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Why HRM is one of the most, if not the most important function within an organization and how Companies, regardless of them being large or small, stay ahead of their competitors by utilizing HRM. Can businesses live without HR?

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**Why HRM is one of the most, if not the most important function within an organization and how Companies, regardless of them being large or small, stay ahead of their competitors by utilizing HRM. Can businesses live without HR?**

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**Master in Business Administration**

**University of Neapolis Paphos 2020**

**Student Declaration**

I declare that this dissertation is a work of my own. All other studies and theories presented in this paper which do not belong to my work are cited correctly at the end of the paper. There are no sources used which have not been cited.

Vasilis Moisidis

31/10/2020

## **ABSTRACT**

This thesis has a target to explain in detail what HRM and how efficient it is for every organization, as well as how enormous corporations are using it to their benefit in order to prevail in the business market. An overview of HRM as well as its elements are presented in it. The major point of the thesis is to show whether the Human Resource management alone is enough to give a big edge to companies against other one's that do not have an HR department or a faulty one. The paper presents two major companies that have succeeded in that and two that have failed because of the lack of it. Furthermore, a case study of the most important HR scandal is presented and discussed.

The research is done by collecting employee data in a relatively small city with many small-to-medium businesses. The data collected is to be compared with the bigger picture of the multibillion company world and their employees. Research concludes that regardless of the size of the organization, employees have the same demands and rights, something that a HR department is capable of managing.

The paper will be focused on major companies known worldwide and business models they are a part of. Furthermore, strong aspects of HRM departments will be analyzed and presented in a way to observe whether the effects rising from them are groundbreaking. In the end, the question is answered in a harmonizing way by combining our findings with the historical data of the topics previously mentioned.

The paper will also focus on the importance of the welfare of the employees and effectiveness it provides towards the business as well as examples of companies without HRM and how healthy they are or were during their operations. Furthermore, this paper is to present the readers a clear view of HR elements and the benefits they provide, based on world famous examples and studies. Last but not least, a subjective opinion of whether the lack of HR in a business can be a reason for it to fail

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## *Introduction*

In order to start talking about HR, a general concept of it must be simplified and understood. The term ‘HR’ is usual in the corporate world. Everyone that had to do with a business, whether big or small, may have encountered the term and its meaning.

Human Resource Management (HRM) is a term considered for managing human resources in an organization. HRM is still evolving to this day to become a core component to any business that seeks progression and well-being. With a big history background, HRM has made it all the way into society’s ideal image of a healthy business model and continues to question whether it is mandatory or not to have an HR department in order to survive as a company.

Human resource management in an organization has multiple uses. These are:

- Training
- Interviewing
- hiring & recruiting
- providing benefits
- improving quality of life for employees
- compensating
- career planning
- providing healthy environment for employees
- minimizing conflict
- keeping in compliance with local and federal labor laws
- human resource auditing
- Usually as a rule of thumb, it is believed that for every 100 employees, 1 HR person is to exist.

# History of HR

## *Industrial Revolution Era*

In 1850's the industrial revolution began in Western Europe and the USA. The main purpose was the development of machinery and its energy processes as well as a "beehive" type of workforce working together. People were the main variable thus developing a glimpse of HR concept, with recruitment, training, and supervising sectors. However, this Era was based heavily on a slave-master type of contract, thus not giving workers the ability to use the HR department as people do today.

## *Trade Union Movement Era*

Shortly after, workers started to organize together based on their line of work and their interests, creating associations which were called trade unions. Trade unions existed to protect and present problems workers had in regards to their health, extreme hours of work, and hazardous environment when working. Furthermore, for the first time ever workers started using methods of persuasion for their benefit such as strikes and slowdowns, until they get their demands settled. This conflict between workers and "owners" would either end up on serious outcomes or benefits towards workers such as specific job duties, vacation time or bonuses and safety measures for environmental hazards.

### ***Social Responsibility Era***

In the early years of the 20<sup>th</sup> century, factory owners started internalizing a more ‘‘human’’ approach to the relationship between them and the workforce. This would include lowering working hours, lessen strict policies, more opportunities for pay rise etc. Factories would show that they care about their people’s well-being. However, this approach was deemed by critics as something inevitable and forced in order to avoid personnel's actions similar to those of trade unions, meaning the approach was made based on fear of possibility of strikes and demands by workers, rather than factory owners actually caring about the people.

### ***Scientific Management Era***

In the late 19th and early 20th century, scientific management leaned towards economic efficiency. This type of management was brought to light by the theorist Frederick Winslow Taylor. Taylor claimed that all employees were motivated by money, so he promoted the philosophy "a fair day's pay for a fair day's work". So, if a worker didn't perform well in a day, he didn't deserve to be paid as much as another worker who was highly productive. The theory suggested that managers should only hire people that would be efficient in the line of work for a certain cost. It is obvious that HR is a concept ever-evolving and continues to provide new ways of managing the workforce.

## Structure of the Dissertation

The dissertation is structured in 6 chapters that analyze different views on HR including the methodology. Each chapter contributing differently on whether the topic of this paper has a positive or negative impact based on said chapter's findings. The purpose of this kind of structure is to differentiate different key elements from one another in order to have a clearer view of understanding at the end of the paper. Although each chapter has different things to address, all six are connected within the same frame of purpose, which is the understanding of HRM and its degree of importance.

**Chapter 1** is the literature review where a summary of HRM studies are being presented and discussed, mainly focused only on keen ideas and concepts studied previously.

**Chapter 2** gives a wholesome view of today's HRM, it's application and effectiveness, as well as examples of Big worldwide companies using it to their benefit.

**Chapter 3** Gives a more realistic view of HRM drawbacks as well as obstacles that said companies may have, few examples Including a case study of a major company downfall.

**Chapter 4** presents the paper's Methodology and the reasoning of the choice made regarding the type and structure of it.

**Chapter 5** presents the results from the research and compares them with a much larger scale of findings found in the big corporate world.

**Chapter 6** Addresses the new HR issues in 2020 and how corporations decided to deal with them, the outcomes and a final summed up verbal image before continuing to the conclusion.

# Chapter 1 Literature Review

## Introduction

This chapter presents a series of study reviews upon the topic of HR importance and its development. The reviews are based on secondary studies whose only target is to provide a clean overall opinion or controversy on that matter. Furthermore, this chapter describes in detail the evolution of HR throughout the years and provides a clear point of view of its effectiveness. By the end of the chapter, facts about the current state of HR and how much it has changed the business environment are presented. The development of HR is as important as its management since Today's HR stems from the evolution of HR throughout the years.

## Work review

Drucker (1954) created the term “human resources” in his work ‘The Practice of Management’ and acknowledged it as a tool in managing operations, managerial effectiveness, and managing people in the workplace. Specialists and practitioners all have the same view that people are the most irreplaceable asset of a business since every managerial decision comes from specific people doing tasks such as managing cash flow, business transactions, media and public awareness actions, and dealing with all sorts of customers (Haslinda, 2009, p. 181). Having a correct understanding of human resources can promote flexibility and innovation since many aspects of a business solely depend on humans.

As companies have evolved from less production-driven to more employee-focused, the role of HR in modern organizations has been altered. Therefore, the purpose of HR has changed from the role of human capital management to a more strategic role of maintaining a knowledgeable and progressive career-focused workforce commonly known as HRD. Nadler

(1970) defined HRD as “a series of organized activities conducted within a specified time and designated to produce behavioral change” (p. 3), and Desimone, Werner, and Harris (2002) view the application of HRD as “a set of systematic and planned activities designed by an organization to provide its members with the opportunities to learn necessary skills to meet current and future job demands” (p. 5).

HR has become responsible for more important aspects of the growth of the organization, such as manager development and assistance with strategic planning (Jacoby, 2004). As stated by Kaufman (1993), “Whereas human relations had led managers to emphasize the improvement of interpersonal relations and social conditions in the plant through techniques such as sensitivity training, human resource management encouraged firms to focus on practices and techniques that promoted employee development, such as job enrichment and pay for knowledge” (p.121). Furthermore, HRD as presented by Gilley, Eggland, and Gilley (2002), consists of four important areas: career development, individual development, organizational development and performance management. There has been further investigation of the HR evolution that affects current problems in organizations and the value of it when it comes to strategic and managerial value in modern day.

According to Langberg and Friedman (2002), HR eras are classified as the pre-industrial period (1600-1780), the paternalist period (1780-1920), the bureaucratic period (1920-1970), and the high-performance period (1970-present). Each of these timeframes view the management’s response to the stakeholder demands. The pre-industrial period was known by labor practices such as slavery, and apprenticeships as well as laws that were limiting labor mobility. The paternalist period was the industrial revolution. It was then when HR practices took a turn to increase overall productivity. Since labor was a means of profit, workers started demanding more flexibility and rights such as the right of health safety and payment.

The bureaucratic period had major improvements in managing the human side of labor. During the bureaucratic period, Human Resources Management (HRM) was referred to as personnel management and administrators of HRM services were called “welfare secretaries” (Ivancevich, 2007). Hayton et al. (2011) created four sets of this high-performance period by describing the themes in the academic literature. These are: practice focused (1961-1971), theory development (1971-1982), strategic HRM (1983-1999), and globalization (2000-2010). While the discussion of the HR department took place for the first time in the 1970s, the actions of applying it stemmed from the strategic HRM efforts of the 1980s and 1990s.

York (2005) suggests that HRD contributes to “both long-term strategic performance and more immediate performance improvement through . . . developing their [employees’] capacity for performance” (p. 20). The construct of HRD as modeled by Mankin (2001) and adapted by Werner (2014) views HRD as a mechanism of constant workforce development.

Gilley and Maycunich (2000) give a unique perspective on the evolution of the modern organization. They suggest that the organizational view has grown a lot since the beginning, which used to focus on getting the job done without taking into consideration the well-being of the workers. Gilley and Maycunich (2000) further suggest that the organization can reach even greater success by becoming a developing organization, in which it provides resources to develop every single employee in every aspect of their careers, not solely work knowledge. According to them, this is what managerial development is all about.

### **HR development problems**

Vince (2014) provides an argument that HR development must be examined from a point of view which includes an understanding of both power relations, which he defines as “the range of different forces or dynamics that are integral to people’s experiences and to organizing processes” (p. 410), and emotions, which he views as “an emphasis on how development is shaped and avoided by ongoing relations” (p. 411). Vince supports the idea that individual development is an important factor to the prosperity of an organization; however, he warns that due to emotions and power relationships with individual employees, individual development can have an opposite effect on the organization and inhibit organizational change by creating conditions where submission instead of growth, will result.

Another problem in HRD is that of work-life balance among workers. Kahnweiler (2008) simplifies the idea of work-life balance as “achieving and maintaining a sense of balance between the demands of work and the commitments outside of it” (p. 75). He contends that there is no research regarding HR when it comes to the work-life balance of the employees.

Kahnweiler (2008) offers reasons to dispute this claim, and demonstrates that understanding and relating the issues of the work-life balance concept to HRD is useful. Furthermore, he claims that work-life balance is an “organizational effectiveness issue” (p. 79).

Last but not least, Rao and Salunkhe (2013) provide a speculation in which they support Gilley and Maycunich (2000) in their decision that utilizing HRD to develop the company is mandatory and vital for positive growth and change. They claim that an optimal “Developmental Climate” (p. 39) is a critical part of making HRD a successful tool for managing the development of workers in an organization. The problem is, according to Rao and Salunkhe (2013), many organizations do not have the tools necessary to adopt the Developmental Climate they believe is needed for HRD to create organizational change.

### **Conclusion**

This review has shown what HR development has achieved and is capable of doing in an organization as well as its limitations. Without HRD, HR management can be proven a little difficult if not impossible. HR as a science has been studied by many analysts and experts, only to conclude that a company without HR aspects, is very difficult to prosper in the corporate world, ever since the beginning. Countless studies regarding HR all point towards the same direction. HR development is meaningful and critical for a business’s success.

### **Disclaimer**

This discussion is quite limited to the development aspect of the HR due to the nature of the topic being very wide. Most papers published about HR all agree up to a specific point which is the point this dissertation is bound to make as well, hence not repeating the same study review conclusions.

## chapter 2 – HRM is too valuable

### Introduction

There are a lot of reasons why companies include an HRM department within their structure, whether it's because of how the owners of the said company want to run it, or because it seems mandatory due to issues arising when there isn't one. Taking a look at today's corporate world, it seems that most companies have some elements of HR, even when there isn't an official department per se. The question is why is it so important? From the beginning of the business world till today, one thing has not changed at all. **Manpower** is one of the most important factors when managing a company. And HR departments are the means to accomplish planning and managing that factor. These departments are there to bring the best capable manpower suitable for the job. According to the Society for Human Resource Management (SHRM), the average cost-per-hire for companies is 4,129\$ and the average time it takes to fill a given position is 42 days. This shows how costly and inefficient hiring can become. Furthermore, in America, only a third of the companies had a succession plan. This goes to show that only a fraction of HR departments out there have a future plan for its Manpower.

HR is also responsible for making the recruits' introduction inside the company to be as smooth and well-being as possible. The training and future planning of the Manpower is an existing duty of HRM, when the company's nature and scope allows it.

Training allows employees to improve their skills thus improving the overall performance of the company, whereas future planning can be described as an idea of rewarding highly efficient and productive employees with things like day-offs, holiday packages, EOTM\* awards promotions etc.

HR is also accountable to protect everyone within it from conflict. It is understandable that the more Manpower exists within a company, the higher chance of conflict arising between the employees. Avoiding conflict is almost impossible, but managing and minimizing it to its lowest is something a good HR department can achieve.

Managers can also take into consideration harassment and discrimination laws that will help them set boundaries to protect fellow employees. Conflict can get out of control and damage the well-being as well as the performance of the Manpower, resulting in bad results, both in an economic point of view, as well as the image it creates to the public.

HR is the key to having good relations. By having seminars, meetings and an open-friendly environment for people to talk about what bothers them is very important for businesses that wish to avoid conflict, drama and a negative workplace.

However, there is one important figure within HR that can alter the whole scenery within the employees of a company, whether it's a big or a small business and that is leadership.

### *Leadership*

A leader can be a manager, but can also be an employee that shares the vision and goals of the company. Leadership is not something that you learn to practice, many people suggest that leaders are born with certain characteristics that differ one from another.

All kinds of leaders exist in the corporate world. Some are fueled with power and try to achieve the company's objectives by "using" the workforce regardless of its well-being and opinions, while others try to connect with employees and give them a chance to feel a part of something bigger, incorporating teamwork and respecting their views on topics regarding the business.

Nowadays, in small businesses the most usual type of leader appears to be the so-called oligarchy leader, the person who's only desire is to meet the company's expectations (e.g. sales) without taking into consideration the workforce's well-being. He is the person that will threaten employees with pay cuts and verbal abuse in order to increase their productivity.

However, the most accepted type of leadership in all companies regardless of their size is an influential leader. He is the type of person that influences the workforce with his goals and the vision of the organization. He does not act like he is above the others, but emanates the attitude to reach certain goals and helps the workforce inherit his stance against problems and obstacles arising.

The main difference between these two types of common leaderships is that the leader following oligarchic means usually gets the job done despite using bad means, but loses the workforce's respect in order to do so, whereas the charismatic leader is respected and brings a positive aura in the workplace, but usually does not cater to every employee's line of thought. When a company is having a workforce consisting of big numbers, it is not unusual to have some employees that would take advantage of a leadership that is loose (e.g. no pay cuts or scolding).

Every company is different from each other resulting in an unclear view of suitable leadership, which has to rise through acknowledging the company's scope, vision and organizational behavior as well as identifying the workforce's own identity and characteristics.

### **HRM as a whole**

On the grand scope of things, HRM importance is affecting a lot of values.

#### **-Social significance**

HRM provides social benefits when it comes to the grand economy.

The need of employment balances out the job seekers and the employed personnel within an economy. This results in exchanging monetary value for carrying out job duties thus covering social needs.

## **-Professional Significance**

By giving maximum opportunities for employees to improve and earn their money easier and with more professional experience, HRM creates a long-term workforce of people that want to work and get better, thus making the company better.

Professionalism and training include maintaining the pride and dignity of every single person belonging in the workforce, not feeling left out and disposable.

HRM is responsible for secure and fair job allocation according to each employee's pros and cons. By doing that, each employee feels like he has an identity not only based on his characteristics but his skills as well.

## **National Significance**

Economic development of a nation is dependent upon the skills, attitudes, and values of its human resource.

It aids to accelerate the process of economic growth.

It assists to help in improving the standard of living and better employment.

Summing up the Employee relation importance with HRM one can say that HRM contributes by:

-Utilizing both the workforce and non-human resources like technology to achieve certain goals within the company.

-Helping workforce management using and providing information with accuracy and in time.

-Helping provide a respectful and drama-free environment for each and every employee.

- Providing all means for employees to work with creativity and without limitations
- Promoting discipline and moral lessons using performance-based incentives.
- Combining both organizational and individual employee goals to achieve a perfect harmony.
- Always focusing on improving and achieving higher production and well-being using all available resources.

### **Companies with successful HR**

Now that we've seen in paper how HR is contributing within a company, let's take a look at specific companies that are worldwide known based on employee satisfaction and performance.

#### **Google**

According to Glassdoor's Most successful HR implementations in today's business world, Google takes the lead. Employees working there all agree the working environment couldn't be better, since it's not only unique but also catered to every single person working for Google. Why is it though that other multi billion companies can't seem to take the same approach and reach its HR benefits and outcomes?

One thing google has and owes it to its unique HR practices is the workplace. Google's ideology is that within the correct environment and the suitable tools, all kinds of talented employees will want to work for the company and prosper with productivity. Employees display their full potential when working in a friendly, positive and open environment. According to the American institute of stress, one of the leading causes of work-related stress is a negative workplace, both mentally and physically.

That's why Google chose their workplace to be a mountain campus with an amazing view in California. Zero dress codes, facilities for employees to use like volleyball, basketball and tennis courts, including all sorts of places to relax and have a meal, suggests that employees feel being in a big corporate family. The Googlers as they are called, are combining hard work with workplace pleasure and fun.

Google suggests its employees to run by the 70-20-10 rule which suggests that 70% of their time to advertising work, 20% on a project of their own choice and the rest 10% on brainstorming. This gives the employees a much flexible choice of work and it's quite logical that people work better when they work on something they are interested about and like it.

Google is very known for how generous it is towards its employees when it comes to payments and rewards. By including bonuses, stock awards and out-of-ordinary rewards to the most loyal and hardworking one's, it seems that this company is ideal for every employee that wishes to build a career and give it his all.

Looking at the recruitment program, Google has filtered everything and does its best to recruit people with unique talents. Google has a special hiring team which consists of extremely professional people that seek to identify the biggest talents out there and hire them. This team, with the help of the general branding of Google to attract the best candidates, is the means to attain the best workforce possible.

The hiring system Google follows is a screening process. This means that the company filters every candidate by algorithmic measures that process data which draws out talented employees. This type of process is vastly different from the usual traditional one which just focuses on grades diplomas and certificates without touching the personality traits.

According to the company's stats, only 0,2% of the applicants are hired. This shows that it's extremely hard to work for Google since the competition is huge. So many people want to work for google and it all falls under how the HRM works and functions within this multi billion company.

It's not just the Hiring team that carries such weight though. Google has a big financial power to use in order to satisfy its employees with benefits and rewards. Furthermore, each employee has a connection with a manager within close terms, and there is no huge gap from one position to another when it comes to communication. This adds to the feeling of "freedom" within the workplace which inspires and motivates everyone working.

It seems google has done amazingly at its PR and HR cores. However, this was not achieved in mere two or three years, but rather a long time of trials and errors. An example is that in 2008 google had the employee's perks downgraded which in turn lowered the price of stock and employee productivity. Google quickly changed this decision and only took a small amount of financial damage. Google is a company that has proven HR is a core department, a department that if managed incorrectly, would perhaps make Google infamous in a lot of aspects

### ***Mayo Clinic***

We have seen Google's approach in employee satisfaction and the direct effect it has on the company's strategic goals. However, there are many companies that have thrived in their HRM and one of them is the Health clinic Mayo Clinic.

According to Fortune100 Best companies to work for, Mayo clinic passes with flying colors. The human resource department has followed a core-team binding strategy that led to a very focused group dynamic.

Mayo clinic is a non-profitable group organization that allocates any side earnings to help individuals with their healthcare. The organization lives in a very challenging economy and even succeeds to thrive in it. The design is absolutely brilliant, having a team of doctors, analysts and scientists create something that helps worldwide healthcare all over the world.

Nowadays it's very difficult for a Healthcare institute to turn into a reputable colossus, but Mayo clinic achieved it amazingly. Their reputation is all credited to the satisfying patients and their families, who claim that Mayo clinic treats every individual with care and respect, something that all companies should try to pursue. It's HR is well known for being the key element to what Mayo Clinic is today.

Mayo clinic defines its goals as a mission to:

- Provide a nice and healthy environment for all patients and their families
- Avoid all kinds of discrimination to both patients and employees in all levels of the organization
- Become the leading force of global healthcare using the best technology combined with the greatest doctors and employees
- Help minorities and women to reach high levels of senior positions by adequate training and mentoring

HRM has a core degree of responsibility to achieve these goals and Mayo clinic's reputation is showing that the department has done a very good job.

## **Environment**

What makes Mayo clinic so welcoming is the fact that it follows the trends and copes with dealing with the problems of today's world when it comes to discrimination and prejudice. An example is that Mayo Clinic shows a very sensitive side for minorities and people that feel like outcasts in the society. One of HR's policies in Mayo clinic is the **LGBTI MERG**. Mayo Clinic promises that patients and employees that identify as lesbian, gay, bisexual, transgender and intersex have no reason to worry about being treated incorrectly or differently than others. In the last two years, there's been an outrage of such minorities and their claim that their rights are continuously revoked. People that are included in these categories often find it hard to be taken seriously in large companies, both as employees or customers/patients.

This kind of reputation to the outside world makes a company desirable both working and being a customer in it.

### **Mayo Clinic Recruitment**

In 2007, Mayo clinic HR team stated that effective recruitment is vital for the company's strategic goals and its vision. Furthermore, that year more than 6000 allied positions were filled. Out of those 6000 approximately 750 were considered minorities. This number surpasses every other ratio based on employee diversity recruitment in the section of healthcare, which shows how much Mayo Clinic cared back then about its public image. This statement exists within its core values till this day, years after. Mayo clinic is ranked top in its field more often than any other healthcare organization.

This organization did everything correctly HR wise and set a very good example on how Nonprofit organizations can thrive in a demanding economy.

#### *Positive outcome*

Two of the biggest organizations in the world succeeded using different but accurately effective HR methods and tactics. It seems that without that kind of management, a company's workforce can tumble. Yet there are many organizations that use HR poorly. A great question is what kind of damage can a bad HR department within a company do, and if it would be better not having one rather than having a bad one.

# **Chapter 3**

## *Bad HR*

### Introduction to bad HR

It is known that HR can contribute to a company's success by a large margin. However as good HR can take a company to the next level, bad HR can destroy it.

Due to the fact HR deals with people, there are a lot of parameters that must be considered, because humans are all different in contrast with the machinery which has certain known flaws and functions. A bad HR can contribute to the downfall of any business whether it's a small or a big one. That's why a bad HR can destroy the connection of the company with its most important value: Its people.

### Signs of Bad HR

#### **-Unique workload**

Each HR employee has to deal with different people each time a problem occurs. Sometimes a solution that would work for one won't work for the other since there are no instructions how to deal with each and every conflict/problem. That's why HR has a difficult task in the beginning to identify ways to manage problems.

#### **-Dissatisfaction between parties**

The HR manager sometimes is the means of communication between upper management and the employees. It's very difficult to satisfy everyone and their demands, thus creating conflict or negative environments between them.

#### **-Bad cost management**

HRM can be costly due to training and recruiting costs, installation and application of HR methods. That's why when a simple HR strategy goes wrong, a company can lose a lot of money.

### **-Bad subjectivity**

People are beings that refuse to stay subjective for too long. This can be proven dangerous when dealing with the employees, easily creating conflict and a sense of prejudice, which in turn lowers the functionality and effectiveness of the people working. It's very hard to come by a manager that can remain unbiased and fair towards every single person under his management.

### **-Bad case of short-term training**

There's no guarantee that after their training, employees will continue to work for the company for a long run. This creates a risk of throwing training costs carelessly and damaging the company. Furthermore, the trained employees may become a part of companies that are in the same competitive field, discouraging further training processes to avoid this kind of damage.

HR can be quite tricky that's why some businesses choose to either outsource it or not have it developed at all. Failing at having a good HR can give a very bad reputation to the company's name.

It happened with **Forever 21**.

### **Forever 21**

**Forever 21** is an American fashion retailer based on California. It is known for its unique fashion stylings and low pricing. However, it is also known for being a bad company to work for. This company is a prime example that HR alone can be proven devastating to the company's well-being.

Forever 21 declared bankruptcy in 2019 after seeing its sales decrease by an astonishing 32%. Before that, several allegations and lawsuits happened thus decreasing the company's public image to the ground. All of those happenings had a common ground. The HR department.

As seen before, HR is responsible for the employee's satisfaction and correct behavior. In 2001, a lawsuit against Forever 21 was issued, with a charge of labor laws violation. The charge included less than minimum wage pays, Sweatshop-like working environment/conditions, unfair firing and more.

All these issues fall under the human resource management. It was the beginning of a series of events which failed the company and drove it to the ground.

Another lawsuit proceeded in 2012 by employees who stated that they weren't getting paid for the time working their lunch hours. Furthermore, employees were usually detained in the store to have their bags searched for stolen goods, which was the anti-theft policy of the organization. This absurd policy took place either on the launch breaks of the employees or after their overtime shifts, which also resulted in no overpays.

Apart from bad employee management, Forever 21 also had problems with copyright issues, and not once or twice. The company had problems with copyright material printed on their merchandise more often than not. This resulted in a series of court attendances which in turn reduced furthermore the public image of the company.

According to Glassdoor the average employee rating of Forever 21 is 2,5 out of five stars and the CEO approval rating a mere 30%, making it one of the lowest ratings ever and one of the worst companies to work for. Employees are what make a retail company successful most of the time. And Forever 21 did a bad job of keeping them motivated, feeling safe and most importantly, paid.

## Toyota

Another Example of Bad Management is what **Toyota** had to go through after a mishandled case of bad practices.

From 2009 till 2011 Toyota withdrew approximately 9 million cars from the automobile market. The reason was several mechanical failures including accidental acceleration of several vehicle models. One would assume that HR had nothing to do with both manufacturing and testing the faulty vehicles so that can't be an HR misjudgment. However, HRM has a very complex and deep saying in every kind of organization. Employees at Toyota were directly accountable for the most part of the whole incident, not only on a mechanical point of view, but also on bad calls regarding certain decisions. HRM deals with employees and Toyota proved that Having a bad management can be disastrous. Lack of information or inadequate training for employees are two very important aspects to look for.

According to Businessweek, the recall cost Toyota 155\$million per week and in the next weeks, the stock valuation would drop by an astounding 30\$billion. The leaders of Toyota were aware of the issue well before actions were taken and also tried to hide some facts and alter the significance of the problem. This decision-making is what HR science is trying to avoid. Rather than trying to fix the problem, employees and leaders were given incentives and rewards to bypass such errors and act like nothing was happening. This kind of incentives are unfair towards employees that worked hard and in bias, since good intentions were not rewarded, but lies and unprofessionalism was. It was the leader's job to quickly act and fix the problem rather than hiding it. The rewards were so enticing that no one was willing to stop the company's short-term growth and focus on the grand picture and the customer's safety. Furthermore, it seemed that training of employees was inadequate as well, since those in charge refused to fix the negative aspects of the whole scenario but rather chose to focus only on the positive outcomes.

It's clear that employees and leaders of Toyota involved at the mechanical failures were only representing the company's vision of profit and growth. Ignoring long-term problems for short-term profit and growth is a rookie mistake an HR department can allow to have within the organization it belongs to. A mechanical error by individuals is a problem that can be dealt with, however not addressing it properly and in time can create a series of misfortunes related to each other. The HR department in a company is responsible for all that not to reach

a critical point, and Toyota failed to do that. On the bright side, it seems that the company has rebounded nicely since then and improved their policies when it comes to management in a stricter way.

## Biggest HR catastrophe :Enron

Everyone is familiar with the Enron case back in 2001 and the complete annihilation of both the company and the Audit firm Arthur Andersen, one of the five largest audit corporations in the world. The Enron fall is, till today, considered the largest audit failure that took place in the world.

The executives of Enron used accounting loopholes and false accounting reports to hide huge debts coming from failed projects and deals. The audit firm Arthur Andersen that was responsible for correcting audit reports on behalf of Enron, were pressured to neglect all issues and act like they never existed. In fact, Arthur Andersen earned more than 25\$million in audit fees and more than 26\$m in fees regarding audit consultation. With incentives such as very high bonus rewards, it seems that people working for both companies had big trouble staying impartial. The fall of Enron shook America to its economic roots, with some economic analysts claiming that the effect from such a disaster was greater than that of 11 September 2001.

The downfall of Enron was not a result of one misjudgment, neither a series of them. Many aspects of the company were put to blame including the lack of corporate governance, executive manipulation, subjectivity and poor decision making. However, one single department had the biggest weight to carry in this scandal, and that was the **HR** department.

### **-Achieving great heights**

Due to law changes in the early 1990's Enron lost its exclusive right to manage their pipelines. However, Skilling managed to transform Enron to an energy derivative contracts trader which acted as the "middleman" for natural gas producing companies and their customers. This action raised Enron to heights which came with very large bursts of profit. In

the following years, the competition began to rise and Enron's profit began dipping. Under the pressure of shareholders, the high executives began using shady techniques including the 'mark-to-market' technique which gave the company the ability to write unrealized future gains from contracts to the income statements, making it seem like the current profits were higher than they actually were. Enron was receiving awards for being such a 'great' company and an example to follow, but in reality it was all just an illusion.

### Enron's 2000 Reported Revenue vs. Similarly Sized Companies: Too good to be true?

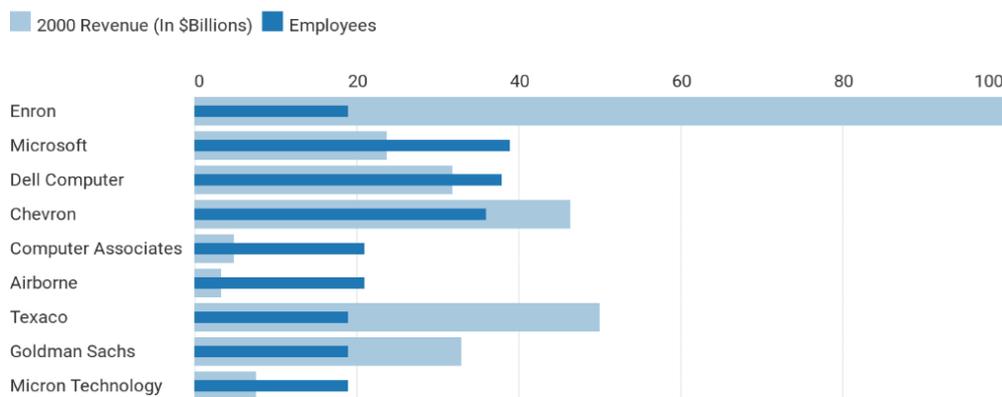


Chart: Investopedia • Source: Forbes • [Get the data](#) • Created with [Datawrapper](#)

Enron's success was at its peak during the August of 2000. Stocks at that period of time were valued at 90\$, the highest it has ever been. It was then when the high executives started selling their stock. Meanwhile, the public and Enron's investors were promised that the stock would continue to rise even further beyond while secretly the downfall was imminent.

Within the year the stock value decreased approximately by 50% but many investors still believed that Enron would still dominate the market and continued to keep their stocks instead of taking the way out. In October, the stock dropped to a low 15\$ and some people found this a great opportunity to buy but in reality, the stock never bounced back.

In 2002, an independent review revealed how executives pocketed millions of dollars from under-the-table partnerships while reporting inflated amounts of profit to the company's shareholders. It seemed that executives acting on their own all for a common goal but at a competitive level with each other, showed the true nature of them. The company consisted of more than 29000 employees but there was a certain number of people that were pulling the strings under everyone's nose.

## **Enron Case players**

### **-Key players**

Before digging into the HRD, a description of Enron's most important people will show on what level of status the executives of the company belonged to.

### **Kenneth Lay**

#### **Founder and CEO**

Lay was the founder of Enron in 1985. He created the self-leading company which received many awards and titles, an innovation goliath with millions of profits and a self-centered style that was scary to every competitor. He was usually absent, hanging out with rich politicians and investors. Words say that Enron's boss had no too little idea what was going on with his company, since many high executives seemed to act on their own.

## **Jeffrey Skilling**

### **Former CEO**

Jeffery Skilling became Enron's chief operating officer in the mid 90's. He was previously working with Mckinsey &Co, an American management consulting company. He was the leading factor for the company to grow economically that much since his ideas were game breaking. He was labeled a visionary but also a cruel management performance leader.

He was feared within Enron and respected for his achievements. His personality became a VIP within the company, under him the company earned the title 'Most innovative company of the year'. Six months after taking the CEO place, he resigned for 'personal' issues, marking the beginning of the downfall. Skilling was convicted to over 12 years in federal prison, and as of 2019, he is free.

## **Andrew Fastow**

### **Chief financial officer**

Andrew Fastow was a former banker that was known for his financial knowledge and critical thinking. During his years at Enron, he was praised by CFO magazine for his out-of-the-box strategies which helped Enron achieve a big burst of growth. He was fired just before the declaration of bankruptcy of Enron. His estimated personal profit exceeded 30\$million dollars.

## *Sherron Watkins*

### *Financial executive*

She was Enron's Financial executive and also known as the Whistle Blower for Enron's case. A couple of days after the resignation of Skilling, she contacted the CEO Lay saying that she was very skeptical and nervous and that the company would begin to show its true colors and ultimately unveil accounting scandals. The warning was ignored but never left out since it was the first sign of the company's hidden economic health. In 2004 she released a book called *Power Failure: The Inside Story of the Collapse of Enron*.

## *Cindy Olson*

### *Vice-president, HR*

Olson was an accountant for 15 years, and the face of HR. This is fairly important to note since Olson took zero action to prevent fellow employees to be dragged along with the company to demise. In fact, she agreed to a moratorium stating that every employee would be unable to sell Enron stocks while it still had some value and even paraphrased 'We didn't have a crystal ball, nobody knew where the stock was going to go. As expected, Olson did cash out more than 6\$million in Enron stock months before the big collapse.

These people played the most significant roles in both rising Enron to glory and putting it down to ashes. Enron's downfall caused more than 50\$bln in economic damages, with thousands of employees left out to financially die and a big trauma to the US. If such a large and successful company can crumble so fast to nothing, nothing can be taken for granted since tomorrow there may be a new Enron-like case that would shake a whole country's economy. But the question raised is what if it could be prevented. Olson as a vice president and the face of Enron's HR failed to take actions to prevent many issues. The idea that the

HRD of Enron could prevent such a catastrophe or at least make the fall lighter, is not far-fetched at all.

Enron's corporate values, strong recruitment processes, and a sense of survival of the fittest environment within the company, had a direct link with the HR department. It was a department based on ethics that were not followed by top executives, and that was already giving vibes to employees below them to act unethical as well.

### **-Employee status**

Enron employees were often recognized by their luxurious lifestyle. There were very high rewards based on employee performance. In town, there was also a 'car' day where employees would rack up their expensive luxurious sports cars and fill the city streets especially the river oaks suburb, where lines of those cars would fill parking spaces. Enron's employees were treated with respect and had a high social status. From an HR perspective, on papers Enron achieved everything. Having employees push themselves and create their careers with so much wealth by taking risks is something that a successful company would wish to achieve at that time.

Enron's HR Vice President Olson stated "If you make it easy for people to move inside the company, they are less likely to look outside". Olson had the idea of retaining the talent within the company, since it was not unusual for big players to change jobs and duties, so the idea was to do it within the company rather than leaving Enron.

Enron's HR however had the leash set very long when it came to inexperienced employees. These employees were very often handed the privilege to make high risk decisions regarding millions without a supervisor or the approval of someone above them. This is a very risky strategy since one decision that has not been weighted properly could result in millions of losses, and that's why experience comes first when it comes to employees. Multi Billion companies tend to forget that since the revenue they are producing is tunneling their vision only towards the profits rather than improving inefficient performance. 'It's not enough to have a corporate ethics policy, there must be processes that ensure ethics are followed' says Goodman at Watson Wyatt.

There must be penalties even for those in the top hierarchy within the company, penalties that limit such neglect of ethics and employee misjudgment.

## **-Survival of the fittest**

Enron had the idea that teamwork was essential within the company, yet deep within competition was all over the place. Employees would often do a project with as few people as possible just to increase the money shares split. The workplace fast became an environment where competition was continuous and tough. Managers would lie or mislead information about colleagues they wanted out of the picture, some would even leave false negative reviews against those who would compete for higher ranks. Another HR practice Enron managers seemingly enjoyed doing was using the term redeployment a little differently than usual. Managers would warn employees that they had 45 days to find a new job within the company, only that there was no new job available to begin with. These HR managers would strictly suggest managers from other sectors of the company to avoid hiring said employees. Such a competitive scene sooner or later would crumble from greed and dishonesty.

Enron's policy of rewarding company stocks to executives was kind of excellent on paper: This strategy would suggest that the better the performance, the better the stakeholder value thus better rewards. It is crucial for the executive's goals to align with the stakeholder's desired return, and Enron achieved that. However, it is a system easily abused as seen a few years before the company's demise, where seniors cashed out more than 1\$billion in stocks which premeditated the happening. The greed and lack of transparency kept the stock value high for benefit rather than actual company performance until the ripe began.

## ***Whistleblowing***

A whistleblower within a company is the person who exposes and uncovers secret information within a company that is either illegal, unethical or just wrong such as corruption, unethical decisions that can compromise the company's reputation or profit, or even sketchy activities. Whistleblowing is something that can benefit a company to stay subjective and safe from any action that can harm it. Enron encouraged anonymous whistleblowers as much as possible. However, there wasn't any warning when the company fell apart. This was due to the strong hierarchy within the company. When high rank members were acting greedily and based on their values of profit, any whistleblower that

would engage in conversations or warnings towards them would be either ignored or threatened. Every time someone would warn the situation happening in Enron, he would go to the high executives instead of acting differently, and high executives of course would do nothing at all.

This goes back to what was said before, it's not enough to have ethical principles and ethics if nobody is there to enforce them or prevent high ranking employees from bypassing them. It is HR's responsibility to manage any incorrect ethical practice or idea within an organization and fix it. HR must be independent of senior managers so that their interest won't conflict with those of their colleagues or the whole company's well-being, and Enron did the exact opposite.

### **-Enron's Conclusion**

Nobody can doubt that the Enron scandal was the biggest accounting disaster than any other in the U.S history. Since this case, multiple laws have changed or added in order to increase damage avoidance and control so that companies won't behave like Enron did. More than 4,500 individuals had their career dreams ripped off and left in the dust due to some unethical and illegal acts of the few. The pension fund of the company was completely ripped off. Enron's public image was the exact opposite in the shadows and nobody could promise that this wouldn't happen again with another company as the perpetrator this time. Many analysts and experts blamed the accounting loopholes, others blamed the sinister executives and their greed but everyone had a common ground to set the blame on.

The HR within the company. Although it's not 100% responsible for the disaster, most of the problems that had risen prior to it could be avoided by having people practice good and subjective HR without the money prize in their vision. The HRM was responsible for the auditing outsourced, clean public image, executive actions and employee performance and safety. All it achieved was getting some awards and titles for its image while creating one of the most competitive work environments of all time. HR failed miserably to keep the company's values and ethics in check resulting in a domino effect that reached bankruptcy and a large trauma to the US economy and history. That's why the Enron case is the biggest accounting and HR disaster of all time.

## **Chapter 4**

Research methodology simply refers to a systematic design of gathering data to address and compare some objectives.

### **Research methodology**

There are two main methods of research methodologies that are used worldwide by experts and analysts. There's the quantitative and the qualitative methodology.

#### **Quantitative Methodology**

By quantitative methodology we mean the research that has gathered numerical data and used in categorization, ranking or statistical analysis and comparison. This methodology is best combined with the use of data analysis in order to reach a certain decision or evaluation. It is usually used in a larger population than that of qualitative research. The data collection is done very fast by the means of tools like questionnaires and analytics. Quantitative research is a very good methodology because the samples are usually randomized in a way that the human bias is excluded. Although the sample may not include a type of variable or a specific demographic sum, the easy fast results are usually what makes it worth using. Furthermore, the information gathered can be used by experts or companies in the long term as well, when comparing or studying past results in order to make a better decision. The fact that this kind of research is anonymous, the data usually is seen as not false because participants do not feel the need to lie or hide their opinion or matter due to personal issues.

#### **-Quantitative limitations**

However, this type of methodology, like any other, has its limitations. A quantitative methodology cannot 100% guarantee that the sample taken is applied to the general population. There's no way to determine if the answers given are true or false as well, meaning that the research cannot be taken as absolute at any stage. Also, due to the numerical nature of the methodology, there will always be lack of detailed context. Open-end questions

may be integrated within one, but this revolves around the understanding of questions for each participant, which can result in different answers given than those of a qualitative research.

### Qualitative methodology

The qualitative methodology is the research that gathers non-numerical data. It uses tools such as interviews, focus groups, case studies or diary accounts. It is done through open communication with the sample chosen. It is very helpful since it has no boundaries of expressing opinions and views on the matter that is being researched.

The data source is vast, with multiple tools to collect and address real time problems and situations.

The qualitative methodology is mostly used for specific researches. Due to its nature of gathering in-depth insights and avoiding numerical data, researchers choose this type of methodology for cases such as:

- When developing a new product
- when trying to study purchase behavior
- when researching company or product data
- understanding marketing trends
- exploring customer groups

### -Qualitative Limitations

As mentioned before, every methodology has its limitations. Qualitative research usually is based on a small sample since it's very time consuming. A small sample may sometimes not address the population's view on specific subjects. Furthermore, the fact that anonymity is not viable in this methodology may put the respondents in a not-so-comfortable mood and the answers may not be fully honest or well put.

## **Quantitative vs qualitative method**

<b>Attributes</b>	<b>Qualitative research methods</b>	<b>Quantitative research methods</b>
Analytical objectives	This research method focuses on describing individual experiences and beliefs.	Quantitative research method focuses on describing the characteristics of a population.
Types of questions asked	Open-ended questions	Closed-ended questions
Data collection Instrument	Use semi-structured methods such as in-depth interviews, focus groups, and participant observation	Use highly structured methods such as structured observation using questionnaires and surveys
Form of data produced	Descriptive data	Numerical data
Degree of flexibility	Participant responses affect how and which questions researchers ask next	Participant responses do not influence or determine how and which questions researchers ask next

Source: <https://www.questionpro.com/blog/qualitative-research-methods/>

## **-Research goals**

The main goal of the research is to observe the view of employees regarding the importance of HR departments in their sector of work environment. Furthermore, the upcoming results will be contrasted and compared with a much larger scale in an economical point of view. The research is held in a relatively small business environment in the city of Greece, Kavala, where there is a lot of competition and low new business opportunities.

In Greece the idea of HRM is somehow not known at all or practiced to a very small degree. Due to the bad economical place the country is, many businesses choose not to have an HR department or manager at all since it is not only costly, but the lack of practice of it has created unknown limitations and risks for businesses to tackle. The research will question the importance of HR as well as compare small business's HR practices and effects versus those that choose not to incorporate one.

## **Research Design**

The paper will follow a quantitative methodology with a close-ended questionnaire. The questionnaire is personally created and distributed across employees working in Kavala city through social media, primarily Facebook. The reason is due to specific limitations mentioned further below and the fact that the numerical data is easier to be compared with the rest data acquired from big corporations and studies. Furthermore, the cost of it is minimal and the access of the respondents is fair. The use of Social media has made this type of research very easy and accessible at any time, especially this year where a pandemic is happening. Also, the fact that these kinds of questionnaires have an anonymity aspect in them gives the respondents a sense of safety when answering, since an employee's reputation in a small city is believed to be crucial when applying for a job. The research has one of its goals to prove that HR is essential no matter how big or small a company is and its influence to the general economy. The questionnaire consists of 11 questions with multiple choices and addresses HR issues within the business they work for.

### **Research Limitations**

This paper's research limitations are unfortunately beyond solving at the time the paper was made. The following limitations are in effect:

-The choice of a qualitative research was almost impossible due to the current state of the world. Covid-19 has limited the ability to communicate up close with people, let alone interview them both in one-on-one and on creating focus groups. The only way of conducting a research that can be used to compare data was through questionnaires distributed through social media.

-The sample is taken from a small population of a town called Kavala. Furthermore, the sample consists of employees that work in a very competitive field of the town's economy which may suggest that the results may vary from the general population's point of view. Employees of larger business scale were not easy to approach due to the fact that the paper was done in a quarantine period of which large companies were inactive and only small-to-medium businesses were active during the day.

-The use of statistical analysis programs such as R or SPSS were not available at all. A first reason is the fact that they require specific knowledge that was not learned during academic years and these programs require a large period of time to master. However, these programs are merely a tool of understanding and not mandatory and crucial thing to include since the paper focuses on comparing data acquired by researches and the data gathered by the research the questionnaire.

### **Future Research**

The limitations of the research can be addressed in the future for future research upon this topic. Specifically, future research is to be done when these specific parameters are covered:

-More diverse sample

-research of future AI integration in HR practices

-Statistical analysis programs mastered

Achieving these things in the future may give a more detailed overview on the matter. Since HR is constantly evolving, these kinds of research are only bringing new information on the table.

## **-Research Area**

The research is taking place in Kavala, a town with approximately seventy thousand (70000) people living at any given time in the last few years. The city is known for its harbor and its seashores. The city has an abundance of coffee and bar places which are the main source of income for its economy.

The research is targeted to the employees belonging to those businesses which are extremely competitive by nature and very close one to each other since the town is built geographically that way so that every point of interest is within 10 minutes of walking time, both from an entertaining point of view as well as a touristic one. Kavala's nightlife is lively enough where people have options for food and drink for the whole 24 hours of the day. However, when it comes to employees, the businesses with a consistent staff are very little to none. Most small businesses in the city recycle their employees very often, thus damaging both the reputation of the entity and the employee's.

## **Measurements**

The measurements in the study are individual opinions and facts about the HR of the business they work in. They are gathered through a questionnaire with multiple possible answers of mostly Yes/no nature. Measurements also include information such as age and gender in order to organize the comparison easier. The survey research which includes the questionnaire is a suitable type of research to gather those said measurements.

## **Existing data**

The usage of existing statistical data regarding the topic is necessary to compare and contrast the paper's findings. It is also very helpful since there's limited resources and opportunities to gather non-numerical data at this time of year. In details, the advantages of using existing statistical data alongside with the data gathered are the following:

\*Very high speed of information collection

\*Budget friendly

\*easy to read and draw conclusions

However, due to the nature of the thesis, there are also some disadvantages:

\*Data is predetermined upon a specific sample which may not agree with the population

\*No control of what data have been collected, and if some of them are left out/ removed.

\*Quality of data is not 100% appropriate

The following sources were used to draw existing data that helped reach needed comparison and conclusion.

*Zety HR research ((Glassdoor U.S. Site Survey, January 2016), (Glassdoor 2019), (TheLadders), (Careerbuilder 2019), (NACE Job Outlook 2017), (Gallup 2016), (State of the American Workplace Report Gallup 2017), (Betterteam Blog 2017), (Jobvite 2017 Job Seeker Nation Study), (Careerbuilder 2017), (Gen Z Report Accenture 2018), (State of the American Workplace Report Gallup 2018), (Jobvite 2017 Recruiting Funnel Benchmark Report), (Glassdoor survey, October 2014)*

Statistical data drawn from such surveys had a large sample which gave a glimpse of how a large employee population may view HR issues addressed. Matching the existing data with

the data collected from such a sample of Kavala, very competitive business place, gave a validation of HR's importance regardless of how big or small a company or an economy is.

## **Data collected**

The questionnaire was given through social media to café-bar restaurants in Kavala. The questionnaires were in Greek language to overcome any language barrier present, for the English version proceeded to the **appendix section (n0)** at the end of the paper. There were 66 overall responses. The response rate is unable to be set due to the unknown number of all employees working at those café-bar restaurants.

### **answers collected**

The first and second question of the questionnaire were asking the age and gender of the participant. These questions give a more precise image to the HR questionnaire since age and gender play a major role from the beginning of the recruitment till their release from a business. Differentiating sub-groups make the comparison with existing data much easier.

Furthermore, sub-groups are easier to be used for future research when done.

### **Age & Gender**

Out of the 66 participants, 41(62%) were male and 25(38%) were female.

Out of 41 male participants:

27 (65,8%) were in the age range of 20-25

10 (24,5%) were in the age range of 25-30

4 (10%) were in the age range of 30-35

Out of the 25 female participants:

12 (48%) were in the age range of 20-25

9 (36%) were in the age range of 25-30

4 (16%) were in the age range of 25-30

The third question was about the period of time the participants were working in the cafe-bar restaurant. The question was made to project how fast the businesses cycled through their employees. Since all café-bar restaurants are close and competitive to each other, there was an indication and rumor that employees would hardly stay for a long period of time due to the workload and unrealistic demanding work hours by the owners.

Out of 41 male participants:

11 (26,8%) answered that they were working for less than a year now

15 (36,5%) answered that they were working from 1 to 2 years now

12 (29,25) answered that they were working from 2 to 3 years now

3 (7%) answered that they were working for more than 4 years no

Out of 25 female participants:

8 (32%) answered that they were working for less than a year now

11 (44%) answered that they were working from 1 to 2 years now

5 (20%) answered that they were working from 2 to 3 years now

1 (4%) answered that they were working for more than 4 years now

The fourth question was asking if there was a manager or an HR practice within the business. Due to the nature of said businesses and the fact that HRM is not a well-known subject in small cities in Greece and many small-to-medium businesses prefer to have a sole HR manager, this question had its purpose to confirm such matters and fuel the next questions.

Out of 41 male participants:

20 (48,7%) answered yes to the question

21 (51,2%) answered No to the question

Out of the 25 female participants:

13 (52%) answered yes to the question

12 (48%) answered no to the question

Approximately Half of the data collected suggested that an HR figure is absent in their current workplace.

The fifth question was asking the respondent's opinion on the importance of HR within a business. The question's purpose was to identify if the employees took into consideration the HRM seriously and thought highly of it.

Out of 41 male participants:

28 (68,2%) answered that HR is very important

10 (24,3%) answered that HR is important enough

3 (7%) answered that HR is not that important

Out of the 25 female participants:

19 (76%) answered that HR is very important

6 (24%) answered that HR is important enough

The majority of the answers were leaning towards HR being very important even though there's an absence of HR in some businesses in the research. Some employees have not had any experience with HR practices but still believe that it's a fundamental element for a business.

The sixth question was asking respondents if there are any meetings taking place in the business they work in. This question was to observe if there's a glimpse of HR practice, specifically meetings, something that many small businesses usually have regardless of having a manager or not

Out of 41 male participants:

39 (95%) answered yes

2 (5%) answered no

Out of 25 female participants:

24 (96%) answered yes

1 (4%) answered no

The vast majority answered that meetings were in fact taking place in their workplace. Meetings are very important since they bring all employees and managers/owners of small businesses together and help address issues any individual might have.

The seventh question was about the productivity change in retrospect of having an HR department or manager or not. Its target was to identify if employees believe their productivity was subject to change from something beyond their skills and talents, in this case, an HR department/manager.

Out of 41 male participants:

23(56%) answered it would make a huge difference

17(41,4%) answered it would certainly make a difference

1 (2,5%) answered DK (don't know)

Out of 25 female participants:

21(84%) answered it would make a huge difference

4 (16%) answered it would certainly make a difference

The respondents certainly believe that having HR aspects within the company certainly affect their productivity. Employee participation to team meetings or communications, is believed to increase their productivity because they feel they are a part of something bigger. Having an HR that cares about the workforce is certainly linked with better results regarding productivity.

The eighth question was referring to whether conflict between employees was a thing in their workplace. Conflicts sometimes arise when individuals have different opinions or ways of working/achieving their tasks. Due to the competitive research area this questionnaire takes place upon, conflict may be something common. HRM is a tool to resolve such conflict and enhance a relaxed workplace.

Out of 41 male participants:

10 (24%) answered there's barely any conflict

29 (70%) answered there's some conflict now and then

2 (4,8%) answered there's been a lot of conflict among co-workers

Out of 25 female participants:

7 (28%) answered there's barely any conflict

17(68%) answered there's some conflict now and then

1 (4%) answered there's been a lot of conflict among co-workers

Most of these employees experienced little to no conflict among their workforce which is encouraging for the healthy functionality of the business.

The ninth question was asking respondents to state their opinion on whether a manager is mandatory in the business they work for. The purpose of the question was to see how important employees would think managers are, even for such small businesses.

Out of 41 male employees:

35(85,3%) answered that its mandatory to have a manager

6 (14,6%) answered that it's not mandatory to have a manager

Out of 25 female employees:

21 (84%) answered that it's mandatory to have a manager

4 (16%) answered that it's not mandatory to have a manager

The majority of employees stated clearly that a manager is essential for a business. The role of an HR manager is crucial to large companies, though the same can be said for the small ones as well. Strategic planning as well as critical thinking that helps avoid or deal with arising problems, are some of the duties of every manager regardless the business size.

The tenth question examines if there's been any training opportunities that respondents had to go experience. Training is essential for employees because it gives them the ability to perform better at their job and increases experience, morale and consistency.

Out of the 41 male employees:

10 (34,1%) answered that there were training opportunities taken

31(65,8%) answered that there were no training opportunities

Out of 25 female employees:

6 (24%) answered that there were training opportunities taken

19 (76%) (answered that there were no training opportunities taken

Training opportunities are hard to come by in café-bar restaurants in small cities due to the fact the workforce is easily replaceable and cycled through. In Kavala most new employees are part-time students who leave town when their studies are finished, so owners are a little discouraged to incorporate training programs in their business.

The last question was about employees seeing themselves staying in their current jobs in a couple of years. As mentioned before, many employees are youngsters that do not seek a career at bartending or serving, so the results in this question were predictable but may not

represent the population of other people working in similar jobs in other small cities of Greece.

Out of 41 male employees:

36 (87,8%) answered No

5 (12,1%) answered Yes

Out of 25 female employees:

18 (72%) answered No

7 (28%) answered Yes

## **Chapter 5**

### Data Discussion

This chapter covers everything that has to be said regarding the research's findings and the comparison of them with past studies. It is essential for findings to be filtered and presented

correctly in order to reach a conclusion. Chapter 5 follows previous data from studies collected and adds new data, and the target is their correlation.

### **Prior-to-comparison discussion**

Respondent's seemed to value HR a lot, despite some of them not having HR practices within their workplace. Human nature tends to like safety and the feeling of them being important, a part of something bigger. As history has taught us, companies without HRD or with a bad one result in employees feeling neglected and not significant, resulting in bad performance. conflict and ultimately the company's loss of profit.

The sample taken had in common the fact that they know they are easily replaceable if needed since the environment is very competitive from business to business. From the HR perspective, this results in them feeling not safe and valued in the company. This alongside the fact that owners rarely choose to train their employees show a bad HR image. However as seen above, most employees won't pursue staying for the next couple of years either way. Could this decision maybe change if specific HR practices took place? It depends.

The situation with café-bar restaurants and them recycling employees every other year or so in Kavala is something that is happening for years. Many businesses would open only to close after a year due to the pressure of the competitors. Nowadays, a very small percentage of employees working for said companies seem to be working there for more than a couple of years. It is very hard for HR to evolve and prosper in an environment like that.

## **Data comparison**

### **-disclaimer**

Before continuing, it's important to clarify that the comparison is not done with equal sample variables such as sample size, job description, economic status etc. On the contrary, the sample collected by this paper's research is very specific whereas the existing data that is used is taken from a more general representing sample. If the comparison reaches to the point that both the data found and the existing data correlate to each other, the question of HR

importance on whether the company is big or small, competitive or not, will be answered in a clearer state.

According to the 2019 Deloitte Millennial Survey, 49% of people would quit their job within two years, with only 28% of them reporting that they would stay with their employee for more than 4 years. The data collected from Kavala (q11) stated that an overall 81% of employees in those café-bar restaurants could not see themselves still working for the next couple of years in the same business. Most people surveyed in 2019 claimed that the reason was unhappiness and lack of career advancement. There is indeed some common ground, since career advancement is very important for employees, and employees in Kavala at those jobs are far from having one. HR is responsible for all those variables in a company, both the happiness and the well-being of the employee and their career advancement through training, something that 75% of employees questioned in Kavala, had not gone through at all in their period of work.

According to Jobvite 2017 Job Seeker Nation Study, 79% of people surveyed claimed that having an HR department in the company they work for is a must, with 21% stating that the absence of HR would not change their productivity at all. The data acquired had an overall 71,2% (q5) of employees in Kavala stating that an HR department is essential in the company they work for. Both existing data from thousands of respondents and the data gathered by the questionnaire agree on the importance of HR, regardless of different variables. HR is essential, it's a fact. The data presented is just verifying what hundreds of experts and studies suggest, even in a tight circle of small businesses and a small economy.

Furthermore, according to a survey enlisted in an article of Mediation<sup>4</sup> regarding HR and conflict within a small business, 65 out of 73 respondents in a small town in Bath, England stated that conflict exists in moderate volume and is a very important issue that can damage the operational performance of the company. Looking into the data acquired from employees

of Kavala (q8), 69% responded that there's some conflict now and then, and it surely can affect productivity and employee performance since letting conflict take a toll is one of the main indications of bad HR practice.

The data collected suggests correlates with the global idea of HR's importance.

All studies mentioned had different samples and sizes, different variables to check and consider had the same outcome outlined. HR is a key factor to a company's success.

Regardless of reasons that result in problems arising, it is HR's department or manager's role to avoid and deal with them.

Small businesses tend to fail from the startups due to bad team management, and many large companies have failed because their HR department couldn't handle or identify problems. Faulty HR the same as having no HR, and it seems that many companies choose not to have one due to costs. However, by weighting cons and pros, the more years pass by, the bigger the HR evolution, the stronger the need to have one exists.

## **Chapter 6**

### **-HR in 2020**

According to a survey of KPMG Future of HR 2020, out of approximately 1300 HR executives, more than 800 believe that HR will become irrelevant if they won't cope with the future's needs of the workforce. It is crucial for HR to continue evolving like it always did.

## Technology

Nowadays, companies tend to recruit based on the skill expertise and specific set of skills that the job requires to have, rather than a general sum of credentials or their academic level. In fact, many big companies like Google or Apple give the opportunity to people without a college degree to be recruited and work for them. This widens the opportunity for many people to get their career started without having to worry about required education and only depend on their critical thinking and set of skills/talents they have.

The year 2020 is one of those years where the technology and AI (artificial intelligence) is integrated within a company's workforce. This means that not only the people working should have a set of ethics but also the AI and the safety it comes with, regarding the ethics of the company.

This means that companies today give more and more attention to their AI systems and AI platforms and make sure they correspond and are in touch with the latest safety measures. AI can be used for processes such as performance analysis, training, recruiting and managing the workforce. Companies used to have second thoughts on integrating the AI within them due to the high cost and low experience in using it, but as time passes by more and more companies choose to do so.

According to a study by Future workplace report in 2019, approximately 64% of HR experts would trust a robot rather than their own manager for HR practices. Furthermore, in the last two years the AI integration has increased more than 30% that what it was, giving a glimpse of the future condition the HR practice will be. Even outside of a workplace from the moment a recruiting program starts, the AI has its place. Nowadays the resumes are mostly made on AI platforms and even the outcome is AI made like for example digital resume forms. In turn these forms are used in a platform which scans the better candidate through processes based on the company and that's done in minimal time. It's obvious that the AI is slowly getting more and more common in the HR department. For example, the usage of chatbots is growing within many companies' HR departments. These chatbots allow possible employees and candidates to interact with automated questionnaires and conversations with a computer. The answers are used to evaluate and statistically analyze the best candidate for the company based on variables put by the managers themselves. According to the U.S director of the consulting company EY Larry Nash, "Technology is enabling us to provide employees with a

more consumer type of presence at work, with a greater ability to have richer digital experiences and find what they need 24/7.

Since the dawn of time humans were biased beings. This trait may seem like a disadvantage in HR due to the fact that not every candidate or employee may get treated equally. HR managers may subconsciously choose to forward or favor a certain candidate or employee due to aspects like same personality traits, language bias, or even personal gains from them. AI automatic systems can bypass that bias. Algorithms can be used to select the best candidates without looking into matching personalities or other characteristics and focus only on what the company really needs. Good HR managers prefer data driven results rather than gut feelings or biased opinions and that can be achieved by the integration of AI in HR, something that is done more and more throughout the years. It is estimated that in 2025 the HR will grow dramatically with the use of AI and the science behind it.

Many people believe that technology might remove people out of the equation in the business world. When companies benefit in the short term by the increased productivity, there's a pattern of diminishing performance and well-being of the employees. Many experts suggest that combining top notch technology within a workplace is a double-edged sword. For example, employee and manager meetings are very common this year, with the technology allowing multiple people to organize virtual meetings while being comfortable at their place.

This reduces the cost and promotes easy communication that can reach everyone. However virtual meetings also promote a sense of informality since the tension and communication between employees and managers is always stronger when everyone is in the same room rather than that within the distance of each other's monitors.

This brings to another topic that has bothered the HR within large corporations. According to an article by Kathy Pretz named "Medical experts say addiction to the technology is a growing concern" people that work in an environment that uses a lot of technology tend to get easily distracted by it as well. Mobile phones that buzz due to messages or application

alarms tend to distract employees working, thus reducing productivity. It is HR' duty to balance these variables out and create an environment that uses technology to its best and keeps the employees safe and focused.

## **Age of Covid-19**

There's no doubt that the year 2020 will remain in history as one of the years that troubled humanity to its core. A pandemic affecting the whole globe changed a lot of things, things people were mostly taking for granted. The spread of a dangerous virus is done easily and corporations all over the world have a set of rules to follow and ideas to come up so that the pandemic won't affect their growth and damage their workforce. That's why in 2020 the HR has shown an evolution that tries to cope with today's worldwide problems.

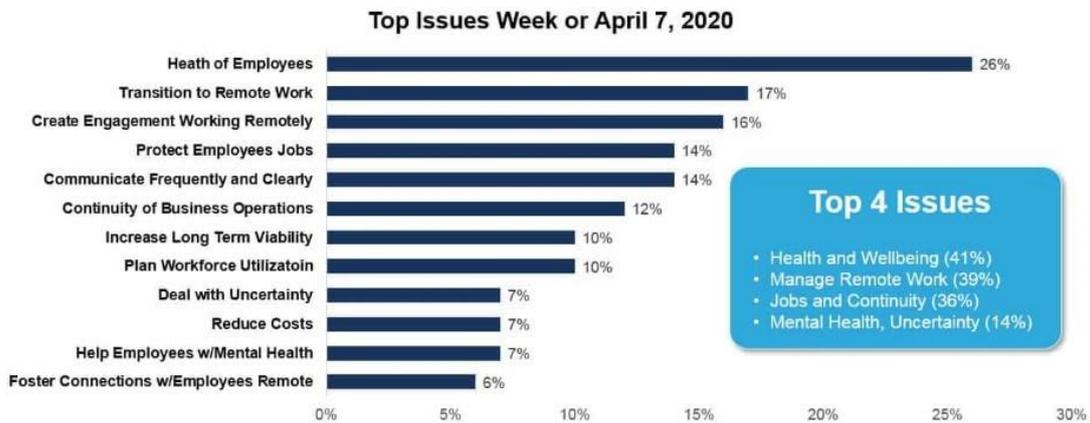
Most companies are doing just fine following a specific set of rules that are given from the government they act on or by a global organization that prioritizes the health and safety of employees all over the world.

## **Economic Impact of the pandemic**

Covid-19 has done a lot of damage to the worldwide economy in these 7 months of activity. On 24<sup>th</sup> of February, the global stock markets fell due to a large number of increasing cases of Covid-19 all around the world. Within a month, the global stock market saw the biggest drop since the 2008 economic crisis. Panic buying, price spiking and a general sense of doom to small-medium businesses were the key words on every business news report.

Business meetings, events and presentations were being cancelled due to the fear of the deadly virus. The ILO (international labor organization) in April predicted that approximately 195 million full time jobs would be lost and the access to food for many families would be in stake in some countries deeply affected by the pandemic. It was clear that a set of rules had to be made.

# Top Issues On HR Departments' Minds



Online survey conducted by CultureA and Josh Bersin between March 11 through April 5. We note the sample consisted of CEOs (21%), HR VPs, directors, or managers (32%), HR specialists or business partners (18%). Organizations with more than 10,000 employees represented 21% of the sample, 1,000-10,000 (21%), 200-1,000 (23%), and those with 200 employees (26%). Information technology (21% of responses), professional services (14%), and financial services (9%) were the most common of 13 sectors represented in the sample.

In 2020, employees that are diagnosed with Covid-19 are to stay home and consult with their health provider. The general rule is to avoid the spread which in turn will destroy the productivity and workforce of any employee-based organization. Employees that are sick are benefiting from a general policy called emergency paid leave which varies from country and organization.

These kinds of policies protect the employees from losing most of their income due to the sickness and help them deal with the situation better.

Furthermore, people are given the option to work from home and with more flexible hours, something that was never available before for many companies.

The pandemic has brought people closer while maintaining the required distance. Hundreds of thousands of people were volunteering to help by any means. Multibillion organizations declared a war against the Coronavirus and altered their HR departments to deal with the difficulties.

## **Companies vs Covid19**

A prime example is Coca Cola.

Coca-Cola tries to balance the life of employees with the need of productivity that the company aspires to have. The company makes use of newsletters and Q&A online sessions with leaders and managers which help maintain a team working spirit even when the distance is there. Furthermore, The HR department of Coca-Cola had created a Fund called Employee Disaster Fund.

It was created to help financially employees that were having a hard time after a pandemic or other natural disaster. The fund is raised by employees and supporters themselves who can donate any amount of money deemed suitable for them, to help fellow co-workers in need.

According to glassdoor, Employee reviews for Coca-Cola during the Covid-19 times are positive, with over 80% of CEO approval and the only negative comments being the many work hours.

Another prime example of HR's flexibility during tough times is that of **BAT** in France.

France was hit very roughly by the Coronavirus, with over a quarter of a million cases and 30 thousand deaths. Before the virus arrived in France the large tobacco corporation BAT had already taken its measures to protect the employees. The company started informing all employees about the pandemic and reassuring their safety. When the virus reached France, BAT was already advising employees to work from their homes and use videoconferences to keep in touch with their managers. As the virus was progressing, the HR department was urging managers to communicate with the employees in a less formal way with more flexible timetables and focusing on employees with children. BAT was awarded with Top Employers France, Europe and Employers global certification.

The company's HR department is something most companies should aim for achieving. It's clear that companies which prepared for the pandemic and found solutions not to hinder their productivity while maintaining their employee's safety were already doing great in the HR department. It is unknown when the next disaster will strike and challenge the HR of the whole business world. It seems though that companies which have invested in clean and righteous departments that put employees above greedy profit numbers are the ones that will

deal with any catastrophe much better than those that choose not to have one or have a faulty one. The year 2020 gave a big boost to the pace of the evolution of HR and the only thing certain is that it will continue evolving.

## Conclusion

For many, mostly small businesses the question remains: is it worth investing into an HR department? And the answer is absolutely **Yes**. The benefits outweigh the possible drawbacks that a company might have and it will be equipped with a very strong tool to manage employees correctly and give a sense of security for things within the company that have to be dealt with, if used correctly. History showed that an HR department is only useful and beneficial when managed by leaders that put the greater good of the entity before his own. From small businesses in a town like Kavala to multi billion worldwide known companies, employees and managers have the same mindset. The results are almost identical when looking at the bigger picture. Statistically, employees all over the world, whether working in a big organization or in a small coffee shop business, want the same thing. A safe environment, safe income, a workplace that respects them and values employee satisfaction.

Communication and teamwork are key components that are not available without the use of HR. Employees must have a secure place to provide feedback and state their dissatisfactions because negative feedback and dissatisfactions may be proven very harmful for any company in the long run. HR is science, a tool that every organization must have and keep as subjective as possible. Now, more than ever in year 2020, where unemployment rates increased through the roof and small to medium businesses fight not to get overrun by the demanding economical limitations and multibillion organizations brainstorming on how to

stay at the same level due to the whole pandemic situation, some may say HR departments and managers are a must have. In the end, its people who run a company, and people are different from robots. Human bias is a trait everyone has and HR can be used to minimize any problem that can arise from it. Even from the beginning, almost a quarter of startups are failing due not having the right team or the right means to manage it.

HRM is being practiced by so many companies and every single of them does it differently. That's the beauty of it, it caters to every businesses' needs and can be altered when needed. It is there to both help the entity achieve its goals and visions, and help employees and managers to achieve theirs with safety and regard. The cost of having one may be high on some occasions, but I believe it's something that must exist in any corporate and business place.

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## Appendix

Questionnaire translated to English

Q1.

Choose your range of age

\*20-25

\*25-30

\*30-35

\*35-40

Q2.

State your gender

\*Male

\*Female

Q3.

How long have you been working in your current workplace?

\* Less than a year

\* 1 to 2 years

\* 2 to 3 years

\* 4 + years

Q4.

Is there a manager/ HR department in the business you currently work for?

\* Yes

\* No

Q5.

How important do you believe is the existence of a manager/HR department in the business you currently work for.

\* Not that important

\* Important enough

\* Very important

\* DK (Don't Know)

Q6.

Are there any meetings taking place in which employees and employers talk about general issues and concerns?

\* Yes

\* No

Q7.

In your personal opinion, how much would your productivity increase/decrease if there was/wasn't a HR department?

\* Nothing would change

\* Barely any difference

\* There would certainly be a positive/negative difference

\* There would be a huge difference

\* DK (Don't Know)

Q8.

How usual is conflict among employees in your workplace?

\* There's been barely any conflict

\* There's been some conflict now and then

\* There's been a lot of conflict amongst co-workers\*

Q9

In your opinion, is the role of a manager in a company mandatory?

\* Yes

\* No

\* DK (Don't Know)

Q10

Have you participated in any training done by the business you work for?

\* Yes

\* No

Q11

Do you believe you will continue working for the current business in the next couple of years?

\* Yes

\* No

\* DK (Don't Know)

ΠΕΡΙΛΗΨΗ

Η συγκεκριμένη διατριβή έχει ως στόχο να παρουσιάσει την σπουδαιότητα και αναγκαιότητα ενός καλού τμήματος ανθρώπινου δυναμικού ( HR ), και πως μπορεί να συμβάλει αυτό στη εξέλιξη και ανοδική πορεία μιας επιχείρησης, ασχέτως με το αν είναι μικρή η μεγάλη. Η ανταγωνιστικότητα είναι πλέον υπαρκτή σε όλα τα επιχειρησιακά επίπεδα, και αυτό το γεγονός ώθησε τις επιχειρήσεις να στραφούν στην βελτιωση της κινητήριας δύναμης τους η οποία είναι οι ίδιοι οι άνθρωποι μέσα σε αυτήν. Η διατριβή παρουσιάζει τα στοιχεία και τους διάφορους τρόπους εφαρμογής της διοίκησης ανθρώπινου δυναμικού σε επιχειρήσεις που πέτυχαν αλλά και επιχειρήσεις που διαλύθηκαν λόγω αυτών. Στην συνέχεια, παρουσιάζεται μελέτη επιχειρήσεων σε συνδυασμό με προηγούμενες έρευνες και δίνεται μια πιο συγκεκριμένη εικόνα για τον τρόπο λειτουργίας των τμημάτων ανθρώπινου δυναμικού.

Η διατριβή εμπερικλείει έρευνα μικρού εύρους επιχειρησιακού αλλά ανταγωνιστικού περιβάλλοντός με στόχο την γνώμη και οπτική γωνία υπαλλήλων για τον ρόλο ενός τμήματος ανθρώπινου δυναμικού στις επιχειρήσεις που εργάζονται. Επιπρόσθετα, η σύγκριση αποτελεσμάτων με άλλες πιο παλιές και πιο ευρείες έρευνες ακολουθεί. Πριν το τέλος παρουσιάζονται σημερινές ευκαιρίες και δυσκολίες στο τμήμα διοίκησης ανθρώπινου δυναμικού και οι εφαρμογές που γίνονται για την αντιμετώπισή τους.

Τέλος, παρουσιάζεται μια προσωπική γνώμη πάνω στο θέμα καθώς και ένας επίλογος με τα συμπεράσματα και την σημαντικότητα ενός

καλού τμήματος ανθρωπίνου δυναμικού και αν αυτό μπορεί όντως να κάνει την διαφορά μεταξύ επιτυχίας και καταστροφής.