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# Problems with Modernizing Human Resources in The Lithuanian Service Sector

**ABSTRACT**

**Objective:** Problems in modernizing human resources of Lithuania's service sector are discussed in the article. The objective of the article is to reveal the issues of human resources modernization, identify the trends and measures for human resources' modernization in the service sector of Lithuania. The process of human resource management is understood as a continuous procedure where the main activities are planning, recruitment, selection, socialization, training and improvement, assessment of activity, promotion, displacement, downgrading or dismissal. The essential trends and measures for modernizing management of human resources is strategic management of human resources, growth of employee competencies and development of electronic human resources. Noteworthy to mention that in the modern world, when striving for competitive advantage, it is important to follow the guidelines of strategic management of

human resources. The significance of information technologies cannot be forgotten, because the instalment of these technologies helps to coordinate innovations in science, originality and practical experience, all of which is oriented towards creation of new services and products for the society.

**Methodology:** The research methods are based on the insights of the researchers using the analysis of scientific literature and synthesis methods. The study analyzes issues related to the modernization of human resources management in the Lithuanian service sector.

**Findings:** Summarizing the study results, aspects of a modern organizational culture can be distinguished: promotion of friendly communication among employees (this allows solving problems in the organization among employees without the need for the employer to interrupt); constructive conflict solving with the help of a mediator; an employee who is valued in the organization becomes initiative, able to independently make decisions, is more involved in achieving goals of the organization; organizational culture is being modernized by promoting employee creativeness, or through pleasant and beneficial tasks; a manager in a modern organization is distinguished by a democratic leading style, is not a sole controller – decisions are made with the involvement of the entire team; it is modern to seek for a high level of service provision (not to be only profit-oriented).

**Value Added:** Based on the results of the research, a way of modernizing human resource management in Lithuanian catering establishments was suggested in order to maintain high level of services provided by modern motivation methods and other elements of the organizational culture model.

**Recommendations:** Summarizing the results of the research it is possible to distinguish aspects of modern organization culture, which showed that modernization of human resource management in Lithuanian catering establishments includes ensuring of microclimate in the organization; healthy workplace emotional and physical well-being; employee socialization; motivation of employees and encouragement to seek a high level of service in modern ways of motivation and other elements of the organizational culture model that are recommended to be emphasized in the organization.

**Key words:** human resources, modernization of human resources, service sector, catering sector.

**JEL codes:** M12 – Personnel Management.

## Introduction

An increasing importance of services and the expansion of service sector falls into the interest field of academics and practitioners. The development

of modern economy takes place not because of the growing production, but rather due to the increase in rendered services. The progress in science and technology that is fostered in the sector of innovative services helps to assure a long-term and sustainable growth of country's economy and initiates new qualitative decisions. Modernization of human resources is considered to be the most important factor influencing the companies' renewal. Therefore, the modernization of human resources is assumed to be the crucial factor for company's survival given this modern and rapidly changing business environment. Invoking this factor, the companies create, integrate, restructure, revive or improve their organization resources and, in the long-term, expand their competencies and increase their competitiveness in the market (Danneels, 2002).

Although the service sector is seen as a key element in the process of efficient human resources modernization system, the topic of human resource management modernization in the service sector has not been widely developed. According to A. Smedlund (2008), scientific research and analysis in terms of modernizing service sector is missing, which, as F. Gallouj (2002) states, is because the pioneers of modernization in service sector naturally took over the technological attitude from the manufacturing sector and integrated it into the service sector.

The constantly changing consumer needs, competition, and the rise of the concept of social responsibility of organizations create the need for identification of new trends and measures for improvement, while pursuing organizational success. Creating a model for upgrading the human resources in private companies could change the situation. This would allow establishing new requirements for managing the processes of the modernization of human resources. In this context, the *scientific challenge* is to analyze the modernization of the human resource management and highlight the human resources and the values created thereby, based on a model that depicts the behavior and attitudes of employees.

The aim of the study is to reveal the challenges for modernization of human resources in the service sector of Lithuania.

Tasks to be accomplished:

- analyze the theoretical assumptions underlying the modernization of human resource management;
- define a model for human resource modernization, with a focus on the behavior and perceptions of employees;
- Establish the perception for ways to develop the human potential in the service sector of Lithuania among employees in the subdivisions of the *Čili Holdings*.

## Theoretical assumption underlying the modernization of human resource management

Scientific discussion under the topic of modernization of human resource management that began almost a quarter century ago and with the intensifying cohesion processes under the conditions of new step in European integration is becoming increasingly relevant. Implementing the modernization of human resource management, it is important to stress the organizational culture, its links to socialization and organization's microclimate. Organizational culture is inseparable from close communication and cooperation among the organization's members, socialization and dominant climate in the organization. Theories of organizational culture were analyzed by scientists Denison (1996), Goleman D., Boyatzis R., Mckee A. (2007), Kashoven K., Boon C. T. (2012), Jucevičienė P. (1996), Merkys V. et al. (2005), Martinkus B. (2003), Pikturkaitė I. and Paužuolienė I. (2013). They analyzed issues related to institutionalization of organizational culture, focused on the importance of organizational culture to the modernization of human resource management. The impact of organizational culture on the organization's microclimate and the well-being of organization's employees were the topics discussed by J. Kaliatkaitė, L. Bulotaitė (2014), M. E. Seligman and, M. Csikszentmihalyi, (2002), M. C. W. Peeters, T. W. DeJonge&Taris (2014). Keenoy T. (2013) proved that

great input in creating organizational culture depends on the leader of the organization. Scientists Marzano R. J. (2011), Dunk et al. (2015), Marc van Veldhoven (2012), Frake Fr. et al. (2014) believe that in order to modernize organizational culture it is necessary to institutionalize it, because in activities of organizations, especially in personnel relations, all of the rules, principles of behavior and other aspects have to be clear and specific, so that misunderstandings would be avoided. Research by Kalshoven K., Boon C. T. (2012) shows that when modernizing human resource management leaders should model their company's management in a way that employees would be induced to behave ethically both in terms of themselves and the others and render services of a high quality. Leadership theories and scientific researches that were performed in the middle of 20th century, mostly focused on the leader's behavior, activities, features, competencies or style – everything what a leader does and what he or she has (Alfes K. et al., 2012).

When modernizing human resource management, organizational culture has to be organized in a way, which would ensure the well-being of employees and adapt relevant motivational measures in order to increase the human potential. Research by F. Herzberg (2000) allowed identifying employees' satisfaction with work depends on responsibility, achievements in work, acknowledgement, promotion and possibilities for improvement, while dissatisfaction depends on the company's policy and management, quality of management, relations between employee and employer, work conditions, relations with colleagues, personal life and safety at work. Therefore, employers pursuing to motivate their employees to reach organization's goals should apply such measures that would satisfy the employees' needs. According to Keenoy T. (2013), employees' involvement in attainment of organizational goals is assured if the leader pays individual attention to each of the employee. The leader should show respect for every employee. It is necessary to ensure that each member of the organization would receive an adequate payment for his or her work, thus, organization has to implement the principle of equal rights; each employee should have his or her legal and social security ensured.

Summarizing the theoretical assumptions of modernization of human resource management, organizational culture is a fundamental model of beliefs, shaped in a certain organization while working collectively in pursuance to achieve the results raised by organizational goals, communicating while solving problems or seeking for the answer to a specific question at hand, or simply while interacting during organization's event. Therefore, organizational culture is inseparable from socialization and dominant microclimate in the organization. The research analyses issues regarding the modernization of human resource management in the service sector of Lithuania.

Research problem. In pursuance to help organizations solve their problems, it is necessary to constantly modernize the process of human resource management, which is composed of the unity of separate elements – starting from the philosophy of organization, its strategies and policy and ending with the provision of personnel, payments, management, employee relations and knowledge, and supervision of corporate social responsibility. The situation would be well improved by the creation of a model for human potential development in private organizations. This would allow generating new requirements for controlling the processes in human resource activity. Under this research, the challenges in modernization of human resource management in the service organizations of Lithuania are being studied.

Tasks set for the empirical study: 1) perform a survey on opinions of the managers of "Cili Holdings" pizzerias, which would help identify the problem aspects of the process for human resource management modernization; 2) suggest ways to improve the process of human resource management modernization in service organizations.

A qualitative study approach was chosen for empirical study, i.e. opinions of respondents were analyzed through conducting a structured interview (Žydžiūnaitė V. ir Sabaliauskas S, 2017). Employing a principle of criteria, a group of respondents was chosen: 6 managers of "Cili Holdings" departments. The study was carried out in August-September of 2017, by conducting formal interviews that were based on pre-formulated questions, which were put to

the respondents in the same order of precedence. This form of interview was chosen with the view to hearing the opinions of the respondents on the existing situation and comparing their responses to figure out the attitude and problems regarding the modernization of human resource management in service sector. The pre-formulated questionnaire consisted of blocks of topics of interrelated questions that were addressed to the persons interviewed. The questionnaire consisted of 7 themes: microclimate in the organization; organizational culture, workload; financial payback as a motivational factor; caring for the health of employees; mentoring. Respondents agreed to participate in the study after they were informed about the ethical aspects of the research, i.e. its process, the principle of discretion and confidentiality in that the obtained data would be presented in a way that would not allow the identification of a specific respondent.

## Analysis of the study data

In pursuance to modernize the human resource management, the organizational culture could be identified as an integral element that fosters employee creativity. Respondents highlighted that a modern organizational culture is an organizational culture that is constantly shifting and improving. As a feature of a modern organizational culture, an excellent microclimate in the staff was pointed out, where all employees are equally important, and the manager is not a sole bureaucrat. It is considered modern to be achieving a high level of service provision. The well-being of both the employees and customers is increasing when employees, who love their work and are motivated, work in the organization, who have proper conditions for self-presentation, can feel well and receive an adequate payment. The importance of good microclimate is highlighted, as well as the care for employees' health that a manager shows. In addition, the better the motivational measures are used in the company, the higher its level. In order the human potential would not be disturbed, the latter have to meet the

employees' motives, social and economic conditions, therefore, motivational measures have to change.

According to the respondents, the microclimate of the staff is being improved by ensuring a smooth socialization among the employees. Microclimate is improving by a pleasant managers' communication with the employees, constructive resolution of conflicts, intolerance of gossips, expressing gratitude to the employees for the day's work, and commitment to the overarching principle that a person is most important.

In the course of the qualitative study, the respondents highlighted the importance of positive emotions in the organization. Positive emotions are driven by kind words of the manager, individual attention to every worker (A1: "I have observed that positive emotions at work arise from kind words of the manager, attention paid to each employee, a sincere interest <...>"), good mood and good faith on the part of the manager, friendliness among colleagues (A2: "Positive attitude to employees, absence of prejudice on the part of the colleagues"), promotion and praise (A1: <...> The employees feel well after a simple manager's smile, his or her encouragement and praise).

Good relations among colleagues, their good faith are extremely important (A2: "<...> a lot depends on the colleagues and the relations in the staff. If one feels at one with the team, if one feels he or she is socializing well, one will feel good upon coming to work"), as well as, positive emotions (A4: "Good emotions at work are experienced by those for whom the work is not a burden, by those who feel well about working in a catering field, and who like this type of work. If one does not love the very nature of the work, no one will help and no good emotions shall be experienced. Such a person will only wait for the working hours to end").

The respondents identified the following features of employees: diligence, dignity, honesty, proper communication with both colleagues and clients, and loyalty. Values are constantly changing and so they help employees to become involved in the organization and achieve organizational goals. The respondents pointed out a changing value of diligence (A1: "I want to expand

on diligence as a value. If employees see that their diligence brings either personal benefits to them or collective benefits, they will naturally be interested in being diligent and achieving organizational objectives'). Although diligence is seen as a fundamental value, perceptions on diligence in modern society are shifting.

As can be seen, modern values are not constant. Modernization of HR management involves, most importantly, modernization of the organizational culture by linking it to socialization (so that new workers become part of the team, can express themselves in creative ways, have no fear to propose new ideas, and go boldly hand in hand with innovation that needs to be observed and adapted to the task of modernization of the organization). Diligence that brings both individual and collective benefits contributes to the achievement of organizational objectives, namely, to creating a product, selling it, and gaining a profit. The heads of the catering facilities interviewed during the study regret to note the lack of values that are important for the selection of new staff and that encourage further development of workers, as they consider professionalism to be by far the core value for achieving organizational objectives.

Summarizing the results of the study, aspects of a modern organizational culture can be distinguished: promotion of friendly communication among employees (this allows solving problems in the organization among employees without the need for the employer to interrupt); constructive conflict solving with the help of a mediator; an employee who is valued in the organization becomes initiative, able to independently make decisions, is more involved in achieving goals of the organization; organizational culture is being modernized by promoting employee creativeness, or through pleasant and beneficial tasks; a manager in a modern organization is distinguished by a democratic leading style, is not a sole controller – decisions are made with the involvement of the entire team; it is modern to seek for a high level of service provision (not to be only profit-oriented). The results of the study showed that the issues concerning the modernization of human resource management in catering institutions of Lithuania include the ensuring of microclimate within the

organization; a healthy emotional and physical well-being in the workplace; socialization among the employees; employees' motivation and inducement in pursuance of high level of rendered services under modern motivational ways and other elements of the organizational culture model.

## Conclusion

Summing up the theoretical assumptions of modernization of human resource management, organizational culture is a fundamental model of beliefs, shaped in a certain organization while working collectively in pursuance to achieve the results raised by organizational goals, communicating while solving problems or seeking for the answer to a specific question at hand, or simply while interacting during organization's event. Therefore, organizational culture is inseparable from socialization and dominant microclimate in the organization.

Summarizing the study results, aspects of a modern organizational culture can be distinguished, who showed that the results of the study showed that the issues concerning the modernization of human resource management in catering institutions of Lithuania include the ensuring of microclimate within the organization; a healthy emotional and physical well-being in the workplace; socialization among the employees; employees' motivation and inducement in pursuance of high level of rendered services under modern motivational ways and other elements of the organizational culture model.

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