

# Importance of Human Resource Management in 21<sup>st</sup> Century: A Theoretical Perspective

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## **Abstract**

Human Resource Management discipline extracted its roots from organizational psychology discipline and proved to be an important practice for managing organizations. The role of this practice has emerged to be strategic with due course of time. Now a day, the role of human resource management departments has become indispensable for 21st century modern businesses. This article particularly focuses on role of human resource management practices in 21st century. This theoretical paper aims to highlight the importance of human resource managers, HR practices and its influencing factors. In addition to that, this article also elaborates the upcoming challenges which are being faced by 21st century HR managers. Author has conducted HR literature analysis in order to present emerging issues, challenges and practices of human resource management discipline in context of 21st century.

## **Introduction**

Monody & Noe (2005) elaborated that HRM in 21<sup>st</sup> century is a process that utilizes the skills and knowledge of employees in order to achieve organizational goals. Similarly Tzafrir et al. (2004) explained that it is the responsibility of HR department to be more focused towards employees' benefits and concerns because they play an important role in the success of any

organization. Beardwell, Halden and Claydon (2004) stated that HRM is defined as rules, regulations and procedures related to the management of employees within the organization. In 70s the HRM division was called “Personnel”, as time move on and it came the time between 1945-1979 it changed into “Personnel Management” which influenced upon employee’s legislation and administration. The concept of Human Resource Management further started to develop in 1990.

And finally the ‘personnel management’ shifted to ‘Human Resource Management’. Human resource management is being taken as an important function amongst all since last two decades. Different academicians and researchers finally admit that HRM is necessary function to gain competitive advantage for an organization. Kamoche (1997) stated that in 21<sup>st</sup> century HRM includes number of activities such as conducting job analysis, having concern with personnel needs and wants, recruitment and selection of efficient people for a particular job, providing training programs to employees in order to improve employees’ current performance, providing incentives and benefits to employees, solving disputes between employees and management, determining wages and salaries, etc.

Noe et al. (2010) elaborated that in business world, competition is getting worse to worst day by day and thus HRM is the sole factor that provides an organization with competitive advantage. Human resource management is a set of practices that affects performance, attitude and behavior of employee at work. In the very early days, HRM was not considered an important part of organization but now without Human Resource Management department an organization cannot be administered successfully. All activities related to employee’s benefits are the part and parcel of HRM. These activities comprise employee’s relationship management, compensation of employees, providing health and safety benefits, training and development to employees, etc. Many authors stated that there are three basic practices that play very acknowledgeable role in performing any business activity.

1. “Best Practices” is a set of HR practices if implemented well, can improve the performance of business altogether.
2. “Contingency” as a best “fit” approach is used as business strategy which will improve the performance of business.
3. “Bundles” generate bulk of HR practices that will elevate the effectiveness and efficiency of business.

Now there has been an extensive debate on HRM whether there is any relation between HR practices, performance and productivity of the organization. As Lchniowski et al. (1997) explained that providing training for current job, team work, and effective communication skills may assist in achieving desired goals of an organization. As Michie & Sheehan (1999) said that high committed management is positively related with expenditure and innovations of research and development. HRM is related with employees’ benefits because if employees are satisfied and highly engaged in their work most probably they will produce more efficient and productive work that by and large relates to success of organization. Human resource management plays very important role in retaining and attracting employees by providing

benefits and compensation to them (Kalleberg and Moody, 1994). According to Wood and Menezes (1998) proclaimed that practices of Human Resource Management can reduce turnover and absenteeism of employees.

Walker (1994) explains “integration of human resources with the business requires a new paradigm for managing Human Resources in an organization.” It means that integration of Human resource allows organizations the solutions for complex issues related to the organizational success. Integration refers to emergence of HRM in organizations strategy formulation and alignment of human resources according to the strategic requirement of organization.

Today’s organizations are facing the dynamic environment which requires organizations to adopt changes and work for optimize profit (Robbins 2005). Organizations come across too many challenges or uncertainties about human resource of 21<sup>st</sup> century including globalization, advent of the latest technology use, more and more innovations, economic and political instability and ethical and ecological challenges. Losey (2005) mentions that “technology is advancing so quickly that it is forcing organizations to change their strategies”.

Therefore, in this way organizations organize their HR in accordance with the change in their products styles. All the factors related to dynamic changes are about the change in HR, so HR needs to grip all this dynamic changes that ensure that they have employed right HR with the right knowledge, abilities and skills that are required for a particular job to be done.

People and organizations need changing environment for their stability and core values. Therefore, in this way they have a psychological contract that enables them to feel that they are important for organization in term of upholding their responsibilities. Thus, human resource helps organizations to curb problems which occur sometime due to adopting change. Organizations can manage to enjoy the competitive advantage in 21<sup>st</sup> century by exploiting the unique bundle of resources that are usually complex, dynamic and intangible in nature which may help organization to get hold of success in perplexing situations.

### **HRM Future Influencing Factors:**

Factors that put influence on composition of workforce in emergence of 21<sup>st</sup> centuries can be highlighted as follows:

In today’s environment the organizations can achieve competitive advantages by hiring valuable workforce. Organizations can compete in better manner if those try to enhance HR by adding real, measurable or value able human capital that augments firms’ capacity of production. Beatty and Schneier (1997) state that the human resource function and its process play strategic role so as far success of an organization is concerned.

Ruona and Gibson (2004) elaborate that the first factor is the increased centrality of people to organizational success. Increased centrality of people in organizations plays powerful role for the evaluation of HRM for organizational success. Therefore, the emergence of resources place acute importance on intellectual and social capital.

The second factor is the focus on whole system and integrated solutions for the proactive role of HRM. The Human resource management challenge is to continue developing innovative systems by focusing on the integrated functions and systems of organizations. The third factor is the strategic alignment and the impact of 21<sup>st</sup> century Human Resource which is integrated by efforts and expectations suggesting that importance of these factors will increase in the coming years too. The last factor is the capacity for change. Organizations are now working in complex and changeable environment so these organizations seek to work for a development process and plan strategy to facilitate self-motivated changing environment through incremental changes. By utilizing Human resources, professionals need encouragement by organizations. They should be taking more and more initiatives by provision of tools and techniques to achieve critical competencies through continuous learning. Schoonover (2010) explained it in a way that “HR professionals need to lead flatter organizations by encouraging individuals to exercise more initiatives, autonomy and accountability through provision of concerned tools and techniques that improve their effectiveness while having acquisition of critical competencies through continuous learning opportunities”.

### **Implications for 21<sup>st</sup> Century HR Manager:**

As organizations compete globally for products, they have to compete for HR talent in 21<sup>st</sup> century. The future talent means highly educated youth seeking huge benefits and monetary rewards for meeting their materialist desires. That generation would search the companies in which they could work with loyalty and commitments as long as the organization keeps them satisfied or try to satisfy the employees according to the term agreed.

Taylor (2001) elaborates that “this century is an arrival of new breed of highly skilled workers who are younger, well educated, knowledgeable and extremely confident and not just interested in what they can do for the company, but rather what the company can do for them”. Therefore, even though some countries have less tolerance for the foreign managers, best skilled people are hired worldwide regard less of nationality. Function of 21<sup>st</sup> century HR manager is to decide about the staffing. These staffing strategies are domestic as well as global that contain the internal staffing strategies and external ones. In external staffing the pool of candidate is generated and the successful candidates who fulfill the organizations’ needs are promoted and transferred while internal staffing strategy is made for the recruitment of new position from workforce pool available within the organization.

Henson (2007) states that the generation Y wants flexibility in their working hours for spending their time in other activities like spending more time with their children. Baby

boomers want freedom to work part time however some want early retirement etc. Therefore, HR managers have to plan and design some standard framework for the workforce that allow them to exercise flexibility for managing their choices. HR manager will have to plan for outsourced supplier for having fulltime or part time workers keeping in view current global business environment.

### **Emerging Challenges of HRM in 21<sup>st</sup> Century:**

**Powerful** changes in global economy have reshaped the whole strategies of HRM and compose those into new form. Due to the dynamic environment, the relationship of employee- employer is also being reshaped and it made the organization change the way how to manage and motivate the employees.

For organizational effectiveness, there is need to get creativity and innovation by using workforce while providing them training for their skill improvement, adaptability and responsiveness and expanding the way of thinking.

Some crucial challenges pertaining to HRM are highlighted as under:

- **Demographic shift:**

Due to the dynamic environment, there is a challenge of demographic shift. Demographic categories include gender, race, nationality, age, religion and physical disability. The percentage of female employees increases to 48% by 2008 with an increase in their turnout ratio. With the growth of urbanization, opportunities of jobs for females also got increased. In America, five out of every six new workers is female. The workforce is aging with 10,000 “baby boomers” turning 55 every days and many organizations employed part retirement age either for financial reasons or due to importance of their work. In this era, organizations hire employees from different countries so there is unique environment of organization because they have different languages and cultures. Organizations have their own culture which makes employees feel free and communicate with each other and also with the top management.

- **Work arrangements:**

Work arrangement is another reason for change in workforce. Due to the latest technology including high speed internet and mobile communication, there is great variety that how and where employees do work. Now a number of employees work in outskirts. For example: software engineers get their projects through online linkage and complete their work at home instead of going to offices. Work preferences are also another amazing factor for the diversity in workforce.

The young and unmarried workers are willing to work 60 hours per week for the sake of their career while married people manage both the work and family both and need flexible work arrangement and prefer lenient job.

Above mentioned are some of the challenges about diversity in the work arrangements and demographic shift which put pressure on the organizations to create a cohesive team with vastly different skills and knowledge to support organizational strategies.

- **Knowledge- based economy:**

There is need to diversify the HRM strategies due to the knowledge-based economy and to compete with the today's competitors and achieve competitive advantage. The trend is shifted from industry-based economy to knowledge based economy for providing value to the customers as well as to the employees at the same time. In industry-based economy, manager focuses on the efficiency of work only but now in knowledge-based economy, the manager's focus is on both the effectiveness and efficiency. In this Era, there is demand of expertise, innovation, entrepreneurial skills and need of diverse workforce.

- **Enhancement in creativity & innovation:**

The well-known organizations focus on the skills of workforce and their synergistic power to compete with the dynamic environment. For example Apple and other companies locate their research labs all around the world to identify the market changes and preferences. By identifying changes, they create new and innovative product.

- **Gaining maximum market share:**

Due to diversity, there is need to focus on the market place and market knowledge to know the customers' needs and wants and to manufacture products to gain maximum market share. Through drawing experiences, team work and team skills have become more valuable for quick response to the opportunities within new market place.

- **Employee-employer relationship:**

In the 21<sup>st</sup> century, there is also a change in the relationship between employee and employer. Organization work without centralization and operate in the flexible environment. Employees work under friendly environment. In the global competitive environment, employees are loyal to organizations and work with full interest. They easily communicate with the top management about new strategies and trends of global market. Through exchange of ideas, they come to end with new innovative thing which are really helpful for achieving organizational goal.

- **Reward & compensation system :**

In industrial era, employees worked under centralized environment. Top management was responsible for decision making and no one was involved in it. Employees worked under the instructions of managers and there was no proper compensation system for employees. Organization paid them daily on the number of units produced. Now there is proper compensation system for employees and organization also give them rewards for their efforts in completing task assigned to them. Monthly bonuses are also given to them. Through reward system, employees work with full interest and are helpful in achieving the organizational goal.

- **Managing the cost :**

Due to flexible working system, the cost of organization is decreased because technical machines work efficiently and effectively for production of products. Automation provides flexibility in environment which is helpful for maintaining the cost. Chances of error in the production process are also reduced.

### **Emerging Practices of HRM in 21<sup>st</sup> Century:**

- **Organizational Learning:**

Argyris (1977) defines organizational learning as the process of "detection and correction of errors." Organizations' learning process consists of four major steps which are knowledge acquisition that is first step towards acquiring organizational learning. It focuses on futuristic or novel information used for the betterment of organization. The second step is knowledge sharing that is the process through which employees share information amongst each other. The third step is about knowledge interpretation of organizational learning in which clear information is shared by the employee. The last is memorizing the knowledge of organization for future use.

- **Human Capital Management:**

Human capital management is the approach that perceives employee staffing and employees as asset or human capital. 21<sup>st</sup> century organizations support human capital management by providing employees rewards while clearly highlighting consistent performance expected from them. Organizations support continuously to their employees for being productive for achieving the goals of the company.

- **Counseling:**

Counseling is the interaction between two individuals. According to Patterson "counseling is the process involving interpersonal relationships between two persons

the counselor helping the other person called client for supporting in difficult work. In 21<sup>st</sup> century counseling practice is the useful option for organizations for training their employees.

**Recommendation:**

From the perspective of HRM emergence in 21<sup>st</sup> century, the globalization has number of implications for an organization that may require the expatriated labor or diversity of cultural differences. In 21<sup>st</sup> century HRM is needed for developing mind sets, skills and abilities that are required for competitive advantage on the global scale. Therefore, HR provides success factors to organizations that are necessary for global and local competitive advantages. Organizations should align their HR processes more effectively for their success with broader organizational goals.

**Conclusion:**

The emergence of HRM in 21<sup>st</sup> century has got the priority for developing positive employment relations. It will successfully improve productivity and performance of HR and will also play role in successful interpersonal relationships. Competitive advantage is achieved by organizations when they truly work on HRM practices. These practices include recruitment, selection and encouraging suitable employees for endorsing diversity of workplace for managing knowledge and innovation whilst putting more focus on employee development and engagement. By focusing HR factors that influence on human resource in 21<sup>st</sup> century, solutions can be provided. Through the attentive and thoughtful approach being used in management of HR, competitive advantage can be attained and organizational productivity can be enhanced resultantly.

The importance of HR has become too obvious because of complex and uncertain environment. Therefore, organizations need to bring more furtherance in HR department due to globalization, technological advancements, and competition etc. Now firms are operating and expanding their business across the globe, and firms are facing diverse cultures, values, and behaviors of people, which they bring with themselves in the workplace.

Managing the diverse relations, behaviors, cultures, and values has become a severe challenge for firms and they need to take prudent decisions to sort-out such problems. In the fickle world of business, firms must focus on the up skilling of their employees to cope with complexity and to be “IN” in the race. It is said that employees are the “ASSETS” of firms, and firms fail without workforce, so firms should not solely rely on technologies but they also need an effective workforce to run their business successfully. Today employees are very productive than before because they understand the firm’s demand and the changing trends of business world, so employees know that they will have to be responsive and multi-skilled if they want to continue their jobs.

Effective management is required to manage the multi-talent and skills as firms desire to retain their multi-talented employees who play very vital role for success of business. Dissatisfaction and irritation is being widely witnessed amongst the employees and that

reduce their productivity altogether and create disturbance amongst them. HR department first find-out the problems then make strategies to sort-out such problems through empathy and reward. HR department screamingly focuses on employee's performance and impartially makes sure the reward and punishment system. HR department has now become very efficient in reducing the turn over rate and thus conducts training and development programs for employees to make them productive and efficient enough for the organization. Another problem of employees is engagement and commitment towards their respective jobs. HR department, in turn, gets employee engaged. HR department also provides help in recognizing the leaders to create suitable friendly environment.

Last but certainly not the least at all, HR department also conducts job analysis to get right people at the right place. These merging challenges emphasize the firms to develop competitive HR in their firms to cope up with complex and uncertain environment.

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