

## **HUMAN RESOURCE MANAGEMENT IN CONTEMPORARY BUSINESS ORGANIZATIONS: A LITERATURE REVIEW**

Brikend Aziri, Izet Zeqiri, Sadudin Ibraimi

Faculty of Business and Economics, South East European University

### **Abstract**

*Human resource management has grown to become one of the most important issues in nowadays business management. Human resources are without a doubt the most specific and some might argue the most important resource. Therefore business organizations, around the world are treating human resources as their most valuable and scars resource. Unlike other inputs and resources, human resources that is the employees are a long-term investment that must be carefully managed.*

*Managing human resources nowadays differs greatly from managing human resources, say two, three or four decades ago. In the past, ensuring and providing a certain degree of labor productivity was the main concern of management. Nowadays, modern managers remain focused on organizational efficiency and labor productivity but have become more aware of the importance of employee motivation and satisfaction and therefore are increasingly emphasizing their importance in insuring increased labor productivity.*

*The aim of this paper is to provide an overview regarding the importance of human resource management in providing success for contemporary business organizations.*

**Key words:** *Employees, Human resource management, Contemporary business*

### **1. Human resources and human resource management**

Human resource management has grown to become one of the most important issues in nowadays business management. Human resources are without a doubt the most specific and some might argue the most important resource. Therefore business organizations, around the world are treating human resources as their most valuable and scars resource. Unlike other inputs and resources, human resources that is the employees are a long-term investment that must be carefully managed.

Managing human resources nowadays differs greatly from managing human resources, say two, three or four decades ago. In the past, ensuring and providing a certain degree of labor productivity was the main concern of management. Nowadays, modern managers remain focused on organizational efficiency and labor productivity but have become more aware of the importance of employee motivation and satisfaction and therefore are increasingly emphasizing their importance in insuring increased labor productivity.

There is rather more consensus that the origins of HRM lie within employment practices associated with welfare capitalist employers in the United States during the 1930s. Both Jacoby (1997) and Foulkes (1980) argue that this type of employer exhibited an ideological opposition to unionisation and collective employment relations. As an alternative, welfare capitalists believed the organisation, rather than third-party institutions such as the state or trade unions, should provide for the security and welfare of workers. To deter any propensity to unionise, especially once President Roosevelt's New Deal programme commenced after 1933, welfare capitalists often paid efficiency wages, introduced health care coverage, pension plans and provided lay-off pay. Equally, they conducted regular surveys of employee opinion and sought to secure employee commitment via the promotion of strong centralised corporate cultures and long-term permanent employment. Welfare capitalists pioneered individual performance-related pay, profit-sharing schemes and what is now termed teamworking. This model of employment regulation had a pioneering role in the development in what is now termed HRM but rested on structural features such as stable product markets and the absence of marked business cycles. While the presence of HRM was well established in the American business system

before the 1980s, it was only after that period that HRM gained external recognition by academics and practitioners. (Beardwell and Claydon, 2007, p.6).

Werner and DeSimone offer a classification of human resource management functions classified in two broad categories: primary human resource management functions and secondary human resource management function, table 1.

Primary functions	Secondary functions
Human resource planning	Organization/job design
Equal employment opportunity	Performance management and performance appraisal systems
Staffing (recruitment and selection)	Research and information systems
Compensation and benefits	
Employee (labor) relations	
Health, safety, and security	
Human resource development	

*Table 1. Primary and secondary human resource management functions (Werner & DeSimone, 2012, p.9-10)*

According to Pilbeam and Corbridge (2010, p. 11) contemporary HRM practice tends to exhibit philosophical characteristics that may include:

- the belief that investment in people is good business, because *people* make the difference to organisational performance;
- an emphasis on the alignment of the objectives of the individual employee with those of the organisation;
- the right to manage is legitimised by the need for organisations to survive in competitive environments;
- a unitary or neo-unitary employment relations frame of reference consisting of harmony, consensus, commitment and shared employer and employee interests;
- the alignment of the HR function firmly with managerial interests, requiring the HR practitioner to enact a 'business partnership' role.

Human resource management is developed and shaped under the influence of a large variety of factors, figure 1.

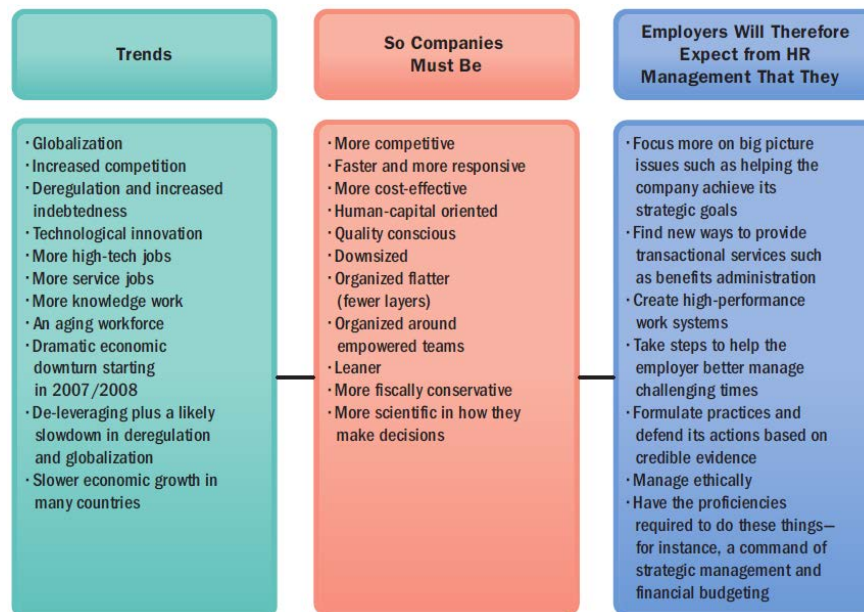


Figure 1. Trends shaping human resource management (Dessler G, 2013, p.11)

Snell and Bohlander ( 2013, p.6) introduce the following overall framework for human resource management, figure 2.



Figure 2. Overall framework for human resource management (Snell and Bohlander, 2013, p.6)

## 2. Creating value through human resources

The contribution of human resources to success can vary across an organization's life cycle. In the entrepreneurial stage, survival equals success. Human resource management helps the organization find employees. Success during the communal stage is marked by expansion and innovation. Building a sense of belonging and satisfying the needs of employees are critical. During the formalization stage, success comes from developing clear and efficient procedures. Human resource management builds structured programs that provide consistent procedures. An organization must change and adapt in the elaboration stage. This change is facilitated by hiring and rewarding people with new ideas and different ways of doing things.(Stuart & Brown,2011, p. 38).

Anthony J. Rucci (1997, p. 169-173) introduces six main requirements that the HR department must fulfill in order to add value:

- Create change. HR can help create powerful change by providing opportunities for the organization to identify its weaknesses and then facilitate organizational efforts to improve in those areas. Even more proactively, HR can provide leadership in facilitating efforts to help the organization envision a world class future state and organize efforts and measures designed to achieve that standard.
- Develop principled leaders. HR has a key role to play here. Selection, promotion, and performance management techniques must result in the advancement of individuals who display courage of conviction, a willingness to listen and be influenced, and an unwillingness to compromise their principles.
- Promote Economic Literacy. While HR must play a leadership role in the education process, this is yet another area where we should seek to greatly reduce the profession's direct accountability for coaching and teaching. Skills training can be designed by HR but should be delivered by subject matter experts in an area.
- Center on the customer. HR must help create boundaryless organizations that permit information about and from customers to influence the work of every associate in the enterprise. HR's focus here need not be on eliminating its role, since it historically has not played a pivotal role. HR should, instead, eliminate policies and practices which prevent an external focus on the customer. In addition, HR can introduce the primacy of the customer into every aspect of management practices, by including customer orientation and customer service in performance reviews, promotion criteria, and incentive compensation plans, for example.
- Maximize services / Minimize staff. A key measure of HR's success should be how few HR professionals are on the payroll of major companies ten years from now as well as the strategic character of those HR roles which remain.
- Stewart the values. HR must develop measurement systems that reflect both the values goals and the financial goals of an enterprise. To the extent that HR can create measures, incentives, and rewards on non-financial measures we can further eliminate the need to police those values.

Shaun Tyson on the other hand introduces a framework of relations in contribution of human resource management to organizational performance, as presented in figure 3.

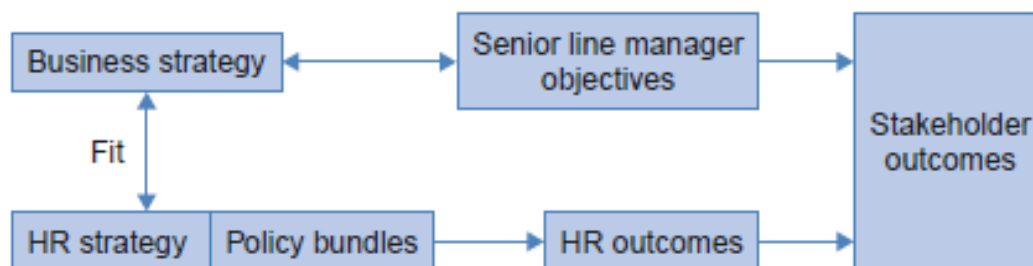


Figure 3. Relationships in the contribution of human resource management to organizational performance (Tysson, 2006, p.450)

Organizational productivity is one of the main measures that need to be considered when analyzing the contribution of human resource management to the creation of organizational value. Human resource management as presented in figure 1.7 can contribute to enhancing organizational productivity by organizational restructuring, work redesign, outsourcing and alignment of HR activities, figure 4.

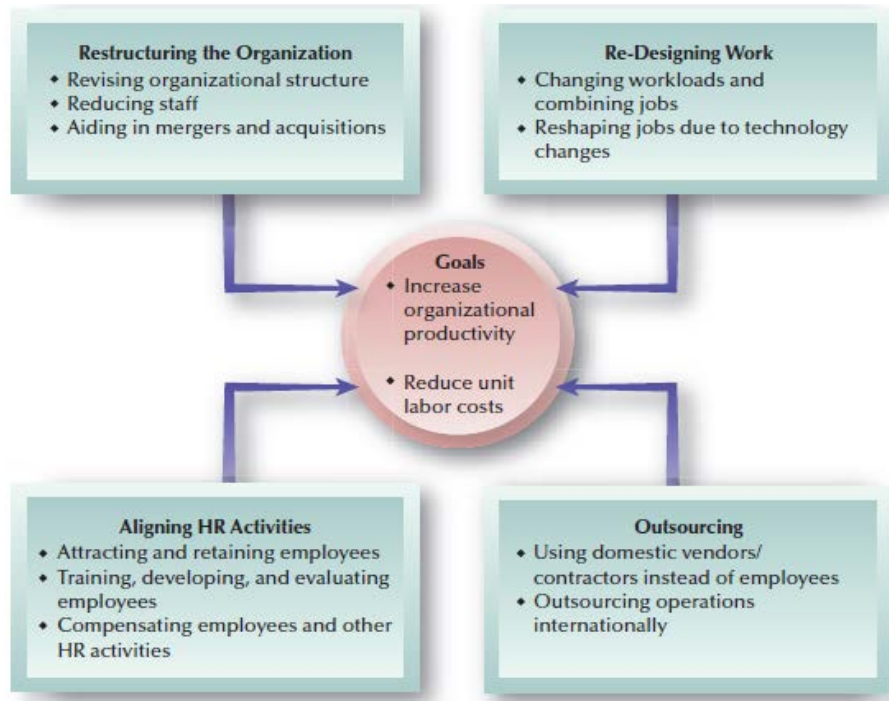


Figure 4. Contribution of human resource management to organizational productivity (Mathis & Jackson, 2011, p.9).

### 3. Role and importance of human resource management in contemporary business organizations

Unlike other resources at the disposal of contemporary business organizations, human resources play a crucial role in promotion organizational success at all organizational levels, sectors functions. Without a doubt one of the foremost important roles of human resources and human resource management is in providing a competitive advantage for business organizations.

Kazlauskait and Bučiūnien provide a rather extensive overview of the different approaches in which human resources and their management can contribute to the creation of competitive advantage.

Ca Source	Approach	Author	HR Value	HRM Role	CA Basis
INTERNAL	Resource-based view	Barney (1991, 1995) Grant (1991, 1998) Kamoche (1999)	HR as a resource (viewed critical by some authors)	HR value optimisation	Valuable, rare, inimitable & non-substitutable bundles of resources and capabilities
	Competency based view	Lado & Wilson (1994)	Input-based competency contributing to valuable product/service development	Competency development and deployment	Managerial, input-based, transformational & output-based competencies
	Knowledgebased	Grant (1996,	Core employee	HR value	Integration of

	view	1998)	'knowhow' as a strategic resource	maximisation through their deployment & development	specialised knowledge into organisational capabilities
INTERACTIONAL	Business network view	Strandskov (2006)	HR as relationship builders & cultivators	HR capability development	Resources & capabilities gained/developed outside the firm boundaries
	Behavioural perspective	Schuler & Jackson (1999) Wright & McMahan (1999)	HR role behaviours as a Mediator between strategy and organizational outcomes	Means of stimulating role behaviours required by competitive strategy	Role behaviours required by competitive strategy
	Horizontal & vertical fit approach (SHRM)	Delery (1998) Ferris (1999)	Human capital as a mediator between HRM and performance	Performance enhancement	Horizontally & vertically aligned HRM systems
EXTERNAL	Competitive positioning view, Country/ industry view	Porter (1990, 1998)	Not valuable <i>per se</i> , activity implementers	Support activity	Firm's ability to perform activities at a lower price or in a distinct way Industry/nation specific key success factors

Table 2. The role of human resources and their management in the creation of competitive advantage (Kazlauskait and Bučiūnien, 2008, p.82).

Today, professionals in the human resource area are vital elements in the success of any organization. Their jobs require a new level sophistication that is unprecedented in human resource management, not surprisingly; their status in the organization has also been elevated as the name has changed. Companies today recognize the importance of people in meeting their goals. For instance, at Standard Chartered Bank\ and Sony Music Entertainment, people are “viewed as how each employee is important toward the organization achieving its strategic goals.” In return, these people have needs to be met. Consequently, when major decisions affecting the organization and its people are made by the company’s executives, HR typically is present to represent the people-side of the business. (Ali A, 2013, 78).

## References

- Werner J.M & DeSimone L. R 2012, *Human Resource Development, Sixth edition*, South-Western Cengage Learning, Ohio
- Pilbeam S. & Corbridge M. 2010, *People Resourcing and Talent Planing: HRM in Practice, Fourth edition*, Prentice Hall Financial Times, Essex
- Stewart B.L & Brown K.G 2011, *Human Resource Management: Linking Strategy to Practice*, John Wiley & Sons Inc, New York
- Rucci A.J 1997, “Should HR Survive ? A Profession at the Crossroad”, *Human Resource Management*, Spring 1997, Vol. 36, No. 1, Pp. 169–173
- Tyson Sh 2006, *Essentials of Human Resource Management, fifth edition*, Butterworth Heinemann, Oxford,
- Mathis R.L, Jackson J.H 2011, *Human Resource Management, thirteenth edition*, Cengage Learning, Ohio
- Dessler G. 2013, *Human Resource Management, thirteenth edition*, Pearson, New Yersey
- Snell S & Bohlander G 2013, *Managing Human Resources, Sixteenth edition*, Cengage Learning, Ohio
- Beardwell J & Claydon T 2007, *Human Resource Management: A Contemporary Approach, Fifth edition*, Prentice Hall Financial Times, Essex
- Kazlauskait R & Bučiūnien I 2008, “The Role of Human Resources and Their Management in the Establishment of Sustainable Competitive Advantage”, *Engineering Economics, No 5 (60)*
- Ali A, 2013, “Significance Of Human Resource Management In Organizations: Linking Global Practices With Local Perspective”, *Journal of Arts, Science & Commerce Vol.–IV, Issue–1, January*