

## ORIGINAL PAPER



DOI: 10.26794/2304-022X-2023-13-2-81-95

UDC 331.1(045)

JEL J24

# A Product-based Approach to the Formation of Human Capital in Entrepreneurial Organizations

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## ANNOTATION

The subject of the study is human capital – the most significant resource in the business of organizations, both in terms of cost and value and in terms of impact on the result, and therefore having an increased risk factor due to the potential failures as a result of its changes. There are two principal ways of forming the human capital of an organization: *recruitment* – attracting candidates from the labor market with the required level of competencies; *development* – training (retraining) and improving the competencies and professional development of the existing employees. The author proposes to consider the possibility of using a product approach in the work of HR in general and in the process of the formation of the human capital of an organization in particular, to ensure the greatest efficiency and focus on the results through rapid adaptation in the face of sudden unpredictable changes. Considering the applicability of the product approach, the author compares it with the process and project approaches. The relevance of this work lies in the fact that despite a certain interest, of both theorists and practitioners, there is currently a lack of scientific research into the use of the application of the product approach specifically in the field of human capital formation. **The purpose of the work** is to investigate the possibility of applying the product approach to the process of forming the human capital of an organization from both the theoretical and practical sides, using the example of the largest FMCG (Fast Moving Consumer Goods) companies in the Russian market. Achieving this goal is possible by solving a number of tasks, such as: studying the theoretical base related to the description of the product approach; comparison of the product approach with the most common approaches in the organization of labor – process and project; studying the practical application of the product approach in business in general and in HR in particular. **The research methodology** is based on general scientific methods: synthesis, analysis, and comparison. The theoretical and methodological basis of this study is the understanding of the conditions of the application of the product approach and its attributes in various business areas. The empirical framework is based on a content analysis of publicly available literature, publications, and studies of consulting companies on the topic of the product approach, available in the public domain. **Research results.** The results obtained made it possible to explore the possibility of applying a product approach to the process of forming the human capital of an organization using the example of the largest FMCG companies in the Russian market, as well as to develop practical recommendations for transforming the structure and work of the HR department in accordance with the product approach.

**Keywords:** human capital; product approach; labor market; business organizations; FMCG companies; management approaches; formation of human capital

**For citation:** A product-based approach to the formation of human capital in entrepreneurial organizations. Kutyavin D.V. *Management sciences*. 2023;13(2):81-95. DOI: 10.26794/2304-022X-2023-13-2-81-95

## INTRODUCTION

RUTP - world (English: rapid — unpredictable — paradoxical — tangled — [RUPT]<sup>1</sup>) forces business to make changes in such industries and spheres, in which they used to occur either extremely rarely and for a long time or were not observed at all. One of the least flexible areas of business is personnel management and human capital formation. This is primarily due to the importance of this resource in business processes both in terms of cost (human resource is usually the most expensive) and its impact on the result — it is characterised by a higher risk factor due to potential failures because of its changes.

One of the topical areas of management concept development in modern conditions, when changes in the markets occur suddenly and their consequences are unpredictable, is the product approach and the development of the institution of product owners in organisations. Thus, over the last 3–5 years, the use of this approach in Russia has become the most widespread in the development of digital products. Its application in IT implies three key components: value creation at every stage (business value), clear and measurable goals (metrics system), strategic planning (product development roadmap) with the ability to quickly adjust goals based on metrics data and the emerging external and internal environment (product backlog — a list of tasks and flexible frameworks — implementation model).<sup>2</sup>

In this article, the author presents the results of the study of the possibility of applying the product approach to the

process of formation of human capital of the organisation from the theoretical and practical sides on the example of the largest FMCG-companies on the Russian market.

## THE PRODUCT-BASED APPROACH AND ITS ATTRIBUTES

Before considering the applicability of the product approach to the process of human capital formation, the author proposes to compare it with the two main existing approaches in management — process and project and describe its main attributes. Project and process management began to be widely developed and applied in practice in the late 20th century. Currently, most companies use both approaches both separately and combining them [1]. The basis of process management is a business process — a regularly repeated sequence of operations that consumes resources and creates a certain result that is valuable to the customer [2]. The **process approach** considers the organisation's activity as a set of processes undertaken to achieve its goals [3]. The main advantages of this approach are: clearly described processes, ensuring transparency of work, relative simplicity of perception, prevalence of strategic problems over operational ones, the possibility of scaling typical processes.

The company's transition to process management is costly — it is a huge work on identifying similar operations, their classification and presentation as working algorithms of business processes, as organisations rarely have quality control documents (templates) for this or that process [4]. In this type of management, the focus is not on the development of enterprises or individual operations, but on their successful functioning. This approach implies the presence of formal kpi (key performance indicators): fulfilment of the plan, solving the

<sup>1</sup> Navigating Disruption With RUPT: An Alternative to VUCA. URL: <https://www.ccl.org/articles/leading-effectively-articles/navigating-disruption-vuca-alternative/> (accessed on 02.03.2023).

<sup>2</sup> Three pillars of the product approach in IT development. URL: <https://trueengineering.ru/ru/cases/prod-podkhod> (accessed on 04.03.2023).

task on time, execution of a certain number of forms.

**Project management** — is an activity during which project objectives are defined and achieved; at the same time, a balance between the scope of work, resources, time, quality and risks is observed [5]. The basis is the project — a one-time set of activities, limited in time, creating a final unique result [2]. The advantages of the project approach are a definite goal and criteria for project completion, flexibility in management and breadth of manager's authority in the course of work, increased efficiency of communication. The main disadvantages are related to the competition between projects both for all types of resources and due to the lack of a common understanding of the impact of each project on the final result (taking into account the parallelism of activities).

Modern conditions that require business to constantly develop and change have shown the insufficiency of using only the process and/or project approach. Thus, the former does not focus on development, and the latter only covers the issues of single changes, and when it is used to manage continuous development (or a series of changes), the result was influenced by the above-described shortcomings of the approach.

CEOs have paid attention to the product approach in the context of its application in organisational management to ensure the effectiveness of continuous development activities, because of its effectiveness in IT (where continuous development is required) and because of the widespread digital transformation in organisations. There are a few definitions that describe the **product approach**:

- a way of aligning the operation of an enterprise with a focus on managing the

product creation chain in such a way as to maximise customer satisfaction<sup>3</sup>;

- the task of making the right product [6];
- a way of organising activities, when business goals and user needs are the priority, and decisions are made based on the obtained data. That is, "let's introduce this because our company and employees need it" rather than "let's introduce it because it's trending now" [7];

- work with a focus on the practical usefulness of the service for business, as well as rapid response to changing requirements of the competitive market and adaptation to complex user behaviour [8];

- a method of working on a product or service that allows you to get the required result in an optimal way, without complicating the system and without performing unnecessary tasks [9].

In general, the above definitions are similar, but the author of the study emphasises different attributes of the approach. Based on the studied materials, the author offers his vision of the definition of product approach considering such attributes as "customer", "product", "business value", "product development strategy", "product metrics". Thus, according to the author, the **product approach** — is an organisation of work that allows to deliver business value iteratively, in accordance with the product development strategy to meet the true needs of the client by controlling the compliance of the product to pre-agreed metrics and the possibility of promptly changing the latter considering the emerging market conditions.

To demonstrate the differences between process, project and product approaches, the author of the study compares them according to the following parameters: scope

<sup>3</sup> What is a product-based approach? URL: <https://leanvector.ru/blog-eksperta/chto-takoe-produktovyy-podhod> (accessed on 05.03.2023).

of application, implementation, attitude to improvements/changes, result and team description (*Table 1*).

As can be seen from *Table 1*, the product approach is more oriented towards customer needs and is “open” to regular changes to achieve the strategic objectives of product development.

The author proposes to consider the transition to the product approach as a step towards an “evolution” in management. The first stage, or “foundation”, is the *process approach*; it ensures that operations are carried out according to agreed company standards (“get it done right this way and on time”). The second stage is the project approach, where one-off/recurring improvements or adjustments are required (there is already a focus on change, but it is not systematic). The *product approach*, or third stage, focuses on continuous development/change. However, improving individual parts of the product at this stage can be done using a *project approach*, while managing successfully implemented changes that have been put into “regular operation” and documented can be done using a process approach.

As mentioned above, such attributes as “product”, “customer”, “business value”, “product development strategy”, “product metrics” are an integral part of the product approach. The author proposes to consider them in the context of human capital formation.

**A product** — is the totality of the results expected by the customer, as well as the chain of their creation. That is, what we produce — product, service, information, etc., and with the help of what we do it (people, equipment, information channels, etc.).<sup>4</sup>

**The product of human capital formation**, depending on the stage or activity as a whole,

can be, for example, tools for automation of training, selection, personnel assessment (everything that makes it easier for employees to work, manage them and their development) [7]; attraction and selection of candidates (products of the recruitment department); department team, labour collective or human capital of the organisation formed to perform specific tasks and meet certain metrics.

Products that address issues within the same area can be grouped into **product groups**. They are characterised by similar objectives and can also complement each other.

**A customer** in the product approach is someone who uses the results of the product creation activity or receives the main benefits from the use of the product. Customers are divided into external, outside the perimeter of the company (buyer), and internal customers.<sup>5</sup> Depending on the scale of the enterprise, the client of the “human capital” product may be a small business owner who is himself involved in the process of forming this product, or a hired manager — the head of a mid-level organisation or a department/branch responsible for a specific function/direction, who is also a part of the human capital of the organisation, perhaps the most significant one, since he influences decision-making and determines the strategy, including in terms of work with personnel.

Since the product approach implies continuous product development/change, among its important attributes is the regular delivery of **business value** to the customer, which does not mean a specific product or commodity, but how successfully the customer’s needs will be met by that product or its realised improvement within one of its development stages. Business value defines

<sup>4</sup> What is a product-based approach? URL: <https://leanvector.ru/blog-eksperta/chto-takoe-produktovyy-podhod> (accessed on 05.03.2023).

<sup>5</sup> What is a product-based approach? URL: <https://leanvector.ru/blog-eksperta/chto-takoe-produktovyy-podhod> (accessed on 05.03.2023).

Table 1

## Comparison of product, process and project approaches

	Process approach	Project-based approach.	Product approach
Field of application	Management of homogeneous processes in accordance with the described standards	Managing the implementation of one-off project changes	Managing continuous change/development within the strategy
Implementation	Implementation only after detection of homogeneous processes and their detailed description	Realisation of the request/idea in accordance with the obtained project goals and objectives	Implementation of the request/idea after research and according to the true need of the client
Modifications/refinements improvements	Changes are possible but require revising and rewriting the entire process. Labour-intensive procedure	Refinements are possible within the framework of a new project. Acceptance of the project takes place in accordance with the original project requirements	Flexible approach to change based on customer/user feedback and metrics. Continuous improvement process
Result	Completion of homogeneous tasks in accordance with the described regulations. Compliance with formal process KPIs	Fulfilment of all items of the client's assignment considering the set deadlines, defined budget and specific project KPIs (project metrics)	Achievement of all product metrics (including strategic metrics) agreed with the client and the team prior to or during project implementation
Team and leader	Mainly teams/executives working steadily within a single function; process owner is distinguished from the team working on the described process	Cross-functional teams assembled for the duration of the project; project manager	Cross-functional teams working together in a stable manner; product owner

Source: developed by the author.

what is important at each stage of product development to improve the product. In turn, **regular value delivery** is a continuous improvement of product properties/quality/characteristics, based not so much on the customer's desire to change something, but on real needs, due to which the product can help to achieve better business results.

To assess the effectiveness of delivered business value, the product approach uses

**product metrics** — quantifiable indicators that allow to evaluate its effectiveness and the results that are achieved through its use. To assess product development, it is common to compare agreed-upon performance metrics at different stages of product development. Moreover, the main trigger for road — mapping is the desire or need to achieve certain metrics, among which we can distinguish between primary and secondary metrics. Thus,



the former is directly related to the goal or problem being addressed, such as “increase employee engagement in participating in educational programmes”. The latter may reflect important but not critical aspects of implementation.

A set of metrics for each product is defined and agreed upon by the product team and the product owner. They perform **product management**, — a process aimed at bringing a new product to the market or developing an existing one [10]. It starts with the initial description (product idea), with which the customer will interact, ends with the evaluation of the product performance. Thus, according to a study conducted in 2021, effective product management can increase profits by 34.2%, which proves the importance of its implementation [10].

In the “digital world”, product teams are small cross-functional groups working towards a common outcome — the creation of an exceptional digital product. They have little or no hierarchy, as each person contributes unique skills and perspectives that are essential to the process. Responsibility for the teams usually falls to the product owners.<sup>6</sup>

**A product owner** — is not a formal position. It is an employee responsible for the entire product life cycle; he/she may own several products at the same time or be the owner of a product group.

Most product development ideas/tasks are formed because of customer/company needs research. They are combined into a **product strategy**, or a roadmap, on the basis of which a **product backlog** is formed — a list of work tasks for the development team and product owner, arranged in order of importance [11]. HR-strategy of company development in terms

of human capital formation can serve as a basis or limitation for its formation.

In practice, product approach and implementation of product strategy are achieved by following certain methods that help to organise the work process, the most popular and effective among which are **Scrum** and **Kanban**.

**Scrum** — is an agile project management methodology that helps teams’ structure and manage work based on a set of values, principles, and practices.<sup>7</sup> When using it, a product is developed through a series of iterations called *sprints* (Engl. — sprint). In this way, complex and complex projects/tasks can be broken down into smaller parts that are easier and more flexible to manage, giving more opportunities to adapt to change. The team and the product owner have the right to determine the duration of sprints themselves (recommended — from 2 to 4 weeks).

To ensure the necessary level of discipline in the application of *scrum*, it is relevant to introduce the role of a *scrum-master* who will help to control and guide the teams and the product owner in practice. This can be one of the product team members who has been trained. This is especially true if the team has been working for several years with an unchanged composition and all processes are aligned.

**Kanban**, in turn, is a method of visualising activities, limiting work in progress and maximising efficiency (or speed). *Kanban — teams* strive to minimise the amount of time it takes to complete a project from start to finish.

*Kanban* — is based on the continuity of the labour process. Current tasks are represented by cards on a *Kanban* board and move from one column representing a particular work operation to another. In general terms, the

<sup>6</sup> Product Management: Main Stages and Product Manager Role. URL: <https://www.altexsoft.com/blog/business/product-management-main-stages-and-product-manager-role/> (accessed on 01.03.2023).

<sup>7</sup> A guide to Scrum: what it is and how it works. URL: <https://www.atlassian.com/ru/agile/scrum> (accessed on 01.03.2023).

Table 2

## Main Differences Between Scrum and Kanban Methodologies

	The main idea	Stages of work	Methods	Roles
SCRUM	Learn from experience, self-organise, and prioritise, analyse your wins and losses to continually improve yourself	Regular sprints of fixed duration (e.g. 2 weeks)	Sprint planning, sprint, daily Scrum – meeting, sprint review, sprint retrospective	Product owner, Scrum-master, development team
KANBAN	Improve the quality of the work performed with the help of visual materials	A continuous process	Visualising the work process, limiting work in progress, controlling the process, enabling feedback loops	There are no mandatory roles

Source: compiled by the author based on [12].

differences between *Scrum* and *Kanban* are summarised in Table 2.

*Kanban* is suitable for teams that receive multiple requests that vary in importance and workload. Unlike *Scrum* methodology, which requires strict control over the execution of tasks in a planned scope, *Kanban* allows the team to adapt processes to changes.

### HUMAN CAPITAL FORMATION THROUGH THE PRODUCT APPROACH IN PRACTICE

The author of the study proposes to consider the stages of transformation of HR department work in terms of human capital formation on the example of one of the largest FMCG-companies in the Russian market in the field of food products.

In his article [13] he distinguishes three levels of human capital: employee, enterprise and state, each of which has certain features and mechanisms of formation. Thus, the human capital of the enterprise is a set of human capital of employees, attracted to achieve the objectives of the latter and belonging to it on the terms of employment.

There are two fundamentally different mechanisms of formation of human capital of an enterprise:

- *recruitment* on the labour market of the required knowledge/competencies, including such stages as description of requirements and search for candidates, selection of employees, adaptation of newcomers.

- *training/development* to acquire the missing expertise. Two parallel processes should be distinguished here: *individual/employee* human capital development (a series of systematic procedures aimed at continuously improving the level of competence of employees) and *enterprise* human capital development (creating the conditions to maximise the return on all resources invested in building and retaining the existing human capital of employees).

Human capital formation is a set of activities that includes various stages and is aimed at continuous change to comply with existing trends (market challenges).

The author suggests that the transition to the product approach should be realised by means of 6 consecutive steps:

1. Identifying areas that require change.
2. Identifying products and the customers who use them.
3. Aligning the structure of the HR department (product teams), highlighting specific products and their owners.
4. Agreeing product strategy (product backlog), metrics and task backlog.
5. Alignment of work principles and methodology (*Scrum*, *Kanban*, *Less*).
6. Formation of the product team.

Before the transformation, the work in the HR department of the company under review was organised in a “classic way”: there was a few described and agreed processes, and the focus of employees was on following them; changes and improvements were not systematic and depended on the vision of a particular employee responsible for the process. At the same time, the organisation’s activity in attracting candidates from outside was assessed as quite successful on the labour market (based on the annual survey of HH.ru) and primarily since the company was able to offer attractive (relative to the industry average) conditions to job seekers. At the same time, the development of competences of existing employees was at a low level, which was confirmed by annual assessments and analyses at the industry level.

Stages of transition to the product approach:

*Stage 1. Identifying areas that require change.*

The transition to a product-based approach was designed to address several challenges in human capital formation, including:

- slow decision-making due to the large number of managements levels;
- reluctance to delegate authority;
- employees’ focus on day-to-day tasks rather than on improvement;
- spontaneous development and unexpected changes, sometimes contradicting each other;

- ineffective training in the company (based on the principle of “taking the maximum from what is offered on the market”).

*Stage 2. Identification of products and customers.*

First, the main product is defined at the corporate level — “Human Capital of the Organisation”. Its client is the company’s management, in this case, — the director of its representative office in Russia, as he is responsible for the results achieved by the formed human capital. At the same time, at the level of owners, the “Organisation’s Human Capital” product itself is a top-level product group, as it consists of several products that contribute to its formation. Within this large group there are two areas of activity: “Attracting human capital” to the company and “Personnel development” aimed at forming human capital.

These are two product groups combining a number of products with related goals and objectives. For example, the first one includes the following products: “Candidate Recruitment” and “Employee Adaptation”. The second includes “Personnel Assessment” and “Personnel Training”. The clients of these products are managers of various levels who use them in their work to build human capital within their area of responsibility.

It is worth noting that at certain stages of development it is acceptable to separate products from the group, appoint a separate product owner and subordinate him/her to a higher level — for example, to the head of the HR department. Such a scenario is possible when a product is at an active stage of development and/or the authority of the product group owner is not sufficient to make quick decisions.

Thus, in the company cited as an example, the products “Training Portal” and “HR chatbot for new employees” were



Product/product group of the upper level	Human capital of an organization					
Product groups	Attracting human capital		Personnel development			
Products	Selecting candidates	Employee adaptation	Evaluating personnel	Personnel training	HR chat-bot	Training portal

Fig. 1. The company's product portfolio in terms of human capital formation

Source: compiled by the author.

Table 3

### Examples of key roles involved in the formation of the Human Capital

Product Role	Company HC	Attracting human capital	Staff development
Client	Owner of the company	Management of different levels	Management of different levels
Product owner	Head of HR	HR department manager responsible for recruitment of personnel	HR department manager responsible for training
Contractors	HR department / Line management	Recruitment Officer / Hiring Manager	Training and development officer/line managers

Source: compiled by the author.

selected from the product group “Personnel Development”, as these were new strategic directions in the field of human capital formation for the whole organisation. In general, the company's product portfolio in terms of human capital formation is shown in Fig. 1.

*Stage 3. Changing the overall structure of the HR department in accordance with the product approach.*

In contrast to the traditional approach, when the structure of the company as a whole and the HR department in particular is quite stable for many years (employee responsibilities change, but the structure remains in accordance with the staffing table), with the product approach it is recommended

to determine the staff based on the specific needs for product development at a certain point in time.

In order to form the overall structure, the final number of products and the workload of the product owners must be determined so that they can devote sufficient attention to the development and maintenance of each product. At this stage, the structure should be refined only to the level of product/product group owners, as the rest of the team will be selected by them based on agreed metrics and product backlogs.

In the above example, the top-level product/product group (“Human Capital”) is owned directly by the head of the HR department. His team are the owners of

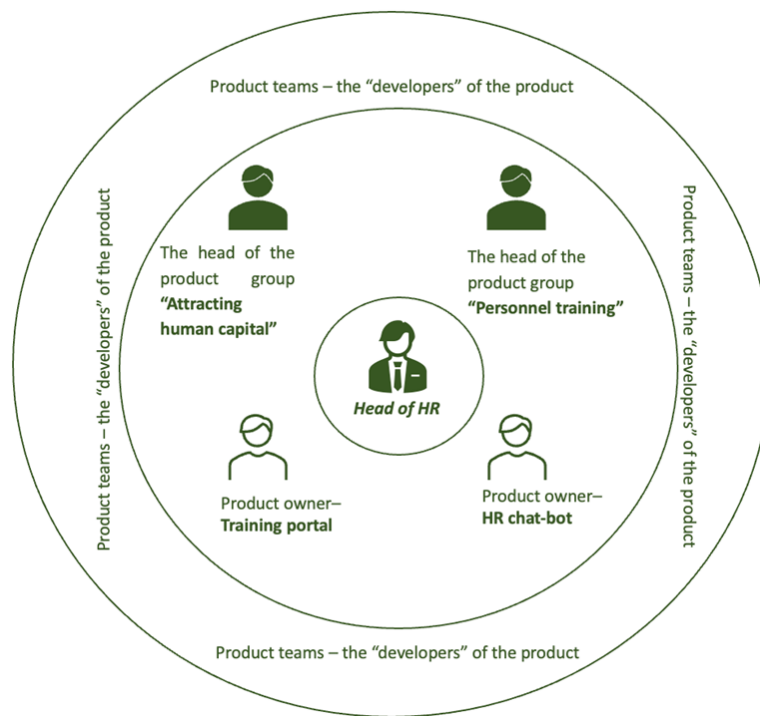


Fig. 2. The structure of the HR department responsible for the formation of human capital

Source: compiled by the author.

the product groups identified in the second stage — “Human Capital Attraction” and “Employee Development”. Examples of key roles (“product owner”, “performers” and “customer”) involved in the formation of human capital of the organisation are given by the author in Table 3.

Owners of product groups and products (in case they are separated from product groups) are authorised to form a team based on the total budget of the product and the tasks set for its development. They have “direct” access to the head of the HR department and the teams involved in product development. Thus, the result is a simple organisational structure that does not have a large number of subordinate levels and managers making decisions (Fig. 2).

Its main advantages are as follows:

- **speed of decision-making**, as there is only one level between the strategic decision-maker and the team implementing the

changes — the owner of the product group or product, who is directly involved in all aspects of its “life”;

- **flexibility in the set of competences**, as in product teams it is possible not to allocate “formal” roles, but to attract qualified specialists at separate stages to solve specific tasks. The set of team competences is determined by the product group/product owner.

It is worth noting the importance of maintaining this level of hierarchy with 2–3 levels of subordination in order not to lose the advantages of the product approach. For this purpose, it is necessary to assess the level of load on the owner of the product group and, if it becomes high, to equalise it, revise the product development strategy or re-form the product teams; or separate the product by appointing a new owner and subordinate it to the level above it.

The disadvantage of such a structure is that participation in it can distract the HR

Table 4

## Practical experience in organizing an employee training portal in two FMCG companies

	Company "B"	Company "M"
Company and business area	One of the leading positions in the non-food market	Leading position in the food products market
<b>Task</b>	<b>Organisation of a distance learning portal</b>	
Approach to implementation	Project-based	Product-based
Key metrics	<p>Organisation of a training portal at a cost not exceeding RUR X million for 5 months.</p> <p>The purpose of creating a training portal is a popular method of personnel development in the market; it is already used in competitor companies</p>	<p>Implementation of the task in accordance with the agreed metrics:</p> <ul style="list-style-type: none"> <li>– portal cost – X million rubles, terms – up to 5 months;</li> <li>– 10% increase in the results of annual employee appraisal due to hard-skills training through courses on the portal;</li> <li>– user satisfaction with the portal at the level of 8–10 points (on a 10-point scale) based on a survey (NPS-indicator);</li> </ul> <p>The purpose of the portal organisation is to improve the quality and speed of training</p>
Fulfillment of the task	<p>A project manager and a cross-functional team were identified, who drew up and agreed the work plan, described the terms of reference in accordance with the project objectives and the capabilities of the selected vendor.</p> <p>The portal was organised in accordance with the project plan and terms of reference</p>	<p>The company selected a manager for the new product "Training Portal", who drew up a long-term product development plan (product road map). Users were interviewed and their experiences/requests were considered (customer journey map). The product roadmap included objectives to achieve the metrics.</p> <p>The portal was organised through several iterations with adjustments based on feedback from users</p>
Short-term results	<p>The task was fulfilled in accordance with the project requirements. The training portal was organised within the allocated budget in 4.5 months on a turnkey basis and handed over to the employees of the department responsible for training</p>	<p>The task is fulfilled. The training portal (product) was organised with minimum requirements within the allocated budget in 2 months, the rest of the portal functionality was developed in the next 4 months as a result of adjustments.</p>
Long-term result	<p>The portal functioned successfully during the first 6 months – the users liked the new form of training. Then significant adjustments were required because part of the functionality was not taken into account, which was revealed during the operation of the portal.</p> <p>This work was delayed until the next year, as the training department staff did not have this workload built into their staffing plan for the current year. Employees stopped voluntarily using the portal on a regular basis and did so only at the manager's request</p>	<p>Product development follows a "product road map" and metrics are reviewed quarterly, and adjustments are made to the plan accordingly</p> <p>Employees use the portal on a regular basis as it is user-friendly, and updates are constantly added based on feedback.</p>

Source: compiled by the author.

manager, who has a large number of contacts, from strategic work. This can be solved by empowering the most “mature” product owners, thereby reducing the number of issues “locked in” to one person.

*Stage 4. Alignment of product development strategy (product backlog), metrics and tasks backlog.*

At this stage, the work is carried out in parallel in two directions: “bottom-up” and “top-down”. Thus, the company’s management and the head of HR define the overall strategy for the development of the human capital formation department and determine the main goals, timelines, and budget.

On its basis, the product owner, in turn, forms a strategy for its development, taking into account the available resources, relevant plans for overlapping products and, most importantly, taking into account the needs of customers. It is worth noting that in practice, the approval of a product development strategy takes place through several iterations. For example, sufficient reasoning for its adjustment may emerge from a customer needs study, resulting in additional resources being allocated by management.

Forming a product development strategy includes a general vision of its transformation (“what is to be achieved”), defining metrics and compiling a backlog of tasks. In order to show the importance of using metrics, the author suggests comparing the implementation of the task of organising a training portal for employees, which is one of the key tasks in terms of human capital formation, by two companies (*Table 4*).

Based on the above example, we can conclude that implementing the same assignment through a product or project approach using certain metrics can lead to different results in the long term.

In practice, the principle of harmonising the HR department’s overall strategy “from the

bottom up” is also common — this is relevant when a company is actively developing, new products are allocated, and sufficient resources are invested in development. In this case, the client’s needs, the desire to meet the highest standards in order to attract the best candidates, etc. are put at the centre of attention. The “bottom-up” scenario assumes that each product owner first determines what the latter should meet (metrics) and only after that the overall strategy of human capital formation is created.

*Stage 5. Harmonisation of principles and methods of work (Scrum, Kanban, Less).*

The author of the study, according to the comparative characterisation of the two methods — *Scrum* u *Kanban*, presented in *Table 3*, recommends working according to *Scrum* in teams where there is continuous product development that is consistent, i.e., tasks are homogeneous in nature. For example, in the area of improving learning tools. The use of *Kanban* will be most effective when changes are dependent on a number of extraneous factors and are not uniform in nature. For example, in the field of recruitment, where in addition to the company’s “desire” there is a large number of parameters that influence the result: labour market conditions, socio-economic and geopolitical conditions, etc.

From the point of view of an HR manager, the most effective method is *LeSS* (Engl. large-scale scrum) [14]. *LeSS* — is *Scrum*, but it is applied to multiple teams working together on one product. Its key differences (on the example of the product group of the HR department responsible for the formation of human capital of the organisation) are:

- 1 product owner (in the described case — top-level product group) — the Head of HR department;
- 1 product (in the described case — top-level product group) — “Human capital of the organisation”;

- 2 to 8 teams led by product owners and one scrum-master per 2–3 teams;
- common sprint of 2 weeks duration for all teams (included in the described case in the top-level product group);
- a single product development backlog and backlog for each sprint;
- business values delivered in the framework of a single sprint and aimed at the development of the product “Human Capital of the Organisation”.

The existence of uniform rules, principles and guidelines for all teams working within *LeSS* allows the top-level product team leader to keep abreast of changes and control the work of the teams without wasting much effort. For employees, this means easier adaptation when moving to another team and ease of interaction between members of different teams.

#### *Stage 6. Formation of the product team.*

As practice shows, this stage is one of the key ones, as the success of the plans' implementation depends on it. First, it is recommended to form product teams from among existing staff. The main advantage of this scenario is that employees already know the area for which they should be responsible, and they will not need additional adaptation in the company. However, since they are not prepared for the product approach, consultants should be hired to train the product owners first and, if possible, to support the product teams for a period of 3 to 6 months.

In the example above, the management at the beginning of the product approach faced serious resistance from the staff, who were not ready for regular meetings and demonstration of the results of the work process (in accordance with the sprints in *Scrum*), as well as for flexibility in working on product changes. There were instances when product team members refused to implement critical

changes for the client, attributing this to the fact that they had other plans for product development, forgetting that the client's needs should be put first. Thus, it was necessary to change the way of thinking of employees, which was done with the help of trainings, individual conversations, and inclusion of *scrum* — masters in regular activities.

The key objective of the product approach is to change both the patterns of staff work and the attitude of staff to work, but not themselves. And the changes should take place at all levels. For example, as already mentioned, in the product approach, product owners should be given more authority from the management, as they should understand the real needs of customers, as well as realise what needs to be changed in the product in the short and long term in accordance with the requests of the latter.

Excessive control can be avoided if the product owners have a certain maturity and experience, and their management has a sufficient level of trust, especially since the iterative changes applied in the product approach allow to correct mistakes in a fairly short time, and this is an additional “insurance”.

As a result of the implementation of activities according to the six stages described above, the company made the transition to the product approach within 6 months. At the same time, a number of imperfect processes were identified, and at the initiative of the product owners, a part of the staff that did not meet the required new competences and did not want to change approaches was replaced. Thanks to this transformation, a few key problems were overcome or started to be solved, namely:

- reduce the speed of decision-making by reducing the number of structures levels;
- direct employee focus on product development and accountable processes



through the systematic work of product owners and invited consultants;

- streamline and structure product development and change processes.

### CONCLUSIONS

Within the framework of the research all the set goals and tasks have been achieved, the author has considered the potential application of the product approach to the process of formation of human capital of the organisation on the example of the largest FMCG-companies in the Russian market.

The conclusion is that the product approach has a number of advantages over other, most applicable in organisations at the moment: project and process approaches, because it is *aimed at continuous development* (which is relevant in the conditions of fierce competition for human capital in the knowledge economy), as well as *allows you to quickly respond to market changes* due to flexible response, focus on a set of activities that allow to *meet the real needs of the customer through the use of the product*.

The achievement of the set goal became possible due to the solution of a number of tasks: the theoretical basis of the product approach (described in Russian and foreign sources) was studied; it was compared with the process and project approaches; the practical application of the product approach in business in general and in HR in particular was studied. The author of the study gives practical recommendations for transforming the structure and work of HR-department in accordance with the product approach.

Despite the objective merits of this approach, the results obtained, and the above recommendations should, in the author's opinion, be the subject of discussion in professional and academic circles on the following issues not addressed in this study:

1. How to plan the budget when moving to a product approach with the introduction of continuous change?
2. Is it necessary to transfer all departments of the company to the product approach, or should it be done iteratively?
3. What is the next step in transforming the HR department's activities after the transition to the product approach?

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*Conflicts of Interest Statement: The author has no conflicts of interest to declare.*

*The article was submitted on 21.03.2023; revised on 13.04.2023 and accepted for publication on 11.05.2023.*

*The author read and approved the final version of the manuscript.*