



# THE IMPACT OF PEOPLE MANAGEMENT TRANSFORMATION ON ECONOMIC DEVELOPMENT

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## **Abstract**

*For several years, the concept of sustainable development appears the philosophy of many scientific studies. This concept came from the field of forestry. It means that forest management cut down only as many trees as they can grow in this place. That way, the forest is never liquidated and can always rebuild itself. There are many definitions of sustainability. Perhaps the best comes from the 1987 report "Our Common Future" of the UN World Commission on Environment and Development, where "sustainable development is the development that meets the needs of the present without compromising the ability of future generations to meet their own needs." That implies a challenge to developing all areas of human life without harming any of them. One of the areas with significant impact is the activity of organizations that affects the development and stability of the economy. Also, in studies on organization and management, the sustainable development concept is increasingly common. Progress in the application of the sciences of organization and management undoubtedly has a positive impact on the activities of organizations, which leads to economic development and changes in the quality of life. This paper intends to bring closer the meaning of the evolution of people management in today's state of development and to determine trends in future organizations management. The content of this paper does not exhaust the discussed issues but may contribute to further discussion and activities in the field of sustainable development.*

**Keywords:** *sustainable development, economic development, people management trends in managing organizations*

## **1 INTRODUCTION**

Since the beginning of existence, man has attempted to develop in various spheres of life. As civilization developed, security needs, teamwork, and self-actualization accompanied this

development. The realization of needs has taken different forms. Thousands of years of evolution resulting in the constant acquisition of new knowledge, changes in attitudes and behavior, transformations in thinking, and the way of life, have led to today's achievements of human civilization. It is necessary to add - many positive achievements in the field of culture, economy, technology, or economy, but also negative -

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mainly in the environmental protection in which we live.

The term "sustainable development" appeared for the first time in 1968 during the first Intergovernmental Conference of Scientific Experts of UNESCO, devoted to mutual relations between environment and development, which resulted in an international, interdisciplinary program named "Man and Biosphere." It has appeared permanently in the literature on the subject since 1987. defined for the first time by G. Brundtland in the report "Our Common Future" of the World Commission on Environment and Development (Brundtland, 1987).

According to encyclopaedic entries, sustainable development is a sustainable development, which means social and economic development of contemporary societies, consisting in satisfying their needs in such a way as not to decrease the possibility of fulfilling the needs of future generations. The implementation of the idea of sustainable development requires:

1. global protection of the natural environment.
2. solidarity in relations between different countries, especially between the rich and the poor, and solidarity with future generations.
3. treating economic, political, social, and ecological factors as dependent on each other (PWN, 2021).

Law on environment protection, the Act of 27 April 2001 (Law, 2001) defines sustainable development as "a social and economic development, in which political, economic and social activities are integrated with maintaining natural balance and durability of basic natural processes to guarantee possibilities of satisfying basic needs of particular communities or citizens of the contemporary generation and future generations."

Sustainable development is today the basis of civilization development, understood as the development of all areas of human life. The quality of life is influenced, among others, by a strong and developing economy. Its progress undoubtedly depends on the economic potential and development possibilities of the organizations operating within it.

A modern, strong organization is an organized and efficiently managed system focused on achieving

success. Its efficiency depends on many factors, including financial, material, and, above all, human resources. People employed in the organization are a very important resource of the organization. In the literature on the subject, it is all the more powerful emphasized that gaining and maintaining a competitive advantage depends mainly on human resources.

## 2 THE CONTRIBUTION OF THE EVOLUTION OF PEOPLE MANAGEMENT TO SUSTAINABLE ECONOMIC DEVELOPMENT

One can assume that the dependence of economic development on human development forms a chain of events: development of organizational skills of people, economic development, the development of management science and practice (including human resources in particular), the development of organizations following the development of human resource management, sustainable economic progress.

High levels of human organizational skills go back 6,000 years. An example can be Sumerian priests who knew and applied some principles of efficient management, which are still valid today. Among others, using an elaborate tax system, they collected and managed huge quantities of all kinds of goods. The management system also included the subsystem of information and control of the state of financial and material resources. The process is fully documented in writing. The construction of Egyptian architectural monuments took place about 5,000 years ago. For the construction of the pyramids, it was necessary to gather equipment, develop extensive logistics, organize and manage tens of thousands of people, and many other organizational projects.

The beginning of economic development significant for modern times happened during the so-called "Industrial Revolution." It was a process of technological, economic, social, and cultural change that appeared in the 18th century in England and Scotland (Chwalba, 2008, p. 68). It initiated the transition from an economy based on agriculture to one based on large-scale industrial production. As Z. Zymonik writes: "The basic manufacturing resource was no longer man, his knowledge and skills, but a machine which made it possible to produce identical pieces of a given

product and which did not require craftsmanship" (Zymonik, 2003, p. 61). The literature on the subject usually distinguishes three breakthrough periods. The most important events are:

**I industrial revolution, 18<sup>th</sup> century** - the invention of the flying mechanical shuttle, steam engine, coke used to smelt the pig iron, steam locomotive.

**II industrial revolution, 19<sup>th</sup> century** - steamship propulsion, galvanic cell, electromagnetic telegraph, telephone, the light bulb.

**III industrial revolution<sup>1</sup>, 20<sup>th</sup> century** - called the scientific and technological revolution, began after World War II, continues today. Characteristic of this period is a rapid technical and technological development, information technology development and cybernetics, the emergence of large multinational corporations and the Internet, etc.

The industrial revolution forced the initiation of management science and practice. That consequently led to the development of human resources management and the development of organizations. At that time, production plants operating as manufactories usually employed a few people who performed their work manually. The rapid changes caused by the inventions of the 1st Industrial Revolution resulted in the expansion of factories and the creation of new large industrial plants. The rapidly growing number of workers caused increasing difficulties in managing the enterprise, including people. This situation necessitated the rapid improvement of management tools, which resulted in the rapid development of the science of organizations and management.

As already mentioned, people management has a very long pedigree. It was shaped mainly by practical requirements, not by theory or politics, and one can assume that it already existed in the first organized groups known to humanity. A good example is armies formed as early as ca. 5,000 years ago. Then, the first personnel functions (Oleksyn, 2017, p. 21) had developed:

- recruitment and selection of personnel,
- opportunity assessment,
- promotion criteria and systems,
- professional training and preparation for promotions,
- remuneration,
- social service.

Thinking about employees in terms of human resources caused changes in the approach to the employee from the concept of "workers are just costs" through the idea of human resource management, initiated in the eighties of the twentieth century, to the modern concept of human capital management.

The place and role of people in organizations have changed dramatically since the turn of the 20<sup>th</sup> century. The HR function has evolved, considering the development of management theory and practice, traditions, global values, and the challenges of international competition. An autonomous personnel function has been created, focused on, among other things, adjusting the employed people to the organization's goals and the existing or created organizational structures. (Olszewski, 2021)

The term "human resources" appeared in the economic literature as early as the mid-1970s. During this period, this term for an organization's employees consistently displaced earlier terms - workforce, staff, personnel, or human potential. Consequently, the terminology of processes related to human resources management also evolved, reflecting changes in treating people not only as a "workforce" but recognizing them as a resource in the context of creating added value (Stewart, 1996, p. 383).

As an already defined concept, human resource management emerged and took shape in the mid-1980s when American researchers developed two of its models, the "Fombrun model" ("fit model") and the "Harvard model." The Fombrun model was one of the first coherent approaches to human resource management. In the model, the authors expressed their opinion that the human resource management system and organizational structure

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<sup>1</sup> Some sources divide into four periods, as the beginning of the IV industrial revolution they set at the beginning of the XXI.

need to be aligned with the organization's strategy. The human resource management concepts and tools required were fundamentally different from the toolkit used by the traditional personnel administrator. They also pointed out that managers should engage in human resource issues with the same attention that they give to other - financial, production, or marketing (Boxall, 1992). Rapid changes in the environment of the organization and the changing image of man's role in the work process enforced the need for changes in the concept of people management from considering the man as a subject on an equal footing with other factors of production to the man as a subject of the work process.

As early as the mid-17th century<sup>2</sup> the following types of resources were considered necessary for business (Krol, 2006):

- natural resources (natural resources and land, nowadays also water and air are valued),
- capital resources (financial and physical),
- human resources (labor).

In the 20<sup>th</sup> century, this list was supplemented by:

- effective entrepreneurship,
- good organization and modern technology,
- access to information and knowledge,
- skillful use of time.

P. Drucker noted that together with entrepreneurship, human resources should be considered as significant as "innovation" (Drucker, 2002)<sup>3</sup>. The period of shaping changes in the approach to the place of human resources in the manufacturing process characterized different trends in the development of organizations (Pocztowski, 2007, pp. 18-19):

- *Bureaucratization* – prevalent until the 1960s, where the focus was on the administration of personnel records,
- *Institutionalization* – which, from the 1960s onwards, sought to centralize and specialize in the main traditional personal issues, such as staff employment, remuneration, social affairs, and legal aspects,
- *Humanization* – in which, since the 1970s, the focus has been on humanizing work,

developing employee participation in management, developing new tasks, for example, in improving employee qualifications, managing employees, interpersonal relations,

- *Economization* – since around 1980, the focus of human resources management has become, primarily, the problems related to making work more flexible and rationalized, and it is the substitution by capital and de-bureaucratization of the personnel function,
- internal and external entrepreneurship – since the late 1980s and early 1990s, there has been a growing emphasis on involving employees in shaping the company and enabling them to interact and share responsibility for decisions.

There are (Cascio, 1989, pp. 47-49):

1. The first stage - (*file maintenance stage*), lasted from the industrial revolution until the mid-1960s. All personnel matters were the responsibility of a special department - the human resources department. This department conducted interviews and screened candidates, searched for new employees, collected, and stored data on all company employees.
2. The second stage -- (*government accountability* – state influence), its emergence because of exposing and placing greater emphasis on legislative regulation of employment relations and pay conditions. The laws on anti-discrimination, pensions, health care, the creation of relevant agencies at the federal level (in the U.S.) and the interpretation of regulations and recommendations, and finally the rules of court proceedings governing virtually all aspects of employment contributed to the growing importance of human resource management and expanded the argumentation for the need for its change and development.
3. Stage three – (*gaining and sustaining a competitive advantage*), began in the 1980s. The top management of organizations began to pay attention to cost control, increasing

<sup>2</sup> The pivotal event was the publication (Smith, 1776) (the Polish edition in 1954).

<sup>3</sup> More in: (Drucker, 1992).

competitiveness, increasing the value of all activities for the organization carried out by the human resources department, just as it had previously done for line managers. HR departments were to develop only tools and procedures, while line managers were responsible for applying them and performing functions arising from human resource management. All managers were held accountable for the financial impact of their human resource management activities.

The current trend in the HR function, often referred to as added value, exposes entrepreneurship, collaboration and shared responsibility, customer orientation, knowledge management, intellectual capital, competence management, outsourcing, outplacement, network organizations, remote working, etc.

### 3 COMPLETION

Efficient management of an organization, creating its future (including striving to achieve success), is the domain of people employed there and constitutes its capital in the contemporary world. All resources and factors determining the overall efficient organization's functioning and development depend on the people employed there. At the same time, people are a specific resource because their competencies in the form of knowledge, experience, skills, abilities, especially if they are unique and properly used, become a strategic resource that allows the organization to gain a competitive advantage.

In recent years there have been trends in human resource management oriented towards the concept of intellectual capital and human capital management. This development of the organization's human resources will likely be one of the decisive elements of sustainable development.

Intellectual capital comprises the resources and knowledge flow available to an organization. These are intangible resources, including reputation and company and brand image, which together with tangible resources (financial

resources and physical assets), make up the organization's value.

Human capital includes intangible resources provided to employers by their employees. It represents the human factor of the organization, that is, the combined intelligence, skills, and expertise that give the organization its specific character. It does not belong to the owners of the organization, and access to it is secured through the employment relationship. The people bring the human capital to the enterprise, and then it develops through experience and training (Baron & Armstrong, 2008, pp. 18-21).

One can add that concerning the trends in the development of organizations' human resources, in the literature, no uniform concept has been presented so far. Before indicating the most often determined directions of development, it is worth mentioning an essential doubt pointed by T. Oleksyn: *Which direction of development will be leading - human resources management (HRM) or human capital management (HCM)?* In big companies, more than 20 HRM functions can be distinguished starting with work division and shaping organizational structures, up to ending with IT systems related to the HRM system<sup>4</sup>. According to this author, HCM functions do not cover the entire HRM space, and HRM is a mature, comprehensive, well-structured model.

In the context of the development of human resources in organizations, in the future, it will be necessary to resolve many dilemmas and challenges already faced by the contemporary management of organizations. Here are the most important of them<sup>5</sup>:

*Downsizing* – the intentional reduction of production and employment.

*Diversity* – managing diversity, the differences between people, manifested in many dimensions.

*Motivation* – the challenge that is increasingly common in HRM today is to first create an environment that is attractive to today's employees, and then to find new and different incentives to keep people motivated and interested in work.

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<sup>4</sup> More in: (Oleksyn, 2017, pp. 50-51)

<sup>5</sup> Developed based on (Oleksyn, 2017, pp. 60-69).

*Change* – Because of the rapid and constant changes in an organization's environment, change management is as important today as ever.

*New techniques and technologies* – are an increasingly important management challenge (especially those involving information).

*Globalization* – Management in a global economy presents both many problems and many new opportunities. It creates many new tasks and opens many opportunities.

*Ethics and Social Responsibility* – Ethics and social responsibility is a management challenge that has gained renewed importance. Scandals in organizations (stock and advertising fraud, corruption, or environmental pollution) have become a problem.

*Quality* – is an important issue and a challenge facing the management. Organizations use it as an asset in the competitive struggle, it affects the increase in productivity and reduces production costs.

It is difficult to unequivocally identify and describe the directions of change in organizational management expected in the coming years, which will contribute to the development of economies. However, some of them may be considered obvious (Oleksyn, 2017, pp. 75-76):

*Changing workforce structure* – organizations are employing fewer and fewer people while the nature of the work they offer them is changing.

*Modern technology and services play an increasingly important role in the process of*

*economic growth* – modern technology is becoming a major area and source of social and economic innovation.

*Externalization* – the nature of the organization is changed by an increasing number of ancillary functions.

*The globalization of the economy* – expands and intensifies competition thus allowing for more flexible movement of jobs.

*The concept of need is changing* – up until now, organizational plans and strategies have been built on needs.

*The rapid pace of change in this competitive world threatens the stability of large enterprises and the sustainability of traditional economic interest groups* – the economies of scale of mass production are losing their former meaning. The struggle is to ensure innovation capacity and the capacity for necessary renewal.

The presented trends and processes are already known due to their established existence in management practice. It is also difficult to unambiguously determine which of them will play a dominant role in the management of organizations that will significantly contribute to sustainable economic development. However, changes in management approaches are already necessary today. They should limit the "robbery" economy harming the natural environment, whose degradation is the greatest threat to sustainable development.

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