

# CONTROLLING OPPORTUNITIES IN AREA OF THE HUMAN RESOURCES MANAGEMENT

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**Abstract**—Nowadays, role of the human factor and human resource is appreciated and has become one of the most major elements of the success and competitiveness thus the demand for applying the controlling has appeared in this area as well. The knowledge, experience, expertise is a form of the capital, a part of the organizational assets, and organizational strategic resources. Its development or operation is expensive and requires significant investments both by the individual and by the organization. The basis of economic success of the corporations, enterprises is that they should employ the available or obtainable resources effectively and efficiently during production of their products, services. In our treatise, we survey and present the controlling instruments and methods applied in the area of human resources management.

**Keywords**—costs, effectiveness, measuring, index-number system, subsystems, payment system, performance assessment, human resource audit

## I. INTRODUCTION

The basis of economic success of the corporations, enterprises is that how effectively and efficiently they employ the available resources for producing their products, services. The costing and accounting in relation to the human resource already started to develop in the '60s but it was given relatively little attention. In the era of informational society and knowledge-based economy, the human factor is appreciated in the strategic initiatives as well as the obtainment and keeping of the competitive advantage. Thus the demand for applying the controlling has appeared in this area as well. Principles of the controlling can also be transmitted to this area if we take the peculiarities of this resource into consideration during development of the system. In the European Union, the quality of human resource is the first, above all, among our really important values and specialities. On the one hand, it is necessary for the economic growth to increase the demand for labour forces, to create new jobs, expanding the employment in this way. On the other hand, the condition of a long-lasting economic growth is that more people should work and the competitiveness of the enterprises and the country should improve based on

the reserves of our human resource.

Role of the human resources management in life of the enterprises

Management with the human resource increasingly becomes such a strategic device of the enterprises which has a decisive effect on the enterprises' profitability, long-term viability, success. The human is one of the most expensive resources; costs of the employment of people often play a role with the highest rate among the costs of enterprises. At the same time, the labour force is said to be an enterprise's most precious resource as an indispensable factor of the production. Economic activities cannot be performed without labour force and it creates the other resources as well or brings into a usable condition [19]. The human resource has such attributes which distinguish it from every other production factor: the human resource

*1) does not wear out during the work; capability of the human resource remains in the long term;*

*2) has independent free will, as a result of which the actions, performance and thus the corporate performance can be influenced;*

*3) is innovative, is able to renew, cannot be stocked, cannot be reserved so its continuous and smooth utilization is needed for ensuring the adequate effectiveness;*

*4) is not a property of the corporation, its value is not part of the equity but an important part of the corporate resources thus increases value of the corporate [13].*

As well in the labour market, the companies building on the production are replaced by the economic units building on the knowledge i.e. the main emphasis switches to the knowledge instead of the traditional producing factors to the knowledge. In major part of the successful enterprises, their results have been reached by means of exploiting the opportunities in the human resources management [22]. It was recognized that the earlier knowledge, professional knowledge is sufficient to overcome the competitors. Putting the organizational management with the human resources on a new market base is an essential condition of the perpetuance,

prosperity of an enterprise. In this area, the strategic foresight, planning for the long-term are steadily growing in importance. The labour force can effectively perform its tasks possessing the knowledge, professional skills, abilities and aptitudes, but in absence of these ones, it is not able to act its role in the value creating process [20].

## II. HUMAN CONTROLLING

In the modern world of today, the enterprises' effectiveness should be supported not only by boastful words of the leaders but by putting the measurement of effectiveness on an objective base. The effectiveness of a well-managed undertaking can/shall also be verified by measuring and the direction of its further progress can/shall be determined by analysing the measuring results. An enterprise is effective not (only) due to the advertising with marketing devices but also because of that the effectiveness is measured within the organization and figures buttress up the growth of effectiveness. Due to requirements of the modern age and the effectiveness increasing force of market, the management is expected to create a long-term consonance between the organization and its environment as well. This consonance creation should also be in accordance with the continuously changing but supply-typed market relations [4]. The leaders, decision-makers of a corporation need information in order to know, track the performance and changes of their organization, environment. They continuously need to modify the long-term targets of their own organizations according to the changes of environment. For that reason, such an organizational and operational structure is shall be evolved which meets the corporate and market requirements and serves the carrying out of the managerial, leading tasks. The controlling activity can be an instrument for carrying out of the managerial, leading tasks and ensuring the continuous information stream. The relation of the controlling and management is extremely important and has a determinative significance from the cooperation point of view. One of the controlling subsystems is the human controlling which deals with analysis, measurement of the human resource, human performance [1]. The ever-growing role of the management with human resource has resulted in that the human controlling activities have appeared in the corporate image and the controlling devices have extended over the human area. The human controlling activity contributes the effective operation of an enterprise [5]:

- a) *this is such a management instrument which helps the enterprises to realize a rational cost-sensitive human resources management in their everyday life*
- b) *by means of its index-number system, it indicates the utilization of resources and contributes to making the necessary decisions in*

*an objective way*

- c) *by means of its instrument system, it generates itself the needful changes*

The human controlling is composed of the following three subsystems: the cost controlling, the economy and efficiency controlling. The basis of cost controlling is the management accounting; its tasks include the determination of personnel costs, the comparison of the planned costs with the actually appearing costs, the determination of deviations and their reasons and the drawing up of developmental proposals. The following activities are ranked among this subsystem: prognosis of the costs occurring in relation to selection, training and improvement of the labour force as well as monitoring the expenses when they emerge. The economy, effectiveness controlling analyses the effectiveness of functions of the human resource (selection, training, payment system, performance assessment) and the personnel structure (qualification, age, gender etc.) and it examines and evaluates the role, activity of human resources management within the organization. Aim of the profitability, efficiency controlling is to enlighten the leaders on top of the corporate hierarchy about that how important role the human resources management has within the organization, to what extent it contributes to the success, efficiency of the enterprise and the enlargement of profitability. [10].

The human resource audit means a direction of development for human controlling. This is such an examining, analysing and comparing procedure which is aimed at evaluation of the human resources management effectiveness. An overall auditing of the human resources management is in the centre. During this procedure, the following things are screened: the human strategy and targets, the planning methods, the information system and control activities. The audit can be performed horizontally or vertically. During the vertical audit, only certain areas of the human resources management are examined while the horizontal audit covers its whole [20]. Further opportunity of the human controlling is to employ the benchmarking. Within its framework, an enterprise is compared to another company with regard to the human resources. By means of comparison the operation, processes and performance indicators, the company sums up its situation in comparison with its competitors and if a lagging is detected then the company will be able to devise the required actions in order to cease the lagging [11].

### **Orientation of the human controlling**

According to the domestic practice, the corporations apply human controlling systems mostly with retrospective nature and orientation – if applies at all – and they utilize their index-number system for retrospective purposes. Its essence is that, by means and analyses of the indicators mapped from the past events, they try to make forecasts for the future and to make such

decisions which can influence the future to a positive direction. However, since this analysis examines the results of decisions made already previously and, based on these ones, it sketches the future consequences, a big risk exists that, possessing the limited information and knowledge, the prospective consequence will be determined, strongly limited. However, this is just one of the possible application forms. The other lesser-known applied solution when the human controlling is a device for creating vision. Aim of this prospective, projective controlling, by means of its application, is to ensure the effective, efficient and optimum distribution of the human resources of organization in order to reach the future goals of the organization. Possessing the adequate preliminary information, the prospective outcome, performance are projected and compared to the expected standards, by means of applying the different calculating, prognostic procedures. After all, it is an activity similar to planning of the human resource – in fact, a part of that. During its application, the following things can happen: defining and designating the forms of behaviour, the norms and competences to be preferred in the future; elaborating the action alternatives leading to realization of the human strategy; determining concrete frames of the operation [21].

#### **Dimensions of the human controlling**

In most cases, the possibility for applying the human controlling amounts to the analysis of data regarding the personnel costs and statistics. At the same time, the other end is when extremely many but mostly totally unnecessary and non-used data sets conglomerates. The controlling cannot be confined to quantitative and operative dimensions only; strategic and operative human controlling is also absolutely required.

The strategic human controlling is an integral part of the human strategy. Moreover, it is a personnel audit dealing with the following: the examination of the long-term success; actions related to the realization; fulfilment of the schedules; providing information continuously for the human development. At the same time, it includes the long-term analysis of the focuses, projects, managerial and motivation assesses, activities which are fixed in the human strategy; the establishment of the strategic targeting and target overlapping. Major tasks of the strategic human controlling are to:

- 1) *perform strategic planning of the instruments and sources to be made available for the human policy*
- 2) *carry out long-term complex targeted audits, revisions related to the human resources management*
- 3) *perform calculations related to returns, effectivity of the human investments [9].*

In case of the operative human controlling, from the viewpoint of the organizational unit dealing with

managing the human resources, the performed activities can be split into four essential tasks:

- 1) *the short-term elaboration of the human political ideas, parameters for the current year; expand of the human strategy to the annual economic plans*
- 2) *determination of the demands on the assets and sources for the current year, in accordance with forecasts of the strategic plans*
- 3) *gap analysis: systematized and detailed opposition of the performances and operative requirements; feedback the strategic gap analysis, differences to the strategy*
- 4) *continuous data processing and operation of management information system [10].*

#### **System of the controlling**

In the long term, for the effective leading of a corporation, it is indispensable to create harmony between the organization's environment, internal operation and strategy. This is helped by the controlling inside the organization, constituting such a sub-system which is intended to increase the effectiveness of leading. Essence of the system is to provide current and understandable information for the leaders. It is important that the delivered information should be substantial i.e. should be of useful content for the leaders. The controlling, from functional point of view, is a subsystem of the management which coordinates the planning, control as well as the information providing [15].

#### **The planning system**

The planning is such a substantial activity for the enterprises which is intended to eliminate the uncertainty and risk of future. This function helps the adaption to the dynamically changing environmental factors. During the planning, they ponder the effects on the organization which can influence the ideas regarding the future. Mains tasks of the system include: collection and analysis of the data, preparing prognosis by means of the results of analysis, designation of the plan goals and approval of the plans prepared. During preparation of the plans, designation of the performance indicators is also required, they have an important role in the plan-fact comparisons [12].

#### **The informational (reporting) system**

The first task for building up the system is to map the informational demands, namely, to determine what kind of information the controller should transmit to each target group. After assessing the demands, the following processes can take place: the obtainment as well as preparation of the necessary information and their transmission to the right place. A well-functioning personnel information system can be divided into two areas. One of the areas includes those analyses, indicators which is prepared by leaders of a human organization in

order to perform the activities successfully. The other part includes such concentrated data, analyses which is made for the leaders in order to decrease the uncertainty of decision-making. The human controlling statement details the corporate controlling report and makes personnel statements for the different management levels in which it affects the areas in connection with the human resources management

### **The control system**

Recording of the fact data and control of the economic processes are priority issues.

The aim of this activity is to shed light on the frequently occurring differences between the plan and fact data as soon as possible and to survey the necessity of intervention and to elaborate action plans during a short period.

According to domestic and foreign researches, the bigger an enterprises is and the larger the sales volume is, the greater the necessity for applying the controlling system is. The big companies can easily fall without the planning, control and certain information. However, the companies possessing controlling systems have ascendancy over those enterprises which ignore the preparation of plans and make their decisions regarding the future based on spontaneous intuitions.

### **III. CONTROLLING INSTRUMENTS IN THE HUMAN RESOURCES MANAGEMENT**

When we speak about human resources controlling then the effective management with the labour force is that we examine. The examination covers the system of financial and non-financial index numbers. From a financial point of view, we analyse the development of personnel expenses, the wage management, and the effectiveness and profitability index numbers. During application of the non-financial index numbers, analysis of the data of headcounts is also an integral part of the controlling tasks beyond the performance assessment [8].

In the following, we briefly present the index numbers, methods applicable during the human controlling activity.

#### **SWOT analysis**

SWOT analysis is one of the effective devices of human resources management by means of which we can examine how the most important resource of the corporation answers the strategic purposes. By the help of it, the enterprise can get a picture of that to what extent the undertaking exploits the capacities of its human resource and how it is able to react to the environmental dangers as well as possibilities related to the human resource. [19].

#### **Measuring the extent and mix of the headcount**

We can examine the mix of headcount by different criteria: based on groupings according to FEOR (– Unified Job Classification System in English), based on the distribution on the grounds of education level, type of labour force, age of employees as well as by gender. Beyond examination of the mix, another important area is the determination of labour demand; one of its instruments is the analysis for sphere of work. In addition, we can also count labour demand contribution and the quantification of the following things can also mean useful information for the management: extent and rate of the working and absent headcount, the labour force utilization indicator and the dismissal cost ratio [20].

#### **Examination of the labour force movement (turnover)**

Examination of the labour force movement is integrally linked to analysis for the extent and mix of the headcount. Examination of the turnover can be performed by means of the index numbers of the labour force movement (beginning turnover, leaving turnover, labour force turnover etc.) and we can also the Markov-analysis which a technique of the inside labour force offer forecast based on statistical estimation, a temporary probability matrix [5] [23].

It is particularly important to follow up the movement of labour force in an organization since the replacement of leaving labour force can be extremely expensive. Based on the study of Allen (2008), the labour force replacement can be up to 50-60% of the annual salary of a leaving employee [1]. The turnover costs include the cost and contribution of the exemption from work, the cost of leaving, the severance pay, the selection of labour force, the costs of recruitment and indoctrination as well as the costs arising from the difference of performance of the entering and leaving employees [4]. There will be serious extra expenses for a company if it does not endeavour to retain the employees and allows the turnover to spread. The replacement of someone often costs one and a half times more than a worker's salary and the higher the earnings of a person is, the higher this rate is. In the Consultation Magazine [10], these costs have been reckoned among four categories by P&Bert Management Consulting Group which is a Swedish-Hungarian founded company group dealing with classical personnel consulting:

- 1) The costs related to a leaving worker: finding a temporary deputy, time of a colleague managing the leaving, losing the costs of the expended training, losing the social capital and organizational knowledge.*
- 2) Price of finding a new worker: the price of advertisement, time expended of the interviews and tests, informing the unsuccessful applicants.*
- 3) The costs of indoctrination: familiarization of the corporate strategy, ensuring the obligatory trainings, understanding and building the internal connection*

system, adaptation to the organizational culture.

4) *Loss of work: loss of time, the cost of overtime, corrugating the initial mistakes of a new employee.*

Based on [5], we can class the factors influencing the turnover among two types:

- 1) *external reasons not depending on the operation of an organization: migration of labour force to other sectors due to the economic recession, retirement or health damage of an employee,*
- 2) *internal factors in connection with the operation of an organization: inadequate work atmosphere, the deterioration of connections, imperfectness of the incitement, lay-offs.*

According to [25], the base of reducing the turnover is that we should explore those factors which can be turnover causes in life of an organization i.e. we should define the influencing factors in system (Figure 1)

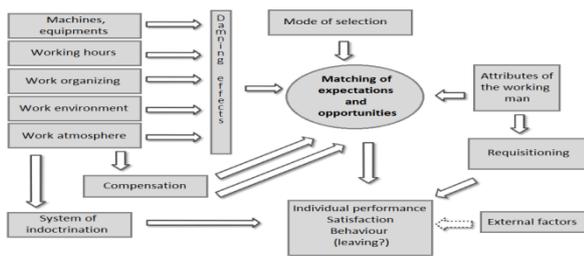


Fig.1 Model of the factors influencing the turnover  
 Source: [26]

### Working-time utilization indicators

An enterprise shall take into consideration, already in the course of planning, that the workers are absent occasionally during a year (holiday, sickness, other justified absence etc.) but the non-justified absences are to be assessed separately for disciplinary reasons as well. The working-time balance shall be planned and its fruition shall be taken into account. Beside the working-time balance, we can calculate different index numbers (labour force exploitation indicators, labour force utilization indicators, working-time exploitation indicators etc.) [19].

### Efficiency indicators

The effectiveness is a relation between the yield reached by the production, service as well as other undertaking activities and any or all resources used for reaching the yields. Both the yield and the resource can be represented in natural unit of measurement. Examination of the labour productivity is an essential area of the human resources management, during which we assess that how the living labour was utilized, how effectively the available labour force was used by the

enterprise and what factors the changes of productivity can be traced back to [6].

### Profitability indicators

The profitability indicators represent the efficiency of an undertaking's operation. During the analysis, we compare the single income categories to a sort of projection base (to headcount, wage cost in our case).

#### Indicators of the labour force and wage management

The corporate cost incurred in relation to the labour employment includes the wage cost and all other costs above the wage cost related to the employment. It is peculiar to cost structure of the enterprises that the personnel expenses represent a considerable part of the costs [7]. In this area, we can calculate different ratios in connection with the wage costs, wage contributions and other personnel payments.

### Balanced Scorecard

BSC can be considered as a kind of instrument which helps the management to realize the strategy; it is suitable to clear up the strategy, to develop and solve the tasks facing an organization [16].

#### Benchmarking

Human benchmarking is such a process by means of which a firm qualifies itself for a continuous development by comparing its performance indicators, operation, processes with the indicators and processes of other similar companies [20].

The employees and the organizational structure are ranked among a company's features to be compared

#### Index numbers of the investment in human resource

Aim of the calculation of the investment in human resource is to help to assess, measure the effectiveness of the investment in human resource. We discern two methods of the investment in human resource: static and dynamic methods [2].

### Benefit value analysis

Benefit value analysis is such a method by means of which the workers of a firm can be assessed not only on the basis of the classical objective criteria (wage demands, the number of years spent in the working) but such other, even subjective elements (behaviour, knowledge of a language) can be involved in the assessment which characterize the collegial effectiveness [3].

### Human resource audit

An organization development diagnostic system during which the following things are mapped by means of questionnaire and interview methods: HR strategies, policies existing in an organization; existence, features, characteristics of the corresponding systems which ensure the operation (recruitment, selection, performance assessment, job structure, compensation systems, career development, training, administrative records, controlling) [14].

### Measurement of the intellectual capital

Role of the intellectual capital a corporate resource is steadily growing. The corporate added value arises from such factors which are closely linked to the corporation but cannot be sold independently. There can be at least two reasons of ranking a factor among this group: (1) the given factor is not a property of the corporation so it cannot be sold (management, employees) or (2) the given factor is inextricably linked to the corporation therefore it is unmarketable independently (strategy, opportunities for growing, organizational system, contracts). The literature generally mentions all of these factors as intellectual capital (intellectual capital – IC). [18].

#### Tableau de Bord

Tableau de Bord control is used as an instrument in the management practice. Its essence is that it collects and serves the index numbers determinative from managerial point of view (indicators) for the corporate management. A manager shall make decisions quickly, taking the environmental factors and the situation of corporation (airplane) into consideration, with the goals in mind [17].

#### IV. CONCLUSION

More and more people recognize the role of human resources management in growing the competitiveness; importance of the personnel activities is also on the increase in process of the long-term value creation. At the same time, one of the largest costs is to ensure and maintain the adequate human resource therefore it is required to pay an outstanding attention to measurement and analysis of the costs during operation of the firms. By its activity, human controlling helps the effective operation of an enterprise during which human controlling takes part in preparation and establishment of the managerial decisions by calculations, analyses and proposals. With duly supported arguments, human controlling can propose the moderation of the unjustified human resource costs; it can contribute to enhancement of the competitiveness as well as the improvement of the market positions. Furthermore, we must not forget either that we are talking about a special resource because the people have emotions, thoughts, consequently, based on these facts, attention should be paid to those elements which can be measured harder but are essential as well, such as the organizational culture or the satisfaction.

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