

# HUMAN RESOURCE MANAGEMENT PRACTICES AND EMPLOYEE ENGAGEMENT - A KEY TO ORGANIZATIONAL SUCCESS IN 21<sup>ST</sup> CENTURY-A THEORETICAL ANALYSIS

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## Abstract

Humans are social being, we seldom live and work in isolation, Whether consciously or unconsciously we are always in interaction with other people and we are continually planning, developing, managing and ceasing our relations with others. These relations do not appear out of nowhere. They depend on our actions and our ability to manage our actions. However, Dealing with people is probably the most difficult thing we will ever encounter in life. Moreover, the business environment today is not clear than yesterday. 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. In an organization, HR has become an important strategic partner and the management of the same has become a challenging task for HR managers. Now a day, the role of human resource management departments has become indispensable for 21st century modern businesses. This article particularly focuses on changing 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 on employee engagement. The literature analysis has been conducted to present emerging issues, challenges and practices of human resource management discipline in context of 21st century.

**Keywords:** Human Resource Management, Strategic Human Resources Management, Employees engagement and Performance management.

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## 1. INTRODUCTION

### HUMAN RESOURCE MANAGEMENT

The Evolution of Human Resources Management If we take the year 1920 as when many believe the first formal HRM function and department was initiated, then it is possible to think that the field is nearly 90 years old. During this 90-year period, there have been considerable changes in both science and practice of HRM. The human resource management function, once responsible for record keeping and maintenance, has evolved into a strategic partner.<sup>[1]</sup> It will give a perspective if we look at the evolution of HRM in a historical period briefly. People who worked during the 1600s to 1700s were guided by a craft system. Under this system, the production of goods and services was generated by small groups of workers in relatively small workplaces, usually in a home. In the early 1900s, many changes occurred in the work place. After industrial revolution, machines and factory methods that increased production were introduced. However, several problems occurred with this increased production. Since the machines required several people to operate them, the number of workers increased dramatically. This forced managers to develop rules, regulations and procedures to control the workers. Some of the regulations required an increase in job specialization, which led to boring, monotonous jobs.<sup>[2]</sup> At that time, with the effect of Scientific

Management, workers were seen as a part of a machine without considering that they were social human beings. All the jobs were broken into specific tasks.

The next step in the development of human resources occurred in the late 1920s and early 1930s by Hawthorne Studies. As a result of these studies, the social side of workers was realized by managers and the effect of social factors on the performance was understood.

Expanding on the human relations school of thought including academic findings from various disciplines such as psychology, political science, sociology and biology, the behavioral science era was born. This era focused more on the total organization and less on the individual. It examined how the workplace affected the individual worker and how the individual worker affected the workplace. Many believe that the modern day fields of organizational behavior and human resource management grew out of the behavioral science.<sup>[2]</sup>

In the early years, organizations set up welfare secretaries whose jobs were to keep track of employees' welfare. Through the years, the welfare secretaries' jobs encompassed more duties parallel with the new laws and employee rights were passed. They started to keep up all files about employees, maintain payroll systems and counsel employees.<sup>[2]</sup>

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Parallel with the changes in some factors like technology, globalization and work force, HRM began to take more attention from the organizations and it became a formal department. The increase in the importance of HR has not happened accidentally. Rather, these trends are a function of specific changes in the business environment. With the increased rate of globalization, a firm's ability to compete in a global environment becomes increasingly contingent on having the right people. Pressures from competitors, shareholders and customers require people that can create new products, services and processes ahead of the competition.<sup>[3]</sup>

### 3.Strategic Human Resources Management

The importance of the fitting structure, systems and management practices to an organization's stage of development is widely accepted. As the organization grows and develops, it needs change. By understanding how an organization changes as it grows, it is possible to understand how human resource management must change.<sup>[4]</sup> Perhaps the change that has most impacted organizations in the past decade has been the growing realization that people are an organization's primary source of competitive advantage. It is now widely accepted that an organization's success is determined by decisions employees make and behaviors in which they engage. Managing people as an organization's primary asset has inspired HR to become increasingly more effective at developing programs and policies that leverage talent to align with organizational competencies and at executing organizational strategy.

The field of HRM has recently seen the human resources that it selects, trains and retains move from a supportive to a strategic role in organizations. This occurred because in strategic management sources of competitive advantage were no longer sought in external, but in the internal environment of a firm, namely in its resources, particularly its human ones. Accordingly the field of HRM reconsidered its own role, resulting in the emergence of a new distinct discipline termed Strategic Human Resources Management (Wielemaker and Flint, 2005). Recent works on business strategy have indicated that firms' competitive advantage can be generated from firm human resources. According to the resource based view, the firm that can develop sustained competitive advantage through creating value in a manner that is rare and difficult for competitors to imitate. Traditional sources of competitive advantage such as natural resources, technology and economics of scale have become increasingly easy to imitate.<sup>[5]</sup>

Driven by a number of significant internal and external environmental factors, HRM has progressed from a largely maintenance function to the source of sustained competitive advantage for organizations operating in a global economy. Environmental factors such as uncertainty, technological innovation and demographic changes affect human resource strategy. Numerous environmental characteristics have been investigated to determine how they constrain human resources or strategy formulation ((Lengnick-Hall and Lengnick-Hall, 1988).

By the effect of these factors; human resource planners started to learn the language and techniques of strategic planning, assumed a more proactive stance in promoting strategic thinking in the human resources area and extended the personnel function well beyond the limits of its traditional activities (Miles and Snow, 1984). Human resources can make

contributions to strategy and strategic planning in a number of ways. Systems such as performance appraisal, staffing, training and compensation help enable managers to implement the organization's strategic plan. Human resources planning also links strategic management and business planning with these systems.<sup>[6]</sup>

The concept of strategic human resource management evolved with an emphasis on a proactive, integrative and value-driven approach to HRM. Strategic HRM, views human resources as assets for investment and the management of human resources as strategic rather than reactive, prescriptive and administrative. The definition of strategic HRM highlights two important dimensions that distinguish it from traditional HRM. Vertically, it links HR practices with the strategic management process of the firm and horizontally, it emphasizes that HR practices are integrated and support each other.<sup>[7]</sup>

Most of the writings indicating greater integration between HRM and strategic business planning take either of two predominant approaches. One group of authors suggest a reactive role for the HR function, viewing organization strategy as the driving force determining HRM strategies and policies. These authors have concentrated on developing specific HRM strategies to fit identified business objectives. They contend that HR systems such as selection, training and compensation should be tailored to match the company's objectives and product life cycles. A second group of authors suggest that HR should also play a more central and proactive role by becoming involved in the strategy formulation process itself (Golden and Ramanujam, 1985). As a result, today's leading edge human resources staff is actively engaged on the management team, contributing participants in the planning and implementation of necessary changes. Human resource staff needs to be business oriented, aligned with the business and effective as consultants and business partners. The integration of human resources with the business requires a new paradigm for managing human resources in an organization (Walker, 1994). It is desirable to integrate human resources management and business for some reasons. First, integration provides a broader range of solutions for solving complex organizational problems. Second, integration ensures that human, financial and technological resources are given consideration in setting goals and assessing implementation capabilities. Third, through integration organizations must explicitly consider the individuals who comprise them and must implement policies. Finally, reciprocity in integrating human resources and strategic concerns limits the subordination of strategic considerations to human resources preferences and the neglect of human resources as a vital source of organizational competence and competitive advantage. This reduces a potential source of sub optimization (Lengnick-Hall and Lengnick-Hall, 1988).

Integration refers to the involvement of HRM in the formulation and implementation of organizational strategies and the alignment of HRM with the strategic needs of an organization. To achieve strategic integration and alignment of HRM with business strategies, a documented HRM strategy would also be useful as it can make more concrete the role and authority of HR managers in corporate decision making and increase capacity to cope with externalities such

as a tight labour market. A documented HRM strategy helps the organization to develop and HRM vision and objectives and to monitor performance.<sup>[7]</sup>The difference between traditional personnel management and strategic HRM is shown briefly in To make HR managers more available for participation in strategic decision making processes, it is argued that the responsibility of routine execution and administration of HR practices should be delegated to line managers as they have direct and frequent contact with employees and a capacity to understand, motivate, control and respond quickly to employees.<sup>[7]</sup>

### 3.The New Human Resources Management for the 21st Century

The Organizations have transforming human resources for more than 20 years. Even following an HR transformation, today's HR function has a new set of challenges: A mandate to drive the talent agenda and help attract the best in the market; the need to drive alignment, culture, and global performance; the opportunity to better leverage technology and analytics. And the need to support and build a deep leadership pipeline around the world. Organizations now expect HR not only to be efficient in their delivery of core services but also set the talent agenda and drive performance and engagement. The "traditional" ways of delivering HR capabilities are not getting there.

The imperatives of efficiency and cost reduction have always been part of the HR mandate. But now, driven by global economic growth, emerging markets, and the demands of 21st century workforce, HR must support and drive a range of business initiatives.

- Growth
- Globalisation
- Cost Pressure
- Talent
- Innovation
- Emerging Technology
- Mergers and Acquisitions
- Risk and compliance

HR does not take on all these mandates by itself. But HR is responsible for putting the right people, processes, and culture in place so that leaders and employees can take them on. The need to help HR organizations expand capabilities is increasing as challenges grow across strategic organizational change, talent development and management, organizational design and culture, employee engagement and motivation, and inclusion. There is no doubt HR can and should deliver value both inside the enterprise to employees and business leaders as well as outside to customers, investors, and communities. HR operates with High-Impact, the business excels.

HR must now be judged on whether it enhances the firm's competitive advantage by adding real, measurable economic value as a business partner. The HR function and its processes now must become a strategic player (Beatty and Schreier, 1997). 21st century HR requires factors like; increased centrality of people to organizational success, focus on whole systems and integrated solutions, strategic alignment and impact, capacity for change. These factors are described below briefly (Ruona and Gibson, 2004).

- Increased Centrality of People to Organizational Success: Undoubtedly the most powerful force affecting the

evolution of HRM is the increased centrality of people to organizational success. The emergence of resource based views of organizations has placed increasing importance on intellectual and social capital.

- Focus on Whole Systems and Integrated Solutions: It is clear that HRM has become increasingly systematic during their evolutions. With the strategic proactive role of HRM, the challenge for HRM is to continue to develop innovative systems by focusing on the integrated functions and systems of organization.
- Strategic Alignment and Impact: 21st century HR has become more integrated by its measurement efforts and it is expected that the importance of these efforts will increase in the coming years. This is all being driven by increased pressure to work on issues that are most important to the business and to provide organizational leaders with understandable information that helps them to make better and more strategic decisions about the workforce. Ultimately, it is essential to work together to enhance HR's capacity to contribute to organizational and financial performance.
- Capacity for Change: Today's organizations must thrive in complex and unpredictable environments and must be extremely agile. This demands the development and implementation of structures and processes that facilitate incremental change.

The new human resources management for the 21st century should play a strategic role by contributing the strategy formulation process and being a strategic partner during the implementation of these strategies. The HR practices should be designed consistent with the strategies of the organization taking into consideration the essential HR needs. In parallel with these, organizations can be able to be more flexible, flat and agile in order to struggle with the changes in the competitive environment by gaining competitive advantage with their HR assets.

HR professionals need to lead flatter organizations by encouraging individuals to exercise more initiative, autonomy and accountability by providing tools and techniques that improve their effectiveness and by enabling the acquisition of critical competencies through continuous learning opportunities (Schoonover, 2010).

### 4.Engaging the 21st century workforce

- Lead and develop: Develop leaders at all levels close the gap between leadership hype and readiness.
- Attract and Engage: Talent acquisition revisited Deploy new approaches for the new battlefield
- Transform and reinvent: Reskill the HR team Accelerate the development of HR professionals in to skilled business consultants.
- Corporate learning redefined: Prepare for revolution it's new age learning.
- Move beyond retention: Build passion and purpose in the workforce.
- Implement talent analytics: Go from talking to delivering on big data.
- Performance management is widely broken: Replaced rank and yank with coaching and development.

## Conclusion

Strategic human resources management has gained more importance for the organizations in recent years because human resources are seen as the most valuable assets of the organizations for gaining competitive. Human resources departments have started to play a strategic role in the organizations and all HR functions are integrated with the mission, vision and strategies of the organizations. The new HRM perspective for the 21st century requires HRM to be strategic partners of the organization that coordinates all functions and supporting the strategies by attracting and retaining and engaging the essential qualified employees.

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