

CHALLENGES OF MANAGING HUMAN CAPITAL IN ALBANIAN BUSINESSES IN THE CONTEXT OF THE GLOBAL MARKET

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ABSTRACT

Countries between one region or continent and beyond, have merged their barriers between making the globe smaller, often cited as a "global village". Managers have many challenges due to the complex and variable environment consistently. In this environment, a vital factor is human capital. The organization can achieve success because human capital can create new technology, innovation, good and quality services, differentiation. Challenges that arise are recruiting employees with appropriate skills, adaptation, the continuous training them to adapt to change, motivation, promotion. The purpose of this study is the importance of human capital in the process of adaptation of albanian firms in the global market. The methodology of this paper is based on the collection of primary and secondary data from various source, use interviews with business entrepreneurs, top managers, human resource managers. The approach used is on different studies about this issue. Some of the main results are: many businesses albanians fail in expansion abroad. Among the main factors of influence are: not putting the right people, lack experience, not forecast at the right time to change the behavior of consumers or other stakeholders speeds change influencing markets, often late response. However, there are few businesses albanian competitive regional markets, the European continent and beyond. There are different implications like, lack of appropriate criteria of recruitment, failure in the programs implementation during the process of adaptation managers, etc.

KEYWORDS: *human capital management, global market, adaptation strategies, adaptation process.*

JEL CLASSIFICATION: *J24*

1. INTRODUCTION

Global competition is focusing companies around differentiated workforce and fewer and fewer resources to manage it. Even if HR principles remain the same, they'll have to be translated into action differently from country to country. But again, pressure to save money and use standardized HR processes and shared information technology will be enormous. The double pressure of creating more and more complex and diverse HR strategies and making them standardized throughout your organization will create many conflicts for the foreseeable future.

The transformation of human resources today is a direct call of the rapid changes within businesses due to factors such as globalization. In the global competition within the flat and connected new world, decision making in organizations has become increasingly intricate and convoluted. It also remains the biggest challenge for global organizations human resource departments to manage a workforce diverse in culture and language skills, and distributed in various countries. It is critical that the businesses not only familiarize with local ways of doing business, and understand the needs of local consumers, but also develop a global mindset among their employees.

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So, the processes of adaptation in both human and natural systems are highly complex and dynamic, often entailing many feedbacks and dependencies on existing local and temporal conditions. The complexity, scale and limited experience with the climate change, explain the limited level of applied research conducted thus far on adaptation, the reliance on mechanistic assumptions.

2. LITERATURE REVIEW

When recalled capital, comes to us intend that make investment firms to increase their size, to stay competitive in the market, improve financial indicators, etc. One of the key factors for the success or failure of companies is the human factor. When we remember the capital, comes to us intend different investments that make the firms to increase their size, to stay competitive in the market, like improvement financial indicators.

The define human capital (Nalbantian, 2004) as, the stock of accumulated knowledge, skills, experience, creativity and other relevant workforce attributes and suggest that human capital management involves putting into place the metrics to measure the value of these attributes and using that knowledge to effectively manage the organization. HCM is defined by Kearns (2005) as “The total development of human potential expressed as organizational value”. He believes that HCM is about creating value through people and that it is a people development philosophy, but the only development that means anything is that which is translated into value.

Human capital is as the collective experience, knowledge, and expertise of those contributing to an organization’s mission (Liebowitz, 2004). The working human capital definition above is consistent with the knowledge management community’s sense of human capital. In the knowledge management world, intellectual capital is the sum of human capital, structural capital, and customer capital. Human capital refers to the “brainpower” of the employees. Structural capital refers to what one can’t easily take home from the office (e.g., intellectual property rights, certain databases, etc.). Customer capital, sometimes called social or relationship capital, is the knowledge learned from the organization’s customers.

2.1 Human Capital Management and Human Resource Management

The essential difference between HCM and HRM is that the former treats people as assets while the latter treats them as costs (Mayo, 2001). Kearns (2005) said that HCM people are value adders, not overheads while in HRM people are (treated as) a significant cost and should be managed accordingly. According to Kearns, in HRM the HR team is seen as a support service to the line – HR is based around the function and the HR team performs a distinct and separate role from other functions. Conversely, HCM is clearly seen and respected as an equal business partner at senior levels and is holistic, organization-wide and systems-based as well as being strategic and concerned with adding value.

Grant (1991), lists the main characteristics of human resources in his general classification of a firm’s potential resources as follows:

- ✓ The training and expertise of employees determines the skills available to the firm.
- ✓ The adaptability of employees determines the strategic flexibility of the firm.
- ✓ The commitment and loyalty of employees determine the firm’s ability to maintain competitive advantage.

The HRM argument is that people are not to be seen as a cost, but as an asset in which to invest, so adding to their inherent value (Torrington, 1989, emphasis in the original). So how does the concept of HCM reinforce or add to the concept of HRM? The answers to that question are that HCM:

- ✓ draws attention to the importance of what Kearns (2005) calls “management through measurement”, the aim being to establish a clear line of sight between HR interventions and organizational success;
- ✓ strengthens the HRM belief that people are assets rather than costs;
- ✓ focuses attention on the need to base HRM strategies and processes on the requirement to create value through people and thus further the achievement of organizational goals;
- ✓ reinforces the need to be strategic;
- ✓ emphasizes the role of HR specialists as business partners;
- ✓ provides guidance on what to measure and how to measure;
- ✓ underlines the importance of using the measurements to prove that superior people management is delivering superior results and to indicate the direction in which HR strategy needs to go.

2.2 The debate about HCM

The concept of HCM complements and strengthens the concept of HRM. It does not replace it. Both HCM and HRM can be regarded as vital components in the process of people management. So, the definition of Human Capital (HC): Stock of individual knowledge, capability and skills that are economically usable (all characteristics of an employee that may raise his or her salary) all those skills that are acquired through education, but also talents. The definition used by Husz is as follows: "By human capital we mean the time, experience, knowledge and abilities of an individual household or a generation, which can be used in the production process" (1998, p. 9). Lucas (1988) measures human capital probably by expenditures on education and "external" human capital, which he believes to be able to measure by calculating the returns to land. Why we should concentrate definition of Husz? This brings about a number of problems, though. First of all, the definition of Husz defines human capital as consisting of a number of components, being time, experience, etc. There is no reason not to believe that human capital consists of a much larger number of components, which may be routine, age, wisdom, self-esteem and so many others. Second, Husz refers to households and generations. There is no reason why human capital could not be embedded in individual persons or in the world population as a whole. So, the group that actually possesses this human capital is undefined. Third, according to Husz' definition, human capital is something that can be used in the production process. Probably, this suits your needs, but we have to think that we should mention that there is also something like social capital. Social capital includes more than just time, experience, etc., but in defining it, we face the same difficulties as when defining human capital. However, if you want to include social networks, cultural assets, and maybe even safety and happiness, then you should speak of social capital. Fourth, many studies focus on schooling and training. This demarcation of field of interest is useful and even necessary, in most instances, but it means that most studies implicitly define human capital as an input in the production process, which is different from the broad definition that is mentioned above. This has even resulted in a separate discipline, called the economics of education, which is largely similar to human capital theory, but which confines itself to education and expenditures on education.

According to the GAO Human Capital report, human capital has two key principles. First, people are assets whose value can be enhanced through investment. Human Capital report, typically compares their organization to a tree. With a tree, there are hidden and visible components—the hidden ones are the roots and the visible ones are the blossoms and fruit. In order to get the tree to grow, you need to nourish the roots. In the same manner, the people and their intellectual capital in an organization are the roots, and to maximize their intellectual capital they must also be nourished in terms of training and development, mentoring, recognition and rewards, and so on. Second, an organization's human capital policies must be aligned to support the organization's shared vision.

3. RESEARCH METHODOLOGY

The purpose of this study is based on the importance of human capital in the process of adopting Albanian companies in the global market. Thus the methodology of this paper is focused on interviews with business entrepreneurs, key managers and human resource managers. Also, various studies have been used on this issue, debates and relevant findings.

There been studied about 50 (fifty) Albanian companies. The study is focused on the main issues: (a) focus on effective adaptation strategies of Albanian companies in the global market and (b) the most important steps that allow easy adaptation to the workforce as a lower cost. The study was focused on the process of adaptation of Albanian companies in the global market. Among the key strategies of adaptation of Albanian companies are: focusing only on workers with technical skills, focusing only on workers with communication skills / interpersonal skills, focusing on creative employees / innovator, focusing on flexible workers / changes, focusing on negotiating employee / solving problems. While important steps have focused on the recruitment and selection of appropriate staff; training and their further development.

4. INFLUENTIAL FACTOR OF HCM IN ALBANIA

International competition and the increasing pressure every day has forced companies to focus around differentiated workforce and fewer and fewer resources to manage it. The challenges have to energize organization. Ideally, these challenges will energize, not frighten or demoralize you. They highlight the complexity inherent in managing people, a complexity that requires deep expertise to both understand the problems and develop coherent responses. New challenges will only increase the value of strategic human resource experts and the importance of human capital in every organization's success.

The transformation of human resources today is a direct call of the rapid changes within businesses due to factors such as globalization. In the global competition within the flat and connected new world, decision making in organizations has become increasingly intricate and convoluted. It also remains the biggest challenge for global organizations' human resource departments to manage a workforce diverse in culture and language skills, and distributed in various countries. It is critical that the businesses not only familiarize with local ways of doing business, and understand the needs of local consumers, but also develop a global mindset among their employees.

Human resources need to take advantage of technology and data analytics to build a global human resource information system that collects and stores data from various sources. Knowledge management is the process of creating value from an organization's intangible assets. Simply, knowledge management deals with how best to leverage knowledge internally and externally. Knowledge management is concerned with how to capture, share, apply, and create knowledge throughout the organization and for the organization's stakeholders. The knowledge comes from the organization's employees, customers, stakeholders, retirees, contractors, partners, and other knowledge sources. This knowledge base is derived from the organization's human capital.

The human capital in an organization primarily emanates from the "brainpower" of the organization's employees. The sharing of lessons learned, best practices, cases, stories, and anecdotes are examples of how knowledge can be passed from one individual to another. Mentoring is a wonderful way to share the tacit knowledge of an expert with the mentee. Finding ways to preserve, share, replenish, and grow knowledge are important objectives for a knowledge management, and human capital, strategy. Identifying the core competencies of the organization and understanding the organization's mission, strategy, and business goals are critical elements that need to be determined before a knowledge management or human capital strategy can be developed. The knowledge management and human capital strategy should be aligned with the organizational mission and strategy in order to maximize the contributions of the organization's human capital. So, the globalization has brought about radical changes in the market environment within which businesses must operate, survive and grow. With the help of increasingly powerful information, communication and production technologies, enterprises are developing new business

forms, new structures of production and new forms of work organizations. The challenge is to build the new competitive edge: flexibility and agility to be able to bring quickly to the market place new products and services that meet the constantly shifting needs of highly informed, discerning and discriminating customers. Product differentiation, innovation, organizational flexibility, speed, and maximizing customer value are the new competitive tools in addition to price and quality focus. Knowledge and its management are taking the center stage of competitive strategies.

5. THE RESULT OF STUDY

Human capital is a vital asset for organizations worldwide. Business leaders in Albania are looking for growth and human capital makes this possible, but is too often treated as purely an operational cost rather than an investment. While there is no doubt that the economic environment in countries worst affected by the crisis calls for prudence, it is also important that organizations adopt a mindset focused on driving value from their workforce, not just reducing its cost. Human capital has a vital role to play in this.

There is no doubt that the human resource strategy adopted will should help organization's employees contribute at the highest level possible and improve the bottom line. In helping employees improve their skills, attitudes and behavior and decrease turnover, you help your company meet its ultimate goals, including productivity, quality and customer satisfaction. The processes of adaptation in both human and natural systems are highly complex and dynamic, often entailing many feedbacks and dependencies on existing local and temporal conditions.

Also a global workforce cannot be managed globally. Global companies tend to think about managing workforces consistently across geographies. That is a mistake. Attracting talent is a local market activity; likewise is managing human capital. Managing a workforce in Albania is fundamentally different than in the countries of the Balkans, Europe and beyond.

Different cultures produce employees with different values, attitudes, and motivations. So how do you manage within a multinational context? To succeed, leaders must accept that there is not a global workforce with common values or motivations. Then they must create a management team of people from diverse backgrounds, who will serve as interpreters of the company's global goals—communicating messages with sensitivity across different cultures. Unlike a product or service, human capital can't be managed in globally standardized ways; attempting to do so will create a less effective manager and less productive workforce.

In this context, the study is done to see concretely how the Albanian companies adopt their human powers to cope successfully "single market" created by globalization. In the study were taken 50 companies.

Today, businesses in Albania to adapt of changes and constantly pressures have concentrated their forces to human capital. Now, qualify human capital is the most powerful weapon. Thus, companies consistently pay qualifications importance of their staff, education, experience, training, technical and intellectual skills, etc.

During the study I concentrate on the main issue: (a) focusing on effective adaptation strategies of Albanian companies in the global market and (b) the most important steps that allow easy adaptation to the workforce as a lower cost.

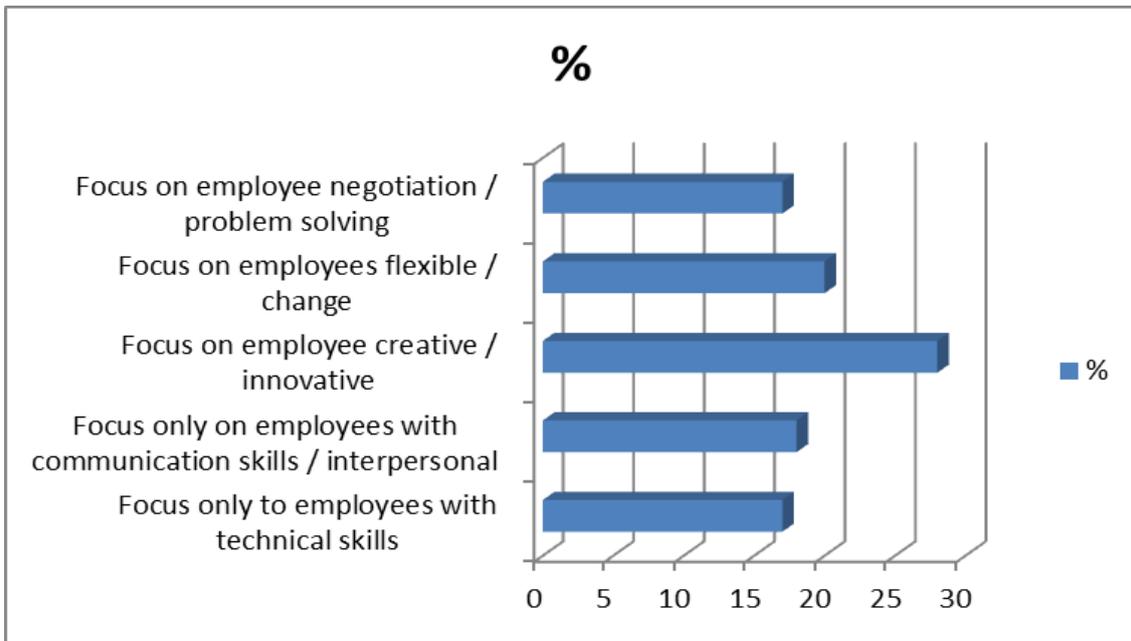


Figure 1. Adaptation strategies *Source: made by author*

For this study were interviewed entrepreneurs, key managers and human resource managers of 50 companies. The first issue relates to the pursuit of study effective strategies to adapt the workforce in the global market. There are five main strategies pursued by companies as presented in figure one.

The highest concentration for companies in Albania is focusing on the creative and innovator employees (28%). Through these companies, employees will be able to bring new products to market, innovative and most often times cost savings. Although it seems no sense in bringing innovative products will lower cost, which is known to conduct research and new products have a high cost. But realistically it allows the company to fit consumer demands facing the increasing competition and the market being competitive for long periods.

Vital importance for businesses in Albania is focusing in recruitment of employees flexible and variable (20%). This enables adjustment of employees by allowing changes in market competition and companies to cope with these changes. Other adaptation strategies are: focus only on employees with communication skills / interpersonal (18%) - today communication is needed continuously and rapidly at all levels of management companies. This communication should be concise, structured and content to Highlight the purpose of communication; Focus only to employees with technical skills (17%) - technical skills of employees are helpful to the organization by different solutions within the organization; focus on employee negotiation / solving problems (17%) - the organization during its activity can be found with the problem different solutions to be provided through conception or negotiation in some situations.

During these years companies have been some shortcomings in the management of employees, which remain somewhat today. The businesses in Albania have some problems with not putting the right people, lack experience, not forecast at the right time to change the behavior of consumers. Regardless, they are trying to be more competitive in the global market by attaching importance to training and development growth. As in all international businesses, even businesses in Albania attach a special importance as recruitment and selection activities of employees, their training and development. For recruitment and selection of right employees first companies focus on their business strategy. For example, a company which has as its business strategy of product differentiation and selection of staff focuses on workers with special skills, with high qualification. The opposite happens with the operation of a low-cost strategy, which enables concentration to non-

skilled workers very high, etc. So orientation and focusing on business strategy in the selection not only takes employees that will make it possible to achieve it, but also other important impact that it has on the cost of the product. Training employees to accommodate changes occurring is another important aspect. Also, the development of skills of employees ensures success and longevity in the business market. A decade ago in Albania for investments in human capital going for training and development of employees were very slim. It came from a little competition in the market and most often times managers judged that this investment increases production costs of the product or service delivery. While investment today for training and development of employees are well worth the investment required to cope with the changes, adaptation of the employees to keep in working with talented employees, etc.

Maybe the individual's decision to invest in training is based upon an examination of the net present value of the costs and benefits of such an investment. Individuals are assumed to invest in training during an initial period and receive returns to the investment in subsequent periods. Workers pay for training by receiving a wage which is lower than what could be received elsewhere while being trained. Since training is thought to make workers more productive, workers collect the returns from their investment in later periods through higher marginal products and higher wages. Human capital usually decompose training into specific training, which increases productivity in only one firm, and general training, which increases productivity in more than one firm. Purely general training is financed by workers, and the workers receive all of the returns to this training. In contrast, employees and employers will share in the costs and returns of specific training.

6. CONCLUSIONS

Global competition is focusing companies around differentiated workforce and fewer and fewer resources to manage it. Today we need more skilled workers, experienced, with knowledge, flexible, etc. How are called these workers with these competence in literature? Despite different authors give different interpretations but the definition of human capital is essentially a sense. So, the human capital is the collective experience, knowledge, and expertise of those contributing to an organization's mission. Also different authors give common and differences between HRM and HCM. According to the authors, the essential difference between HRM and HCM consists in treating employees as important assets of the company or as to increase costs. Despite these differences by different authors and in different years, human capital has a vital importance and is regarded as the most important asset for companies. There been studied about 50 (fifty) Albanian companies. This study aims at monitoring the process of adaptation of Albanian companies in the global market. Methodology followed for the realization of this paper is focused on research in this area (secondary source) and interviews of key managers of companies, entrepreneurs and managers of different human resources (primary source). The study focused on two issues: (a) focus on effective adaptation strategies of Albanian companies in the global market and (b) the most important steps that allow easy adaptation to the workforce as a lower cost.

Why should companies adapt global market? Who are the reasons that lead to these adjustments Albanian companies? Today the global market has become very small with no major differences from market to another continent or of a state with another state. The main reasons that have influenced the Albanian companies, and not only, have been very great pressures from the impact of globalization, rapid technological changes, the information as quickly and specialized knowledge. For an easier adjustment process of the workforce should invest in training and their continuous development. These investments are investment securities that guarantee us continuity and give us a higher profit. Factors such as globalization, turning the global market in the "village", have created the need for concentration as powerful weapons to cope with competition is human capital. The

important adaptation strategies for business are: the focusing on the creative and innovator employees (28%) - employees will be able to bring new products to market, innovative and most often times cost savings; the focusing in recruitment of employees flexible and variable (20%) – this make rapidly adapting employees to changes to making organization competitive in the global market. Other adaptation strategies are: focusing only on employees with communication skills / interpersonal (18%); Focusing only to employees with technical skills (17%); focusing on employee negotiation / solving problems (17%). Some of the gaps that companies are faced today: not putting the right people, lack experience, not forecast at the right time to change the behavior of consumers.

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