

THE IMPLEMENTATION OF STRATEGIC HUMAN RESOURCE MANAGEMENT IN SERVICE SECTOR: EVIDENCE FROM SERBIA

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Abstract: Strategic human resource management is a complex process and an important determinant of business success. The basic assumption that is made in the strategic human resources management is that human resources are intangible business resources that have a predominant role in achieving the competitive advantages of modern enterprises. Starting from this assumption, the main purpose of this paper is to point out the necessity of strategic human resource management implementation as a precondition for successful business. Human resources managers in service sector have a particularly complex task since service sector and service activities are a labor-intensive activity. Therefore, the paper analyzes service enterprises and researches the practice of human resource management in service enterprises in the Republic of Serbia.

In order to determine in what ways strategic human resource management is implemented in service enterprises in Serbia, an original empirical research was conducted. In addition to descriptive statistics and the technique of a structured questionnaire, the appropriate qualitative methodology in the form of: methods of analysis and synthesis, induction and deduction, historical as well as comparative methods were applied too.

Keywords: service sector, enterprises, strategic management (SM), human resource (HR), human resource management (HRM).

Field: Economics

1. INTRODUCTION

Contemporary knowledge-based society and economy is characterized by numerous and radical changes in all areas and spheres of life. These changes have affected all business companies, especially from the field of service activities. The service sector has faced and is still facing numerous challenges brought about by technical and technological progress.

In modern business, there is a shift from products to services that are created in such a way as to satisfy the growing needs of consumers, thus reducing the border between products and services more and more. In order to successfully respond to the challenges of globalization and constant changes, companies, as well as national economies, must meet the demands of consumers who are looking for high-quality and sophisticated services and products at the right price, at the right time and in the required quantity (Premović, 2016). Organizations could not affect the environment and wouldn't be successful in competition arenas, even if they had the best technologies or facilities, but they didn't have skilled and efficient employees. High quality of human resource means higher probability of organizational success (Milana, 2018). Therefore, in today's conditions, as Pavlović et al. (2024) indicate, great attention is paid to the functioning of human resources management, and the reason for this is the general theoretical and practical importance that this aspect of management has for the survival, functioning and growth of the organization.

2. LITERATURE REVIEW

Strategic management (SM) emphasizes the importance of adapting enterprises to constant and dynamic changes in the business environment, but above all, strategic management emphasizes the importance of active participation of enterprises in initiating, creating and implementing business changes and innovations. The specific goal of SM and planning is to prevent conflict situations that could occur in the future, which ensures the continuity of the enterprises, its stabilization and adaptation in today's turbulent business environment. "Strategic management in this context requires not only traditional knowledge and skills, but also the ability to integrate innovative approaches, using creativity and technological capabilities to create unique market propositions" (Iastremska et al, 2024, p. 159).

SM in enterprises is a management process that should provide a rational and timely response of the enterprises to the constant changes that occur in their internal and external environment through

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the development and implementation of strategic plans. Basic steps in this process are translating the mission into strategic goals, formulating strategies to achieve the strategic goals, implementing strategies, and evaluating performance (Parameswaran, 2020). The modern, strategic approach to the enterprises and functioning of business entities redefines the basic postulates of the classical approach, which is especially reflected in the field of human resource management (HRM). The function of human resources management gained more and more importance. The prevailing attitudes and perceptions in the consulted foreign and domestic literature in this area indicate that human resources management is given increasing importance.

HRM, as an integral part of the company, must be prepared to deal with the effects of changing world of work and business. Information technology, Digital technologies, Information and Communication Technology, and automation along with other technological advances have re-defined and re-shaped the business world, as well as all the other spheres of life (Pushova Stamenkova et al., 2023).

In the competitive struggle on the domestic, but also on the international market, the ultimate reserve consists of human resources, and the critical link in management is actually a manager who knows how to lead them. The success of any business organization and enterprises is determined by the human resources at its disposal (Premović, 2021). When talking about human resources and their role and importance for every modern organization, it should be kept in mind that “the term “human resources,” in its most basic sense, refers to the individual—humankind—and, as a concept, encompasses more than just employees or personnel within an organization. The concept of “human resources” does not solely include workers, but also their values, skills, capabilities, results, potential, and competencies” (Teofilovic & Starcevic, 2024). As Milana (2018) point out “human resources should be considered the most important asset of an organization, because it would have a main role in achieving goals of organization. The key item of growth and development is manpower in each organization.” Human resources management represents a comprehensive and systematic way of managing people, where the focus is on: attracting, motivating, developing and retaining quality personnel in order to achieve better business results (Pavlović et al., 2024).

Human resource managers must constantly monitor and anticipate changes in the internal and external environment if they want that their enterprises respond to them timely and adequate manner. They must have therefore an entrepreneurial and proactive approach, which is why modern human resource management is increasingly being described as a strategic attribute. The use of the attribute “strategic” suggests a different philosophy of performing people-oriented activities as a resource. In this way, technophobia is eliminated as a known weakness of personal management. From the point of view of the psychological relationship, the difference is that human resource management is based on commitment, instead of obedience.

Numerous theorists in the field of business economics and management (Dessler, Torrington, Hall, Taylor, McCracken, Wallace, Robbins, Coulter, Megginson, Armstrong, Lukašević, Boxall, Purgcell, Wright, Le Gall, Beh, Loo, Vrchota, Rehor, Kinange, Murugaiah, Sheehan, Cooper, Chiang, Gilley, Bahtijarević-Siber, Đokić, Mašić, Premović, Pavlović and others) emphasize the strategic nature of management and especially human resource management.

One of the world’s most famous authors in this field, Armstrong defines human resource management as “a strategic and coherent approach to the employment, development and well-being of the people working in organizations” (Armstrong, 2014).

Human resource management presupposes the closest connection with the strategies of enterprises and corporations (Kulić & Đurić 2016).

For Beh and Loo (2023), strategic HRM represents a pathway through which a enterprise’s human capital has the potential to become a significant factor of competitive advantage and to contribute to the performance by focusing on service quality, productivity, product innovation and sales growth to achieve competitive advantage (Source: Premović, 2021).

Research on the impact of human resources strategy on the practice of human resource management in small and medium enterprises in the territory of the Czech Republic was the focus of the analysis of Vrchota and Rehoř (2019). Based on research conducted in 2016, in which 290 enterprises participated, the authors came to the results which show that only 2/5 of the surveyed enterprises have a defined strategy, as well as that there is a weak link between human resources strategy and human resources management practices.

As Premović (2021) point out, strategic human resource management, as a new concept of management and development of human resources in a modern enterprise, is a development function aimed at finding experts with the necessary knowledge, skills and abilities that should contribute to the successful solution of everyday organizational tasks and problems. Visionary abilities and an

entrepreneurial proactive approach in management of change are gaining the place of a predominant feature of modern tourism managers. Managers should be motivated to initiate change because their goal is to improve the performance and business performance of the enterprise as a whole.

Modern consumer society influences changes in the behavior and desires of modern consumers who require a high quality and sophisticated service that can only be provided by highly qualified (educated and trained) human resources (Premović, 2016).

Respecting the fact that the service activity is a labor-intensive activity, the task of the managers of service enterprises in the implementation of the process of human resources management is even more significant and complex. The process of human resource management is based on the assumption that the human resources available to enterprise are strategic business resources that predominantly affect the creation and maintenance of competitive advantage. Managers specialized in the field of human resource management are approached differently and they are differently organized in enterprises, depending on the specifics of each enterprises, its size and structure, type of business or activity, competition and situation in the industry, decisions of capital owners and management and similarly. In some enterprises, the area of human resources management is under the jurisdiction of the so-called top managers, other line managers and human resources specialists, while some enterprises hire employee relations experts, consultants, advisors and external associates.

3. MATERIALS AND METHODS

One of the important and still open questions within strategic human resource management are questions about the way in which it is possible to manage human resources, that is, questions: is there a "best way" to manage human resources? Creating a favorable work climate, raising self-confidence and a sense of effectiveness, strengthening the perception of instrumentality of learning and training, developing an organizational culture of learning, are the essential tasks of human resource management in modern enterprises.

According to the authors (Kinange, Murugaiah, 2011; Sheehan, Cooper, 2011), HR departments must become more strategic with limited resources, which is a trend that has been shown to exist competitively. To achieve this objective, HR managers turn to outsourcing. The growth in HR outsourcing has encouraged research into the best strategic conditions for externalization of HRM activities. Several studies have documented this trend towards the outsourcing of HR functions (Chiang et al, 2010; Gilley et al, 2004; Kinange, Murugaiah, 2011). According to the Larsen and Brewster (2003) large number of HR functions can be shifted to line management (Source: Vrchota & Rehoř, 2019).

Having in mind those knowledge and in the purpose to determine whether strategic human resource management is implemented in service enterprises in Serbia and in what way, an original empirical research was conducted. For data processing is used program Statistical Package for Social Sciences (SPSS) for Windows 20. In addition to descriptive statistics with survey techniques, author also applied the appropriate qualitative methodology in the form of: methods of analysis and synthesis, induction and deduction, historical as well as comparative methods.

4. RESULTS AND DISCUSSIONS

Some of the summarized results of this research based on a survey conducted through a structured questionnaire on a sample of 215 respondents who work in service enterprises on the territory of the Republic of Serbia are presented in tables, figure and chart as well as explanations. The sample structure according to gender, age and education is present in the Table 1.

Table 1 Sample structure

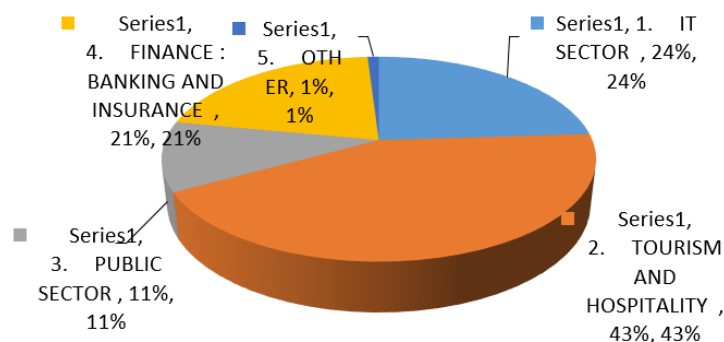
Varijables		f	%
Gender	Male	128	59,53
	Female	87	40,47
Age	Less than 25	7	3,25
	26 -32 year	29	13,49
	33 - 40	58	26,98
	41 - 55	83	38,60
	More than 56	38	17,67
	Without answer	/	/
Education	Low high school	/	/
	High school	67	17,20
	College or academic studies	58	29,30
	University	76	45,12
	MSc or PhD	14	8,37

Source: Author calculation based on the survey data

The gender structure of the surveyed human resources that participate in the provision of service in the enterprises on the territory of Serbia shows the dominance of males with almost 60% in the basic sample, while females are represented with 40%. When it comes to the age structure of the respondents, middle-aged employees from 41 to 55 ages are the most represented in the service enterprises. The number of employees between 33 and 40 and between 26 and 32 age is slightly lower, while at least 7 employees are under the age of 25. Having in mind the importance of knowledge and education in modern business, especially valuing knowledge and education in providing highly sophisticated services that are increasingly required by modern customers, an important segment of the research is dedicated to these issues. According to the conducted survey, the university-educated human resources are the most represented.

To the question What service activity does your company engage in - the results were obtained which show that the largest number of enterprises are from the field of Tourism and hospitality, followed by enterprises from the IT sector and from the Financial sector, and the smallest number is from the Public administration or public sector (Figure 1).

Figure 1 Service activity of enterprise



Source: Author calculation based on the survey data

Table 2 Characteristic of the service enterprises in Serbia
SIZE OF THE ENTERPRISES

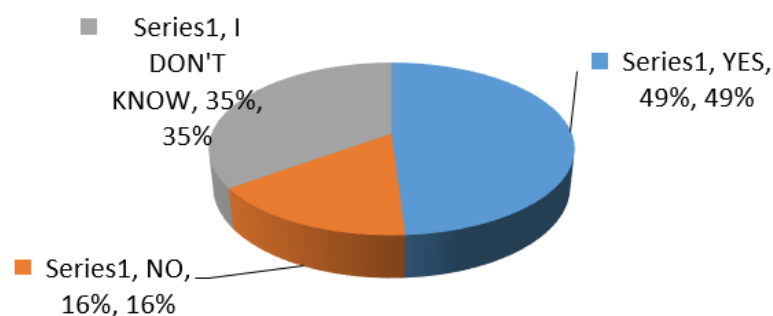
Number of employees:		Number of enterprises (%):	
1-5		17	
6-10		28	
11-20		41	
21-50		11	
>50		3	
Other-without answer		/	
OWNERSHIP STRUCTURE OF THE ENTERPRISES		MANAGEMENT STRUCTURE OF THE ENTERPRISES	
Form of ownership:	Enterprises (prevailing structure %)	Form of management:	Enterprises (prevailing structure %)
State-owned	23%	Managers	21%
Private	54%	Professional-technical staff	27%
Mixed	6%	Administrative staff	39%
Stake-holders	17%	Physical and supporting staff	13%
Other	/	Other	/

Source: Author calculation based on the survey data

Based on the data obtained from the respondents, it can be state that the largest number of enterprises has from 11 to 20 employees while only 3% of the surveyed enterprises have more than 50 employees (Table 2). The largest share of more than half of the enterprises is privately owned. The administrative staff is dominant with a share of 39% in the management structure of the enterprises and the representation of managers is on average 21%.

During the research about the practice of strategic human resource management in enterprises in Serbia, author came to figures that strategic human resource management exists in almost half of the enterprises 49% (Figure 2). These data indicates the recognition of the importance of human resources for successful business in the modern business market and the importance of their strategic planned management. However, in 16% of the enterprises this process is not implemented yet. More than 35% of the respondents do not know or don't have information if the process of strategic human resource management is being implemented in their enterprises or not.

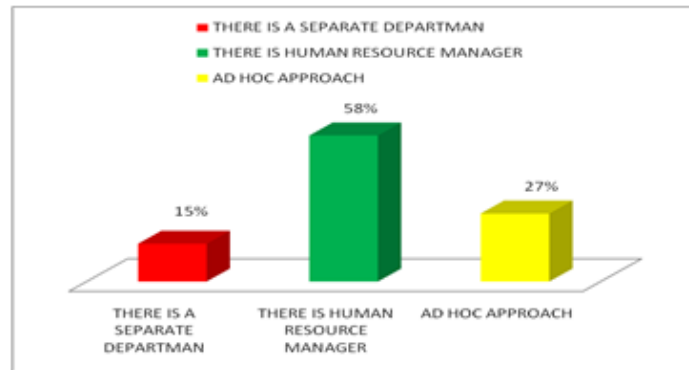
Figure 2 Strategic human resource management in service enterprises in Serbia



Source: Author calculation based on the survey data

When the further analysis of the performance of business functions includes data on the methods of strategic human resource management is carried out when performing activities within the enterprises, it can be state that in most enterprises there is a human resources manager who is charge for strategic human resource management.

Chart 1 Methods of strategic human resource management in service enterprises in Serbia



Source: Author calculation based on the survey data

According to the Chart 1, human resources are accessed in a form of a separate department in 15% of service enterprises, while human resources are managed as needed with an ad hoc approach in 27% of enterprises.

5. CONCLUSIONS

Human resource management is a complex and dynamic process that needs to be constantly improved which is why this process must be approached in a systematic and strategic way. In processes of active participation of enterprises in initiating, creating and implementing business changes and innovations, important role have human resource managers whose task is to strategically manage employees in order to achieve defined organizational goals and competitive advantages. Modern managers must be able to recognize and understand the basic tendencies of change in order to generate and mobilize all existing potentials for initiating and realizing future changes.

The service sector is a labor-intensive sector which implies that service enterprises are based on a significant share of human labor and human resources. This is also one of the main reasons why the implementation of the process of strategic human resource management in these enterprises is extremely important for the success of businesses and for achieving competitive advantages.

According to the research conducted and the results obtained it can be concluded that the process of implementation of the strategic human resources management in the service sector of Serbia is very slow and out of synchronization. Service enterprises in Serbia do not pay enough attention to the process. It is worrying information that more than 35% of the respondents do not know or they are not sure whether the process of strategic human resource management is being implemented in their enterprises or not. Especially having in mind fact that the university-educated human resources is the most represented in conducted survey. On the other hand, there is a noticeable increase in awareness of both managers and employees themselves about the importance of a strategic approach in company management in order to achieve better business results. Certainly, this is an encouraging fact and a positive, initial step in the process of implementing a strategic approach in modern service enterprises in the function of implementing business strategies and achieving competitive advantages.

The main lack of this research is the small sample size, because a total of 215 respondents from service enterprises from Serbia participated. Bearing in mind that the paper is part of the research within the implementation of the Project, it is planned to carry out the research in service enterprises in other countries of the Western Balkans during 2025 and 2026.

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