

## ROLE AND RELEVANCE OF HUMAN RESOURCES MANAGEMENT IN CONTEMPORARY PROFIT-CENTRIC ERA

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**Abstract.** *With ‘bottom-line’ and profits emerging as top priorities, the function of Human Resource Management is being expected to deliver value like never before. Contemporary Businesses and corporations are desperately exploring ways to cut costs and maximize value gained from every function. This Paper deals with the various challenges that the function of HRM is faced with in an increasingly profit-centric era. The major HRM challenges that distinctly stick out during financially challenging times are listed and briefly explained in this paper. In addition to that, the author has also suggested ways and means in which the function of HRM can add value and make a real business contribution.*

**Keywords :** *HRM value addition, Profitability of HRM, Relevance of HRM, Impact of HRM on business performance etc..*

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### I. INTRODUCTION

Credit crunch, Recession and slowdown have been the buzzwords to describe the overall economy for the entire last decade. During such challenging times the function of HRM is being expected to deliver value and aid in easing the situation for businesses in general. ***“But it is possible that ye dislike a thing which is good for you”***

#### **-A verse from the Holy Quran (Qur’an 2:216)**

When the Ship (Organization) is in turbulence the function of HRM can put its categorical best in ensuring that a single sailor guides the Ship & the Rudder is set accordingly so that it can sail or bail the boat out successfully.

Over the past few decades, the role and perception of Human Resources Management has undergone a sea change.

From what was considered as a support function, HR has today matured and emerged as a strategic business partner. From what was considered as a cost or expense, HR has emerged as a contributor to an organization’s profitability.

The advent of the ongoing economic meltdown has presented the function of HRM with new

challenges and responsibilities. During this period of Economic meltdown, HRM is presented with a challenging opportunity to play a pivotal role to make the industry sustain and the entire economy flourish.

HR has prospered in the last ten or more years as the ‘war for talent’ has become more intense and theories of high performance through employee engagement become popular. The HR function has had to emphasise strategies on attraction, retention and motivation for example, Employer branding, family-friendly policies, performance pay and flexible benefits, and a revival in succession planning and leadership development under a new talent management heading.

People have increasingly been at centre stage, and the HR function has been trying to pull off the difficult trick of attempting to position itself as the specialist expert in, and ‘business partner’ for, encouraging their contribution, while simultaneously engaged on its own internal re-structuring and efficiency drive.

The question more fundamentally in these tough times, is will HR be able to use the position it developed for itself in the last decade to argue the case about protecting skills, retaining, nurturing and rewarding talent, and keeping those policies (and

their costs) in place that motivated and engaged their people? HR needs to be very powerful in such situations because they not only have to maintain the People Motivation level but has to increase it using non-monetary tools.

HR and HR professionals in no way can change the direction of the wind but for bailing out the organization can set sails in the same direction.

## II. THEORETICAL FRAMEWORK

The Various New Challenges that HRM is Presented with in The Wake of The Existing Economic Volatility:

### 1. Various Cost-Reduction Strategies

The present economic meltdown makes it imperative for organizations to review their spending patterns; the function of HR today is expected to review the organization's spending habits and come up with various cost-reduction strategies.

Today the function of HRM needs to play the good corporate citizen and needs to revisit its own budget before anyone else does.

The function of HRM needs to identify areas of saving – for instance, suggest using internal facilitators such as senior managers to deliver training courses etc.

The function of HRM needs to measure ROI on each and every HR intervention using established models such as Kirkpatrick's Model (1959). It needs to reject every intervention which does not reach level 4 of the Kirkpatrick's Model – "impacting the performance of the organization".

### 2. Increased Need for Employee Efficiency

Getting the most out of the least is the need of the hour. The economic meltdown calls for an increase in employee efficiency. When employees become more efficient, there is more room for profitability and productivity.

During the recession, the level of efficiency, productivity, and depth of management awareness are raised, and these elements also become more responsive to the various methods to reduce overhead and increase productivity.

It is noted that during a recession, a number of institutions increase their profits and many companies benefit from the opportunities available in this period of recession.

British Airways, for example, were suffering from a budget deficit in the past two years, but as a result of substantial reductions in costs and improving efficiency, it has become able to achieve respectable profits.

### 3. Importance of Keeping The Employees Motivated through Challenging Times

Employee motivation is a very crucial responsibility of the HR function. The present economic slowdown has adversely impacted the morale of employees across the organizations and throughout all the ranks. The threat of downsizing, pink slips, forced leaves etc. has gravely demotivated the employees all over.

A demoralized workforce is certainly not at its productive best. Low morale directly affects the quality of output as well.

"Recognition helps people to be resilient. Businesses right now...they're trying to survive. And to survive you've got to have some psychological resilience. You've got to have employees who are positive despite the negative situations around them....I would argue that recognition is even more important in times like this."

– Jim Harter, Gallup, October 2008

The key challenge for the function of HR here is to proceed with cost cutting measures while keeping the employees motivated and positive.

### 4. Use of Innovative and Creative Ways to Maintain and Improve Profitability

The ongoing economic situation is indeed the best time for creativity and innovation. Its through creativity and innovation that organizations can discover newer ways to maintain and improve profitability through a time of negative financial outlook.

"Everyone knows that innovation is a core business necessity. Companies that do not innovate, die. This is not news."

-Henry Chesbrough, Open Business Models, Harvard Business School Press, 2006

Innovation is about selecting and implementing the right ideas into useful new products, processes, services or management systems for improving profitability and growth of an enterprise. An idea

or project is not an innovation unless it is applied in practice and put onto the market. Innovation is different from creativity and invention.

Creativity is the ability to produce new and original ideas and products. Innovation makes the ideas practicable and useable. Innovative activities in an enterprise depend on the creative contribution of its employees. But innovation is done by people, and people work within a structure.

Innovation as a driver for growth, profitability and success of an organization will include people, leadership, creativity, process and organizational culture. Innovation in an organization should not be approached in a piecemeal manner but in a systematic enterprise wide capability and should be initiated even at the lowest levels.

The function of HR can play a very vital role in creating and nurturing an environment that values and encourages creativity and innovation.

Businesses that actively pursue innovation generate more growth and profits than those that do not. Plus, they usually enjoy higher brand awareness and appeal.

Innovation is about introducing something new or doing something in a new way. The goal of innovation is to take an idea from concept to realization and improve business performance. An innovation can be a new product, a new process, or a new way of doing business.

Innovation can come from anywhere or anyone inside or outside an organization. The main ingredients of successful innovation are a fresh perspective, a diverse source of ideas, and an open environment.

Many employees are preoccupied with managing day-to-day operations and “putting out fires.” They don’t see opportunities because it’s not their job to innovate.

But others have their heads up. They see more and know more. They develop more new products. They sell more to new customers and new markets. Innovation makes their products and company stand out from the competition. Innovation puts their organization on a path of sustained growth and profitability.

Employees can be a very rich source of innovation, especially those who have contact with customers. But if employees are not motivated or given incentives to innovate, they will simply maintain the status quo – with all its good and bad consequences.

## 5. Retaining the Best Talent

The present challenges require the function of HRM to play an active role in stopping the top talent from falling out of the company bandwagon. This deserves special attention and effort as the organization tends to become more vulnerable to top talent attrition in the turbulent times. Investing more time, effort and resources proves quite helpful in this pursuit.

According to the Society for Human Resource Management (SHRM) 2000 Retention Practices Survey, voluntary resignations are on the rise at most organizations. Forty-one percent of the responding HR professionals reported that their number of voluntary resignations had increased during the past three years. Here’s a representation of their important findings:

The most important time to do something to retain key employees is when companies are busy cost cutting; because that is the most likely time the best talent will start looking around for better and more generous companies to work with.

Retention doesn’t have to be about money. It can be achieved by providing the best employees with challenging work, showing consequences to those employees who are underperforming and respond to employees’ work-family balance and other needs.

## 6. Balancing Redundancies to Ensure Best Performance with Optimum Resources, etc.

According to wikipedia, ‘Redundancy’ may refer to ‘the state of being redundant or excessive.’

Every organization functions with substantial redundancy so as to remain operational without being affected by any emergency etc. Many times excess of redundancy proves to be a cost for the company. Thus balancing redundancies to ensure best performance with optimum resources has also become a crucial HR responsibility.

During recession, redundancies are an unfortunate reality for many organizations in order to maintain profitability and make it through the economic downturn.

Although redundancies are often unavoidable, they are still a very difficult area for employers and employees alike.

With respect to redundancies the function of HRM is presented with the challenge of building

and maintaining a functional, lean and fully capable organizational structure.

### III. DATA PRESENTATION

#### Ways and means in which the function of HRM can add value and make a real business contribution

##### 1. Motivation

As today's business market continues to fluctuate, business owners and managers need the most competent employees to stay competitive. The only way to keep these employees is to motivate them for success. When companies listen to their employees, reward them, become a resource for them, and keep them informed, they take the first steps to true employee motivation. By taking the time to provide these little extras for them, they'll reciprocate by remaining valuable members.

Motivation has no alternative in any organization. HR personnel need to take the initiative to motivate employees to face the challenges so that they will prepare to be more efficient and competitive during the crisis.

##### 2. Nurturing Relationships

Recessions are the perfect time to forge new connections and strengthen long-standing relationships — both inside and outside of companies.

This calls for practising uncommon appreciation, and socializing techniques such as meeting for breakfast instead of over the phone, supplementing emails with handwritten cards and notes etc.

The function of HRM can play a pivotal role in creating a more humane work atmosphere.

The need of the hour thus is to create an atmosphere where employees get together to brainstorm opportunities for thriving during difficult times and stay optimistic and flexible.

One of the hardest things to do is to remain upbeat and positive when it feels like the bottom is falling out. This is exactly what the function of HRM should ease and ensure throughout the ranks and files of the organizations.

##### 3. Focus on Productivity

Today the function of HRM is expected to increase the productivity of the workforce by providing advice and programs that can directly increase the

effectiveness of employees and managers.

To do this HRM needs to develop metrics to capture the productivity of employee workforce. These include the ratio of money spent on people-related costs compared to the monetary value of the output or revenue produced by employees. Today the function of HRM is also expected to identify barriers to increased productivity and develop a rapid plan to remove them.

Its only by focusing on productivity ruthlessly and absolutely objectively that the function of HRM will be able to make a real contribution to the successful survival of the companies.

##### 4. Talent and Performance Management

This is the time to have a holistic process in place where employee objectives are linked to business goals. Securing existing talent and investing in them will ensure that a company becomes more competitive so that when the economy picks up they are much better placed to move forward.

Poor performers can reduce profits dramatically through low productivity and disengagement. Talent management can help ensure employee engagement. Talent needs to be nurtured and rewarded accordingly to ensure employees don't jump ship and join a competitor. Having clear HR processes in place such as succession planning and career paths are the basic building blocks together with the right training and development. There is the need to look at creative ways to reward staff, when increased financial compensation is not available.

##### 5. On Going Training and Development

Training is often the first HR process to go when things get tough because some companies see this as an unnecessary cost.

Indiscriminate cost cutting on training is a risk long-term because when key skills are needed in response to market forces in future, the company will struggle.

The need of the hour is to consider low-cost options such as work shadowing and developing coaching and mentoring programs using existing talent to train developing talent. The need of the hour is also to apportion resources wisely and limit activities with limited business purposes.

The function of HRM needs to look at the recessionary phase as the time for up-skilling and

talent development. This will pay rich dividends when the economy returns to its normalcy.

### 6. Increase Workforce Flexibility

Flexibility is a major motivator and the introduction of flexible working; flex-time, job sharing, and telecommuting are surprisingly easy ways to improve the bottom line.

Companies can consider offering more paid time off such as increased holidays or Friday afternoons off as an incentive to increase employee motivation in these difficult times.

### 7. Linking HR Metrics to The Bottom Line

During economic downturns, senior executives require all managers to focus on cutting costs and increasing revenue. To better comply, the HR function must learn how to use statistical tools and techniques to explain just about everything. The increased use of various cost-cutting models and contemporary HR metrics will certainly give the function of HRM a distinct and objective image makeover.

“What cannot be measured, can neither be improved” is a well-known management principle. The function of HRM must aim at measuring time, resources, effectiveness, efficiency etc. in monetary terms.

### 8. Keep Communicating

The turbulence of the contemporary times demands honesty and transparency. The HR department must be honest with employees in letting them know and understand the true financial picture. Often employees are willing to make cuts and changes when they understand the facts. There are no winners if the business goes down. Talking clearly and honestly with employees also helps to reduce the rumor mill.

## IV. CONCLUSION

So HR will have to get even closer to, and genuinely partner with, the business to effectively ride the ongoing recession. It will need to think and speak in organizational terms that reflect the exigencies of the situation. HR should continue to ruthlessly improve its own processes to make them more efficient and effective.

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