# Study unit 2: Human Resource and Competitive Advantage

# Introduction

Human resource professionals have, more or less, agreed now that the key to a firm’s success depends on a set of core competencies in the form of employee skills, knowledge, experience and the ability to use these to the advantage of the firm when required-that separate the firm from its rivals and deliver value to customers. Most often “core competence (may also be viewed as a competitively superior resource strength) is knowledge based, residing in people and in a company's intellectual capital and not in its assets or the balance sheet (Thompson et al 2006).

**Learning Outcomes of Study Unit 2**

By the end of this topic you should be able to:

2.1 Discuss HR and competitive advantage

2.2 Describe the role of strategic human resource management

2.3 Highlight the challenges of human resource management in organization

2.4 Distinguishing between HRM and Personnel Management

**2.1 HR and Competitive Advantage**

A company’s human resources are its most fundamental source of competitive advantage. When they get inspired and work to their full potential, people can bring a lot to the table. They can bring smiles to customers through unmatched service and winning ways of doing things. They can combine the scarce organizational inputs in such a wonderful manner; the end result could be stunningly superior and vastly different from the one offered by a rival firm. The expertise, knowledge and experience that capable employees of an organization possess could often spell the difference between success and failure in the corporate world.

Competitive advantage occurs if customers perceive that they receive value from their transactions with an organization. It occurs when the firm does something that others cannot do or does it better than others. For example, Dell has competitive edge over its rivals, arising out of its exceptional ability to create a direct selling e-commerce channel that is highly responsive to customers.

**Box 2.1 Competitive Advantage**

Competitive advantage is the ability of a firm to win consistently over the long term in a competitive situation.

It must also be remembered here that it is not enough for an organization to possess valuable resources that offer competencies; those resources have to be managed in a way that gives the organization an edge over competition. Organizations can achieve a sustained competitive advantage through people if they meet the following conditions:

**Superiority: -**This requires single-minded focus 0n customer needs and expectations. To achieve this, the organization needs to tune its policies in line with changing customer's requirements and deliver superior service.

**For example, 2.1**

Federal express was one of the first companies to introduce package tracking capability. It created a system for tracking a package all along its path. Obviously, it was better than UPS at finding where a customer's package was. HR can bring that plus value to the firm by hiring the best talent that actually matches with organizational culture. Organizations will have to invest heavily in their human resources in order to be competitive during the twenty-first century. Human resources become a source of strength when they find ways to reduce costs offer something unique to customers and thereby improve the efficiency or: effectiveness of a company.

**Inimitability:** Superiority alone does not guarantee competitive advantage, to gain the edge, the firm must erect barriers that are insurmountable (subdue, not capable to overcome). That is, it must offer a product or service that is not easy to imitate or copy. An organization should always try to be unique in its industry along dimensions that are widely valued by customers. Through employee friendly policies and practices, HR can instill confidence in people and inspire them to give their best to the organization.

**Durability:** For over two decades, some analysts now argue, the Disney brand was largely neglected especially after the death of Walt Disney. It nonetheless endured in the minds of children and their parents.

**Non-substitutability:** Competitive advantage demands a low possibility of substitution. Substitution is concerned with whether or not the customer's need that you fulfill can be met by alternative ways. It is not possible to sustain a competitive advantage over extended periods of time. After the emergence of Internet, students have almost forgotten encyclopedia Britannica (and its 30 bound volumes as ready sources of information). The best way to maintain leadership is to continually seek new forms of advantage through constant experimentation, innovative efforts and investments in latest technology. In order to enjoy the competitive advantage, the firm should be a cost leader, delivering value for money.

Appropriability: This is a funny way of asking whether you actually end up making profits that are above the average for a comparable set of firms. In other words, you may have a smaller share of the market, but you are able to ride over the market, enjoying super normal returns, enjoying usually a cost advantage.

***ITQ***

To deliver superior value and offer unmatched service, every firm requires the services of a committed and competent workforce. There is increasing research evidence indicating that employees are most productive if:

**ITA**

*(i) They are loyal to the company, informed about its mission, strategic and current levels of success,*

*(ii) Involved in teams which collectively decide how things are to be done and*

*(iii) Are trusted to take the right decisions rather than be controlled at every stage by managers above them (Thompson),*

*(iv) A good team of competent and committed employees will deliver the goals if they are involved in all important activities and are encouraged to develop goals that they are supposed to achieve, in recent years, a new line of thinking has emerged to support this view known as Strategic Human Resource Management (SHRM).*

**2.3 Strategic HRM**

SHRM is built around three important propositions; (M. Armstrong 34-45)

The human resources of a firm are a major source of competitive advantage; in a way, people can make or break an organization.

Successful organizational performance depends on a close fit between business and human resource strategy (vertical fit).

Individual HR strategy should cohere by being linked to each other to offer mutual support (horizontal fit)

In short, it involves the development of a consistent, aligned collection of practices, programs and policies to facilitate the achievement of the organizational strategic goals

**Strategic Role of HRM**

HR can initiate new policies and practices but it is the line management that has the main responsibility for implementing them. In other words, 'HR proposes but the line management disposes.' If line managers are not disposed favorably towards what HR wants them to do, they won't do it, or if compelled to, they will be half-hearted about it. As pointed out by Purcellet al (2003), high levels of organizational performance are not achieved simply by having a range of well-conceived HR policies and practices in place. What makes the difference is how these policies and practices are implemented. That is where the role of line managers in people management is crucial:

* To ensure effective utilization of human resources. This can be achieved by placing the right human resources in the place doing the right activities at the right time (Ensure jobs have suitable and achievable workloads, avoid under- utilizing or over-stretching of staff, and Make best use of employee's skills).
* Attract competent staff: The line managers take on the staffing role (recruitment& selection) to ensure that the organization get the right human resource with right skill, knowledge and attitudes.
* Employee Engagement: The approach line managers take to supervising their employees is the most critical factor in employee engagement. If managers focus on their employees' strengths and encourage open communication, they are more likely to engage and encourage their employees, Line. Managers who focus on the negative aspects of employee performance, micromanage their employees or seek only to boost their own status will create disengaged and disgruntled employees. HR practitioners measure employee engagement through surveys, but engagement is generated or extinguished by line managers.
* Managing employee commitments. (identification, involvement & loyalty}, Managers can build employee commitment through open communication systems, staff involvement, providing adequate rewards e.t.c.
* Human resource development. To generate maximum development of human resources within the organization by offering opportunities for advancement to employees through training and education.
* Enhancing team work. HR specialists must enhance the ability of people to work together. That's through instilling a sense of team spirit, cooperation amongst employees in order to enhance performance and motivation of employees
* Performance management. This involves coaching, supporting, giving feedback, conducting an initial meeting, agreeing SMART objectives, setting competencies, ensuring personal development plans are in place, conducting at least one interim review and, conducting end of year appraisal meeting; It also involves setting targets or performance expectations to the eil:1ployees and measuring employee performance at all levels in the organization in order to identify their strength and, weaknesses and thus, improves on the overall organizational performance.
* Employee motivation. Motivation is the force that ignites, directs and maintains our behaviors. It is the responsibility of the HR to ensure that the employees are fired up 24x7x365. This can be achieved through identifying and satisfying the needs of individuals by offering monetary and non-monetary rewards.
* Cultural management. It is the role of the human resource management to shape the behaviors and attitudes of employees towards understanding and achieving the values and goals of the organization.
* Managing change. Today, the success of individuals and organizations are measured by their adaptability to change. It is the role of HRM to ensure that all the proposed changes in the organization are accepted among the employees with less resistance e.g. layoffs, introduction of new technology, employee transfers, and job redesign e.t.c.
* Reward Development. This involves using the reward management system to define performance expectations for rewarding people according to their contributions.
* Maintain good employer / employee relations. This can be achieved through avoiding unnecessary and costly industrial disputes, timely and honest communication with employees and their representatives, sensitive handling of potential problems with employees (e.g. dismissal, redundancy, major changes in the business) and complying with all relevant employment legislation.
* Ensure human resources are employed cost-effectively. This can be achieved by ensuring that Pay rates are competitive but not excessive minimizing staff turnover, measuring returns on investment in training e.t.c.
* Ensuring a good working environment. This is done through attending to the routine employee queries and inquiries, ensuring a healthy and safe working condition, ensuring that employee rights are not violated e.t.c.
* Manage employee health and safety at work. This will help to ensure that employees are safe and protected from accidents and hazardous situations while at work.

2.4 Modern challenges of Human Resource Management

Attracting and retaining competent employees is difficult due to stiff competition among organizations.

Leadership development. HR professionals continue to wrestle with understanding the best ways to keep people in the pipeline and develop leaders for future succession planning. Increasingly recognized as becoming strategic business partners within their organizations, HR professionals are expected to provide the essential frameworks, processes, tools, and points of view needed for, the selection and development of future leaders.

Lack of employee commitment and loyalty to the organization. This has made it difficult to attract and retain the competent employees in the organization. This can be caused by the increasing number of target workers.

Variations in the workers expectations, Alignment of individual interests with the overall organizational objectives. Managers are faced with the challenges of how to meet these expectations. People want to get rich quick, and their aim therefore may not be to contribute to the organization but to gain from it. The challenge therefore is how to harmonize the individual interests with the overall organizational objectives. Managing the psychological contract.

Workforce diversity i.e. an increasing number of women, disadvantage and minors joining the workforce, diverse background of employees including age ethnicity, ancestry, gender, physical abilities/qualities, race, sexual orientation, educational background, marital status; military experience, religious beliefs, parental status, and work experience makes it hard to manage these, human resources with different needs.

Wide spread unemployment and under employment. There are less white' collar jobs considering the number of people that qualify for them. This has resulted into underutilization of employees as people are doing jobs, they are over qualified for.

Influence of trade unions e.g. there is increasing pressure of trade unions on the management concerning the various interests of workers like better pay, more benefits which the company may not afford.

Legal legislation- Rights of privacy e.g. someone with AIDS should not be discriminated on those grounds, even questions asked on interviews should be non-discriminatory.

Globalization, many countries have opened their boarders and therefore organizations continue to face challenges of expatriate labor, cultural shock, e-workers; competition for labor etc.

Changes in technology which necessitates management to ensure their employees are always equipped with skills to adapt but also deal with the likely effects of redundancy.

Changes in economic environment such inflation, credit crunch tend to affect the organization negatively.

## 2.5 Human Resources Management or Personnel Management

These terms are often used interchangeably but it becomes imperative therefore to evaluate the difference inherent in these two concepts.

Personnel Management is defined as that which is concerned with the procurement, development, compensation, integration and maintenance of the personnel of an organization for the purpose of contributing towards the accomplishment of the organization’s major goals and objectives while Human Resource Management is regarded by some personnel managers as just a set of initials or old wine in new bottles.

Personnel Management is concerned with people at work and their relationships with each other. It may also be defined as a set of programmes, functions and activities designed to maximize both personal and organizational goals. It ensures that the organization attracts and hires qualified, imaginative and competent people. It involves the establishment of various policies to deal with employees and to retain them. To this end, it lays out the rules regarding working conditions, designs appropriate compensation plans, and strengthens employer-employee relations.

It could indeed be more for personnel management but as usually perceived, at least, it has the value of emphasizing the importance of treating people as a key re-source, the management is the direct concern of top management as a part of strategic planning process of the enterprise. Although there is nothing new in the idea, insufficient attention has been paid to it in many organizations.

Human resources approach: However, during early 60s the 'pet milk theory', (advocating that happy workers are productive workers or happy cows give more milk) of human relationists had been largely rejected. Recognizing the fact that workers are unique in their own way - having individual needs. It was recognized that each employee is a unique and highly complex individual with different wants, needs and values. What motivates one employee may not motivate another and being happy or feeling good may have little or no impact on the productivity of certain employees. Slowly but steadily the trend towards treating employees as resources, or assets emerged

The Human Resource Approach assumes that the job or the task itself is the primary source of satisfaction and motivation to employees. The emphasis in the human resource approach is on individual involvement in the decisions made in the organization. In addition, this approach emphasizes the following things.

People do not inherently dislike work and if they are helped establish objectives, they want to achieve them.

Most people can exercise a great deal more self-direction, self-control and creativity than are required in their current jobs (Theory Y].

The managers' basic job is to use the untapped human potential in the service of the organization.

The manager should create a healthy environment where all subordinates can contribute to the best of their capabilities. The environment should provide a healthy, safe, comfortable and convenient place to work.

The manager should provide for self-direction by the subordinates and they must be encouraged to participate fully in all important matters.

Expanding subordinates' influence, self-direction and self-control will lead to direct improvements in operating efficiency.

Work satisfaction may improve as a 'by-product' of subordinates making full use of their potential.

***In comparison,***

* Personnel management strategies like human resources management flows from business strategies.
* Both personnel management and human resources management recognizes that line managers are responsible for managing employees. Line managers refers to operational managers like treasury manager, transport managers etc.
* They both provide the necessary advice and support services to enable managers carry out their responsibilities.
* The two concepts PM/HRM recognizes that one of their most essential function is that of matching people to their organizational needs.
* The same range of selection, training management and reward are used in both cases.

***The differences between personnel management and human resources management can be seen in terms of emphasis and approaches and not entirely in terms of substances.***

* **Flexibility:** Personnel function is concerned with contracts, rules and guides to management action. The driving force is consistency and adherence to established rules, bureaucratic procedures and rigid systems.

HRM approach is more flexible in terms of designing work norms, payment plans, labor management relations, etc.

* **Scope:** When a difference between personnel management and HR is recognized, human resources management is described as much broader in scope than personnel management. HR is said to incorporate and develop personnel management tasks, while seeking to create and develop teams of workers for the benefit of the organization. A primary goal of HR is to help employees realize their potential while meeting organizational objectives.
* **Approach to Labor Relations:** The approach to labor relations is also substantially different. Personnel see conflict as inevitable and their principal task is to identify reasons and try to minimize through negotiation-a Pluralist Approach. HRM sees no conflict in the ultimate goal of both the organization and its employees. What is good for the organization, when examined broadly, is also good for the employees- Unitarist approach.
* **Relationships with Line Management**: Personnel sees its role-a transactional as taking control of the people aspects such as recruitment, selection, training, development and performance management. Personnel people have skills to carry out these better than the line managers. HRM sees the people activities as essential elements of the line management job. HRM can offer expert advice, offer useful suggestions, train and help line people deliver effective results- assuming a transformational role.
* **The Strategy Aspects are also vastly different**. Personnel assume a routine, record-keeping, inward looking, reactive role. Maintaining good relations with trigger-happy unions and strike-happy workforce (remember the days of the 1970s) when employees in banks, railways, followed by airlines used to bring the whole system to a grinding halt at the slightest possible provocation) is the topmost priority. This may force Personnel to resort to adhoc measures, piecemeal activities-in an attempt to keep workers in good humor- and, as a result-oriented predominantly toward short-term measures. HRM, on the other hand, visualizes the corporate plan as central to all its activities, which therefore involves building up the business and improving customer relationships
* Personnel management is more restructured in the sense that it is focused primarily on non-management staff while human resource management includes both management staff and non-management staff.
* Human resources at the organizational level include all the component resources of all employees from the rank and file to top management level, influencing the human resources of former group. In fact, it includes the resources of all the people who contribute their services to the attainment of organizational goals and others who contribute their services in order to create help in the attainment of organizational goals.
* The loyalty and orientation of these two practitioners also differs. The resource manager is tilted towards both management and workers while that of personnel management is tilted towards the management.

### 2.6 Models of Human Resources Management

**1. The Standard Causal Model of HRM**

The best-known HR model is the Standard Causal Model of HRM. The model is derived from many similar models published throughout the 90’s and early 2000’s. The model shows a causal chain that starts with the business strategy and ends, through the HR processes, with (improved) financial performance.

The model thus shows how HR activities that are aligned with organizational strategy lead to business performance. According to this model, HR will only be effective if its strategy is aligned with business strategy (in line with the best-fit theory). HR strategy is thus derived from the overall strategy. The HR practices follow the HR strategy. Examples include hiring, training, appraisal, and compensation. These HR practices lead to certain outcomes. Examples include commitment, quality output, and engagement.

These HRM outcomes lead in turn to improved internal performance. Examples include productivity, innovation, and quality. These outcomes lead to financial performance (e.g. profits, financial turnover, better margins, and ROI).

Over all Strategy

HR Strategy

HR Practices

HR Outcomes

Internal Performance

Financial Performance

The Unmediated HRM effect?

Reserved causality

**Figure 2.1: The Standard Causal Model of HRM**

**Source:** [**https://www.digitalhrtech.com/human-resources-models/**](https://www.digitalhrtech.com/human-resources-models/)

Two interesting relationships are the unmediated HRM effect, which shows that some HR practices can directly lead to improved internal performance. For example, a good training can directly result in better performance, without necessarily influencing HR outcomes.

The reversed causality in the model shows that sometimes a stronger financial performance leads to more investments in HR practices and better HR outcomes. When performance is strong, employees are often more engaged (an HR outcome).

**2. The HR value chain**

The HR value chain is one of the best-known models in HR. It is based on the work of Paauwe and Richardson (1997)

According to the HR value chain, everything we do (and measure) in HR can be divided into two categories: HRM activities and HRM outcomes.

HRM activities are day-to-day activities, including recruitment, compensation, training, and succession planning. These activities are often measured using HR metrics. These are so-called efficiency metrics. The cheaper we hire and the faster we train, the better.

HRM outcomes are the goals we try to achieve with the HRM activities. We recruit, we train, and we compensate to achieve certain goals/ outcomes. These outcomes include employee satisfaction, motivation, retention, and presence.

If we just focus on measuring HRM activities, we will automatically focus on reducing costs (i.e. maximizing efficiency). However, we should instead focus on HRM outcomes as this helps to align our processes with our goals.



IMPACT

Organizational Objectives

-Profits

-Productivity

-Quality

EFFECTIVENESS

HR Outcomes

-Retention

-Performance

-Employee engagement

EFFICIENCY

HR Activities & Processes

-Workforce Planning

-Recruitment & Selection

-Training

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**Figure 2.2: The HR value chain model of HRM**

Source: <https://www.digitalhrtech.com/human-resources-models/>

**For example, 2.1,** we would rather spend a few days longer on hiring a new employee (time to hire, an efficiency metric) if this person will be a better fit in the company (quality of hire, an outcome metric). The goal should be to get the best person in the right position, not to cut corners and hire someone as cheaply and quickly as we can. This shows why we should focus on measuring outcomes instead of activities.

When HRM activities and HRM outcomes hit their marks, they should lead to better performance. This means that when we recruit the right people, send people to the right training programs, and retain our key players, the company’s performance increases.

**3. The Harvard Framework for HRM**

The Harvard framework for HRM is an HR model comprised of six components.

* The model starts, on the left, with stakeholder interest. These stakeholders include shareholders, management, employee groups, government, and more. These interests define the HRM policies.
* At the same time, situational factors influence these interests. Situational factors include workforce characteristics, unions, and all the other factors that were also listed in the 8-box model.
* Situational factors and stakeholder interest influence HRM policies. These include the core HR activities, like recruitment, training, and reward systems.
* When done well, HRM policies lead to positive HRM outcomes. These include the previously mentioned retention, cost-effectiveness, commitment, and competence.
* These positive HRM outcomes lead to long-term consequences. These can be individual, organizational, and societal.
* The Harvard framework is an HR model that takes a more holistic approach to HR, including different levels of outcome.

STAKEHOLDERS’ INTEREST

-Stakeholders

-Management

-Employee groups

-Government

LONG-TERM CONSEQUENCES

-Individual well-being

-Organizational effectiveness

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HR OUTCOMES

-Commitment

-Competence

HR POLICIES-

-Employee influences

-Reward systems

Situational Factors

-Management philosophy

-Labor Markets

-Union

-Workplace characteristics

**Figure 2.3: The Harvard Framework for HRM**

**Source:** <https://www.digitalhrtech.com/human-resources-models/>

### 2.6.1 The advantages of these model includes the following: -

* It incorporates recognition of a range of stakeholders’ interest.
* It recognizes the importance of trade-offs either explicitly or implicitly between the interest of owners and those of employees as well as between various interest groups.
* It widens the context of human resource management to include ‘employees influence”, the organization of work and the associated question of supervision style.
* The model acknowledges a broad range of contextual influences on management’s choice of strategy suggesting a meshing of both products markets and socio-cultural logics.
* It emphasizes strategic choice which means it is not driven by situational or environmental determinism. It is instructive to note that the approach and teaching of this text is a reflection and in consonance with the Harvard model of human resource management.

## Line and staff aspects of HR Managers

Th. primary job of HR managers is "to create value by engaging in activities that produce the employee behaviors, the company needs to achieve its strategic goals". To this end, they may assume the role of a line manager, the staff expert and even an integrator-coordinating various personnel activity. Viewed broadly all managers are HR managers as they are involved in activities like selecting, compensating, training and developing employees. Yet most modern firms have the HR department headed by a person with requisite qualifications in behavioral sciences. How do the duties of this HR manager relate to the line managers' HR duties would be an interesting question to examine? Line managers have the final responsibility for achieving the organization’s goals. They also have the authority to direct the work of subordinates. Staff managers usually help and advice line managers in achieving organizational goals.

HRM's line management responsibilities include, placing the right person on the right job, offering orientation to new hires, training employees and helping them develop their knowledge and skills, improving performance of each person, gaining creative cooperation and developing smooth working relationships, explaining firm's policies and procedures, taking steps to control labour costs, protecting employees' health; undertaking appropriate safety measures; boosting the morale of employees, etc.

HR managers use line authority - right to make decisions, direct other's work and give orders-to carry out the above activities. However, HR managers, by nature, are staff experts. They are there to assist and advise line managers in areas like recruiting, selecting, training and compensating. Managing people, in a broader context, is every manager's business and successful organizations generally combine the experience of line managers with the experience of HR specialists while utilizing the talents of employees to their greatest potential. HR managers have to win the hearts of employees working alongside line mangers and deliver results in a cost-effective manner,

HR managers as indicated earlier are assuming a greater role in top management planning and decision making a trend that indicates the growing realization among executives that HRM can make significant contributions to the success of an organization.

### 2.7 Human Resource Management: Functions

The personnel management programme of each organization is unique. It is true that personnel activities differ from firm to firm, but certain broad functions encompass all organizations can be listed

The HRM functions can be broadly classified into two categories: (1) Management (2) Operative Management functions:

**The management functions** of personnel management involve, planning, organizing, directing and controlling.

**Planning** - It is a pre-determined course of action. Planning is the determination of personnel programmes and changes in advance that will contribute to the organizational goals. Planning involves acquisition of human resources recruitments, selection, and training. It also involves forecasting of personnel need, changing values, attitudes and behavior of employees and their impact on the organization.

**Organizing** - An organization is a means to an end. It is a structure and a process by which co-operative group of human beings allocates its tasks among its members, identifies relationships and integrates its activities towards common objectives. Complex relationships exist between the specialized departments and the general departments as many top manages are seeking the advice of personnel manager. This organization establishes relationships among the employees so that they can collectively contribute to the attainment of company goals.

**Directing -** The basic function of HRM at any level is motivating, commanding, leading and activating people. The willing and effective co-operation of employees for the attainment of organizational goals is possible through proper direction tapping the maximum potentialities of the people is possible through motivation and command. This direction is an important managerial function in that it helps in building sound industrial and human relations besides securing employee contributions. Co-ordination deals with the tasks of blending efforts in order to ensure a successful attainment of an objective. The personnel manager has to co-ordinate various managers at different levels as far as personnel functions are concerned Personnel management function should also be coordinated with other functions of management.

**Controlling -** This involves checking verifying and comparing the actual with the plans and identifying deviations if any, and correcting the identified deviations. This action and operation are adjusted to predetermined plans and standards through control.

**(ii) Operative Functions:** The operative functions of personnel management are related to specific activities of personnel management e.g. Employments, developments, compensation and relations. These functions have to be performed in conjunction with management functions.

**Employment** - It is the first operative functions of HRM.

Employment is concerned with securing and employing the people possessing required kind and level of human resources necessary to achieve the organizational objectives. It covers the functions such as job analysis, human resource planning, recruitment, selection, placement, induction and internal mobility.

(i) Job analysis is the process of study and collection of information relating to the operations and responsibilities of a specific job. This involves collection of data, information, preparation of job description, providing the guides on job design for all the operations functions of HRM.

(ii) Human Resource Planning is the process for determining and assuming that the organization will have an adequate number of qualified persons, available at proper times, performing jobs which would meet the needs of the organization.

(iii) Recruitment - This is the process of searching for prospective employees and stimulating them to apply for jobs in an organization

(iv) Selection - It is the process of ascertaining the qualifications, experience, skill, knowledge of an applicant with a view to appraising his/her suitability to a job.

(v) Placement - it is the process of assigning the selected candidate with the most suitable job. It is matching the employees’ specification with job requirements.

(iv) Induction and Orientation - These are the techniques by which a new employee is rehabilitated in the changed surroundings and is introduced to the practices, policies, purposes and people of the organization.

**Motivation and compensation:** It is a process which inspires people to give their best to the organization through the use of intrinsic (achievement, recognition, responsibility) and extrinsic (job design, work scheduling, appraisal based incentives) rewards.

• Job design: Organizing tasks and responsibilities towards having a productive unit of work is called job design. The main purpose of job design is to integrate the needs of employers to suit the requirements of an organization.

• Work scheduling Organizations must realize the importance of scheduling work to motivate employees through job enrichment, shorter work weeks' flexi-time, work sharing and home work assignments. Employees need to be challenged at work and the job itself must be one that they value. Work scheduling is an attempt to structure work, incorporating the physical, physiological and behavioral aspects of work.

• Motivation: Combining forces that allow people to behave in certain ways is an integral aspect of motivation. People must have both the ability and the motivation if they are to perform at a high level. Managers generally try to motivate people through properly administered rewards (financial as well as non-financial).

• Job evaluation; Organizations formally determine the value of jobs through the process of job evaluation. Job evaluation is the systematic process of determining the relative worth of jobs in order to establish which jobs should be paid more than others within the organization. Job evaluation helps to establish internal equality between various jobs.

• Performance appraisal: After an employee has been selected for a job, has been trained to do it and has worked on it for a period of time, his performance should be evaluated. Performance evaluation or appraisal is the process of deciding how employees do their jobs. It is a method of evaluating the behavior of employees at the workplace and normally includes both the quantitative and qualitative aspects of job performance. It is a systematic and objective way of evaluating work-related behavior and potential of employees. It is a process that involves determining and communicating to an employee how he or she is performing and ideally establishing a plan of improvement.

• Compensation administration: Compensation administration is the process of dividing how much an employee should be paid. The important goals of compensation administration are to design a low-cost pay plan that will attract, motivate and retain competent employees-which is also perceived to be fair by these employees.

• Incentives and benefits: In addition to a basic wage structure, most organizations nowadays offer incentive compensation based on actual performance. Unlike incentives, benefits and services are offered to all employees as required by law including social security insurance, workmen's compensation, welfare amenities etc. Organizations have been offering a plethora of other benefits and services as well as a means of 'sweetening the pot'. (Employee stock options, birthday gifts, anniversary gifts, paid holidays, club membership)

**Maintenance;** It aims at protecting and preserving the physical and psychological health of employees through various welfare measures.

• Health and safety: Managers at all levels are expected to know and enforce safety and health standards throughout the organization. They must ensure a work environment that protects employees from physical hazards, unhealthy conditions and unsafe acts of other personnel. Through proper safety and health programmes, the physical and psychological well-being of employees must be preserved and even improved.

• Employee welfare: Employee welfare includes the services, amenities and facilities offered to employees within or outside the establishment for their physical, psychological and social wellbeing. Housing, transportation, education and recreation facilities are all included in the employee welfare package.

• Social security measures: Managements provide social security to their employees in addition to fringe benefits. These measures include: (a) Workmen's compensation to those workers (or their dependents) who are involved in accidents; (b) Maternity benefits to women employees; (c) Sickness benefits and medical benefits; (d) Disablement benefits/allowance; (e) Dependent benefits; (f) Retirement benefits like Provident Fund, Pension, Gratuity etc.

**Development:** It is the process of improving, molding, changing and developing the skills, knowledge, creative ability, aptitude, attitude, values and commitment based on present and future requirements both at the individual's and organizational level. This function includes:

* Training: Training is a continuous process by which employees learn skills, knowledge, abilities and attitudes to further organizational and personnel goals.
* Executive development: It is a systematic process of developing managerial skills and capabilities through appropriate programmes.
* Career planning and development: It is the planning of one's career and implementation of career plans by means of education, training, job search and acquisition of work experiences. It includes succession planning which implies identifying developing and tracking key individuals for executive positions.
* Human resource development: HRD aims at developing the total organization. It creates a climate that enables every employee to develop and use his capabilities in order to further both individual and organizational goals.

**Integration function**: This tries to integrate the goals of an organization with employee aspirations through various employee-oriented programmes, like redressing grievances promptly, instituting proper disciplinary measures, empowering people to decide things independently, encouraging a participative culture, offering constructive help to trade unions etc.

* Grievance redresser: A grievance is any factor involving wages, hours or conditions of employment that is used as a complaint against the employer. Constructive grievance handling depends first on the manager’s ability to recognize, diagnose and correct the causes of potential employee dissatisfaction before it converts into a formal grievance.
* Discipline: It is the force that prompts an individual or a group to observe the rules, regulations and procedures, which are deemed necessary for the attainment of an objective.
* Teams and teamwork: Self-managed teams have emerged as the most important formal groups in today's organizations. They enhance employee involvement and have the potential to create positive synergy. By increasing worker interaction, they create camaraderie among team members. They encourage individuals to sublimate their individual goals for those of the group. Teams have inherent strengths which ultimately lead to organizational success at various levels.
* Collective bargaining it is the process of agreeing on a satisfactory labor contract between management and union. The contract contains agreements about conditions of employment such as wages, hours, promotion, and discipline; lay off, benefits, vacations, rest pauses and the grievance procedure. The process of bargaining generally takes time, as both parties tend to make proposals and counter proposals. The resulting agreement must be ratified by unions, workers and management.
* Employee participation and empowerment: Participation means sharing the decision making, power with the lower ranks of an organization in an appropriate manner. When workers participate in organizational decisions, they are able to see the big picture clearly and also how their actions would impact the overall growth of the company. They can offer feedback immediately based on their experiences and improve the quality of decisions greatly. Since they are now treated with respect, they begin to view the job and the organization as their own, and commit themselves to organizational objectives wholeheartedly.
* Trade unions and employee’s association Trade union is an association either of employees or employers or independent workers. It is a relatively permanent a body formed by workers with the objective of countering exploitation and harassment. It strives towards providing economic and social benefits to the labor community. Trade unions have played a powerful role in improving the lot of workers in India, using aggressive bargaining tactics. However, since the 90's, the situation changed dramatically. Unable to fight the forces of competition, many employers have been forced to shut down units and scale down operations. This has made both parties realize the importance of bargaining for their rights in an atmosphere of 'give and take’.
* Industrial relations: Harmonious industrial relations between labor and management are essential to achieve industrial growth and higher productivity. When the relationship between the parties is not cordial, discontentment develops and conflicts erupt abruptly. It is not always easy to put out the fires with the existing dispute-settlement-machinery, created by the government. Hence both labor and management must appreciate the importance of openness, trust and collaboration in their day-to-day dealings.

**Emerging issues:** Effective management of human resources depends on refining HRM practices to changing conditions, Hence the need to look at other important issues that can motivate people to give their best in a dynamic and ever-changing environment.

* Personnel records: Personnel records such as papers, files, cards, cassettes and films are maintained to have tangible record of what is actually happening in an organization and to formulate appropriate HR policies and programmes (based on historical records, actual experience and future trends) from time to time.
* Hunan resource audit: Human resource audit refers to an examination and evaluation of policies, procedures and practices to determine the effectiveness of HRM. Personnel audit (a) measures the effectiveness of personnel programmes and practices and (b) determines what should or should not be done in future.
* Human resource research: It is the process, of evaluating the effectiveness of human resource policies and practices and developing more appropriate ones.
* Human resources Accounting (HRA): It is a measurement of the cost and value of human resources to the organization. Human resource management is said to be effective if its value and contribution in any organization is more than its cost.
* Human resource information system: HRIS is an integrated system designed to improve the efficiency with which HR data is compiled. It makes HR records more useful to the management by serving as a source of information.
* Stress and counseling: Stress is the psychological and physical reaction to certain life events or situations. At an organizational level, stress results in burn out, substance abuse in the form of alcohol or drug use dependence reduced job satisfaction, increased absenteeism and increased turnover. Companies, therefore, are closely looking at what should be done to promote the physical and mental wellbeing of employees through proper counseling and employ development programmes.
* International human resource management: International business is important to almost every business today and so firms must increasingly be managed with a clear global focus. This of course, poses many challenges before managers including coordinating production, sales and financial operations on a worldwide basis. International HRM places greater emphasis on a number of responsibilities and functions such as relocation, orientation and training services to help employees adapt to a new and different environment outside their own country.

The role of HRM is to effectively manage human resources (people). The benefits that accrue include; commitment to the company, trust in management, higher levels of cooperation, higher levels of effort and involvement, lower employee inclination to leave. The above in turn results into high levels of operational and financial performance in terms of customer satisfaction, product development, quality and financial performance.

ITQ

Discuss the objectives of Human Resource Management.

Describe the functional and organizational role of Human Resources in achieving organizational goals.