

THE IMPORTANCE AND ROLE OF STRATEGIC ACTIVITIES OF HUMAN RESOURCE MANAGEMENT IN COMPANIES IN BOSNIA AND HERZEGOVINA

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ABSTRACT

Strategic activities in human resource management are a driver of changes in the company, both in defining the strategy, and in its implementation. The aim of this paper is to demonstrate the need for strengthening the strategic role of human resource management function, in relation to the changes to the characteristics of business environment. This paper tests the hypothesis that a higher degree of uncertainty and dynamics of changes in the environment contribute to achieving a stronger strategic role of HRM and a more flexible HRM architecture. In order to test the hypothesis in the theoretical sense we used the comparative analysis of advantages and disadvantages of two models of designing the HRM strategy. As the methodological analysis framework, in this paper we used the Krueger/Homp value chain. Based on the results of theoretical research, companies are suggested to maximize activities with strategic significance, concentrating more on future, according to the planned evolution. Empirical research results, from the poll taken in companies in Bosnia and Herzegovina, represent an analysis of the current practices, and an analysis of trend dynamics in this sector. From the analysis of methods of execution of individual HRM activities in the observed companies in Bosnia and Herzegovina, we concluded that the value chain construction is greatly determined by the status of situational factors in the business environment and also the relationship of the top management towards changes and their efforts and ability to determine the future. According to results of the research, company top management and HR managers are recommended to design the HRM strategy and architecture of HRM activities, by applying the Wright/Snell dual model of designing the strategy and the Krueger/Homp value chain.

INTRODUCTION

Human resources, their knowledge, skills and abilities are becoming the crucial basis for establishing the competitive advantages of companies in the dynamic and uncertain markets today. Thus, the function of human resource management is gaining increasing importance, aimed at directing the overall employee energy towards the realization of strategic goals of the company. The role of HRM has changed dramatically over the last 10-15 years. Specific changes relate to emphasizing the importance of the role of human resource management, both in formulating strategic solutions, and in their implementation. In the present business environment, human resource management is not, nor may it be observed as a purely administrative function. Changes in the environment and status of situational factors, such as the high unemployment rates, poor negotiation skills of the unions, characteristics of the industry branch, etc. have led to the strengthening of the HRM function in the company organization structure, and to expanding the list of its task. The strategic significance of the HRM function is becoming increasingly emphasized, and is viewed, both in theory, and in practice, as the architect of the organization structure. In writing the paper, we have come across the question of how to establish the HRM function so that it will contribute definitely to the effectiveness and efficiency of the organization. In searching for the answer, the paper starts from the changed degree of significance of individual HRM activities, due to the changes brought about by the globalization process. Then, two models of strategic HRM are presented from a purely theoretical point of view, that represent, chronologically speaking, a response of the theory to the process of designing the HRM strategy in accordance to changes to the company environment. The second section of the paper deals with the Krueger/Homp value chain as the methodological analysis framework. The

established chain served as the basis for the empirical research of the representation and significance of individual HRM activities in the practices of companies in Bosnia and Herzegovina, with special attention paid to the basic and development activities. The final section of the paper presents the conclusions reached from the theoretical and empirical research, as well as recommendations for further improvement of HRM, with the aim of achieving long-term sustainability of company competitive advantages.

HRM ACTIVITIES IN THE CONTEXT OF GLOBALIZATION

Increasing market globalization, explosive technical development and intensive development of informational and communicational technologies had a huge impact on the change of framework conditions for the management of companies. By globalization of economy, many (tangible) resources such as equipment, machines and such, became available in every part of the planet. Therefore, they cannot be used as the basis of the long-term competitive advantages. In such unpredictable and uncertain surrounding, the decisive source of the competitive advantage is qualified and able employees, that is, their knowledge, skills and abilities. The importance of knowledge increases on all levels, especially on company level. Actual management urges the mobilization of knowledge on all company levels Riedl (1999;26). Since a man is the bearer of knowledge in the company, he, that is, his knowledge becomes the interest of science and practice. According to that, the importance of HRM function changes and increases in construction and in a long-term perseverance of competitive advantages of a company.

Traditional role of the HRM function

Managing people, or their potential, is an extremely complex and demanding task. The most common division of this task is into the traditional activities, or the activities of purely administrative nature, and the activities that carry a strategic significance to the company.

These are classical administrative jobs (Kern/Goergs, 2003;11):

Keeping files about employees' personal data (first name and last name, ID number, age, address, marital status, data about employee's children)

- ✓ Data about work and work experience (work contract, time limit and conditions of employment, files about

length of service)

- ✓ Data about education, diplomas, course certificates and extra education, files about Foreign language certificates and so on.
- ✓ Data about tax payments, and payments of social, pension and health insurance
- ✓ Data about absence in the case of illness, pregnancy, expert improvement and non-paid absence.

These activities are fairly isolated from the rest of the organization structure, i.e. they relate to people and their problems, separate from the wider and development-related problems of the organization. Activities observed in this light are not directed at the issues of efficiency, efficacy, or business development.

Strategic role of the HRM function

Emphasizing the strategic role of HRM is relatively new, since the increasingly turbulent and dynamic business environment related to the establishment and strengthening the competitive position of the company requires systematic and careful development of human resources, directed at creating and developing organizational abilities (Torrington, 2004;30-44). Those are activities that provide support to the strategic planning process, and strategy implementation procedures. Human resource management is more than preparing accurate salary calculations for the employees; it is and should be the driving force behind changes in the company.

Correlation between strategic management and HRM

Strategic management and HRM represent the two most important areas of interest and tasks of the modern management. The aim of strategic management is to design a strategy on the basis of which the company will be able to build and preserve, in the long run, its competitive advantage. The basis for establishing long-term, sustainable competitive advantages or the key competence is composed of the resources and abilities that, according to the VRIO Framework, meet the criteria of value, rareness, imperfect imitability, organizational specificity. In the current state, with the ability of competition to imitate quickly, it is the specific knowledge, skills, creativity and abilities of employees that satisfy the stated VRIO Criteria better than other resources. In addition, they represent the foundation of all organizational changes that are necessary in adapting to the volatility and unpredictability of the business environment. The very

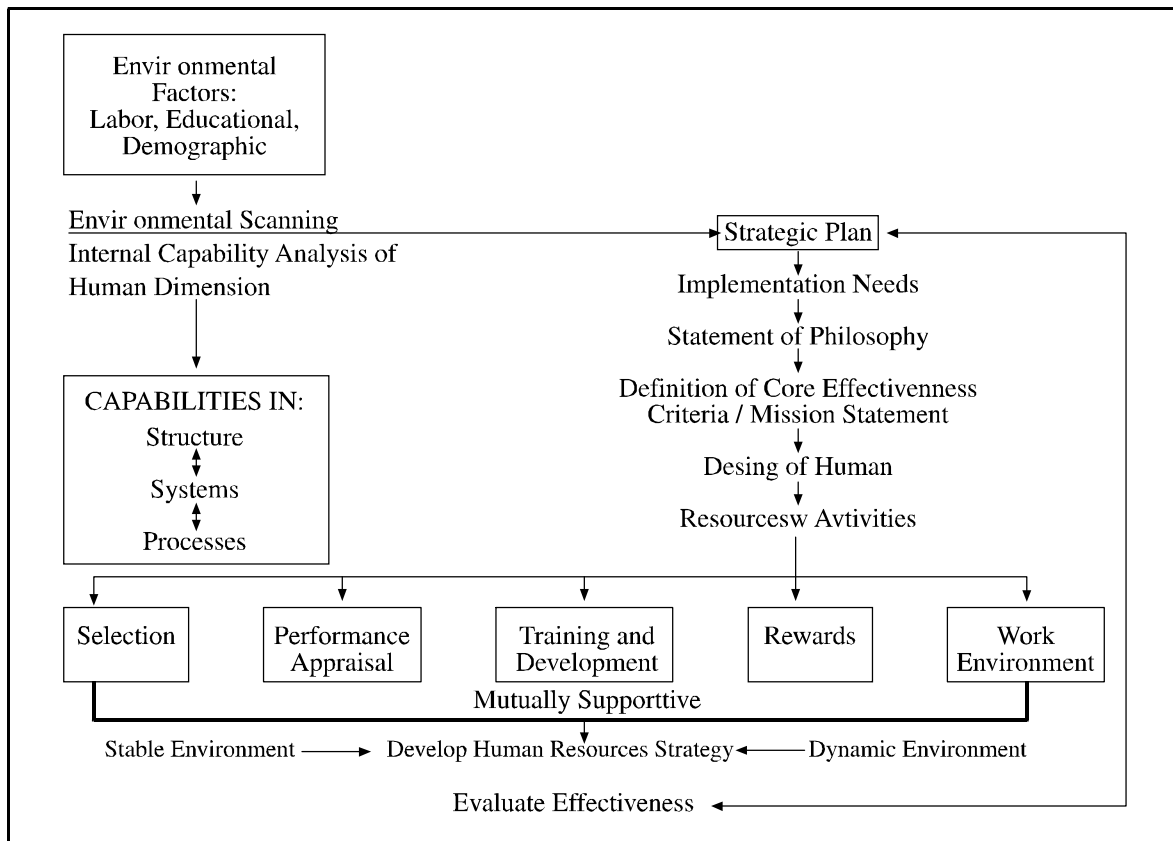


Figure 1: Strategic human resource management

goal of strategic human resource management is a systematic and careful analysis of the human potential, directed at creating and developing organizational abilities with the purpose of reaching the strategic business goals (Bahtijarević-Šiber, 1999;123). Therefore, the interrelatedness of strategic management and HRM is the prerequisite for competitive advantages and company success (figure No. 1).

Lundy's concept of strategic HRM (1994;705), according to the schematic overview, has two dimensions of equal importance. The vertical dimension emphasizes the interrelatedness of HRM practices with the process of strategic management (both in the process of designing, and in the implementation of the strategy), and the horizontal dimension suggests the need for a high degree of coordination and harmonization of various HRM sub-functions. Without performing a more detailed analysis, Lundy states that the success of the planned strategy depends on the dynamics of changes in the environment. We can obtain indicators of the success of the HRM strategy from the evaluation of HRM activities (Selection, Performance Appraisal, Training and Development, Rewards, Work Environment) and from testing their influence on the company strategy.

Strategic HRM architecture in response to the dual nature of business environment

Having observed the deficiencies of the previous model, Wright/Snell (1998;756-772) developed a model that attempts to provide a response to both situations in the environment, i.e. both the stable and dynamic environment. Firstly, the model focuses on the necessity of harmonizing the company strategy and HRM activities, and employees' abilities and behavior (providing that they "fit"). Secondly, they contemplate the organization flexibility, or how to build the skills of adapting quickly to the changes and increasing demands of the environment. The figure No. 2 displays both aspects of this analysis.

The first part of the schematic overview represents the process of formulating strategy, starting from defining the mission, aims, and evaluating internal strengths and weaknesses, and external opportunities and dangers. HRM activities can be defined as early as in analyzing the strengths and weaknesses of an organization (company). Next task is the organization and transmission of strategic intentions to HRM activities, employee abilities and behavior. The starting

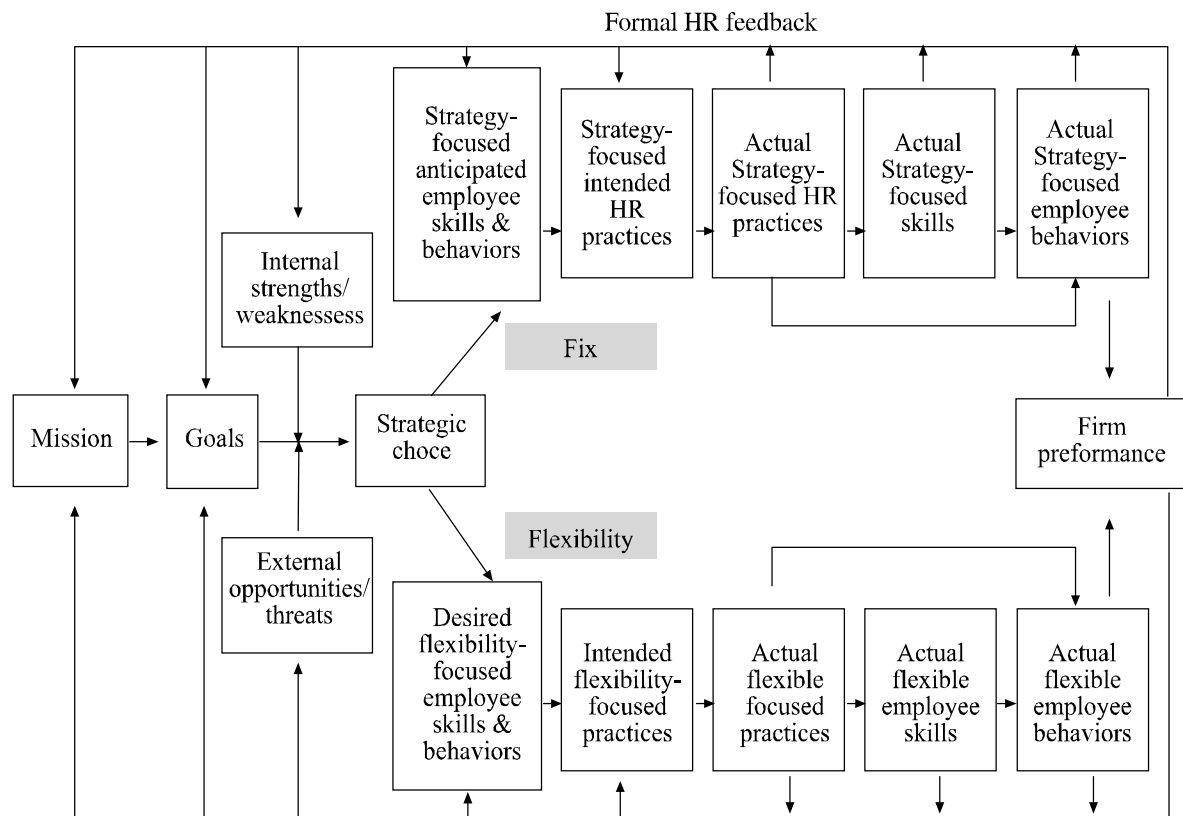


Figure 2: Strategy formulation process according to Wright/Snell (1998;760)

point is in the formulated strategy defining the employee qualifications required for its implementation. It is doubtful whether the required HRM activities and employee skills are stable during the period of strategic planning. This belief is only true of an extremely stable environment.

In dynamic environments, in which changes are discontinuous and unpredictable, success cannot be expected from fitting the HRM activities to the company strategy, but solely based on the abilities of providing flexible responses and adapting to unforeseen events. Thus, Wright/Snell (1998;761) created a framework that focuses on three points for flexibility: 1) developing HR systems that can be adapted quickly, 2) developing a human capital pool with a broad array of skills, and 3) promoting behavioral flexibility among employees". Accordingly, they propose HRM activities that may expand the qualifications and behavior of employees to support various changing or newly emerged strategies. This setup of human resource management in the organization will contribute to (Bahtijarevi?-Šiber, 1999;131-132):

- ✓ Proactive, instead of reactive behavior. Employees will keep in mind, at all times, the desired future position of the company.

- ✓ Explicit communication of company goals. Develop a series of specific goals in order to capitalize specific talents and the know-how.
- ✓ Stimulating critical thinking skills and constant examining of strategic prerequisites. Continuous changes of internal and external environment factors demand critical examination of current goals, in which the HR manager has a special role.
- ✓ Identifying the gap between the present and future vision. If managers focus on the future, strategic planning can be a catalyst for changes and mobilize all resources for achieving or strengthening the competitive status in future.
- ✓ Readiness of executive managers to participate. By involving executive managers in the process of strategic planning of human resources, it is possible to identify, as early as in the process of designing the strategy, potential problems and possibilities related to people expected to implement the business strategy successfully.

Based on this, the main characteristic of the strategic role of HRM is the focus on the future, on planning and development of human resources to enable and support the realization of future organization goals. Therefore, it is necessary to design the HRM architecture in accordance to the strategy of

organization as a whole, having in mind the expected changes to the environment factors.

VALUE CHAIN AS THE METHODOLOGICAL ANALYSIS FRAMEWORK

The importance and the role of some activities, in achieving the success of companies, can be analyzed and presented by using the chain of value creation. Porter's chain (1999;63) is the most famous and the most frequently used value chain in management literature. By using Porter's generative value chain, the attempt is to define the contribution of every single activity of a company in achieving the profit. However, by using this concept, it is not possible to identify the profitability roots, that is, the key competencies, on whose foundation the specific activity contributes to the achievement of company profit. By analyzing their key competences, Krueger/Homp's value chain (1997;41) provides more precise analysis of importance and roles of every activity. Krueger and Homp differentiate between two categories of key competencies:

- ✓ Core competences, relating to effective and efficient performance of the current tasks, and
- ✓ Development (meta) competencies, that include further development of key competencies.

Core competences include:

- ✓ "Steuerung" (processes of managing, control and management competence)
- ✓ "Operation" (operative processes/operative competences)
- ✓ "Support" (processes of support/support competencies)

According to the base process' initials, in literature, Krueger/Homp's value chain is marked as SOS concept. Efficient performance on market is possible only with the joint performance of all three process categories, that is, three competence categories, mentioned above.

"S" - Management process include all processes of managing, management and control. Therefore this expression, according to Ulrich (1984;114), includes diverse tasks of managing, organizing and development in a company, and, according to Hahn (1996;40), it includes tasks of planning, management and control. The success of management process is connected to the creativity and readiness for risk-taking, that is, for energetic thinking.

"O" - Operative processes, in other words, operative competencies primarily include traditional function of research and development, purchase, production

and selling. Operative competences, in the greatest extent, originate in knowledge and skills of collaborators that are enriched by experience.

"S" - Support processes in a company include all developmental tasks and the tasks of preserving company's infrastructure, as well as providing necessary material, financial, informational and human resources. Support tasks in a company are interpreted as special services: personnel services (further education, training, coaching, canteen, and phone service), services of maintenance (cleaning, security, and protection), informational and organizational services (accounting, computer studies, organization, revision, law, writing services and archive) and financial services (capital and financial department, corporate banking).

While Porter analyzes the present, Krueger and Homp expand the analysis of core competencies by pointing out the necessity of possessing development competencies as well, namely the following:

- a) Reproductive and transformational changes require mastering individual processes of changes. In order to comprehend and shape the changes, it is necessary to know the depth and volume of changes to be process. The turn can be achieved in a series of steps (evolution) or with a single move (revolution).
- b) Continuous improvement is based on the opinion that the change is a permanent process. The process of continuous improvement is only possible with permanent education, i.e. by establishing a "learning" organization,
- c) Planned evolution is based on the fact that a company undergoes various stages of development over a longer period of time. It points out the need for striving towards the set and planned company development, i.e. striving towards planned evolution.

By including development (meta) competencies, authors strive towards planned company development, i.e. planned evolution instead only increasing the profitability rate.

In the case that the activity, that is a process, does not directly contribute to achieving the aims of the company, Krueger and Homp recommended outsourcing as a possible solution. If, however, an activity needs to be preserved in the company, then the possibilities and advantages of co-sourcing (partnership) should be considered. It does not matter if the top management of the company is thinking about the outsourcing or co-sourcing, its determination towards the future and its determination to search for answers of existing questions: " How to improve, how

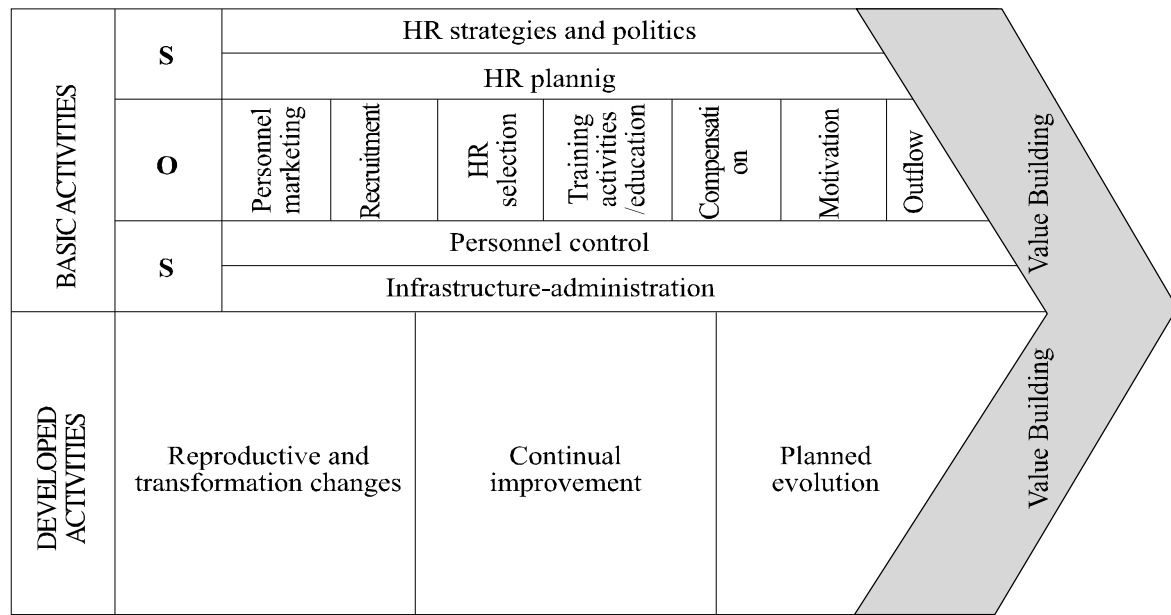


Figure 3: Value chain of HRM activities (adjusted according to Becker, 2000;8)

to be even better?", in the practice of a company, is fully expressed.

Value chain of human resource management

Krueger/Homp's concept gives the possibility of detailed importance analysis and the role of HRM in achieving competitive advantages of companies. In accordance with this concept, as it was mentioned before, all HRM activities are observed as base activities (Activities of Managing, Operative Activities, Activities of Support) and development (meta) activities. Activities of Managing include all of the activities with which the course of performance of other HRM activities is defined. The process of formulation of HRM strategy and planning human resources is thought of as the most important management task in HRM. The main characteristic of the strategic role of HRM is its focus on the future and on planning and development of human resources in order to support and make the realization of the strategic aims of the organization possible.

All activities of obtaining human resources, development activities (trainings, seminars, and education), evaluation activities of employee's performance, compensation and activities connected to the transfer (promotion, lateral transfer and dismissal) and leaving an organization are included in the group of operative tasks. Precisely, according to the Harvard concept, those are all activities of in-flow, internal and out-flow. Service activities, that is, the activities of support are thought of as a control of personnel

activities. And, all informative and infrastructural activities are thought of as administrative once. Development (meta) activities are directed at permanent development of the existing, and acquiring new knowledge, abilities, skills, motivation and loyalty. They are, in fact, about identifying and designing required and preferred qualifications and behavior of all organization members, in accordance with the expected changes of environment factors. Only HRM activities designed in this way will contribute to the establishing the "learning" organization climate, which sees change as a challenge and opportunity to strengthen its future competitive position.

Value chain concept, shown in this way, presents an ideal state in a company. Beginning from the fact that companies do not possess all presented activities, every company needs to create its own value chain of personnel management. For example, in some companies, staff development is of strategic importance, and in the other one it is the activity of support. The same situation is with the out-flow of human resources, that is, with the dismissal of collaborators. This activity in value chain of a company, which is in increasing branch, should be extremely narrowly presented. This differs from a company that exists on decreasing markets, of weakly increasing or stagnating branch. After a company views the present state, desirable HRM chain needs to be analyzed. It is important to notice that there are not many branches in management that are so homogenous and that are characterized by so many changes as HRM.

Therefore, it is recommended that the cost benefit

analysis should be put into effect in order to prove if it is justified to perform activities in companies or if the activities should be entrusted to external bidders. Comparing own expenses with the expense of external bidders should be under the slogan: "Do what you can do best - outsource the rest." (Voss/Chlupsky, 1996;46).

This reflects the essence and aim of analyzing base activities within the value chain. Based on this decision, the company would be able to concentrate more on the implementation of strategic activities.

Analysis of HRM activities in companies in Bosnia and Herzegovina

Participation and significance of individual HRM activities in practices of companies in Bosnia and Herzegovina is the topic of this section of the paper. In our research, we analyzed 92 companies from the following industry branches: food processing, textile, timber and wood, medicinal herbs, construction, machine, insurance, financial sector, trade and catering industry. We used polls to conduct research, completed by company directors or HR officers. Poll questions were based on the activities from the value chain, according to the Krueger/Homp concept, with the aim of identifying the value chain structure of the analyzed local companies. The goal of the research was to examine who performs individual HRM activities in companies in Bosnia and Herzegovina and how, is there any outsourcing of the HRM value chain activities, and if so, which, and what are the future expectations of top managers of the analyzed companies in relation to the execution of human resource management activities. Research results should demonstrate the level of significance assigned to strategic HRM activities in companies in Bosnia and Herzegovina, as well as HRM activities directed at identifying and designing qualifications and behavior of employees that will be desired in future.

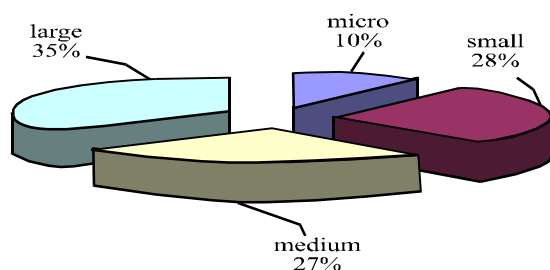


Figure 4: The structure of the questioned companies according to their size

In accordance with the structure of analyzed companies according to their size, an expectation turned out to be affirmative that small firms can rarely have personnel department. Among questioned companies, 53,26 % of them have personnel department which includes from 2 to 8 members at the most. In remaining 46,74 % (mostly small and micro companies) of them, HRM businesses are performed by manager of the company (38,04%) or general business department.

Participation and significance of strategic and development HRM activities

After we, in the previous chapter, presented the HRM value chain and its structure, in this chapter we presented a special and challenging aim, and it is to establish how HRM value chain, in analyzed companies in Bosnia and Herzegovina, looks like. Of course, we have to take into account the present state in regard to perform specific HRM activities. It is necessary that every company creates its own value chain. Even during the research, the question has been asked how much benefit can be found in searching for some average value chain. However, beginning from the advantages of measure of importance of HRM strategic activities which are confirmed in the theoretical and science circles, as well as in practice, we thought that this research question was an important lead for companies in Bosnia and Herzegovina because of the construction and long-term preservation of achieved competitive advantages. On the basis of results of performed research, value chain of the analyzed companies in Bosnia and Herzegovina is shown in Figure 5.

As it can be seen from the Figure No. 5, activities of strategic importance are still performing in companies and the possibility of organizational separation is not taken into consideration. Size that every individual HRM activity takes in value chain is a result of responses to asked questions, which contained offered answers in the questionnaire: a) activities are performed in the company b) other specialized companies perform them and c) it would be good to delegate them to other companies. If activities are performed in company, then person asked should have indicated in whose competence is performance of these activities: director, HR department or secretary who also performs all administrative duties within HRM. For example: who deals with (under whose competence is it) creating HR strategy, we got the responses that in 81,52% of questioned companies, formulation of HRM strategy is in manager's hands, in 15,22% of them the strategy

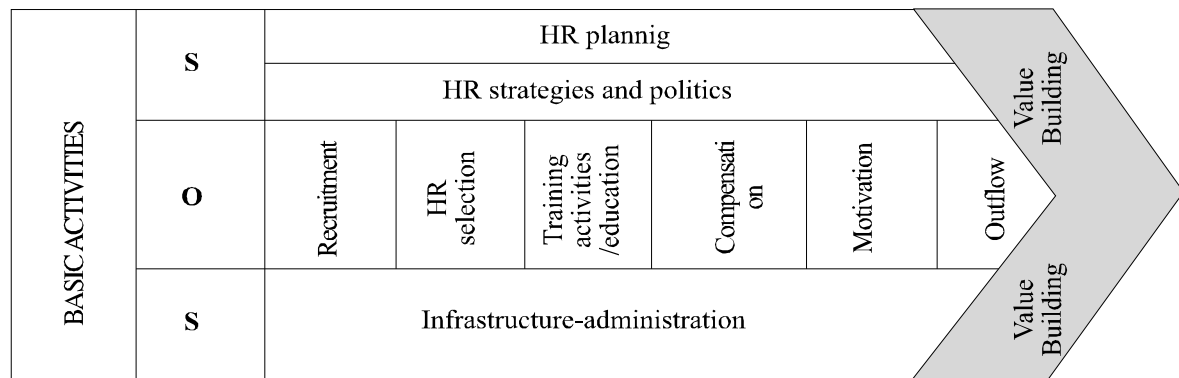


Figure 5: Value chain of the analyzed companies in Bosnia and Herzegovina

is created by personnel department (or it participates in creation together with the manager), and 3,26 % of them does not have HRM strategy at all. Similar situation is with planning activities of human resources as well.

The specific trait of general economy situation in Bosnia and Herzegovina is fully expressed in the analysis of operative HRM activities in domestic companies. So, for example, the high rate of unemployment reflected on the lack of presence of personnel marketing, in analyzed companies. Managers of analyzed companies did not think that distinguishing attractive traits of a job is worth paying their attention, because they didn't have problems to fill the vacancy. From that aspect, it can be said that recruit businesses are not so demanding and complicated. In many cases, since vacancies can be easily filled, organizational separation of this activity is not necessary. Because of that, recruiting is entrusted to external bidders of these services in only 11,96 % of analyzed companies. Similar situation is with the employment activities. So, testing and checking of references, as well as the final employment, in only 9,78 % of companies, is entrusted to external companies. Managers of domestic companies mostly use outsourcing advantages in the activities of training and education of employees. Therefore, 58,33 % of small and medium companies and 75,0 % of large companies entrust these activities to external partners. And, in the end, the operative activity of evaluation of performances and potential, compensation, as well as the activities directed to motivation of employees, that is, those directed to the strengthening of loyalty of employees, are not entrusted to external companies at all. Poll participants were unwilling to comment on activities of outflow, therefore we consider that those activities remain within the organization.

The idea that the situation in companies in Bosnia and

Herzegovina is specific, is confirmed in the analysis of support activity. In the greatest number of analyzed cases, support activities dominate in the structure of activities of personnel department. When it comes to outsourcing, depending on the kind of the activity, it is present in 9,78 % of companies for jobs of keeping files about employees, and in up to 27,17% of companies for jobs of salary account and different benefits. However, in analyzed companies, even those who have personnel department, control instruments of HRM activities are not applied, that is, the activity of control is not present. It is obvious that in companies in Bosnia and Herzegovina, HRM base activities, in the great extent, remain in the framework of the company and that more important engagement of external companies is not present.

It is extremely interesting, but also alarming that development (meta) activities are not at all present in companies in Bosnia and Herzegovina. Poll participants explained the absence of development activities from the HRM by their opinion that environment factors critical to company success will not change. They believe that continuous education and further development of existing knowledge, skills and abilities are sufficient for achieving and retaining the competitive advantages. Developing new knowledge, skills and abilities, creating new qualifications - future qualifications, was not seen as an imperative. These answers served as the basis for further questions, such as:

- ✓ Will companies in Bosnia and Herzegovina be able to survive and develop in markets of the future?
- ✓ If they are unable to be "first movers", will they, and how quickly be able to take over the role of followers in their branches?
- ✓ Will they be able to adapt to significant changes within their branches, or join new ones?

The only answer we got to these questions was that

change does not occur as suddenly in the branches to which those companies belong, and that long-term survival of their companies is not in jeopardy. Having in mind their core activities, or the industry branches to which observed companies belong, this answer can be understood in part, but not justified in terms of future. So, for the question in questionnaire: "Do you expect that volume of HRM work will expand" four level scale of grading was used: a) no; b) yes, not significantly, c) yes, average and d) yes, significantly. It is interesting to point out that 36,96% companies do not expect any expansion of human resource management activities, 38,04% companies expect a slight degree of expansion, 18,48% companies expect a medium degree, and 6,52% expect significant expansion. However, these expansions mostly relate to the range of existing HRM activities, which renders the data uninteresting from the point of view of development (meta) activities. We are, therefore, free to say that the answers to previous questions are in accordance to the 40/30/20 rule of Hamel and Prahalad (1995:23), according to which top managers, on average, dedicate less than 3% (more precisely 2,4%) of their working time to developing a relevant future company perspective. Authors state that this percentage is even lower in some companies, even below 1%. Based on the analyzed and represented situation within the value chain, it is disturbing that top managers and HR managers of companies in Bosnia and Herzegovina dedicate less than 1% of their working time to designing the future. It is a fact that companies cannot prosper unless they invest in the development of their vision of future. It is doubtful whether the top management of companies in Bosnia and Herzegovina is up to that task, i.e. what their real ambitions and abilities are. Still, we need to point out that the presented instrument of analysis, as well as research results may serve as a turning point in designing the HR strategy, and shaping the activities of the human resource management function, that will contribute to establishing and strengthening the competitive position of the company.

CONCLUSION

Dynamic and sudden changes in the environment, increasingly tough competition and client demands impose on companies the need for focusing on systematic and planned development of human resources, with the aim of survival and strengthening their competitive position. People, or their specific knowledge, skills, creativity, as well as motivation and loyalty to the company (organization) represent the most important basis for building long-term sustainability of competitive advantages of the

company. Accordingly, the function of human resource management is becoming increasingly important in the organizational structure, especially in terms of those HRM activities that support both the strategic planning process, and the strategy implementation. These strategic HRM activities will contribute to company success only if they react flexibly and adapt to unexpected events, or rapidly changing, sudden, emerging strategies. Harmonization of HRM activities and company strategy, according to the Wright/Snell model, is only possible in an extremely stable environment. It is, therefore, necessary to design the architecture of HRM activities in accordance to expected changes of environment factors, and the strategy of the company as a whole.

The Krueger/Homp value chain represents a framework that is very appropriate for representation and analysis of HRM activities, which observes all activities, or processes of the company as either core or development (meta) activities. Core activities are directed at mastering the existing tasks in an effective and efficient manner, and development activities contribute to establishing the climate of a "learning" organization and to the planned evolution. Management activities from the basis activity group are of strategic importance to the organization, as well as development activities, since they are directed towards the future, planning and development of human resources. In a very simple and striking way, the value chain concept captures the attention of top managers and shows the representation of individual activities, or their absence. At the same time, it serves as the starting point for making decisions on which activities to single out in the organization, and to which activities to dedicate more attention and assign a higher level of importance within the organizational structure. By making decisions on separating activities, the value chain is changed, in the way that the company is presented with more possibilities, or time and resources to be directed at issues of strategic importance within the human resource management.

From the analysis of the method in which individual HRM activities are carried out in the observed companies in Bosnia and Herzegovina, according to the Krueger/Homp value chain concept, we conclude that their value chains are not very different from the typical HRM value chain structure, exclusively in terms of core activities (the SOS concept). Absence of development (meta) competencies is explained by the characteristics of the business environment, in which changes do not occur rapidly or suddenly. The specific situation of companies in Bosnia and Herzegovina is used to explain the absence of some

basis HRM activities (personal marketing and control), as well as the minor degree of outsourcing. Unfortunately, these indicators do not suggest that management activities, or strategic activities receive the most attention in the structure of HRM activities. The role and significance of these activities in companies in Bosnia and Herzegovina corresponds to the expectations, or demands for the effective and efficient implementation of the previously designed company strategy. Based on the results of the theoretical and empirical research, we can conclude that the Wright/Snell dual model of formulating strategy and the Krueger/Homp value chain represent major instruments in designing the HR strategy and shaping the activities of the human resource management function, that will contribute to, and assist in the realization of the strategic goals of the company

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