Formation of Human Resources within an Enterprise under Conditions of Globalization Changes

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Abstract. Strengthening competition in world markets leads to qualitative changes in the system of organization and management of businesses which must adapt to constantly changing conditions in the intensified competition at the international level. It is necessary to improve SMEs regulation system, including facilitating the establishment of inter-firm contacts and raising the qualifications of specialists and administrative staff. In this article, the authors research a formation process of new qualitative characteristics of enterprise human resources under globalization changes. The concentration of production is being replaced by the concept of intellectual-intensive production with a high level of education and information-technological equipment of the personnel. These peculiarities of the globalization process must be taken into account when solving issues related to the development of small businesses in Ukraine. It is revealed that this concept focuses attention not only on quantitative, but also on qualitative characteristics of personnel, including the level of competencies, professionalism, and a lack of focus on the development of intellectual potential. Competency as a socio-economic category becomes a system-forming basis that determines the formation of new processes for the preparation of human resources. The research reviewed the current state of SMEs in Ukraine under negative effects of the COVID-19 pandemic. The results of statistical analysis indicate a steady downward trend in the number of individual entrepreneurs. Changes in the manufacturing sector have also brought about changes in relation to labor resources. Ideas of self-development, lifelong education, emphasizing informal and non-formal learning are becoming popular. All of the above indicates that the provision of organizations with competent personnel is becoming an increasingly urgent problem and one of the main priorities. A specific model of a competency-based approach to the human resource formation system was proposed. It determines the behaviour of people in the performance of professional duties in a simple language for specialists and increases the return on the use of competencies. A high level of professional competencies of personnel is one of the important conditions for the effective work of business entities.

Keywords: human resources; SMEs; globalization; competency

1 Introduction

The value of human resources grows every year, so that for enterprises the decisive factor of success is their quality formation. According to the resource-based theory, heterogeneous enterprises acquire sustained competitive advantages by exploiting their strategic physical, human and organisational capital resources [1]. The process of forming qualitative characteristics is a complex and time-consuming phenomenon. It is an acquisition of parameters, each of which is defined by specific indicators. This process is carried out under the influence of a number of factors and conditions. The most important factors of a human resource strategy are the following: legal requirement, employee engagement, career advancement programs, corporate image, and performance management system [2]. Globalization for the formation of human resources – not very clear is the destruction of the boundaries of enterprise activities in the economy, technology, information, as well as in social society, which requires the creation of special conditions that could combine all resources and direct them towards the achievement of the goals that have been set. Due to globalization, the world as such is changing significantly [3]. This requires creating adaptive corporate structures and training programmes. The increasing prevalence of globalization is driven by a number of factors, including shortage of talent in developing countries, global market forces, technological forces, global cost forces [4]. In the context of economic globalization, it is the knowledge, skills, creativity and entrepreneurial abilities of employees that are considered as the main resources for improving the efficiency and competitive advantages of enterprises. Moreover, the process of forming human resources of a particular enterprise includes the following components:

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- resource planning;
- recruitment of staff, selection of candidates to fill vacancies;
- determination of wages and benefits.

Understanding the human resource formation as a holistic phenomenon contributes to deepening scientific understanding of specific problems. The development of a holistic view of personnel formation among practitioners contributes to the development of a strategic vision, the formation of realistic ideas about the limits of possibilities of targeted management impact on human resources, a scientifically based understanding of probabilities and risks of implementing a particular strategic plan in the field of management. The essence of human resource management is to provide employees with an opportunity to acquire and enhance education, staff rotation and delegation of authority, career planning and development. In the context of globalization changes, the human resource formation reflects such negative trends as a significant reduction in natural population growth due to declining birth rate and rising mortality, unfavorable dynamics of gender and age structure of the population, increasing demographic and economic burden on the working part of population, irrational migration flows, low level of social development and living standards of the population. Some enterprises do not support their employees' desire to gain new knowledge and skills, and this problem needs to be studied further [5]. The increase in the demand for human resources determines the need for such enterprises to establish a system for their development, that is to say, the creation of a mechanism for changing human resources taking into account the purposes and specificities of a given organization's functioning. With the help of the system of human resource development, there should be a qualitative, and in extreme cases, quantitative improvement of employees' abilities by identifying and attracting their available labor potential. In the course of the development, human resources in the organization are transferred to a higher quality level. The goal of the research is to develop a new model of the human resource management system, focused on management mechanisms based on the competency approach and their impact on the long-term efficiency of small and medium-sized enterprises (SMEs).

Transformational changes that are characteristic of the domestic labor market are in line with modern globalization trends and transformations of the global labor market [6]. The spread of globalization processes has affected the development of human resources and contributed to the spread of global trends in domestic and foreign practice. T. Ivanović and M. B. Jovanovska [7] believe that since companies started to extend their operations beyond national borders and employ people originating from different countries, new challenges for human resource management have emerged. At present, there are many different approaches to determining human resources. The classics of economics have traditionally focused their research on determining the role of an individual in the system of economic relations and the use of his/her abilities in the process of labor. The theory of human resource management is reflected in many works of modern authors, such as Y. Qamar Y. U. and T. A. Samad [8], H. Wang et al. [9], R. J. Ward [10], C. S. Long and S. S. Xuan [11], B. E. Becker and Huselid M. A. [12]. Despite the authors' research in this area, there is no unified common definition of concepts of «human resources» and «human resource management» in the scientific literature. It will be appropriate to understand human resources as a set of socio-cultural indicators and personal and psychological qualities of employees, the formation of which occurs at the stage of elementary education.

The terminology in the field of human resource management is quite diverse. In modern practice of scientific developments, it is possible to distinguish the concepts of personnel management system and personnel development system. . The personnel management system is a combination of specific methods, tools, procedures and technologies for working with human resources. I. Smyrnova and K. Rudyka believe that such management is essential for all organizations – large and small, commercial and nonprofit, industrial, and operating [13]. Small and medium-sized enterprises have a number of distinctive properties that determine the features of management. Among them, modern researchers highlight flexibility, rapid response to globalization changes and focus on the regional market, as they are often the basis for the preservation of small and medium-sized cities. Research on the practice of human resource development (HRD) management of small and medium-sized enterprises is significantly limited for many reasons. According to C. T. Nolan and T. N. Garavan [14], research on HRD in SMEs has to date utilised a limited number of theoretical perspectives and insufficiently accounted for the heterogeneity of SMEs.

Regarding this period of economic development, a progressive scenario of intensive development of SMEs and increasing their competitiveness through the formation of a system of effective human resource management are relevant. The capabilities to manage human resources in small and medium-sized enterprises are significantly different in terms of the features of large companies [15]. The type of personnel policy of SMEs is characterized by a low level of staffing requirements, a low level of funding for social programs, a lack of problems with human resources or change of job descriptions, as well as a large number of innovations in personnel management. Put more formally, the contextual dimension of « company size» is related to other dimensions of organizational characteristics [16]. Improving the management of human development of a small enterprise includes the formation of an organizational mechanism for managing human development and the process of transforming knowledge into intellectual assets of the enterprise.

According to Y. Dong, H. Zhang and L. Li [17], the traditional human resource management system is faced with a number of issues, e.g. the quality of staff recruitment cannot be guaranteed, the training performance is not consistent with the actual performance, the enterprise performance appraisal is unfair, and the salary distribution is unfair, which seriously affects the enthusiasm and loyalty of employees and threatens the survival and development of enterprises.

Thus, it is necessary to form and use qualitatively new approaches to human resource management, which allow ensuring compliance of staff with the stringent requirements of the external environment.

The concept of efficiency in relation to human resource development should be considered in an expanded aspect, namely as the effectiveness of the human resource development system of the organization as a whole. However, the limited resources of small businesses do not allow the use of a wide range of management tools that are successfully used in large businesses. The competency approach therefore becomes the basis that allows one to develop a system of labor relations that combines the requirements of businesses working with staff and the tasks of a modern education system. Over the past 15 years, the concept of the competency-based approach has become an integral part of the human resource management model. In any modern organization, its staff should be considered a strategic asset, which should primarily involve certain competencies (personal and professional knowledge, skills and patterns of behavior necessary for the effective performance of their functions). According to G. Özçelik and M. Ferman [18], the competency approach is an effective measurement tool that helps employees agree on a common language and comprehend what is understood by superior performance. Competency as such is a system-forming basis for the formation of new processes of staff training, changing the supply and demand, the development of relations between employers and employees on the evaluation and payment of labor, the transformation of social, labor and professional relations at the internal and state levels. This necessitates a comprehensive understanding and systematization of scientific knowledge in the field of the competency approach.

2 Methodology

Within the research framework, the essential characteristics of the competency approach in the modern concept of formation and development of human resource within enterprises in the conditions of globalization changes are considered. Substantiation of the relevance of its application is based on analyzing fundamental concepts and scientific hypotheses presented in the works of classics of economics, specialists and practitioners in the field of labor economics, personnel management and globalization. The information and empirical basis of the study included analytical materials of the *opendatobot* resource, consensus forecasts of the Ministry of Economy of Ukraine, survey results of the Union of Ukrainian Entrepreneurs (SUP), survey results of the Resource Efficient and Cleaner Production Centre (RECP), global report of the International Trade Center, publications in scientific periodicals, materials of scientific conferences, as well as information from the State Statistics Service of Ukraine. The research was conducted within the framework of systemic, complex, as well as scientific methods of dialectical cognition: analysis and synthesis, induction and deduction, comparison and analogy, statistical and mathematical modeling.

3 Results and Discussion

In the global perspective, the main actors in economic life are not large corporations, but small and medium-sized businesses, which account for up to 90 % of all global companies and provide 70 % of jobs. Small and medium businesses in Ukraine bring 55 % of the GDP to the country's economy, in particular, the share of small businesses is 16 % of the GDP. Globalization conditions create interrelated trends between small and medium-sized businesses. Their value as a stabilizer in crisis conditions is growing due to flexibility, dynamism and high adaptive properties. The globalization of the world economy creates a problem for further survival and development of small businesses in Ukraine. The process of their development has been slowed down due to a number of significant reasons, which include the negative effects of the COVID-19 pandemic. A report by the US National Bureau of Economic Research (NBER) states that the pandemic will not have serious negative consequences for globalization [19]. However, its pace has slowed recently compared to previous decades.

The economic trends of the current crisis are serious. A wide-scale downturn in the economy is forcing one to adapt to new, more complex realities. The COVID-19 pandemic has affected firms of all sizes, but SMEs can be particularly vulnerable for several reasons [20]. These include limited access to high-quality resources, a lack of financial resources, and difficult access to information and scientific advances. Overall, 75 % of small and medium-sized enterprises suffered serious losses as a result of the pandemic. More than 80 % of SMEs have optimized costs due to reduced profits, of which 28 % have reduced wages, 21 % staff and 22 % sent staff on unpaid leave. Furthermore, Figure 1 shows an infographic on changes in the number of sole proprietors and other business entities.

Figure 1. Infographics of the number of individual entrepreneurs and legal in Ukraine (2013 – 2020)

Source: Authors based on State Statistics Service of Ukraine data [21].

The results of statistical analysis indicate a steady downward trend in the number of individual entrepreneurs. Since 2013, it has decreased by 779 thousand, while the number of legal entities has increased by 69 thousand. In 2014, the number of private entrepreneurs grew by 0.2 %. The private entrepreneurs closed for the next four years. – not very clear. In 2015, their number decreased by 15 % to 2.267 million, and in 2016, it decreased by another 5.5 % (2.143 million). In 2017, the decrease in the number of private entrepreneurs was 3.4 %, and in 2018, the situation from 2015 was repeated, as the number of entrepreneurs decreased by 16 %. The revival of small businesses began in 2019, when they registered 7.5 % more private entrepreneurs than the previous year. Modest growth rates were shown by 2020, when 1,885 million individual entrepreneurs were registered (+ 1.1 %). In 2020, 232 thousand individual entrepreneurs ceased to exist against 199.8 thousand in 2019. The new business requirements that have emerged in connection with the COVID-19 pandemic encompass the need for rapid access to data on employees, including their competencies. The current understanding of the concept of competencies is very wide [22]. In a general sense, competencies comprise characteristics of an individual, including motivational and psychophysiological characteristics, knowledge, skills and abilities, as well as human values that contribute to improving work efficiency. More specifically, they are the abilities needed to solve labor problems and obtain the necessary results. The competency-based assets in the field of human resources are related to absorbing knowledge, experience, or artificial goods through the competency-based processes [23].

In the practice of human resource management, the concept of professional competencies is given in a slightly different meaning. It is considered in terms of the suitability of an employee for a specific position he/she holds in a particular organization. A recognized tool for assessing professional competencies is the competencies' model.

Table 1. Model of the competency-based approach to the human resource formation system

Criterion	Characteristic
Mission	Increasing competencies of the workforce as a strategic potential, a key competitive advantage
Purpose	Systematization of knowledge, skills and abilities, development of staff competencies in relation to sustainable development
Tasks	Formation of competencies of specialists capable of implementing positive changes. Assessment of competencies leading to an increase in the importance of the staff in achieving the target parameters of the given organization's economic efficiency.
Object	Competencies of the company's personnel
Personnel categories	The entire workforce (human resources) of the enterprise
Subject areas	Assessment, training, promotion, motivation
Result	Improving the staff competencies in order to achieve better results for individual and team work

Source: Authors.

A distinctive feature of the competency-based approach in the activities of the organization's personnel is the reorientation of its management goals from solving operational personnel tasks (e.g. the timeliness of retraining of employees, advanced training or replacement of managerial positions) to systematic problems of higher strategic order that go beyond the usual responsibility of the personnel management service. The goals of human resource management in the context of this approach are designed in such a way as to show that these processes contribute to the improvement of the enterprise and its divisions. The competency-based approach describes not only the knowledge and skills of a person, but also a model of professional behavior, through which a direct connection of the applied knowledge, skills and abilities is established with the specific results of the employee's labor activity. The dynamism of professional competencies is well understood at the level of organizations and is the basis for building such procedures for human resource management as adaptation, assessment, training, and career advancement. According to human resources

professionals, the competency model is a portrait of the «ideal employee», integrating all the abilities and qualities necessary for successful work in a particular workplace in this organization. Within enterprises, the competency model is used as a basis for comparison in the process of making key management decisions regarding personnel.

The technology for competency model development includes a detailed analysis of professional activities: identifying the characteristics of successful and unsuccessful behavior by expert methods, meaningful grouping of primary characteristics, defining competencies and their indicators. This study substantiates structuring of professional competencies in the areas of their manifestation, established in accordance with the level of job requirements. It is proposed to distinguish three areas of professional competencies: social and personal, corporate and subject-practical, which meet three levels of requirements for the position (general, organizational and special). Such a view allows one to consider professional competencies as a systemic compliance of employee personality to the requirements of society, organization and a specific workplace. Solving the problem of developing competencies in the human resource management system, it is necessary to create conditions for its formation, taking into account the influence of external and internal factors of competency management (organizational or functional). The organizational competencies involve a set of staff competencies together with the given organization's ability to systematically achieve specific results. The organizational competencies can be: the ability to master the production of new products with minimal losses, the ability to innovate, the competency in creating foreign representative offices and branches, competencies in taking into account the needs of customers when developing new products, etc. The specified technology for creating the competencies is a unique model, the versatility of which lies in the fact that it allows one to link the personnel management system with the strategic goals of the enterprise (Fig. 2). This connection is built through the definition of professional and personal qualities of managers and specialists, that is, the key company competencies.

Figure 2. Components of the step-by-step technology of human resource competencies formation

Source: Authors.

The proposed model determines the real behavior of people in the performance of professional duties in a simple and accessible language for managers and specialists, and increases the return on the use of competencies. The model underlies the work with human resources, facilitating the recruitment process, developing standards for successful performance of work, increasing the effectiveness of training, retraining and developing employees, developing criteria for assessing performance, ensuring personnel development and career planning.

Thus, it expands the range of analyzed issues, forms the prospects for further research in the direction of the competency-based approach to human resource management. Considering an enterprise as a hierarchical organizational system for making managerial decisions, it is necessary to determine that for each managerial level it is possible to define its own competencies that ensure the emergence or strengthening of the enterprise's competitive advantages. This allows one to assert that for the successful formation and implementation of the long-term development of a company, it is necessary to recognize the presence of competencies of certain levels, compliance with strategic goals and the ability to manage their dynamics.

4 Conclusion

It may be argued that the control of globalization becomes the most important challenge, starting from worldwide labour force resources usage and finishing by recruiting, training and development and salaries forming, and orienting to other EU countries and knowledge employees [24]. For all organizations, large and small, production as well as their operating in the field of human resources service is of paramount importance. Although there has been some research

conducted and there are a number of organizations considering SMEs as the main generator of economic development, some factors should not be overlooked, e.g. attracting, motivating, developing and retaining long-term employees have been recognized as important challenges that are encountered by SMEs [25]. Human resource management is recognized as one of the most important areas of enterprise life, which can increase its efficiency many times over. In the context of the development of management science, the analysis of the concept of « competencies» was carried out. It has been established that the provision of organizations with competent personnel is becoming an increasingly urgent problem and one of the main priorities of socio-economic development and increasing the competitiveness of the national economy. Competency models are seen as an important way to achieve high organizational efficiency by focusing on individual abilities and capabilities of employees in various projects. The competency model proposed in the study can be used to coordinate and harmonize human resource management processes. The list of studies devoted to the competency-based approach indicates that this topic is extremely relevant and scientifically in demand. In domestic and foreign science, a certain theoretical and empirical basis has been created to substantiate the role and importance of the approach in personnel management. However, its socio-economic aspects have not been highlighted. In addition, it should be noted that competencies have not been systematically considered as a scientific problem in the field of labor economics, which is related to the system of human resource management.

The scientific novelty of the study lies in the creation of basic provisions for working with personnel based on the competency-based approach in terms of the diversity of existing trends in social and labor relations and the complexity of economic development. Further research can be aimed at the scientific and practical development of the systemic use of the approach, in particular, to create a synthesis of its methodology and strategy for human resource management, which is a fundamental basis for understanding the development strategy of the labor economy in the context of globalization changes.

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