

## METHODOLOGICAL FRAMEWORK FOR IMPROVEMENT OF THE SYSTEM FOR HUMAN CAPITAL MANAGEMENT IN ASSAREL-MEDET JSC – PANAGYURISHTE, BULGARIA

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**ABSTRACT.** A methodology for improving the management system is presented for human capital management in Assarel-Medet JSC. It analyzes the internal and external factors that influence this process. As external factors affecting the system are stated the economic conditions, regulatory conditions, the characteristics of the industry, technological changes, demographic situation and competition. As the main internal factors are highlighted the size of the organization, organizational structure, development strategy, the mission of the organization, management and corporate culture. The author's model for improvement of the system for human capital management in the company is based on the analysis of these factors.

There are seven stages in which the process of improving the system goes through. The procedure for selecting the primary information, determining the focus-groups of the study, the methodology of the processing of the collected data and the used methods of analysis are presented. The results obtained make it possible to draw conclusions that support the thesis and the research goal and are an argument for the real-time appraisal of a developed model for improvement of the human capital system in Assarel-Medet JSC.

**Keywords:** methodology, human resources, management, model.

### МЕТОДИЧЕСКИ ПОДХОД ЗА УСЪВЪРШЕНСТВАНЕ НА СИСТЕМАТА ЗА УПРАВЛЕНИЕ НА ЧОВЕШКИЯ КАПИТАЛ В АСАРЕЛ-МЕДЕТ АД – ПАНАГЮРИЩЕ, БЪЛГАРИЯ

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**РЕЗЮМЕ.** Представя се методика за усъвършенстване на системата за управление на човешкия капитал в „Асарел-Медет“ АД. Анализират се вътрешните и външни фактори, които влияят на този процес. Като външни фактори се определят икономическите и нормативните условия, производствената специфика, технологичните промени, демографската ситуация и конкуренцията. За вътрешни фактори са приети мащабите на организацията, организационната структура, стратегията за развитие, мисията на организацията, управлението и фирмената култура. Върху анализа на тези фактори е изграден и моделът за усъвършенстване на системата.

Представени са седем етапа, през които преминава процесът на усъвършенстване на системата. Посочена е процедурата свързана с избор на инструментариум за събиране на първична информация, с определяне на фокус-групите на изследването, методиката на обработка на данните и за техния анализ. Получените резултати позволяват да се направят изводи, които подкрепят тезата и изследователската цел и са аргумент за апробирането в реални условия на изграден модел за усъвършенстване на системата на човешкия капитал в „Асарел-Медет“ АД.

**Ключови думи:** методика, човешки ресурси, управление, модел.

### Introduction

In the globalised world, characterized by highly interrelated processes, the companies are faced by increasing number of challenges that must be overcome. Competitors from all over the world, the innovation capacity and the continuous shortening of the life cycle of products on the market are essential to the development of the organization. In this context, keeping and development of highly qualified personnel is a source of competitive advantage for the organizations and a responsibility of the human resources specialists. This in turn puts the human resources management in the centre of business efficiency and is a particularly important factor for the success of the organization.

Precisely because of the arguments presented, the topic of improvement the system for human capital in the organization

is fundamental for the development and its existence in a strategic perspective.

The conduct of empirical research could go through a different set of stages. In the scientific literature there is no absolute unity among authors concerning the number of stages of work – some propose smaller, others - a higher number.

After analysis and review of a range of contemporary authors, developing their scientific activity in the field of methodologies for scientific research: P. Lulanski, the collective team of G. Bizhkov and V. Kraevski, N. Dimitrov, B. Gospodinov and collective team and others, we believe that the methodological framework of this research should be structured in the following way:

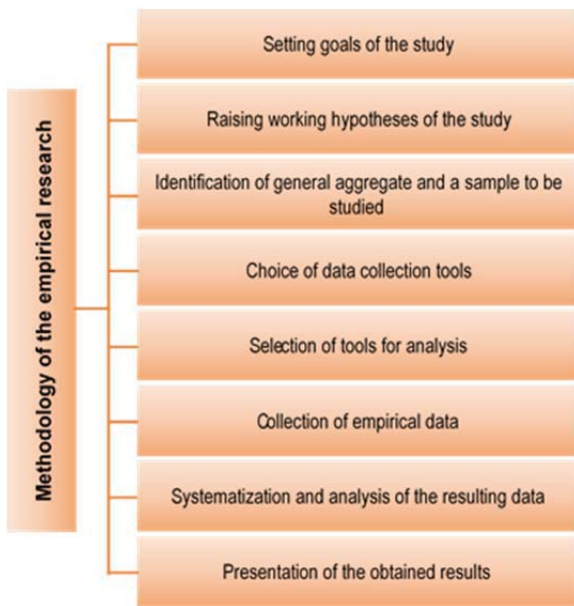


Fig. 1. Stages of the methodology of the empirical research

The purpose of the conduct of empirical research is to verify (adapt) in real conditions the model built for improvement of the system of human capital in the organization Assarel-Medet JSC. The specific subject of the study is the effectiveness of the model for improvement of the system of human capital in a given business organization, and the object of the empirical research represents the company Assarel-Medet JSC.

The main company's activities are open pit mining and processing of copper and other ores, biochemical extraction of copper and the engineering and commercial activities related to them. It carries out researching, engineering-implementing, project-designing, environmental and other activities. Assarel-Medet JSC produces and sells high-quality copper concentrates and cathode copper. The company possesses unique for the country mining machines and most contemporary flotation equipment from leading world manufacturers.

Specific to the branch characteristics of the mining industry should be taken into account: the mining sector is capital requiring, the access to mineral resources is specific, and the industry is extremely dependent on the status of the market.

In each organization, as well as in Assarel-Medet JSC, the factors that influence the human capital management system in the organization must be taken into account. Work efficiency of the employees is the most important indicator and its dimensions may be sought mainly in three directions—performance, efficiency and productivity, which are actually measurable.

Human resources management is defined as integrated use of procedures, policies and management practices on hiring, maintaining and development of employees in order for the organization to achieve its long-term strategic goals. It includes six broad areas: human resources capacity, human resources planning, staffing policy and practice, evaluation of human resources, performance management, as well as training.

A system for evaluation of the human resources, which operates effectively, assists the organization in developing a set of policies, practices and systems, that enhance the skills and motivation of the staff, in order to achieve the highest possible level of performance over a longer period of time, should be put in place.

The main advantages of an effective system for management of human capital, which is built in Assarel-Medet JSC can be derived in the following way:

- ✓ to promote the systematic planning in accordance with the organization's mission;
- ✓ to increase the capacity of the organization to achieve the organizational goals;
- ✓ to provide a clear definition of the responsibilities of every employee in the performance of his/her duties;
- ✓ to promote achieving a greater equity between remuneration and level of responsibility;
- ✓ to determine the levels of control and support the management of human resources;
- ✓ to increase the level of productivity and the efficient use of skills and knowledge of the employees;
- ✓ to ensure the achievement of results, resulting in reduced costs through increased efficiency and productivity;
- ✓ to increase the ability of the organization to manage the external and internal changes.

For a more comprehensive implementation of the assessment of the labour achievements in Assarel-Medet JSC a system for human capital management is built, including all necessary activities in the assessment of human resources and their presentation.

Factors, that influence the system for management of human resources are external and internal.

At the basis of this system for assessment of labour's achievements are the factors which have a direct or indirect impact on the behavior of the employees in the performance of their duties.

In the first large group of factors fall the **external factors**, that affect the system of human capital. B. Kane and I. Palmer, ("Strategic HRM or Managing the Employment Relationship", International Journal of Manpower, 1995) noted that the external factors are putting pressure on the organisations in respect of the management of human resources and cannot be controlled or changed and they are the **economic conditions, technological changes, normative acts and government regulations, demographic situation and competition**.

The **internal factors**, affecting the system for human capital management, are the aggregate of all events and changes that can occur within the organization: **the organization size, mission of the organization, organizational structure, strategies for development, organization management and corporate culture**. On the basis of the degree of manageability of the individual factors, the model for improvement of the system for human capital is built.

In order to reach the maximum objectivity of the research and effectiveness of the model, four main types of evaluations should be used for analytical base: **cognitive and personal evaluation, motivational evaluation, evaluation according to the standards for performance and organizational assessment.**

The model for improvement of the system for human capital in Assarel-Medet JSC contains the stages of a thorough

diagnosis of the current state of the main aspects of the system for human capital. These stages are planning and assessment, planning of the change, individual and team development, career planning, recruitment, employees selection, performance evaluation, succession planning, implementation of work, remuneration, compensations and/or other awards, providing safe working conditions.

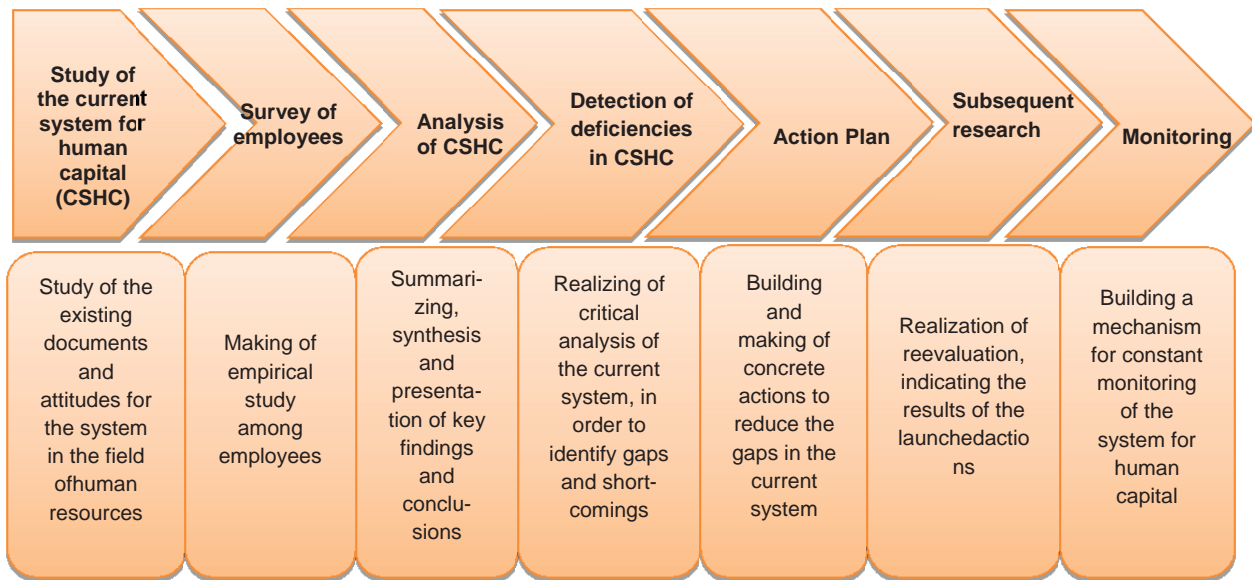


Fig. 2. Model for improvement of the system for human capital in Assarel-Medet JSC

Figure 2 displays the model of the methodology for improvement of the system for human capital in Assarel-Medet JSC. The figure clearly outlines the presence of seven main stages. Each of them includes specific actions and activities to be carried out, and is characterized by its features. The stages are meaningfully differentiated, but at the same time are related and have consistent dependence, i.e. the second stage cannot begin before the first one is completed, the third one before the second, etc. This is shown by the use of arrows to illustrate the name of the individual stages. The last stage of the presented model ends up again with an arrow, because the stage of "monitoring" is deemed to be permanent and continuous, so the process should not end after its single implementation.

Each stage includes the following features:

- **Study of the current system for human capital** – study of existing documents and attitudes for the system in the field of human resources. The first stage of the model represents a study of the current system of human capital through a survey of existing documents and attitudes. It consists of an analysis of official documents, analysis of the strategy of the organization and analysis of all available for the organization written manifestations of human capital system.
- **Survey among employees** – making the empirical survey among employees. Implementation of the empirical survey

among the employees in the organization for the current system of human capital can be done with various tools suitable for such research or a combination thereof, for example, interviews, questionnaires, focus groups, and monitoring. The aim of this study is to establish the manifestation of the non-documented elements of the system and to determine how the people in the organization perceive and interpret the information received on the individual elements from it.

- **Analysis of the current system for human capital** – summarizing, synthesizing and presenting the key findings and conclusions. The third stage may be called the analysis of the results obtained. At that stage an analysis is made of the obtained evaluations and results from the diagnosis of the documents, as well as from the held empirical research on existing and accepted system of human capital among employees of the organization. The purpose is bound with the presentation of the overall appearance of the current system of the human capital.
- **Detection of deficiencies in the current system for human capital** – the realization of critical analysis of the current system in order to identify gaps and shortcomings. This stage is a natural extension of the preceding, as based on the main conclusions and generalizations inferred, a critical analysis is made of the information received. On this basis specific gaps and shortcomings

should be established and identified in the current system of human capital. In other words, identification of the weaknesses and searching of concrete ways to solve them is vital.

- **Action plan** – construction and implementation of concrete actions to reduce the gaps and shortcomings of the current system. The fifth stage of the model is characterized by the implementation of the planned actions with the aim of improving the current system of human capital in the organization. Before implementation of the appropriate action, it is necessary to formulate an action plan and accordingly, to prioritize the selected steps.
- **Subsequent research** – implementation of re-examination, which should indicate the results of the action taken. The sixth stage of the model for improvement of the system of human capital in the organization requires that after a certain period, for example six months, nine months or a year (after the operation of the action plan), a repeated investigation to be carried out. This study should be of the same target group and with the same tools. The goal is to follow the current situation and level of development of the identified factors after the taken actions. Subsequent research takes place after a longer period of time, six months, nine months or a year in order to be able to see the actual results from the application of the system of activities.
- **Monitoring** – building a mechanism for continuous monitoring of the system of human capital. The finishing stage of the model is the monitoring. The essence of the stage represents the building of a mechanism for continuous monitoring of the system of human capital. The purpose of this mechanism is non-deviation from the desired characteristics and construction of constant feedback about the status of the system of human capital. This final stage of the model for improvement of the system of human capital in the organization is of permanent nature and should become part of the duties of the human resources department of the organization.

## Conclusions

The presented model for improvement of the system of human resources management has its real implementation in the mining industry and in particular in Assarel-Medet JSC. The management is a dynamic and open process, as the key stages refer to the repeated and subsequent research, as well as the continuous monitoring. The improvement of this model suggests the usage of a number of tools of known up to this moment methods and techniques. With the advent of new technologies, the possibilities for upgrading are increasing. The management shall meet and even outpace the dynamics of

development in the different areas within the organization, as well as the social processes and expectations. The system for the management of the human capital becomes a key factor and a real partner in improving of the business processes, as the human resources manager is already equivalent and, in some cases, a leading business partner that consolidate and fulfill the connection between the other managers in the company, helping them improve their individual performance, as well as to achieve the business goals of the organization. The model contains a huge dose of universality and despite being tested in Assarel-Medet JSC, it may be applied to other organizations and sectors, considering their specific characteristics.

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