

## **The Changing Role of Human Resource Management in 21<sup>st</sup> Century Challenges and Opportunities**

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### **ABSTRACT**

The Personnel Management which was mainly confined to Pay Roll, Industrial Relations, Factory Act etc. has changed its face and emerged as Human Resource Management with wide scope and unlimited boundaries in 21 century. The globalization has its impact on all sectors of business like manufacturing, banking, retailing etc and HRM too. The trivial job of the organizations at present is the effective utilization of human capital rather than financial resources. The wide scope of responsibilities, resulting in creation of new roles, has given rise to increasing number of job opportunities. The fast changing technology, dearth of talent, rapid assimilation of communication through social media, high attrition rate, decreasing significance of loyalty etc. pose high level challenges to Human Resource Manager. Stressful conditions prevail within and outside the organizations due to highly intensified competition. Outsourcing has become both a challenge and an opportunity. The roles and responsibilities are transforming due to these factors. The paper will discuss all issues related to changing face of HRM, its impact on government and corporate policies and the challenges of and opportunities available to HRM. The research methodology is qualitative in nature and study is made through systematic review of literature. Keywords: HRM, role, changing scenario, globalization, out sourcing, transformation, challenges and opportunities.

### **INTRODUCTION**

One of the areas of management which has developed very fast in recent years is the area of human resources management Human resources are the most important resources of the organization and they must be considered with the highest level of attention and interest. The effective management of human resource has become a decisive factor of competitiveness and development of every organization. Modern organizations continue to operate in fast changing and even unpredictable environments due to globalization (Kleinsorge, 2010), changing demographics and changing human relationships (Busine and Watt, 2005) . Personnel Management to Human Resource Management The Personnel Management which was mainly confined to Pay Roll, Industrial Relations, Factory Act etc. has changed its face and emerged as Human Resource Management with wide scope and unlimited boundaries in 21 century.

One meaning describes the activities of management and personnel management, and the other term is used to people management as for human resources management (Torrington et al., 2004). Lundy (1994) was of the opinion that the personnel management role lacked

strategic relevance because it was mainly an administrative-type role, whereas the modern concept of human resource management is much more strategic in scope. The significant difference between the human resources management and personnel management lies in their strategic approach. The strategic approach to human resources changes according to events within the organization and environment. Human Resource Management, as a concise expression of a new philosophy and practice of management, represents the result of these accelerated changes and the significance attached to people and their potentials. The management of human resources implies, policies and activities in the process or the process of planning, recruiting, selection, socialization, training and development, evaluation of performances, rewarding, motivating, protection of employees and implementing the work regulations, undertaken by the management of the organization, in order to provide the staff with necessary abilities, qualities, and potentials and their adequate training and motivation to achieve the expected results and acquire organizational and personal goals.

## **CHANGING ROLE OF HR FUNCTIONS**

The roles and responsibilities of Human Resources departments are undergoing tremendous changes as the modern business is under the pressures of globalization. There is a clear gap between the demand and supply of talented and high skilled workers, employees and business executives. There is a need to place greater emphasis on attracting human capital rather than financial capital. The multinational companies which are willing to adapt their human resource practices to the changing environment will be able to attract and retain high performing employees. Those companies can gain competitive advantage, as they can effectively predict the needs of the organizations and the individuals as well. In olden days once individual is employed, he used to remain with the same organization till his retirement or his death. The organizational loyalty was very high and thereby, there was hardly any employee quitting the job in the middle. The role of HR was confined to recruiting and maintaining of the employees. But this practice is no longer in existence even in government organizations too. In the past the employee would proudly say how many years of service he has put in to his company. But the scenario has changed. He feels proud to claim the number of opportunities he gets rather than the number of years he serves. In view of multiple opportunities available at present, job hopping has become a natural phenomenon, as the present job becomes obsolete. As a result high turnover rate is seen in almost all the fields of employment. The competent and deserving employees do not think anymore of organizational loyalty. Attrition has become alarm to HR. The role of HR has changed from the traditional outlook of filling the vacant positions for current and emerging job openings to retain the existing workforce. Almost all the companies viewed HR function as the function of the administration or finance department, as it was mostly involved hiring of employees, paying and dealing with benefits. Successful organizations have become more adaptive, resilient, quick to change direction and customer-cantered. The changed environment has transformed the HR professional as a line manager rather than staff, a strategic partner, an employee sponsor or advocate and a change agent. According to Ulrich (1996), the roles of human resource are based on the following four functions – Strategic business partner,

Change Agent, Employee champion, and Administration Expert. They are also champions of globalization and technology savvy. Strategic Partner In today's organizations, to guarantee their viability and ability to contribute, HR managers need to think of themselves as strategic partners. (Prakash, 1994. Fombrun, Tichy, and Devanna ,1984) expanded the premises of values and culture and developed the model of Strategic Human Resource Management , which emphasises partnership among the organizational strategy, organizational structure and HR system. Hendry and Pettigrew (1992) express that a number of internal factors like organizational culture, structure, leadership, level of technology employed and business output directly contribute to forming the contents of HRM. HRM could be seen as a menu of strategic choices to be made by human resource executives in order to promote the most effective role behaviours that are consistent with the organization's strategy and aligned with each other (Sparrow and Hilltrop, 1994) .Any functional objectives including HR objectives to be developed in alignment with overall business and corporate objectives. The HR personnel contribute to the development of and the accomplishment of the organizational business plans and objectives. Then only the organization will succeed, otherwise the total system will collapse. This strategic partnership will have impact on all HR functions of recruiting, selecting, training, evaluating and rewarding. Indian organizations normally direct their HRM efforts towards the development of competencies, culture and effectiveness among employees individually or in groups (Singh, 2003). There should be sound reasons for choosing a particular person for the assignment, and not just haphazardly filling a vacancy or offering tokens (Osland, 2002). Companies need to develop leaders capable of generating growth and effectively managing a multicultural workforce. Leaders themselves need to represent diverse cultures and backgrounds so the structure of the decision-making bodies within organizations reflects a more diverse composition of the marketplace (World Economic Forum, 2010). . Human resource management should identify all the desired skills and search for the best candidate, even though it may be a difficult task to find the ideal persons who are both able and willing to work as strategic partners. Change Agent After the economic liberalization, Indian organizations were under pressure to change from low-cost, indigenous, less efficient and outdated technology to high-cost modern technology and prepare people to use it. This was done to develop and maintain their competitive edge in the larger business environment (Khan, 1991). Modern technology has made it possible for human resource personnel and front line managers to have virtual, without face-to-face meetings and communications. In a growing economy, the emergence of the new organization and shift in the HRM paradigm have necessitated a review of the skills, roles and competencies of the new HR managers (Ulrich, 1997); The standards of evaluation and measurement would differ compared to domestic based human resource management. When companies go global and set up their business in overseas markets, it is the human resources department's responsibility to manage their human capital. In this new era, HRM has evolved in the context of the globalized economic environment those who will manage the HRM will undergo a change in roles. It will be necessary to inculcate in employees the required new skills, competencies and motivation (Dyer jr., 1999). The constant evaluation of the effectiveness of the organization results in the need for the HR professional to frequently

champion change. The ability to understand and execute successful change strategies make the HR professional exceptionally valuable assets to any organisation. Knowing how to link change to the strategic needs of the organization will minimize employee dissatisfaction and resistance to change. HR professional contributes to the organization by constantly monitoring the change within and outside HR function. HR Professional will, thereby, become a change agent in the total organization and contribute to the overall success of the organization. He will champion in aligning the identification of the organizational mission, vision, values, goals and action plans. Champion of Globalization Globalisation is the trend that is widely regarded as a prime catalyst for international human resource management (Härtel, Strybosch and Fitzpatrick, 2007). There is a need to effectively manage this for the benefit of both the company and the individuals. An appreciation of how to manage staff in an international context is critically important for businesses today Shen (2005). The new global world has widened the talent pool for excellent and marginal workers, and for permanent and fluid workers. An organization's talent can be a source for a sustained competitive advantage and can affect important organizational outcomes such as survival, profitability, customer satisfaction level, and employee performance (Pfeffer, 1994; Prahalad, 1983). The problems that arise in the globalization are institutional and cultural differences. Scullion & Starkey (2000) suggest that effective management of human resources in a multinational corporation is a major determinant of success or failure in international business. International human resource managers have found that employee relations vary significantly from country to country and that the strategies used to motivate workers in one country are sometimes useless in another country. Katz & Elsea, (1997) explain international human resource management in terms of a system: "a set of distinct activities, functions and processes that are directed at attracting, developing and maintaining the human resources of a multi-national corporation." The domestic based term of human resource management covers "all the concepts, strategies, policies and practices which organisations use to manage and develop the people who work for them" (Rudman, Yip (1995) states that there are four major drivers of globalisation: the global market with its consumer needs, wants and expectations; production and labour costs in different countries; government rules and regulations regarding taxes, tariffs, quality control and import/export restrictions; and competitors' actions. The HR personnel who work at international level should understand all these dynamics so as to discharge their responsibilities effectively. The new global world has widened the talent pool for excellent and marginal workers, and for permanent and fluid workers too. An organization's talent can be a source for a sustained competitive advantage and can affect important organizational outcomes such as survival, profitability, customer satisfaction level, and employee performance (Pfeffer, 1994; Prahalad, 1983). In order to manage employees in overseas, means to improve their operation and various ways to solve problems should be identified (Kelly, 1993). Employee Advocate As an employee sponsor or advocate, the human resource manager plays a pivotal role in organizational success via his knowledge about and advocacy of people. This advocacy includes expertise in how to create a work environment in which people will choose to be motivated, contributing, and happy (Ulrich, 1996). The human resource personnel are a champion of globalization, and help

develop global mindset in its employees. Having a global mindset implies recognition of benefits that can flow to the whole organization from encouraging and valuing cultural diversity in people. Globalization is increasingly adding one more thing to low-cost labor and high-power technology: unfettered imagination—that is, high innovative and creative capabilities (Friedman, 2005). As an Employee Advocate, the HR manager provides all the employees with employee development opportunities, employee assistance programs, gain sharing and profit-sharing strategies, organization development interventions, due process approaches to problem solving and regularly scheduled communication opportunities. The HR expert should be able to develop global perspective among employees besides making the employees familiar with local standards. Effective management of culturally diverse and geographically dispersed workforce is the key responsibility of global human resource manager. The human resource personnel need to focus on organizations' long-term objectives with a international or global perspective.

## **PROSPECTIVE TRENDS IN HUMAN RESOURCE MANAGEMENT**

In view of the changing scenario, the following are the most promising and prospective trends in Human Resource Management. Outsourcing The changing role of HR executive is extended to deliver value in areas like leadership development,, organizational effectiveness, talent management, change management, succession planning, merger integration, strategic compensation etc There are many advantages of outsourcing such as access to latest technologies, low cost labour and other resources, process improvement, economies of scale, likely allocation of more time to strategic issues rather than tactics. Increasing competition and rapid technological innovations throughout the world compelled the business organizations to reduce physical boundaries and carryout the business from all corners of the world. This idea has definite impact on HRM through outsourcing. The concept has made English language further a universal language. English speaking countries and people are at more advantage than Non English speaking countries and people. Increasing significance of Corporate Values and Culture In general, the companies with strong culture are highly successful. They argued that superior firm performance is achieved if a company moves away from a purely technical, rationalistic approach towards a more adaptive and humanistic approach. It is, however,Carroll (1983), Reynolds (1986) and Most of the studies lack a clear theoretical conception of the nature of the culture performance link. Sinha and Sinha (1994) found self-realization and inventive values as the highest form of work values in Indian culture. Organizations appreciate corporate core values of self-realization and inventive values as they encourage and recognize innovation, creativity and achievement. All business leaders have now recognized that an effective corporate culture is essential for long-term success of any organization. They are aligning corporate culture with business strategy. Leaders and top management are taking responsibility for building strong and high performance cultures. They are the ones who construct the social reality, and shape the values of the organization. Almost all the largest multinational corporations in the world now have more employees outside their home country base than within it. This means that human resource managers must be scrupulously correct in their approach to staffing and ensure they



consider everyone from different cultures and backgrounds when working with them. Again, this will help make the overseas assignment go more smoothly for the employee. For example, Bonache & Fernandez (1997: 462) suggest that the system used for compensation and pay must be externally linked to the organisation's strategic goals, and consequently to the reason for assignment overseas. Also, the system must be integrated with all of the expatriation policies such as selection, training and professional development. Most multi-national companies are imprinted with their home country's culture and traditions, especially in the area of human resource management. Culture performs a number of functions within an organization. It creates a distinction between one organization and another, it conveys a sense of identity for role incumbents, it facilitates the generation of commitment, and it enhances social system stability. Finally, culture sells as a sense-making and control mechanism that guides and shapes the attitudes and behaviour of employees. Hofstede (1980) felt that cultures which are high on the long-term orientation focus on the future and hold values in the present that will not necessarily provide an immediate benefit. Increasing significance of corporate governance, consumerism, concern for high security and privacy compel the HR personnel well versed with local as well as international laws. New and better policies will be required for the work force of the future. Traditional family management will give way to professional management with greater forces on human dignity. There is growing recognition that there is a definite link between the work environment and the health and well-being of its employees. Creation of healthy work place is mandatory by all the governments throughout the world. No business establishment can override local laws. Due to legislative presence and trade union movement, personnel management will have to be healthier and safety conscious in future. Brain Drain It is the most important consequence of privatization and globalization. Many countries today are experiencing what is widely termed 'brain drain'. Brain drain, or the loss of talented professionals from smaller to larger economies, will affect the countries as well as the organizations. Brain drain is thereby damaging to a range of groups who share a common interest in finding ways to retain and re attract skilled employees. Organizations are required to develop more objective and result oriented systems of performance, appraisal and performance linked compensation. If pay and conditions of employment are standardized around the world in multi-national companies, it is highly likely that problems would arise amongst staff members doing similar work in different countries. Giammalvo (2005: 20) states, "Regardless of how well intentioned management may be, unless there is a formula in place that is easily understood, readily verified and perceived to be fair and equitable, it is bound to create conflict and hard feeling among team members." In order to retain the talented and highly skilled people, it is important to encourage them to constantly upgrade their skills and keep themselves current, while sending them overseas or on special seminars.

## **CONCLUSION:**

As the 21 century pose significant challenges, all executives and managers need to master new skills to address the emerging challenges. Successful executives will be those who can effectively manage three generations in the workplace, create more flexible working

environments, optimize individual and team performance, balance stakeholder interests and build and maintain their personal expertise. Managers and executives will need to maintain their skills of the last decade and to master the additional tools and techniques of the next. The international human resource manager needs to consider many aspects when working in a multi-national situation, including the culture of the people, laws of the country, expectations of pay and conditions of work from local and expatriate staff and integrating practices and procedures throughout the global company. It is important to consider all of these so as to ensure that management can have the best possible working relationship with the staff of the company, whilst getting the best results from them

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