

Econometrics and Strategic (HR) management

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Abstract:

It is generally known that the strategic decisions are very often based on analysis of the previous situations, analysis of the influencing internal and external factors and on the base of developing scenarios for the future business environmental settings. Therefore the aim of this paper is to bring to open the importance of use of econometrics in the Strategic (HR) Management as well as other specific fields of econometrics application that support the Strategic Management. The contribution of paper is to enrich the literature and to influence over the HR professionals perception about the use of econometrics (mathematical and statistical methods) and the benefits of it.

Key words: *Econometrics, Management, HR practices, IT*

Introduction

Since “outside board members ratify and monitor the initiation and the implementation of firm strategies” (Wright et al., 2009) (p.218), the use of econometrics could support the monitoring via stating quantitative facts and figures. On the other hand, “while the depth of the intra-firm analysis depends on the firm itself as the access to the intra-firm data is unlimited, the depth of the analysis of the firm’s performance relative to other firms and related industries depends on data which are publicly available.” (Bolotova and Asiseh, 2009) (p. 130); therefore the amount of data and information is important. But, not only is to hold mass of data and information, but more important company to be able to manipulate with the data. Thus, the specifically HR professionals should be able to generate various comparable analysis, related with the variety of data publicly available and the intra-firm (company) data. The knowledge and application of econometrics might boost the flexibility in all data manipulations activities.

Strategic (HR) management and econometrics

Considering the strategic (HR) management, according to Ulrich et al. (2009) “HR professionals prove that they should be sitting with the management team” via “recognizing their role as Strategy Architects and focusing their efforts not only on aligning the HR strategy (which is important) but also playing an active part in creating and executing to the e customer-focused business strategy.” (p. 31). In addition to the above, Savaneviciene and Stankeviciute (2011) also concluded that “the contribution of human resources and their management to the overall achievement of organizational objectives in dynamic business environment is increasingly acknowledged.” (p.926) (01.8) Moreover, the “restructuring strategies that increased corporate focus, whether individually or collectively, would likely enhance the performance of highly diversified firms. (Zhao et al., 2011) (p.28). But the enhancement of the performance might be facilitated with alignment of the goals of employees. Therefore “with the information analyzed by IT, HR managers are able to align goals of employees with corporate strategy to deal with changes proactively Lin (2011) (p. 252). Considering all stated above, HR professionals beside that should be able to use IT, they should also be able to maintain a variety of data; they should be able to provide accurate information, moreover to conduct detailed analysis, to be familiar with other econometrics methodologies (mathematical and statistical), as to be able to reporting and forecasting and to play active part in the business strategy in each stage in each organization.

At the end “if the firm focuses on cost leadership, it will be more interested in possible cost reductions, while under a quality leadership strategy, the quality effects as well as increases and decreases in know-how will be considered as more important (if they have an impact on product quality).” (p.288). In both cases, HR professionals should hold certain knowledge in econometrics as to be able to run the necessary calculations related with various analysis, as well as creating different developing scenarios that will support the strategic decision making in the company.

Other specific fields of econometrics application that support the Strategic Management

The importance of the application of economics could not be found only at high strategic level but also in many other specific fields within the strategic management. For instance, according to Kolk and Püümann, “companies, which want to deliver consistent organic growth to their shareholders, customers, and their employees, can do that by balancing the development of

organizational capabilities and execution of Open Innovation Strategies.” (p.81). But, innovation strategies might result with extra reimbursement of creative and innovative employees. Therefore HR professionals should be able to develop scenarios for the possible changes in the compensation structure of those employees as well as for the other affected employees by certain implementation of innovation. Moreover, according to the study of Cooke and Saini (2010) “learning and development, employee involvement and quality initiatives, performance management schemes, and employee welfare and engagement schemes were the most commonly reported HR practices”. (p. 386). These HR practices result with requirement of various calculations and assessments that might be done if applied econometrics knowable. Specifically considering the learning and development “the search for strategic fit of training efforts across the OLC (organizational life cycle) has become increasingly important for organizational sustainability” (Chen and Hung, 2010) (p. 110). Therefore, considering the stated above, HR professionals should be able to facilitate the development on organizational capabilities, support the organizational sustainability and execution of innovation strategies via providing forecasts for additional costs that might occur. Those costs might be related with training and development, direct and direct cost for voluntary leaves and new recruits, reimbursement of employees for innovative ideas, new performance management schemes that will support the business strategy and rewarding the creativity with various econometrics methods.

On the other hand, econometrics could be more easily used with IT support. Technological solution are necessary for more complex data & information manipulations as well as when there is need of transfer of knowledge. “Knowledge management, markets, and strategy of companies are closely linked together so that: Only if expertise is used very frequently and the amount of knowledge within the company becomes too heterogeneous to be easily surveyed by individual employees, do technological solutions support the transfer of knowledge and act as a pointer to expertise. (Kasper at al, 2008) (p. 41). Moreover, Haines and Lafleur (2008) concluded that “greater use of IT supported HR applications would be associated with greater involvement in the strategic roles of business partner and change agent”, also they “found even stronger positive correlation coefficients between IT usage and technical and strategic effectiveness.” (p. 531-532). Considering the above, we can conclude that the increased use of IT should be also considered as a parallel with requirement of specific econometrics skills especially in data-mining, which could not be done without IT support.

Recommendation and conclusion

The recommendation and in the same time conclusion is to become aware about the benefit of the knowledge and the application of various mathematical and statistical methods (within econometrics), as HR professionals to become much more confident in analyzing, forecasting and developing scenarios that will support the strategic management and related activities.

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