

# INSTITUTIONAL BARRIERS AS THE MANAGERIAL FACTORS IN REGIONAL HUMAN RESOURCE POLICIES

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## Abstract

The aim of this paper – to present tools of competency-based HR management, using in regional HR policy for improving the investment environment. Theoretical basis of regional HR policy, presented in this paper are institutional theory (institutional barriers conception) and resource theory (core competences conception). The model of competencies formation and implementation was given. There are institutional barriers - managerial factors in the management mechanism, according proposed methodological approach. Proposals at management tools have been developed, that strictly conform to managerial factors, such as institutional barriers and institutional filters. Methodology research includes publication research, an in-depth analysis of semi-structures interviews with top managers, and observation of aspects that cover practices used in human resource management. A study of management practices in 110 organizations of the Sverdlovsk oblast showed that managers used tools of Dual Education Model, National Qualification Framework and employers labour mobility programs in education and hr-practice. According competency-based management concepts, the mechanisms of National Qualifications Frameworks: certification of professional qualifications and professional public expertise of educational programs needs to be used in Regional Human Resource Policies for Industrial Growth. Results of this research are useful for elaborating personnel recruiting systems, systems of competence and qualification, competency-based management and regional human resource policies.

**Key words:** human resources management, managerial factors, competency-based management, Russian Federation

**JEL Code:** J24, J31, M51

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## Introduction

The national rating of investment environment in regions of Russian Federation assesses the availability of human resources having necessary qualifications, the results are obtained through the survey of legal entities and individual entrepreneurs who recruited new

employees in the last 12 months. The national rating of investment environment analyzes 4 kinds of activity: industry, agriculture, construction, transport and communications.

The respondents are to use the following criteria for satisfaction assessment:

- 1) the availability of sufficient labour resources with necessary qualifications in the subject of the Russian Federation;
- 2) the amount of time spent on the search for labor resources with the necessary qualifications;
- 3) monetary cost of search labor resources;
- 4) found the professionalism of the workforce.

Depending on the level of satisfaction of investors put: 1 point - very bad; 2 - bad; 3 points – good; 4 points – good; 5 points – excellent. The average values for 5 groups of regions (A – regions with the best results, E – regions with the worst results) slightly range from "medium" to "good". In the country as a whole, the values indicating the level of investor satisfaction with the availability of labour resources possessing the required qualifications is lower than the indicators in other areas of assessment (Fig. 1)<sup>1</sup>.

At the same time, "entrepreneur satisfaction with the availability of HR in required qualification" made 3.1 points, which corresponds to group E of the regions with the lowest indicator values. It should be noted that the rating position and the results dynamics are considered in evaluating the efficiency of heads of Executive authorities in the subjects of the Federation, which makes rating an effective mechanism of motivation for the Executive authorities in the subjects of the Federation. It motivates them to achieve the objectives of the state policy of human resources management at the regional level. In order to increase investment attractiveness of the region, on December 30 2014, the Prime Minister of the Sverdlovsk region approved a Plan of measures (roadmap) on improving the position of the Sverdlovsk region in the National rating of investment climate in the regions in 2015-2017<sup>2</sup>. The road map sets target indicators of "entrepreneur satisfaction with the availability of HR in required qualification" for 2015, 2016, 2017, being 3.2; 3.5; 4.0 points respectively. The indicator value achieving 4.0 points will allow the Sverdlovsk region to enter the "top-5" regions in terms of entrepreneur satisfaction with the availability of HR in required

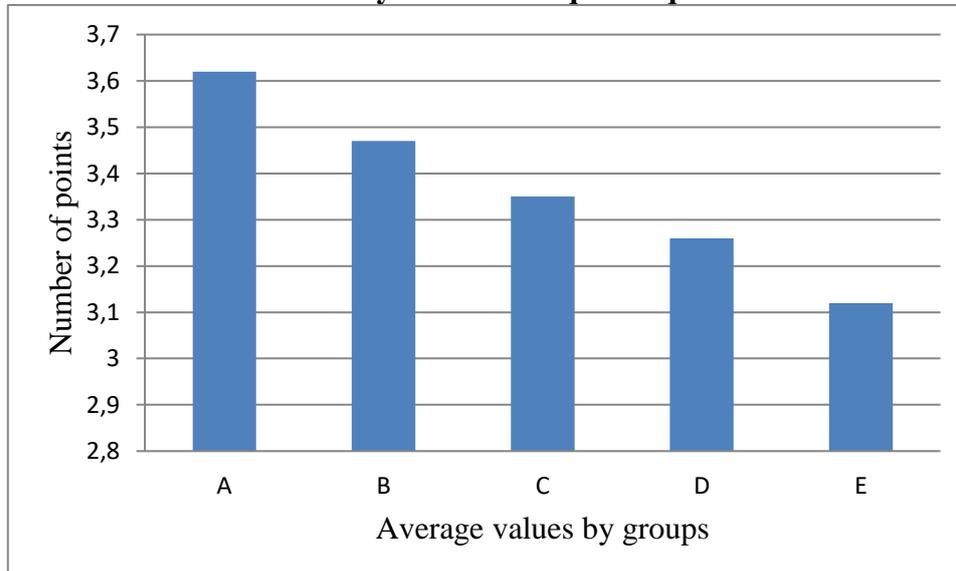
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<sup>1</sup> National rating of the investment climate in the constituent entities of the Russian Federation. Access mode: <http://www.investinregions.ru/rating>.

<sup>2</sup> The Plan of measures (roadmap) on improving the position of the Sverdlovsk region in the National rating of investment climate in the regions in 2015-2017. Access mode: [http://mir.midural.ru/sites/default/files/files/dorozhnaya\\_karta\\_-\\_utverzhdenie.pdf](http://mir.midural.ru/sites/default/files/files/dorozhnaya_karta_-_utverzhdenie.pdf)

qualifications. Unfortunately this planes has failed: indicator in 2017 is 3,6 points and region is in group E.

**Fig. 1: The results of the National rating of the investment climate on the indicator "Assessment of the availability of HR in required qualification" in 2016**



Source: Compiled based on the rating of the investment climate in the subjects of the Russian Federation.

Thus, formation of management mechanism that can increase availability for enterpriners a human resources of required qualification is important scientific and policy goal for regions of Russian Federation.

## 1 Theoretical grounds and empirical findings

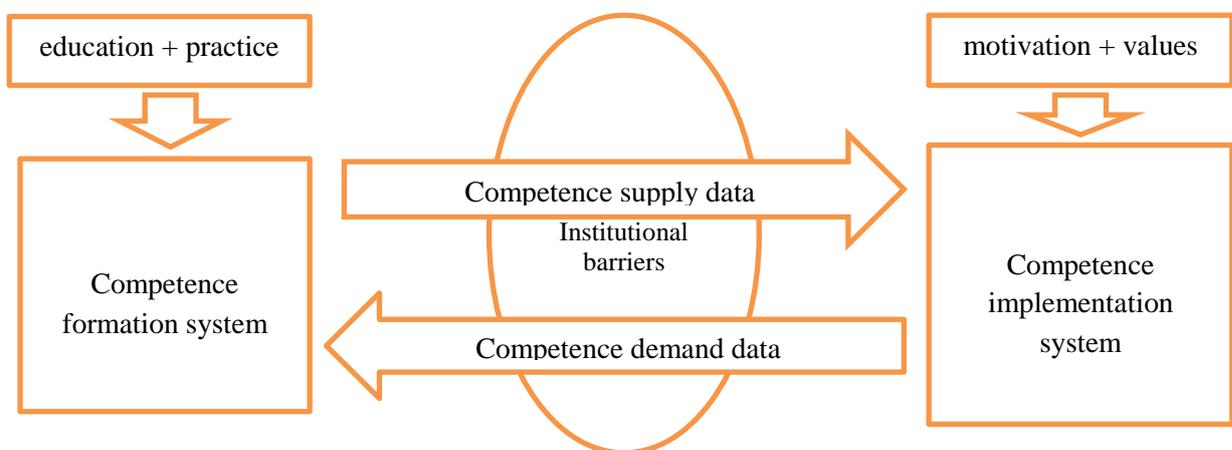
In the classic work of R. Daft, the management mechanism is defined as "a set of actions and methods of influencing people's activities in order to encouragie them to achieve organizational goals" (Daft, 2003). The structure of the management mechanism includes management objectives; management factors - elements of the management object and their relationships, which are impacted for achieving the goals; methods (tools) of influencing these management factors and management resources. In this paper management factors and management tools are studing.

Based on the purpose and subject of research, the object of management are human resources of a region. Researching of management factors needs to identify institutes of human resource competencies formation and human resource competencies implamantation. Competency-based management includes an approach to the description, assessment and development of the person within which the behavior of the person is considered to be the manifestation of his competences (Deist le D. F. O. & Winterton J., 2005). In scientific

literature there are three main directions of competence-based approach: American (behavioural), English (functional) and integrated in France, Germany and Austria (Kokovikhin A., Sharapova N. & Borisov I., 2016). The common things in these directions help to define "competences" as a behavioural characteristics which the individual must have or which he must acquire to effectively cope with the work.

The model of competencies formation and implementation, developed by prof. Robert Nizhegorodtsev, presented at fig. 2 (Nizhegorodtsev R. M. & Reznik S.D., 2016). There are institutional barriers - managerial factors in the management mechanism, according methodological approach, proposed by author.

**Fig. 2: A model of competencies formation and implementation system**



Source: Compiled based on prof. R. Nizhegorodtsev paper (Nizhegorodtsev R. M. & Reznik S.D., 2016).

An institutional framework in the specific industry gives organizations advantages in their economic activities (Fedorova, A., Dvorakova, Z., 2015). For example, some organizations reach higher performance if they are provided institutional support (Scott, 2008). In this regard, institutions were considered within the benchmarking approach as the best institutional practices and reflected as a management tools in the human resources management mechanism. The aim of the researching is to verify institutional barriers and to find management tools of competency-based HR management, using in regional HR policy.

Main hypothesis, testing in this paper: Are there accordance of the competency-based HR management tools with the institutional barriers? Table 1 consist of the competency-based HR management tools, are using in practice, and institutional barriers, presented in theory (Kokovikhin A, Borisov I, Sharapova N. & Sharapova V., 2017).

This theoretical approach considering the quality of resources and institutions as the basis for the investment climate and the object of management in public policy brings together the researchers in the theory of entrepreneurship (Bawmol, 2002; Reynolds, 2004; Shane, 2003).

**Tab. 1: Accordance of the competency-based HR management tools with the institutional barriers.**

Institutional barriers	Tools of the competency-based HR management
1. Disclosing information institutes (closed HR information).	- Using of National Qualification Framework in education and hr-practice
2. Firm strategic behavior institutes (overestimation of HR requirements for best recruiting possibilities)	- State program “Professional development and retraining of engineering staff”
3. Institute of people excessive preferences in same professions (under popular culture presser)	- Employers projects of vocational guidance in schools - Participation of employees in National Championship “WorldSkills Russia”
4. Student admission institutes (maximizing university founds without taking into account the interests of employers)	- Founding of Employers Educational Centers Tax preferences or government funding for employers educational projects
5. Development of education programs institutes (low level of program-time elasticity)	- Dual Education Model – shearing the education process between educational organization and employer
6. Institute of skills certification by educational organizations (Mistrust of employers)	- Using of National Qualification Framework in education and hr-practice
7. Seniority institute (Mistrust of employers)	- Development of certification of worker’s competence and qualification
8. Firm internal planning institutes (lack of long-term planning).	- Programs of internal labour mobility - Employment of foreign workers
9. Recruitment institutes (problems in identification of competences).	- Development of certification of worker’s competence and qualification

Source: Authors’ own elaboration

## 2 Methods

The research methodology included accumulation of data and information using different methods: analyzing scientific publications, conducting structured interviews and econometric analysis. Data presented both historical and current information in the given social sphere. The reasons for using the specified methods are connected with the research of social phenomena: national culture, values, behavior and personnel management practices. Thus, the collection, selection and analysis based on methods of interpretation (they reveal ideas (meanings) emerging in human economic activities, show their scope) provide the basis for achieving tangible results and developing recommendations.

The object of the research (2016-2017) on management practices in the Sverdlovsk oblast were 110 employers – members of Sverdlovsk Regional Union of Industrialists and Entrepreneurs involved in three basic types of activity that provide employment to more than 40% human resources: manufacturing – 40 organizations (number of employees over 1000 people); construction – 30 organizations (number of employees over 100 people); wholesale and retail trade- 36 organizations (number of employees over 200 people); other community, social and personal services– 4 organizations (number of employees over 200 people).

The respondents were 110 top-managers who filled in questionnaires or took part in semi-structured interviews on the questionnaire. The questionnaire aims to identify

institutional barriers and tools of competency-based HR management, using in regional HR policy, that strictly conform to managerial factors, such as institutional barriers.

The comparison of the estimates is based on the chi-square Pearson criterion (Pearson, 1900) (formula 1). This nonparametric method allows one to estimate the significance of the differences between the number of outcomes found in the study as falling into each category and the theoretical quantity that can be expected in the studied groups under the validity of the null hypothesis.

$$\chi_n^2 = \sum_{i=1}^n \frac{(O_i - E_i)^2}{E_i} \quad (1)$$

$i$  – line number (from 1 to  $n$ ),  $O_{ij}$  – actual number of observations in the cell  $ij$ ,  $E_{ij}$  – expected number of observations in the cell  $ij$ .

If the frequencies really match the expected, the criterion value will be relatively small (since most deviations are about zero). But if the criterion turns out to be large, then this is evidence in favor of significant differences between the frequencies (Plackett, 1983).

### 3 Results

The study showed institutional barriers that are the most significant distortions in competence demand data, such as: firm internal planning institutes, disclosing information institutes, firm strategic behavior institutes, institutes of people excessive preferences in same professions, student admission institutes and development of education programs institutes (Tab. 2).

**Tab. 2: Identification of institutional barriers by employers – members of Sverdlovsk Regional Union of Industrialists and Entrepreneurs.**

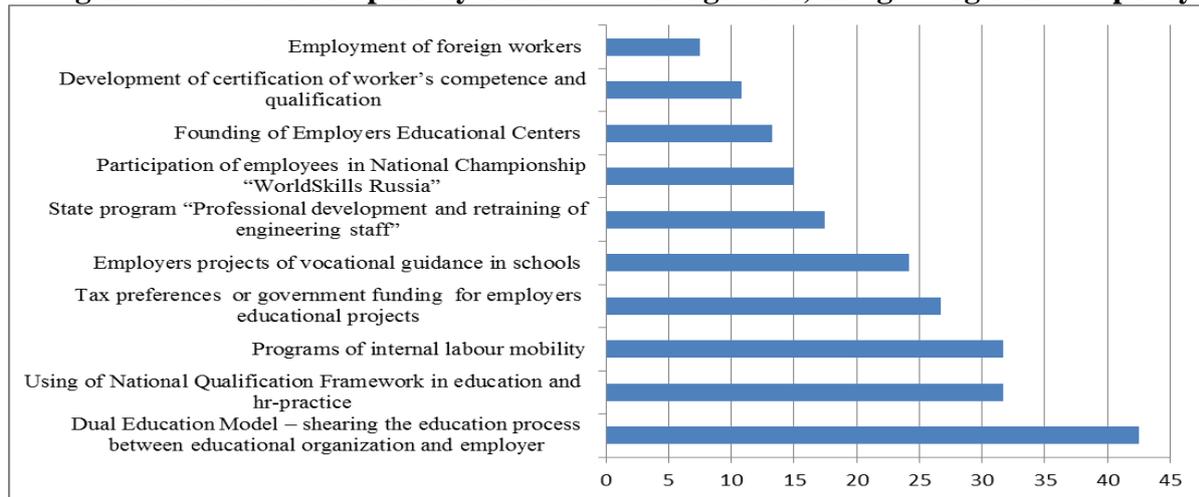
No	Group of institutions	Institutional barriers	Rate, %
1.	Institutional barriers - the most significant distortions in competence demand data		
1.1.	Institutions of Competence implementation system	1. Firm internal planning institutes (lack of long-term planning). 2. Disclosing information institutes (closed HR information). 3. Firm strategic behavior institutes (overestimation of HR requirements for best recruiting possibilities)	85 76 64
1.2.	Institutions of Competence formation system	1. Institute of people excessive preferences in same professions (under popular culture presser) 2. Student admission institutes (maximizing university funds without taking into account the interests of employers) 3. Development of education programs institutes (low level of program-time elasticity)	100 84 56
2.	Institutional barriers - the most significant distortions in competence supply data		
2.1.	Institutions of Competence formation system	1. Institute of skills certification by educational organizations (Mistrust of employers) 2. Seniority institute (Mistrust of employers)	90 64
2.2.	Institutions of Competence implementation system	1. Recruitment institutes (problems in identification of competences).	56

Source: Authors' own elaboration

There are, besides, institutional barriers that are the most significant distortions in competence supply data, such as: institute of skills certification by educational organizations, seniority institute, recruitment institutes (Tab. 2).

Our study showed tools of competency-based HR management, using in regional HR policy. The tools are strictly conform to managerial factors, such as institutional barriers (Fig 3).

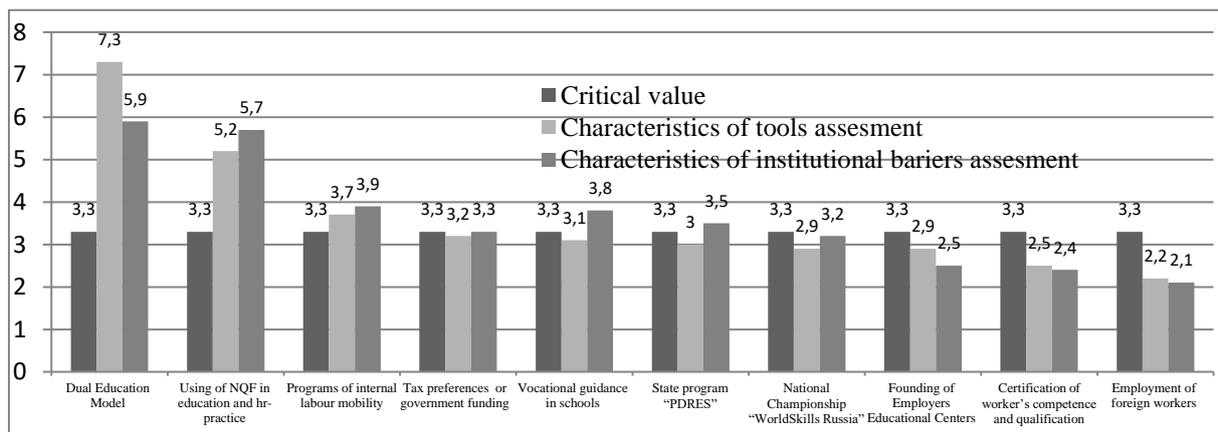
**Fig. 3: Tools of the competency-based HR management, using in regional HR policy**



Source: Authors' own elaboration

After the characteristics of the institutional barriers and management tools, we present data on the compatibility of competency-based HR management tools assessments in accordance with the institutional barriers based on the chi-square Pearson criterion (Fig. 4).

**Fig. 4: Testing the assessments of the competency-based HR management tools by the criterion chi-square Pearson.**



Source: Authors' own elaboration

As can be seen from the results of testing, the greatest discrepancy in estimates is observed in the competency-based HR management tools.

## Conclusion

Findings of the research shows that institutional barriers are the most significant distortions in competence demand and competence supply data. This institutional barriers are real management factors and there are specific management tools for dismissed such barriers.

A study of management practices in 110 organizations of the Sverdlovsk oblast showed that managers used tools of Dual Education Model, National Qualification Framework and employers labour mobility programs in education and hr-practice. According competency-based management concepts, the mechanisms of National Qualifications Frameworks: certification of professional qualifications and professional public expertise of educational programs needs to be used in Regional Human Resource Policies for Industrial Growth. Future researches can be in fields of the mechanisms of competency-based management design and developing of competency forecasting methods.

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