STRATEGIC ROLE OF HUMAN RESOURCES IN SUCCESSFUL OPERATION AND BUSINESS DEVELOPMENT

Abstract. The article is dedicated to examining the strategic role of human resources in the successful operation and business development. The aim of this research is to explore the impact of human capital on business performance and growth, particularly in complex business environments like that of Ukraine during wartime. In terms of methodology, a multi-pronged approach is utilized. An in-depth literature review sets the theoretical stage, focusing on the contributions of scholars who have linked human capital to various aspects of business, including digital technologies, labor productivity, and entrepreneurship. Additionally, the Human Capital Index serves as a quantitative measure to assess the quality of labor, education, and overall productivity across sectors. To provide localized context, the research incorporates findings from a Deloitte Ukraine report based on a business survey that outlines the priorities of Ukrainian companies in human capital management during wartime conditions. The research uncovers crucial insights into the strategic importance of human resources for successful operation and business development. It identifies human capital as not just a functional unit but a critical strategic asset that enables companies to gain a competitive edge. Particularly, firms that view their human resources as strategic partners in achieving business objectives tend to navigate crises more effectively, invest in long-term growth through training and development, and manage employee workload in a balanced manner. In a broader global context, the study emphasizes that maximizing workload alone is insufficient. It calls for a holistic approach to HR management that includes workforce education, skill development, and emotional well-being as key components. This integrated approach enables companies to utilize human capital qualitatively, thereby driving innovation and productivity. Consequently, businesses aiming for effective and competitive development must place greater emphasis on holistic HR management strategies that prepare their workforce to meet both current and future challenges, thus ensuring sustainable business growth.

The practical significance of this research is multi-faceted. It offers actionable insights for companies to fine-tune their HR strategies in alignment with broader
business objectives. Businesses, especially those operating under challenging conditions, can benefit from focusing on educational investments for staff development, thereby fulfilling more complex tasks, fostering innovation, and ensuring competitiveness on a global scale.

**Keywords:** human resources, strategic role, business development, human capital index, labor productivity, educational investment, Deloitte Ukraine Report, wartime conditions.

**Problem statement.** In today's volatile, uncertain, complex, and ambiguous business environment, human resources are increasingly seen not just as a functional department, but as a strategic partner in shaping organizational success. This shift in perspective is more than just a trend; it is a necessity for survival and competitiveness. Particularly in challenging settings such as Ukraine, where businesses have to operate under the constraints of war, limited capital markets and often have to be self-financed, human resources play a pivotal role in driving organizational adaptability and resilience.

The existing body of literature has delved into various facets of human capital, from its relationship with technological advancements to its impact on labor productivity and Gross Domestic Product (GDP). Scholars have explored the human capital concentration in various sectors like information services and finance, revealing its significant influence on the economy. Furthermore, human capital has been linked to entrepreneurial activities, considered a critical feature of a creative and competitive economy. Despite this wealth of studies, there is a paucity of comprehensive research focusing specifically on the strategic implications of human resource management in shaping successful business operations, especially in financially restrictive conditions.

**Analysis of the latest research and publications.** Human capital today is an economic category that is widely studied in the scientific literature. The concept itself is quite controversial, and accordingly, the value of human capital is measured differently by different scholars, depending on their purpose and objects of study. De la Fuente and Domenech [3] delve into the nuances of measuring human capital, emphasizing the significant impact that data quality can have on growth regressions. They argue that accurate metrics are crucial for effective policy decisions and long-term economic growth. Jermolajeva and Znotiņa [7] focus on the sustainable development of Latvia through investments in human capital. They discuss the need for targeted educational reforms and skill development to prepare the workforce for modern challenges, thereby enhancing the country's economic prospects. Sequeira [11] takes a broader view by examining the effects of human capital and R&D policies on endogenous growth models. His research reveals that strategic human capital
management, when aligned with focused R&D policies, can substantially elevate economic productivity and overall growth.

Human capital is also a critical factor in a company's profitability. It contributes to the increase in labor productivity and, consequently, to profitability and competitiveness. The more invested in the development of human capital, the more productive and profitable is human labor, people's income, their needs as consumers, and their role as economic agents. Numerous studies, notably by the Link and Motivation Group [8], show that companies investing in human capital development can expect a high economic return. Specifically, the Link and Motivation Group indicated that investments in human capital yield a solid return, with a ROI of about 34% in 2021.

Moreover, human capital serves as a factor for economic growth. The skills acquired by the population have economic value. This is because a skilled workforce can enhance productivity, leading to GDP growth. Additionally, a skilled workforce can create new products that meet modern societal expectations, thereby increasing export potential.

In summary, the academic literature and various studies provide a comprehensive view of the strategic role of human capital in economic and business development. They emphasize the need for accurate measurement, targeted investment, and the alignment with broader developmental policies for optimal outcomes.

This research seeks to explore the strategic role of human resources in business development and successful operation, especially under constrained economic environments. By doing so, it will fill a critical gap in the existing literature and provide actionable insights for businesses looking to adapt and thrive in challenging conditions. The study aims to identify how effective human resource management contributes to business resilience, sustainable growth, and innovation.

**Aims.** The aim of the study is to investigate the strategic role of human resources in the successful operation and development of businesses, particularly in economically constrained environments.

**Methodology.** The research employs a multi-method approach, encompassing a comprehensive literature review that serves as the theoretical foundation for understanding the strategic role of human resources in business success and development. Quantitative analysis of the Human Capital Index provides insight into labor quality, education levels, and productivity across sectors. This data helps correlate human capital metrics with successful business operations, highlighting the strategic areas where human resources have the most significant impact. Additionally, a recent report by Deloitte Ukraine on the "Priorities of Ukrainian companies in the field of human capital management during the war" is incorporated. This report, based on a business survey conducted across Ukraine, offers a snapshot of the evolving dynamics and challenges in human resource management, especially in a wartime context. Synthesizing these data sources aims
to illuminate how businesses can optimize human resource strategies for effective and competitive growth, even in turbulent conditions.

**Presentation of the main material.** Strategic human capital management is an integrated approach to handling this vital resource. Traditional methods operate on the assumption that employees are company assets, focusing on retaining them through incentives and career development pathways. However, in today's fluid economy, human capital is increasingly mobile, and companies are frequently recruiting talent from external markets. The challenge now is not to restrict this mobility but to leverage it to cultivate an internal talent pool. Any steps in this direction should align with a strategy based on the specific talent needs of the company, taking into account the unique characteristics of different employee groups.

In a simplified way, the impact of human capital and the long-term development of a company can be illustrated in Figure 1. The external environment influences both the workforce and the management system, necessitating immediate decisions. These short-term actions eventually yield long-term effects that, in turn, further impact the company's personnel and its ability to counter external challenges.

![Fig.1. Human capital management in the Harvard model [2]](image)

The Harvard model suggests that situational factors affecting a business require a strategic approach to human capital and involve line managers in its governance. The model is built on four key variables, also known as the 4Cs.

- **Commitment.** This refers to employee loyalty, personal motivation, and affinity for their job. Employee commitment can be gauged by examining employee feedback, turnover rates, and exit interviews.

- **Competence.** This variable relates to the skill level of employees, their professional abilities, and the need for training or retraining. It also takes into account the potential for employees to take on higher-level tasks. Evaluation can be done through a performance appraisal system, based on a list of professional competencies. Human capital management should aim to attract, retain, and motivate highly skilled and competent staff.
• **Congruency.** This signifies that both the leadership and the workforce share a common direction in achieving organizational goals and work in harmony to achieve them. Shared views on core management principles can be established and maintained through internal communication systems, leadership styles, and daily work procedures. A sign of congruency is the absence of complaints and conflicts and the presence of harmonious labor relations.

• **Cost-effectiveness.** This variable focuses on the efficient utilization of educational training for the workforce. Human capital should be managed in such a way that maximum results are achieved with minimum expenses.

The Harvard model posits that human capital policies should aim to elevate each of the 4Cs. These variables are considered in the context of situational factors like laws, labor markets, management philosophy, and business strategy [2].

This model, originally developed 40 years ago, has been updated for modern business conditions and now includes more detailed components. Today, nine key components can be identified that impact the influence of human resources on business development.

1. **Recruitment and Onboarding.** The hiring process sets the stage for the quality of the workforce. Effective recruitment ensures that the organization attracts talent that aligns with its goals and culture. Onboarding is equally crucial as it aids in reducing turnover rates by acclimating new hires to the company environment and expectations quickly.

2. **Performance Management and Training.** Regular performance evaluations help in identifying areas where an employee can improve and where they excel. Performance management systems offer a structured approach for this assessment and provide metrics that can be used to enhance productivity.

3. **An Effective Performance Management System.** Such a system needs to be consistent, transparent, and aligned with company objectives. It should not just identify weaknesses but should also provide the tools and opportunities for improvement, leading to mutual growth for both the individual and the organization.

4. **Comprehensive Training and Personal Development.** HR strategies often include programs aimed at employee skill development. These could range from technical training to soft skills workshops. A well-rounded training program helps improve job performance while also offering pathways for career growth.

5. **Building and Maintaining Company Culture.** Culture is the invisible thread that holds an organization together. HR plays a key role in defining and nurturing company culture, which in turn affects employee morale, productivity, and retention rates.

6. **Pay, Performance Management, Training and Development.** Compensation should not only be competitive but also be structured to reward performance, encourage skill development, and foster a culture of recognition.
7. **Getting Culture.** Acquiring a positive culture is not a one-time task but a continuous effort that involves every department and level of an organization. From top management to new hires, everyone contributes to the culture.

8. **Business Communications.** Effective communication strategies are essential for both internal and external engagements. HR often takes the lead in defining these strategies, ensuring that the channels of communication are always open and productive.

9. **Legal and Regulatory Compliance.** HR ensures that the organization adheres to various laws and regulations related to employment. Compliance is not just about avoiding fines or legal issues; it also reflects an organization's commitment to fair practices, thereby boosting its reputation.

Overall, HRM plays a multi-faceted role in the strategic development of a business. Through targeted efforts in recruitment, performance management, training, and more, HR can significantly impact an organization's growth and profitability.

However, the strategic importance of human capital is not uniformly recognized across all companies or even all countries. In developed nations with strong human capital, there is a direct correlation between economic development and the nurturing of human resources, as people serve as the driving force behind innovation, new technologies, business solutions, and operational efficiency. On the other hand, countries with low levels of human capital lack the potential for significant business development.

Take Ukraine, for example (Table 1), where human capital is rated at a moderate level. Here, the role of human resources in business development is more indirect. Businesses in such settings are less influenced by the skills or innovative potential of their workforce and are more reliant on the availability of cheap labor, which is less capable of driving advanced technologies or making the business globally competitive.

### Table 1

<table>
<thead>
<tr>
<th>Country</th>
<th>Rank</th>
<th>Value</th>
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<tbody>
<tr>
<td>Singapore</td>
<td>1</td>
<td>0.88</td>
</tr>
<tr>
<td>Germany</td>
<td>11</td>
<td>0.79</td>
</tr>
<tr>
<td>UK</td>
<td>15</td>
<td>0.78</td>
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<tr>
<td>USA</td>
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<td>0.76</td>
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<tr>
<td>Poland</td>
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<td>0.75</td>
</tr>
<tr>
<td>Ukraine</td>
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<td>0.64</td>
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<tr>
<td>Turkey</td>
<td>53</td>
<td>0.63</td>
</tr>
<tr>
<td>Moldova</td>
<td>75</td>
<td>0.58</td>
</tr>
<tr>
<td>Chad</td>
<td>157</td>
<td>0.29</td>
</tr>
</tbody>
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Source: Link and Motivation Group [8]
Human capital constitutes 70% of the national wealth in developed countries, compared to only 30% in Ukraine. What's worse, while developed nations are amplifying their human capital, Ukraine is losing it due to factors such as demographic decline, emigration, and a mismatch between education and job qualifications. Moreover, the country's low labor productivity and lack of innovation are setting it on a path to disaster. According to the most optimistic estimates, Ukraine will experience a 5.5% decline in its working-age population within the next 10 years, and the economy physically won't be able to grow faster than 2.5% annually. The already abysmally low labor productivity in Ukraine will continue to deteriorate; currently, a Ukrainian worker produces as much in a year as a German worker does in 17 days. Identifying the root causes of these issues and crafting an effective strategy to restore human capital is no longer just a requirement for economic growth but a necessity for Ukraine's survival [13].

In today's globalized milieu, marked by rapid technological advances and a host of external challenges, the centrality of human capital in business development strategies is increasingly underscored. Companies now find it imperative to adopt a flexible approach, not only to accommodate market fluctuations but also to anticipate personnel behavior and management system responses to change. Various facets of human resource management come into play to ensure that an organization remains agile and adaptive.

*Corporate Communications.* Effective corporate communication mechanisms are pivotal in ensuring that the workforce is aligned with the company's strategic objectives. A transparent and open communication channel also aids in boosting employee morale and cultivating a culture of trust.

*Training.* Continual training programs are critical for personnel development, contributing to both individual career growth and the overall productivity of the organization. These programs often cover technical skills, soft skills, and company-specific competencies.

*Human Resources Administration.* Efficient HR administration serves as the backbone of a high-functioning organization, dealing with everything from recruitment and onboarding to legal compliance. It ensures the systematic handling of personnel-related matters, thereby freeing up other departments to focus on strategic activities.

*Performance Evaluation System.* The institution of a robust performance evaluation system allows for the identification of top-performers and areas of improvement, thereby aligning individual achievements with organizational goals. A well-structured performance evaluation mechanism also aids in determining developmental needs.

*HR Strategy.* A well-crafted HR strategy works in tandem with the business strategy, ensuring that the organization possesses the human capital required to achieve its objectives. It often includes long-term personnel planning, skills assessments, and succession planning.
Employee Well-being. Investing in employee well-being not only fosters a positive workplace environment but also has a direct impact on productivity levels. Wellness programs, mental health support, and work-life balance initiatives are increasingly considered crucial.

Remuneration System. A competitive remuneration system serves as an effective tool for attracting and retaining top talent. Salary packages, benefits, and performance bonuses are often structured to reflect both market trends and individual performance metrics.

The Number of Staff. Optimal staffing levels are essential for organizational effectiveness. Understaffing may lead to burnout, while overstaffing can result in unnecessary costs. Striking the right balance is key to ensuring sustainable growth.

Employee Support. Providing a support system for employees, particularly in the form of mentoring and coaching, is crucial for their personal and professional development. It also helps in the smooth assimilation of new employees into the company culture.

Workload Management. Effective workload management ensures that employees are neither overburdened nor underutilized. It contributes to higher levels of job satisfaction, reduced turnover, and improved organizational performance [9].

In sum, the integration of these elements into a cohesive and strategic human resource management approach enables organizations to navigate the complexities of the modern business landscape effectively.

However, it is crucial to understand that the company's ability to swiftly respond to changes and navigate through business crises is highly dependent on its conduct. Businesses with a well-developed corporate culture and human resource management system tend to invest in growth even in times of crisis. Conversely, businesses with a weak corporate culture often misuse human resources, lacking rational deployment. Turning back to the business statistics in Ukraine (Fig.2), the trends observed during wartime show that businesses are focusing on maximizing employee workload while reducing expenditures on training and the development of corporate culture.
In a context of limited capital markets and self-financed business operations, the issue of human potential development becomes a point of significant debate. Let's consider the avenues for developing human capital with the objective of business growth.

The development of human capital is generally linked by most scholars to the advancement of digital technologies, labor productivity, volumes of scientific research, entrepreneurship, etc. For instance, in some studies [5], human capital is defined by the work in the information services industry, where the concentration of human capital with the highest level of innovative skills is the greatest. Other authors [1] note a high concentration of human capital in the financial sector. De la Fuente & Domenech [3] found an impact of human capital on the economy through a correlational dependency between GDP and labor productivity. These authors indicate that labor productivity is a result of applying innovative technologies in production processes, which in turn is a result of the quality utilization of human capital. Other authors [12] see the development of human capital not through labor resources in production but through entrepreneurial activities since entrepreneurship is a significant feature of a creative economy where individuals try to create better products, services, or offerings in a competitive environment.

It should be noted that the most common view among scholars regarding the development of human capital is through education. This view is supported by international researchers. For example, there are also studies that demonstrate the importance of human capital for the economy, where the main economic target indicator is considered to be GDP and the influencing factors are demographic conditions, including gender statistics [6]. Some researchers have proven the
interdependence between the volumes of scientific research and key indicators that indicate the well-being of the nation [10]. The concept of developing human capital involves the realization that not everyone has the same set of skills or knowledge, but their quality can be improved through investments in education [7].

Based on these studies, it can be concluded that companies requiring strategic decisions that can contribute to effective and competitive business development should focus more on educating their staff who can, in turn, solve more complex tasks, create innovative products, and develop the business according to global human needs.

**Conclusion.** In conclusion, the strategic role of human resources in successful operation and business development cannot be overstated. Human capital is not merely a functional component but a strategic asset that can be leveraged for gaining a competitive edge. In the modern, complex business environment, the organizations that succeed are those that view their human resources as strategic partners in achieving business objectives. This is particularly evident in how firms navigate crises, invest in corporate culture, and manage employee workload and development.

Given the restricted financial landscape, especially in challenging contexts like Ukraine during wartime, the smart deployment of human resources becomes even more critical. Firms with well-developed HR strategies tend to fare better, as they invest in long-term growth through training and development, even when faced with immediate challenges.

In a global context, businesses must focus on the quality utilization of human capital to drive innovation and productivity. This means not just maximizing workload but strategically investing in staff development. Companies requiring strategic decisions for effective and competitive business development should, therefore, prioritize HR management, adopting a more holistic approach that includes workforce education, skill development, and emotional well-being. By integrating these components into their strategic plans, companies can better prepare their human resources to meet current challenges, anticipate future ones, and drive sustainable business growth.

**References:**


