTAGES OF THE ORGANIZATION ON HUMAN CAPITAL IN ORGANIZATIONS

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Abstract: Studies have shown that an organization's human resources should be effectively attracted, developed, motivated, managed, and valued to sustain a competitive edge in the market. Organizations must take care of the strategy of scale, the diversification of activities, the allocation of resources, the orientation towards the buyer, value chains, change management, innovations, and the strategic renewal of the organization itself in order to maintain their competitive advantage(s) and ensure their survival. This paper is aimed at determining whether the level of the factors for creating the value of the organization and the level of the competitive advantage of the organization actually affect or do not affect the level of human capital in the organization. Based on the research conducted in the paper, it can be concluded that the level of human capital in the organization increases simultaneously with the increasing of the level of the factors for creating the value of the organization and the level of the competitive advantage of the organization.

Keywords: value creation, competitive advantage(s), human capital, organizations

Original scientific paper

Received: 14.06.2023.

Accepted: 24.06.2023.

Available online: 25.06.2023.

1. Introduction

In the contemporary complex, dynamic and competitive environment full of uncertainty, the creation of value for individuals, organizations and society as a whole are being faced with ever-increasing challenges. Strategic management is the central cogwheel in the value creation process transforming the organization's resources and relationships (inputs) into results (outputs), which create value for all interested parties (buyers, investors, employees, suppliers, society). Overall performance is affected by strategic management, which also explains why certain businesses can maintain a competitive edge over other businesses (Barnett & Burgelman, 1996). Organizational managers make decisions on the allocation of financial, physical, human,

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technological, organizational and other resource categories. Because resources are scarce, they represent a loss of opportunity for the organization. They can only be allocated to one activity at a time, depriving other activities of the same resource (Levinthal & Wu, 2010). Morrow et al. (2007) especially emphasize the fact that the manner in which resources are allocated by managers has an influence in the organization's performances. In order for them to acquire a competitive advantage and increase value, managers should especially concentrate on the key strategic goals of the organization (Hamel & Prahalad, 1993). The organizational ability to successfully do business and survive on a market is a unique characteristic of each organization ensured by its highly engaged and quality employees.

Value creation in an organization is implicative of respecting the principles of cooperation, coordination, communication, and knowledge transfer, thanks to which organizations may improve the ability to generate value for interested parties. By giving priority to value creation, organizations position themselves for a long-term success and sustainable growth and development in a dynamic business environment. Managers' aim in managing organizational resources should be an increase in the market value of the organization. The organizations which have succeeded in focusing on creating value for their shareholders are amongst those that have built permanent and valuable relationships with their clients, employees and suppliers. The organizations managed by applying the value creation principle take the following criteria into consideration, namely the quality of management, product or service quality, the ability to attract, develop and retain talented individuals, company values as long-term investments, the use of corporate assets, financial stability, the innovation capacity, the way they treat the community and the preservation of the environment (Hawawini & Viallet, 2011). In order for organizations to create value for all interested parties, they have to successfully use their competitive advantages. To successfully create strategies and use competitive advantages the best they can, there is the need increasingly being imposed on organizations for running international business operations, making ethical decisions and recognizing how critical their consumers are (Hitt et al., 2011).

The competitive advantage concept arouses researchers' great interest. Apart from that, it can be said that it is all but easy to precisely determine the factors that lead to competitive advantage. Porter (1985) is amongst the first researchers who opine that an organization's destiny depends on its competitive advantage, and that it basically grows from the value the organization is able to create for its buyers which exceeds the cost of value creation. According to Hai and Williamson (1991), competitive advantage is an evaluation of an organization's capacity and market position concerning its advantages compared to its rivals. Focusing on doing things differently is one of the fundamental components of developing a competitive advantage, meaning the firm may have an edge when its rivals do not concurrently apply their value-creation strategies (Barney, 1991). The second significant aspect of competitive advantage is that it cannot easily be perceived, but the conclusion regarding it can be drawn from organizational performances (Klein, 2002). Powell (2001) concludes that an organization's sustainable superior performance has certain causes that are connected with its competitive advantage. Competitive advantage results from how resources, markets, or organizational opportunities are approached, as well as the aptitude of the managers working for the company (Cockburn et al., 2000). According to Barney (1991), businesses can benefit from their competitive edge when they have valuable, uncommon, unique, and irreplaceable resources or competencies. Although a unique resource or capacity may show a high link with a competitive advantage in a particular setting, Newbert (2008) claims that the same resource or skill may not align with the goals of various firms.

Organizations need strategic change so as to ensure their strong harmonization with the environment, and this fitting in with the environment will enable a company to have superior

performances (Andrews, 1971). A larger number of researchers (Doz, 1996, Goll et al., 2007) have pointed to the fact that it is necessary for organizations to harmonize their strategies with environmental conditions so as to ensure competitiveness and survival. Organizations should manage the factors contributing to competitive advantage in order for them to ensure their survival, which on their part include strategies of scale and the corporate level, decisions on resource diversification and allocation, the orientation towards the buyer, the value chain and culture, approaches to change management and the strategic renewal of and change in the organization. An organization should focus on all the foregoing factors, whereas ignoring one or more of these factors may disrupt organizational competitive advantage. The strategic renewal process, which implies the evolutionary process promoting, adapting and using novel pieces of knowledge and innovative behavior so as to lead to change in the organization's basic competences is the key process ensuring the sustainability of competitive advantage (Mukerjee, 2016). According to Leiblein and Miller (2003), the critical task in doing research in corporate scale is the identification of the specific abilities the organization can take advantage of. According to O'Reilly and Tushman (2011), the organization must have the dynamic capacity to adapt to environmental changes, so its managers should be able to quickly sense these changes and take appropriate action in response to the opportunities and possible dangers they provide. As a result, one of the most important factors to consider when scanning the surroundings is how technology trends are changing. The corporate scale must be reevaluated in light of technological advancements, and firms risk losing their comparative advantage if new technologies are not adopted (Kaul, 2012). Innovativeness is the capacity to incorporate novel procedures, items, or concepts into an organization (Hult et al., 2004). The quality that businesses need to have in order to compete in the market is a customer-centric mindset. According to Kor et al. (2007), a thorough understanding of the buyer and the potential resource application by the consumer are crucial in determining how resources may create value for buyers, allowing the organization to create value greater than that of its rivals. The value chain idea also provides a methodical way to examine how a group of operations affects customer values, affecting the organization's competitive advantage (Porter, 1985).

The maintenance of competitive advantage is one of the organizational strategic goals that may sustain if arising from the knowledge possessed by the organization itself (Zack, 1999). While material goods most frequently reduce due to their use, sharing knowledge as one of the most significant resources of today enriches both the knowledge giver and the knowledge recipient (Davenport & Prusak, 1998). Although knowledge cannot be controlled as traditional assets can, organizational abilities and processes may be managed with a focus on knowledge growth and learning (Dalkir, 2017). For the long-term preservation of stronger organizational performances, Lovas and Ghoshal (2000) argue that organizations should strike a balance between exploiting the existing human and social capital and developing a synergy between the exploitation and production of power. Leaders in the organization should do their best to improve employees' dedication to the organization's interests and encourage them to overcome their personal interests (Pawar & Eastman, 1997).

The importance of efficient human capital management in today's fast and dynamic commercial environment is increasingly gaining in significance since people must meet extremely high terms and conditions so as to be taken into consideration for first-rate jobs (Sinambela, 2021) and every organization must be prepared to compete through preparing qualified human resources (Hanantijo, 2013). An organization must seriously commit itself to meeting needs for competent human resources, since human resources development is the key factor for achieving goals and tasks (Kristiyanti, 2012). In order for organizations to ensure long-term sustainability, they must pay special attention to the need for qualified human resources, who possess the knowledge, skills, attitudes, values, and emotions which how employees

communicate with and love and respect each other depends on. Human capital management is the organizational function focused on the recruitment, management and retention of the organization's employees so that the organization does not find itself without quality human capital (Kasmawati, 2018) which can be ensured either from external or from internal sources (Harvida & Wijaya 2020). For the reason of that fact, human resource management is the process of the identification, attraction and retention of the members of the organization's strategic workforce (Lewis & Heckman, 2006). In order to maximize the organizational potential, the management of talented human resources is focused on training employees and giving them the positions in which they can best utilize their skills and experiences (Angliawati & Fatimah 2020).

According to Paterson (2013), human capital is made up of the three important factors that must be managed together, consisting of the skills, pieces of knowledge and abilities that every single individual acquires during their schooling and training for the job, apart from which dedication and built determination to responsibly carry out their work activities are also necessary. If one of the mentioned elements is missing, there is a great probability that no superior results will be achieved. Rondón and Ammar (2016) specially highlight the importance of employees' dedication needed to include people in the organization, since it is in that way that the improvement of organizational growth and development are ensured. Therefore, beside strengthening the collective spirit in the organization, it is also important that individual skills should also be cherished in order to improve their work performance. According to them, in order to include people in the organization, it is not sufficient to mobilize their intellectual, physical or related resources, and expect increased productivity, but it is also needed to show appreciation for their individual characteristics so as to discover the advantages of all participants, which is one of the most important components of management. Simply put, the individual approach is important because people are considered as proactive and capable agents able to make decisions, work and innovate in favor of the company and an increase in its performances (Hadijah, 2022).

In human resource management, there are strategic challenges, such as the need to support efforts for increasing the company's productivity and performances, to make employees assume a broader role in the employer's endeavors to improve the organization's performance and that human resources should take part not only in the implementation of the company's strategic plan but also in designing it. In the contemporary conditions in which business is done, organizations should ensure a greater value for their employees, stop perceiving them as simple work resource and start perceiving them as the strategic partners propelling the organization. When human capital management inside the organization is concerned, it is generally important to take care of the following elements: the personnel needs planning, the job analysis and description, the remuneration administration, personnel recruiting and selection, the introduction of personnel and their training and development, the creation of professional career development plans, performance evaluation, internal communication, motivation for work, the work team management, the quality, safety and hygiene of the work environment, organizational culture, time management, change management, stress management, and job satisfaction (Hadijah, 2022). According to Schuler (2015), human resource management is a delicate area. It depends on various factors, including organizational culture, organizational structure, environmental context, business operations, technology, internal processes, and more. Srimulyani (2020) stresses the importance of planning employees' professional careers, the evaluation of their development, motivation and encouragements, the promotion of a better work environment. The organizations that manage human resources can freely be said to be achieving better financial results observed through different parameters, such as revenue growth, productivity, the volume of sales, the operational profit, the net profit margin, return

on capital, share value growth, i.e. the growth of the market value of the organization. Simply said, the organization's efficient management of human capital improves its business performances and creates value. Among other things, organizations are a sum of professionals who work in them. To have talented and qualified individuals on the team is the most important factor in the maintenance of sustainable competitive advantage. Investing in employees is an investment in the future of the company, not an additional cost. In the contemporary competitive business environment, the biggest competition amongst organizations in a lot of industries is no longer competing for a market share but competing for human capital instead.

2. Literature Review

The influence of different value creation factors, organizational competitive advantages and their influence on human capital in organizations is the subject matter of numerous research studies (Boon et al., 2019; Eknath & Janardhan, 2020; Sulistyaningsih, 2022).

Saha and Gregar (2012) carry out a study on the reason why, in the globalization era, human resources are perceived as a source of competitive advantage, and they conclude that an organization acquires competitive advantage through its effective and efficient use of human capital.

Human capital development in an organization is one of the main challenges managers are faced with in formulating competitive strategies and innovative ideas for organizational management (Memon et al. 2009). Organizational values reflect individuals' or groups' beliefs and understanding of the organization's assets and goals (Enz, 1988). Hossain and Roy (2016) deal with the human capital concept from the point of view of the value added that people offer organizations, stressing that competitive advantage is achieved through strategic investment through engaging and retaining employees, namely those most quality ones.

The results of the study by Reino and Vadi (2010) demonstrate that organizational values are significantly predicted by both contextual and organizational determinants, that no single factor has equal explanatory power, and that the size of the organization and the type of industry are the most critical variables. Numerous studies have shown that company culture is a key driver of value generation. The founder, the leader, and the members of the organization are seen by some writers (Gagliardi, 1986; Schein, 2004) as having the most crucial roles in the formation of organizational values.

According to Gordon (1991), organizations are based on assumptions about customers, rivals, and society based on the industry. These presumptions then serve as the foundation for the strategies, structures, and procedures necessary for the organization's survival. According to Dastmalchian et al. (2000), the organizational cultures of companies operating in the manufacturing, banking, commerce, catering, communications, utilities, health, and social services sectors differ significantly. According to Nazish et al. (2022), businesses should carefully craft their human resource management strategies to establish a reputation that will make attracting and keeping great employees easier. In the "talent war," firms fiercely fight to woo "stars," or people with high productivity and nonproportional performance, while also being willing to pay them more than rivals for their services (Terry et al., 2023).

In order to achieve sustainable competitive advantage, many organizations base their operations on digital technologies, all with the aim to support them in the implementation of practical campaigns and making achievements (Okorie et al., 2023). Hadijah (2022) indicates that the challenges of the time and a lack of gifted individuals force organizations to develop and implement efficient human resource management methods so as to attract the individuals

who are more superior than their competitors, simultaneously believing that they will be able to create a superior organization in that way.

In their research studies, Hitka et al. dealt with the role of innovative leaders in the management, motivation, and encouragement and stimulation of other employees in achieving a competitive advantage of the organization. The conclusion they came to implies that becoming familiar with different ways to motivate leaders and applying them in practice was of great importance for the improvement of the labor effect and the achievement of business goals.

Guo and Chen (2022) endeavored to clarify the factors influencing the formation of the competitive advantage of organizational human capital and constructing its structural dimensions, and the study itself showed that through the cooperation of all the three levels – the teams, the departments and the employees in the organization – and through planning, practice and stocks that actually came true.

3. Theoretical Research Model

The theoretical research model was modified based upon the previous theoretical research models pertaining to the topic of “Human capital and value creation”, and the same consists of the two independent variables, i.e. “the level of the factors for creating the value of the organization” and “the level of the competitive advantage of the organization”, on the one hand, and the dependent variable “the level of human capital in the organization”, on the other.

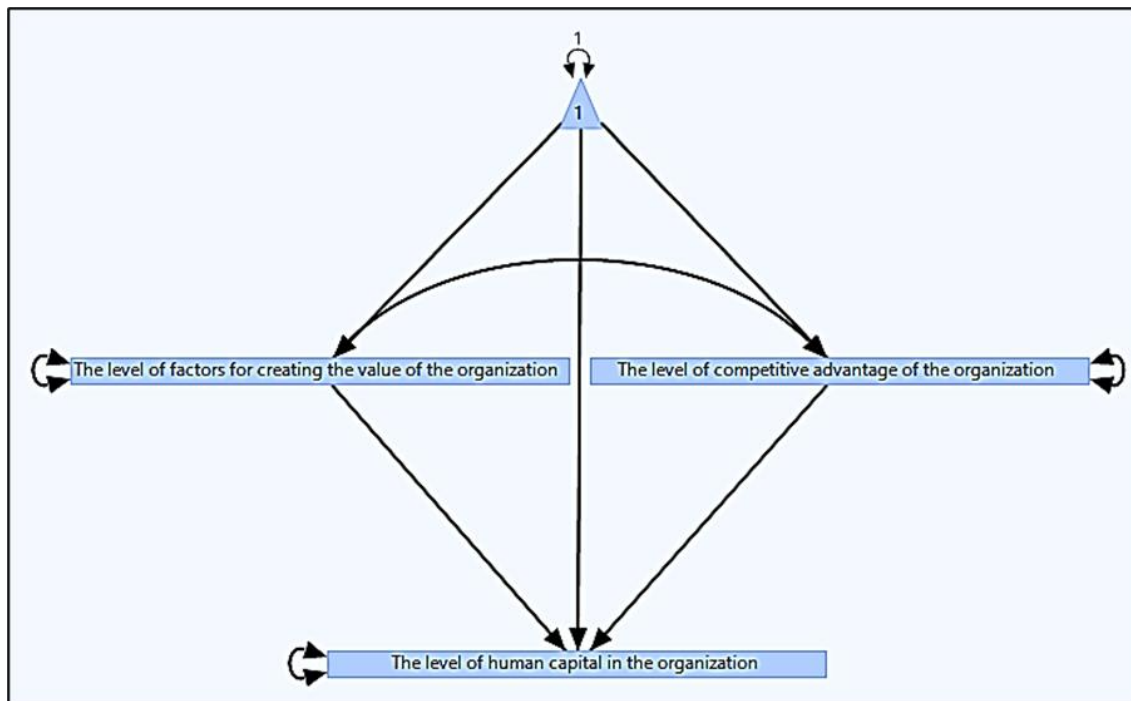


Figure 1. The theoretical research model

Source: Brzaković et al. (2023)

Based upon the set theoretical systemic model presented in **Figure 1**, the research task was formulated reading as follows: Determine whether the level of the factors for creating the value of the organization and the level of the competitive advantage of the organization affect or do not affect the level of human capital in the organization.

The following hypotheses were set arising from the foregoing task:

H₀: The level of the factors for creating the value of the organization and the level of the competitive advantage of the organization do not affect the level of human capital in the organization.

H_a: The level of the factors for creating the value of the organization and the level of the competitive advantage of the organization affect the level of human capital in the organization.

In the paper, the method of conducting a survey using the e-questionnaire technique was used in the paper. The results obtained through empirical and statistical research were processed in compliance with the following mathematic and statistical methods using the SAS JMP v.16 software: descriptive statistics, multiple correlation and regression analyses. The collected data were processed and presented: textually, tabularly and graphically. The e-Questionnaire has two parts.

In the first part, there are the questions related to the respondent’s profile, such as: the respondent’s sex (male or female), the respondent’s chronological age (from 18 to 32 years of age, from 33 to 47 years of age, from 48 to 65 years of age, or over 65 years of age), the respondent’s education level (an elementary school or high-school diploma, a diploma of a college or vocational college or a faculty diploma), and the type of the activity of the organization the respondents are employed with: (manufacturing, service or trade).

The second part of the questionnaire consists of the assertions for each of the variables of the set theoretical research model and attitudes defined by the Likert scale ranging from 1 to 5 (where 1 – I fully disagree, 2 – I disagree, 3 – I neither disagree nor agree, 4 – I agree, and 5 – I fully agree), on a sample of 162 respondents from within the territory of the Republic of Serbia for the following variables: “The level of human capital in the organization”, “The level of the factors for creating the value of the organization”, and “The level of the competitive advantage of the organization.” The e-survey was being carried out in the period from 1st June 2022 to 1st August 2022, and the Google Questionnaire was used through the Facebook social network and the Gmail electronic mail.

Table 1 below accounts for the frequencies and percentage of the respondents according to the respondent’s profile. The majority were men (89, i.e. 54.94%) against women (73, i.e. 45.06%) of the total of 162 respondents. There were more respondents who had finished elementary school and high school (97, i.e. 59.88%) in relation to the respondents who had graduated from a college, vocational college or faculty (65, i.e. 40.12%) of the total of 162 respondents. The largest number of the respondents were those of chronological age from 33 to 47 years of age (70, i.e. 43.21%), and the smallest number were the respondents of chronological age exceeding 65 years of age (6, i.e. 3.70%) of the total of 162 respondents.

Table 1. The frequencies and percentage of the respondents according to the respondent’s profile

The respondent’s sex:	No.	% column	The respondents’ chronological age:	No.	% column
male	89	54.94	(18-32)	32	19.75
female	73	45.06	(33-47)	70	43.21
all	162	100.00	(48-65)	54	33.33
The type of the activity of the organization in which the respondents are employed:	N	Column %	(>65)	6	3.70
production	54	33.33	all	162	100.00
service	54	33.33	The respondents’ education level:	N	Column %
trade	54	33.33	primary/secondary school education	97	59.88
all	162	100.00	college/vocational college/faculty	65	40.12
			all	162	100.00

Source: Brzaković et al. (2023)

which is 0.790859, only to be followed by the independent variable “the level of the competitive advantage of the organization”, which is 0.221135.

$$\begin{aligned} \text{The level of human capital in the organization} = & -0.024306 + \\ & +0.2008734 \cdot \text{The level of the factors for creating the value of the organization} + \\ & +0.7999905 \cdot \text{The level of the competitive advantage of the organization} \end{aligned} \quad (1)$$

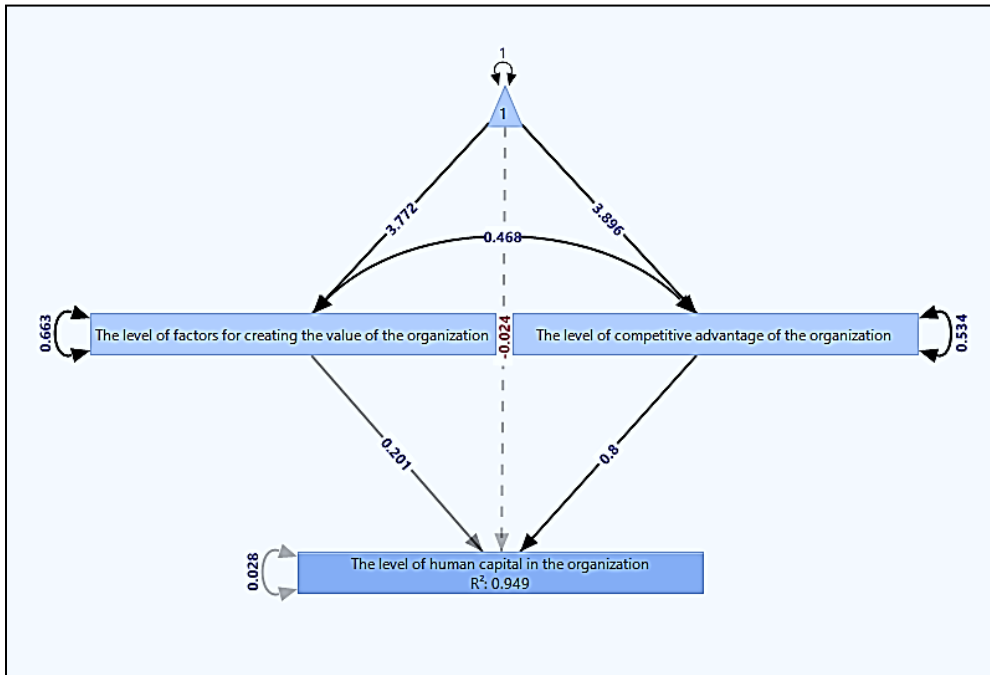


Figure 2. The nonstandard values of the set theoretical model
Source: Brzaković et al. (2023)

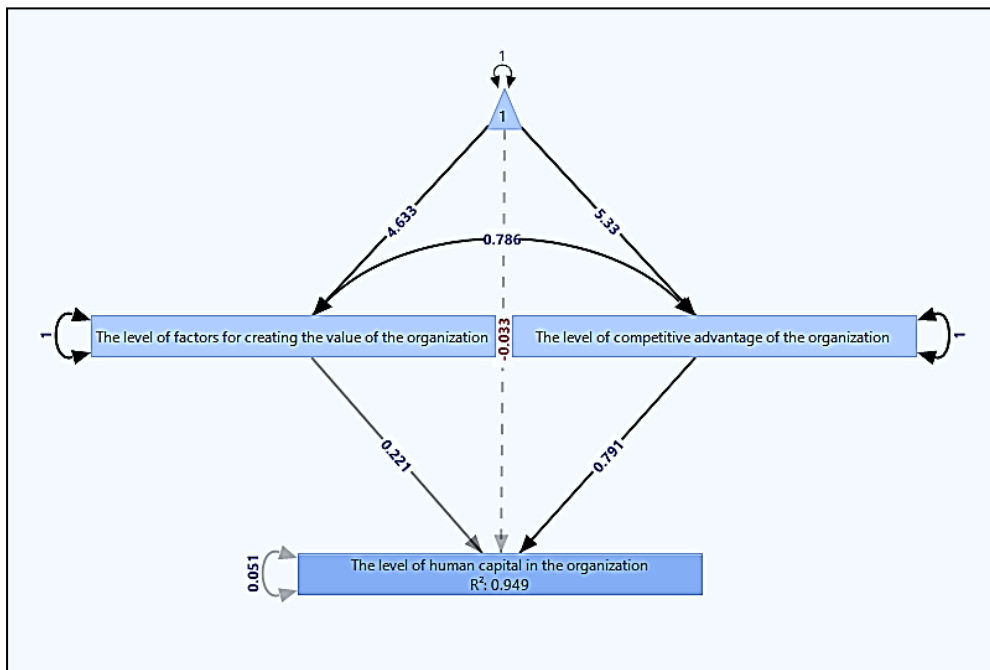


Figure 3. The standard values of the set theoretical model
Source: Brzaković et al. (2023)

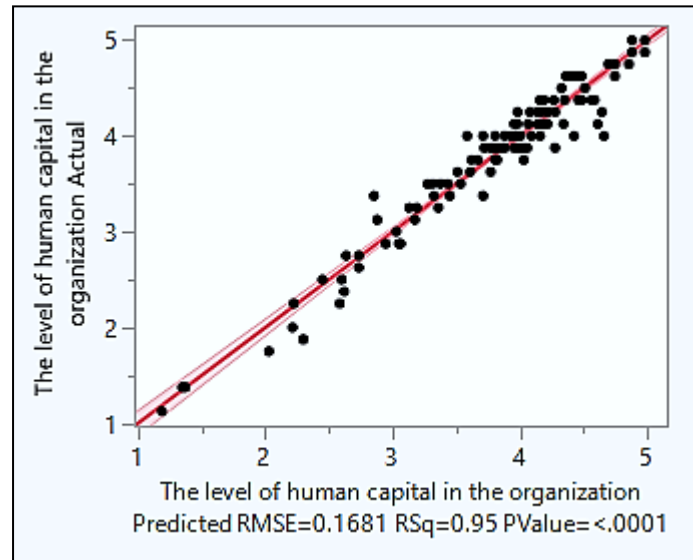


Figure 4. The multiple linear regression equation graph
Source: Brzaković et al. (2023)

4. Conclusion

In the contemporary dynamic and competitive environment full of uncertainty, the creation of value for individuals, organizations and society as a whole are being faced with increasingly greater challenges, whereas strategic management is the basic mechanism transforming organizational resources into results creating value for all interested parties (buyers, investors, employees, suppliers, and society). By prioritizing value creation, organizations position themselves for a long-term success and sustainable growth and development in the dynamic business environment. An organization's destiny depends on its competitive advantage, and it basically grows from the value the organization is able to create for its buyers, which exceeds the value creation cost. One of the basic aspects of the creation of competitive advantage is focusing on doing things in a unique way. Competitive advantage arises from the approach to resources, markets or organizational possibilities, as well as the ability of the managers working in the organization. To preserve their competitive advantage and ensure their survival, organizations must take care of the strategy of scale, the diversification of activities, resource allocation, their orientation towards the buyer, value chains, change management, innovations, and strategic renewal and organizational change. Maintaining competitive advantage is one of the strategic goals of the organizations that may be maintained if arising from the knowledge that the organization has.

The importance of efficient human capital management in today's fast, dynamic and commercial environment is increasingly gaining in significance, since people must meet extremely high requirements. Human capital management is the organizational function focused on the recruitment, management and retention of the organization's employees so that the organization does not find itself without quality human capital, which can be ensured either from external or from internal sources. Given the current business environment, organizations should start viewing their people as strategic partners who drive the corporation rather than just as simple labor resources. In general, it is important to focus on the following areas when managing human capital within an organization: planning personnel needs, job analysis and description, administration of compensation, personnel recruitment and selection, the introduction of personnel, training, and development of personnel, creation of professional career development plans, performance evaluation, internal communication, motivation to

work, and work team management. The organizations that manage human resources can freely be said to be achieving better financial results perceived through different parameters, such as revenue growth, productivity, the sales volume, the operational profit, the net profit margin, return on capital, the growth of share value, i.e. the growth of the market value of the organization.

Based upon the set theoretical systemic research model, the task formed in the research study implies the determination of the fact whether the level of the factors for creating the value of the organization and the level of the competitive advantage of the organization affect or do not affect the level of human capital in the organization. Based upon the research conducted in the paper, it can be concluded that, as the level of the factors for creating the value of the organization and the level of the competitive advantage of the organization increases, the level of human capital in the organization increases as well.

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