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## Effective HRM for Global Competitiveness

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### ABSTRACT

*In the fast changing global scenario, organizations depend more on human resources to achieve their goals. HRM enables the organization to meet the emerging challenges for sustainable growth. The value of an organization is no longer determined in terms of tangible assets but also by intangible assets viz., quality of human resource. Success of any organization depends upon the effectiveness of its HR function. Current economy brings with it immense opportunities and new challenges wherein effective human resource management is vital ingredient for change.*

*Successful organizations have healthy HRM strategy and practices. Organization performance improvement is noticed wherever HRM is implemented. Achieving competitive advantage requires alignment of corporate strategy with HRM strategy. HR should be treated as 'strategic business partner'. Organization should realize that people are an important ingredient of competitive advantage. Organizations can perform better only by using the competencies of their human resources. Corporate objectives can be achieved when human resource policies, procedures and practices are satisfying the needs of the organization.*

**Keywords : HRM, Globalization, Knowledge Management, Human Capital, Organization Effectiveness, Value Creation**

### Introduction

One of the most talked of subjects in corporate circles in recent times is how to optimize the contribution of human resources in achieving organizational goals and objectives. People in any organization represent the most important organization resource. Productive flexible management of that resource must, therefore, be a priority across organizations. Furthermore those who make decisions and pursue courses of action to enhance value creation will be more effective, if they base their strategic decisions on a sound understanding of people dynamics. Hence effective management of human resources is a crucial component of organizational success. An efficient and satisfied work force is the most significant factor in organizational effectiveness and managerial excellence. Moreover, dynamic employees are essential for any organization that would like to be dynamic and growth oriented. Human Resource Management (HRM) aims at developing such dynamism in employees along with several other qualities which make the organization perform well.

HRM transgresses the limits of management and enters more into the field of behavioral sciences or to put it precisely into the field of psychology rather than keeping it confined to management.

Motivated and competent labour force makes organization to grow and achieve goals. Therefore, an organization to be successful must ensure the dynamism, motivation and competence of its people. Development of persons to their maximum potential and the conservation of talents is the gist of the Human Resource Management (HRM) concept.

### 2. Rationale for Present Study

The rapid changes in Indian economy have resulted in deep-seated changes within the society. This is accentuated by global developments and fundamental adjustments in the political and economic systems in world economies. Economic restructuring and integration on a global scale with political and social processes at local and national levels have impacted the organization effectiveness as never before. Human resource has become the fulcrum for organization growth and efficiency. The Study examines the transgression of HR Management as cross-border integration is taking rapidly.

### 3. Objectives of the Study

The study covers the following aspects:

- i) HRM function
- ii) HRM and its challenges in global scenario
- iii) Emerging role of HR professionals
- iv) Strategies for HR Management
- v) Strategic HRM and Organizational Performance

### 4. Research Methodology

Data and information for the research study were collected and analyzed from secondary published sources viz., books, newspapers, web sites and research studies.

### 5. Findings of the Study

#### 5.1 HRM Function

Human resource can be defined as the total knowledge, skills, creative abilities, talents and aptitudes of an organization's work force as well as the values, attitudes, approaches and beliefs of the individual involved in the affairs of the organization. It is the sum total or aggregate of inherent abilities, acquired knowledge and skills represented by the talents and aptitudes of the employed persons in an organization. (Michael, 1995)

HRM function should basically involve the following:

- Identification of potential of each person: Potential must be distinguished from individual's present performance. Many persons may be having skills, talents and interests which may not have been identified and utilized thus far though these may be of great value both for individuals and the organization.
- Identification of Organizational needs / goals: The next step for HRM ought to be the identification of short and long term needs / goals of the organization. Its short term goals may be only to fill in jobs which have fallen vacant because of employees' retirement, resignations, transfers, etc. Its long term goals may be to enlarge the organization size to increase the level of production or it may aim at diversification or both. Both for expansion and / or diversification, it will require additional human resources.
- Once organizational future needs / goals and potentials of

its present human resources have been identified, the objective should be to take those steps which would match potential qualities of individuals with organizational needs / goals.

The next step in the direction of HRM would now be to carefully identify those programmes which can develop individual's potentials into usable talents, important for the organizational present and future needs / goals. Programmes must be designed to attain specific objectives. For operators these may be to improve job performance, reduce waste and scrap, prepare them for different and superior jobs, avoid excessive turnover, etc. For senior managers, courses in developing creativity, leadership, personal sensitivity, co-ordination, ability, management by objectives, appraisal by objectives and in other needed areas may be organized. Management has to choose suitable programmes for HRD from many presently in vogue. These include, mentioning a few, in-basket training, management game, role playing, programmed learning, T-group training, etc.

The organization has to look into following areas in order to improve overall productivity:

- i) Management must develop an atmosphere of trust, dynamism and a culture of productivity.
- ii) Continuous training and development at all levels including top management is essential to reduce mental obsolescence.
- iii) Logic, transparency, easy communication and visibility must be management's watch words in order to develop credibility.

**5.2 Human Resource Management - Challenges in Global Scenario**

Technology to be successful and give results requires preparation of human beings who are involved in exploiting the technology. In particular, the Information Technology and Communication Technology have created new vistas for human life. This requires development of not only the hardware and the software involved but also development of people.

The prosperity and progress of an economy in an "enabling environment" are largely dependent on the social norms and institutions of a country. The citizen's attitude towards work, their level of mutual trust, standards of ethics and social norms form the foundation for economic activity and prosperity of the society. We should help build human capital since a substantial portion of growth in any economy has been attributed to human capital accumulation in a knowledge economy. Thus, HR becomes the crucial player. Knowledge economy demands efficient work force. And 'efficiency' alone can lead to 'growth' in a highly competitive market. The nation must provide excellent educational system to all. We need to assemble large pool of science and technology personnel. A system supporting research on merit must be initiated and encouraged. Organization must have 'outward orientation'. A knowledge driven society is a must in knowledge economy. If our educational system has to produce competent and employable workforce that is easily differentiated from the rest in the global market, we need to change our archaic educational system.

Globalization is changing the structure of higher education radically by moving the services across the boundaries instead of the movement of people across the borders as witnessed earlier.

Current economy in the Indian context requires new levels of speed, flexibility and organizational effectiveness. The past two decades have seen rapid increase in the speed of virtually all business processes. Speed of innovation has increasingly become important, while the competitive advantage

from innovation lasts less and less time. Managing and utilizing knowledge has become a vital competitive tool in today's context. The value of an organization is no longer determined in terms of tangible assets but also in intangible assets in the quality of its human resource. Competing for the resource of human talent is vital to the success of any organization and the success of any organization depends upon the effectiveness of its HR function. The current economy brings with it immense opportunities and new challenges wherein the effective human resource management is the vital ingredient for change.

In today's context, the Human Resources Management (HRM) process itself requires a paradigm shift. The focus of HRM needs to be shifted to a higher gear to sustain a high level of productivity of the human resources in a better congenial working environment as also to retain the best practices and best persons in the industry. The characteristics and emphases of HRM have to shift from the existing HRD aspects to desired aspects.

Current Aspects	Desired Aspects
Motivational Initiatives	Creating a common mind set to achieve organization vision
Championing employee needs	External customer orientation
Training and Management Development	Implementing business strategy
Performance management	Enhancing competency and skills in the organization
Recruitment	Culture Building
Industrial Relations; industrial law and legal compliance	Leadership development and audit
Compensation and benefits	OD intervention

With the advent of the 21st century the management requirements are undergoing a sea-change. The markets have started changing continuously and unpredictably. To be successful in this situation, the HR management require creativity and intuition rather than quantitative analysis. They will have to be proactive with speedy response to competitive environment rather than reactive. They will require permanent flexibility with leadership from every body according to requirements. Consequently information has to be shared with efforts to reinvent competitive advantage and create new markets. This means a change in the mindset of the managers.

**5.3 Emerging Role of HR Professionals**

The role of the HR professionals in cultivating performance in the organization is as important as managing organizational performance. The aspect to be examined by the HR professionals is "Can you turn poor performers into company assets or should you simply fire them?"

We have a lot of talented people whose potential needs to be realized through leadership and motivation. HRM should effectively leverage the human capital.

Increasingly the leadership of the company needs to be focused towards employees of the organization. The managers and top management should be sent for the leadership development and awareness program. Effectively, HR should deliver Employee Value, Customer Value, Investor value, and Focus on capabilities.

**5.3.1 HR and Employee Value**

This involves innovative HR practices for competence and commitment building through

- i) Buying – Hiring new skilled resource pool
- ii) Building - Training and Development
- iii) Borrowing – Forming Alliances for talent
- iv) Bouncing – Removing poor performers
- v) Binding – Retaining the best employees

### 5.3.2 HR and Customer Value

This entails building customer intimacy with target customers through traditional HR practices to form an intimate bond between customer and employees. Many companies include customers in formal training, staffing, compensation, and teamwork, which ensure that the firm's activities are focused on meeting the current and future customer requirement.

### 5.3.3 HR and Investor Value

Many of intangibles revolve around talent, human capital, intellectual capital, shared mindset, innovation and leadership. Hence developing best practices lie at the heart of these intangibles.

### 5.3.4 Focus on Capabilities

Shifting HR focus to value added work for employees, customers and investors and the outcome of these HR activities (staffing, communication, training, compensation and team work) should be capabilities i.e., key elements that firm requires. These can be achieved by

- i) Defining desired capabilities by identifying organizational capability i.e., what the organization should be good at to deliver strategy and be competitive. Some of the desired capabilities are speed, customer responsiveness, delivery, online alliances, culture, innovation, leverage technology, knowledge management, collaboration, talent, leadership, etc.
- ii) After identifying key capabilities conduct regular audit to ensure organization is able to meet future targets. Capabilities should be audited regularly at least once a year, as they are lead indicators of employee, customer, investor commitment and value
- iii) Measuring the firm's success by tracking employee commitment, culture and innovation through employee survey testing core values and revenue generation from product(s) created in the recent past.

Therefore, the new role of HR professionals in the given context is the combination of the following

- i) coach – provide feedback for improved performance
- ii) architect – create blue prints that turn ideas into choices and action
- iii) builder – design and deliver HR practices that make strategy happen
- iv) facilitator – manage the process of change for teams and the organization

### 5.4. Strategies for HR Management

Strategic HRM is defined as 'the integration of the policies and practices of managing employees with the strategic plan of the organization.' It is mainly about the congruence of HRM with Corporate strategy and the strategic business needs. SHRM, therefore, begins with the identification of strategic business needs.

Beer, Spector, Lawrence, Quinn Mills and Walton said that there must be a 'fit' between competitive strategy and internal HRM strategy, and a 'fit' among the elements of the HRM strategy as well. Any inconsistency in internal HRM practices would lead to 'role conflict and ambiguity that can interfere with individual performance and organizational effectiveness'.

Strategic business plans become infructuous if the human resources component is not an integral part of strategic planning process. They are the most important variable but least easy to understand and control of all management resources. Effective utilization of human resource would give a significant competitive advantage to an organization.

HRM is about empowering people so that they contribute

positively to the organizational development. Two important strategies on HRM viz., Competitive Strategy and Human Resource Strategy are presented here.

#### i) Competitive Strategy

It emphasizes that organization can achieve competitive advantage by adopting Michael Porter's generic 'low cost' or 'differentiation' strategy. Each competitive strategy involves a unique set of responses from workers or 'needed role behaviour' and a particular HRM strategy that might generate and reinforce a unique pattern of behaviour. Thus, the practice of HRM is concerned with the challenge of matching the philosophy, policies, program, practices, and process, the 5 P's, in a way, which will stimulate and reinforce different employee role behaviours appropriate for each competitive strategy. HRM policies and practices should be configured and managed in a way that is congruent with each particular strategy.

A close alignment of HRM policies and practices with business strategy might be 'impractical' owing to the personality traits of managers, since it 'assumes a rigidity of personality and a stereotyping of managers that is untenable, as well as an unrealistic'. Proponents of tight fit between business and HRM strategies tend to ignore the realities of the workplace and the possibility that workers and their unions might influence strategic planning.

#### ii) Human Resource Strategy

This draws attention to the strategic value of the workforce and to the issues of workplace learning. Each work organization possess 'distinctive competence' that enables them to outperform their competitors. 'Sustained competitive advantage' is not achieved through an analysis of its external market position but through a careful analysis of the organization's skills and capabilities, characteristics which competitors find themselves unable to imitate. This strategy suggests that organizations achieve sustainable competitive advantages by 'implementing strategies that exploit their internal strengths, through responding to environmental opportunities, while neutralizing external threats, and avoiding internal weaknesses'.

Four characteristics of resources and capabilities are important in sustaining competitive advantage viz., value, rarity, imitability and non-sustainability. From this perspective, the collective learning in the workplace by managers and non-managers is a strategic asset that rivals find difficult to replicate. According to resource strategy, 'the value of the firm's strategic assets extends beyond their contribution to the production processes'.

### 5.5 Strategic HRM and Organizational Performance

The concept of HRM has its relevance at both the micro and the macro-levels, in the context of improving the quality of human life. At the organizational level it is considered to be concerned with improving the quality of workers so as to achieve the higher levels of productivity.

At the macro-level, HRM is described as the core of all development efforts, in view of improving quality of life of all the human beings. The purpose of all development activities in a nation is to improve the living conditions of its subjects. Human beings become an end of all development efforts at national level, whereas at organizational level it remains a means or resource among other resources.

In organizational context, HRM process involves certain mechanisms and techniques such as performance appraisal, counseling, training organizational development, etc. to facilitate the development of human resources. Since the process is continuous, the mechanisms and techniques need to be examined periodically to see whether they are promoting the process or not. Some new dimensions may be added and those which fail to serve the cause may be excluded. The selection of the relevant dimensions of HRD in an organization would much depend upon the requirements of the organiza-



tion for developing its human resources. In the fast changing environment, the organizations have to develop and maintain an enabling culture to become dynamic and growth-oriented. An enabling culture is one in which employees use their initiative, take risk, experiment, and innovate and make things happen. The purpose of HRM is to facilitate the development of such a culture in the organization. Similarly, at the national level, the dimensions of HRM need to be reviewed periodically and adjustments made according to the change in environment. HRM dimensions are always need-oriented.

#### 6. HRM – the enabler

In an industrial organization, HRM is of great significance as it implies identification of training needs of the manpower from time to time and taking action towards all round development of the human resources with a view to helping the organization achieve its pre-determined goals on the basis of efficient working of its trained and motivated workforce. Any policy regarding the development of human resources must deliver the desired results in terms of development of job skill, attitudes, and aptitudes of the manpower. HRM is equally found necessary to enable an organization to train, retrain its manpower for necessary adjustment or readjustment to match with its manpower requirement.

The importance of HRM should never be underestimated. The whole social fabric of a society or of a social order within an organization is composed of human / social relationship of the employees engaged at various levels. Without trained and motivated personnel it is nearly impossible to achieve the required level of productivity and to get the optimum results. It is therefore of paramount importance that human resources development must be made an integral part of any management policy affecting its manpower. Therefore, investments in human resources in terms of training and upgrading competence across all levels is a must, which is a challenge and a new way of working and the chief executive has to be personally involved in the change process.

Building up a team of achievers is integral to bringing in high productivity, increased profitability, innovative quality products and responsive customer service. Achievers are people who are necessarily committed. Human resource must move in a pro-active manner to maximize the level of people commitment to the organization. The future then holds great promise.

#### 7. Conclusion

Strategic HRM is about integration of HRD with corporate strategy and strategic business needs. HRM strategy is implemented to facilitate business strategy goals. SHRM helps in acquiring, developing, motivating and retaining critical human resource.

HR can be utilized to achieve competitive advantage by various ways such as employment security, selectivity in training, high wages, incentive pay, employee ownership, involving employees in the strategy formulation process, employee training programs, security and long term commitment towards employees, rewards systems, etc. HR practices play three major roles viz., building critical organizational capabilities, enhancing employee satisfaction, and improving customer and shareholder satisfaction.

Success of an organization depends on high commitment of employees, de-centralization of production responsibilities, broad job classification, multi-skilling practices, profit sharing, reciprocal psychological commitment between firm and employees, employment security and reduction of status barriers.

Majority of fortune 500 companies have integrated HRM and strategic planning systems within their organizations and HRM is generally recognized as playing an important role in implementing business strategies.

The value of an organization is no longer determined only in terms of tangible assets but also by intangible assets in the quality of its human resource. Competing for the resource of human talent is vital to the success of any organization and the success of any organization depends upon the effectiveness of its HR function. The current economy brings with it immense opportunities and new challenges wherein the effective human resources management is the vital ingredient for change.

Successful organizations have healthy HRM strategy and practices. Organization performance improvement is noticed wherever HRM is implemented. There has to be an alignment of corporate strategy with HRM strategy for achieving competitive advantage. HR should be treated as 'strategic business partner'. Organization should realize that people are the source of competitive advantage and can perform better only by using the competencies of their human resources.

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