

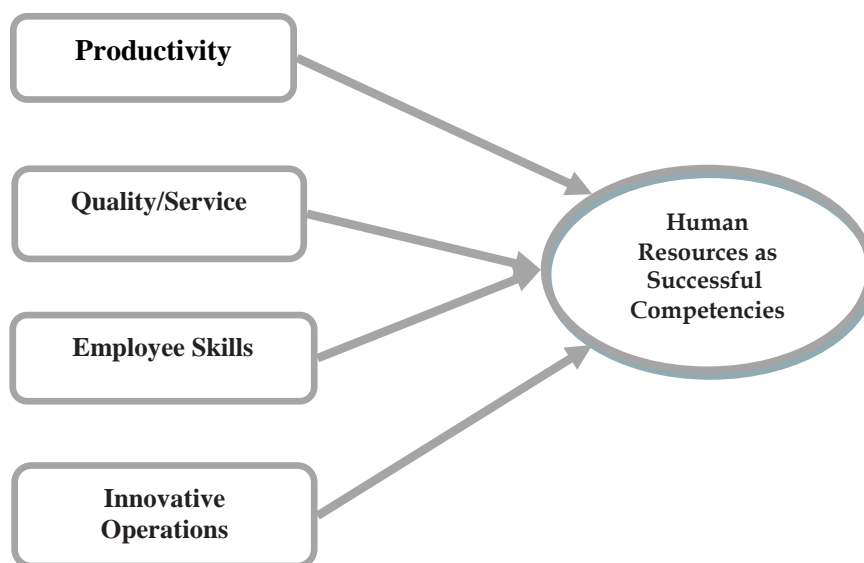
Preface:

This topic discusses possible areas where human resources may become part of core competencies, human capital and identifies the seven categories of HR activities, how organizational culture and HR are related and identify four areas that are part of these relationships and explain approaches to improving organizational productivity.

1- HUMAN RESOURCES AS ORGANIZATIONAL CORE COMPETENCY

The development and implementation of specific organizational strategies must be based on the areas of strength in an organization. Referred to as core competencies, those strengths are the foundation for creating a competitive advantage for an organization. A core competency is a unique capability that creates high value and differentiates an organization from its competition. **Figure 01** shows some possible areas where human resources may become part of core competencies. Certainly, many organizations have identified that having their human resources as core competencies differentiates them from their competitors and is a key determinant of competitive advantages.

Figure 01: Core Competencies in Possible HR Areas



1-1. Human Capital and HR

Human capital is not solely the people in organizations-it is what those people bring and contribute to organizational success. Human capital is the collective value of the capabilities, knowledge, skills, life experiences, and motivation of an organizational workforce.

Sometimes human capital is called intellectual capital to reflect the thinking, knowledge, creativity, and decision making that people in organizations contribute.

For example, firms with high intellectual capital may have technical and research employees who create new biomedical devices, formulate products that can be patented, or develop new software for specialized uses. All these organizational contributions illustrate the potential value of human capital. A few years ago, a Nobel prize-winning economist, Gary Becker, expanded the view of human capital by emphasizing that countries managing human capital better are more likely to have better economic results.

The importance of human capital in organizations can be seen in various ways. One is sheer costs. In some industries, such as the restaurant industry, employee-related expenditures may exceed 60% of total operating costs.

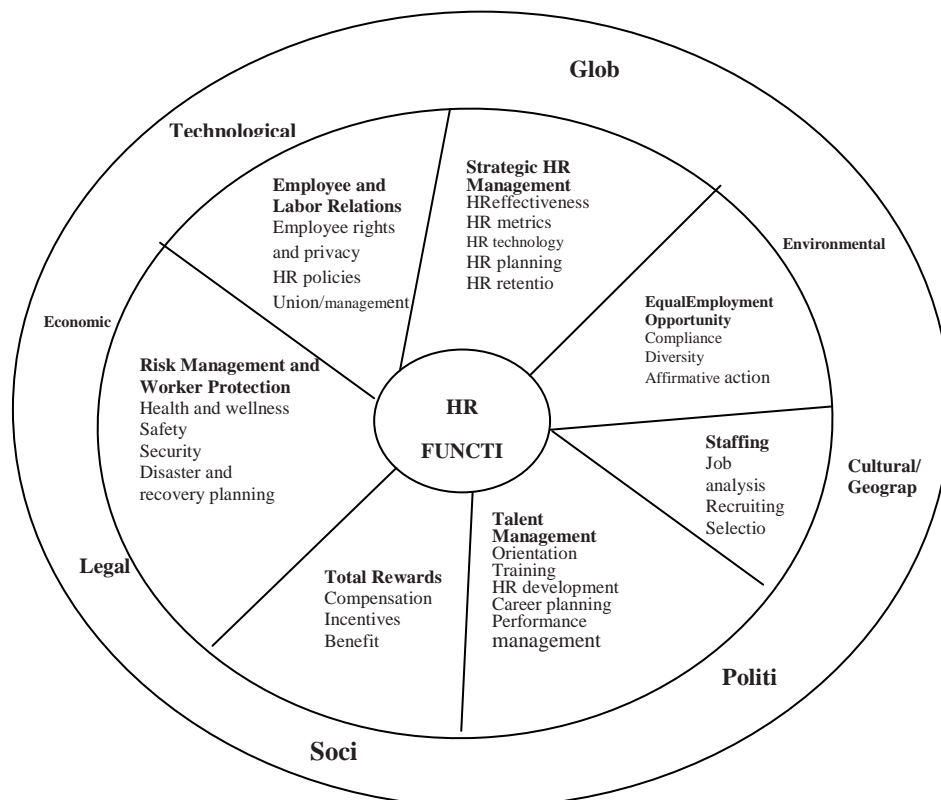
1-2 HR Functions

HR management can be thought of as seven interlinked functions taking place within organizations, as depicted in **Figure 02**. Additionally, external forces—legal, economic, technological, global, environmental, cultural/geographic, political, and social—significantly affect how HR functions are designed, managed, and changed. The functions can be grouped as follows:

1-2-1 Strategic HR Management

As part of maintaining organizational competitiveness, strategic planning for HR effectiveness can be increased through the use of HR metrics and HR technology.

Figure 02: HR Management Functions



1-2-2 Equal Employment Opportunity

Compliance with equal employment opportunity (EEO) laws and regulations affects all other HR activities.

1-2-3 Staffing

The aim of staffing is to provide a sufficient supply of qualified individuals to fill jobs in an organization. Workers, job design, and job analysis lay the foundation for staffing by identifying what diverse people do in their jobs and how they are affected by them. Through HR planning, managers anticipate the future supply of and demand for employees and the nature of workforce issues, including the retention of employees. These factors are used when recruiting applicants for job openings. The selection process is concerned with choosing qualified individuals to fill those jobs.

1-2-4 Talent Management and Development

Beginning with the orientation of new employees, talent management and development includes different types of training. Also, HR development and succession planning of employees and managers is necessary to prepare for future challenges. Career planning identifies paths and activities for individual employees as they move within the organization. Assessing how well employees perform their jobs is the focus of performance management.

1-2-5 Total Rewards

Compensation in the form of pay, incentives, and benefits rewards people for performing organizational work. To be competitive, employers develop and refine their basic compensation systems and may use variable pay programs such as incentive rewards. The rapid increase in the cost of benefits, especially health care benefits, will continue to be a major issue for most employers.

1-2-6 Risk Management and Worker Protection

Employers must address various workplace risks to ensure protection of workers by meeting legal requirements and being more responsive to concerns for workplace health and safety. Also, workplace security has grown in importance along with disaster and recovery planning.

1-2-7 Employee and Labor Relations

The relationship between managers and their employees must be handled legally and effectively. Employer and employee rights must be addressed. It is important to develop, communicate, and update HR policies and procedures so that managers and employees alike know what is expected. In some organizations, union/management relations must be addressed as well.

2- HR MANAGEMENT'S CONTRIBUTING ROLE

Human Resources can create value and impact organizational results more in some organizations than others. Being the core competency mentioned earlier, HR may aid organizations in a number of ways. Given the changes in economic situations, workers, workforce challenges, and other factors, employers can face significant reputation problems. One survey of global senior managers in 20 countries found that more than 60% indicated they had less trust in their corporations than a year before. This study illustrates why HR must be at the heart of enhancing organizational culture.

2-1 Organizational Culture and HR

The ability of an organization to use its human capital as a core competency depends in part on the organizational culture that is operating. Organizational culture consists of the shared values and beliefs that give members of an organization meaning and provide them with rules for behavior. The culture of an organization is seen in the norms of expected behaviors, values, philosophies, rituals, and symbols used by its employees, and it evolves over a period of time.

Only if an organization has a history in which people have shared experiences for years does a culture stabilize. A relatively new firm, such as a business existing for less than 2 years, may not have developed a stabilized culture.

2-1-1 HR Values and Organizational Cultures: Central to organizational culture are values that are inherent in the ways organizations and their members treat people both inside and outside the organization. Similar values are likely to exist with some executives, managers, and HR professionals, as well, which can affect the nature of the organizational culture. Values may be used to define opportunities, plan strategies, and view operational concerns. Values in an organizational culture can become relatively constant and enduring over time. Newcomers learn the values and culture from the senior employees; hence, the rules of behavior are perpetuated. These rules may or may not be beneficial, so the values and culture can either facilitate or limit performance. They also affect employee morale and how conflicts are resolved.

2-1-2 Competitive Advantage of Organizational Culture: Organizational culture should be seen as the "climate" of the organization that employees, managers, customers, and others experience. This culture affects service and quality, organizational productivity, and financial results. One facet of the culture of the organization, as viewed by the people in it, is that culture may affect the attraction and retention of competent employees. Alignment of the organizational culture and HR helps organizational performance. One competitive aspect of an organizational culture is creativity and innovation. Efforts in this area can enhance the

organizational culture by developing or revising current and new products and services, acquiring new businesses, and performing other activities with competitive advantages.

2-1-3 Global Cultural Factors: Cultural forces represent an important concern affecting international HR management. One only has to look at the conflicts caused by politics, religion, and ethnicity in Africa, the Middle East, and other parts of the world to see the importance of culture in international organizations. Convincing individuals from different religious, ethnic, or tribal backgrounds to work together in a global firm may be difficult in some areas.

One widely used way to classify and compare cultures was developed by Geert Hofstede, a Dutch scholar and researcher. Hofstede conducted research on more than 100,000 IBM employees in 53 countries, and he defined five dimensions useful in identifying and comparing cultures:

- ❖ Inequality in power
- ❖ Individualism/group orientation
- ❖ Masculinity/femininity
- ❖ Uncertainty avoidance
- ❖ Long-term/short-term orientation

Differences in many other facets of culture could be discussed, but it is enough to note that international HR managers and professionals must recognize that cultural dimensions differ from country to country and even within countries. Therefore, the HR activities appropriate in one culture or country may have to be altered to fit appropriately into another culture, country, or geographic area.

3- ORGANIZATIONAL PRODUCTIVITY

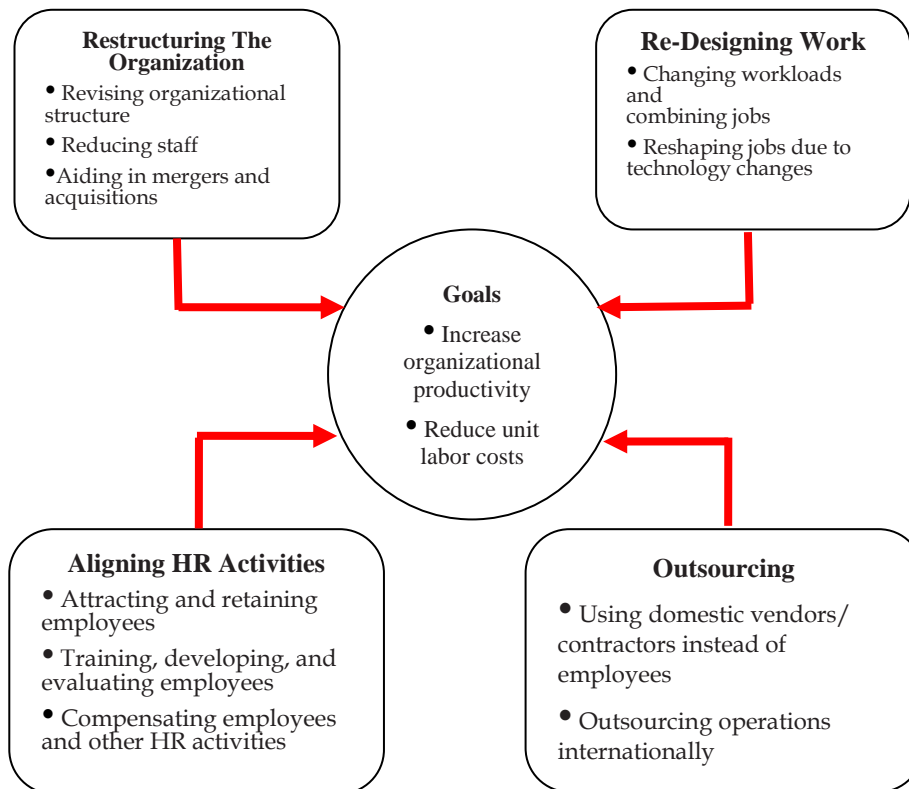
HR management can play a significant role in organizations by helping to create a culture that emphasizes effectiveness and productivity. In its most basic sense, productivity is a measure of the quantity and quality of work done, considering the cost of the resources used. Productivity can be a competitive advantage because when the costs to produce goods and services are lowered by effective processes, lower prices can be charged or more revenue made. Better productivity does not necessarily mean more output; perhaps fewer people (or less money or time) are used to produce the same amount.

One useful way of measuring the productivity of human resources is to consider unit labor cost, which is computed by dividing the average cost of workers by their average levels of output. Using unit labor costs, one can see that paying relatively high wages still can result in a firm being economically competitive if high productivity levels are achieved. Low unit labor costs can be a basis for a strategy focusing on human resources. Productivity and unit labor costs can be evaluated at

the global, country, organizational, departmental, or individual level as part of various HR measurement metrics.

Improving Organizational Productivity Productivity at the organizational level ultimately affects profitability and competitiveness in a for-profit organization and total costs in a not-for-profit organization. Perhaps of all the resources used for productivity in organizations, the ones often most closely scrutinized are the human resources. Examples as indicated in **Figure 03** of

Figure 03: Approaches to Improving Organizational Productivity



HR management efforts designed to enhance organizational productivity are as follows:

- Organizational restructuring involves eliminating layers of management and changing reporting relationships, as well as cutting staff through downsizing, layoffs, and early retirement buyout programs. That has become a concern in a number of industries as economic factors have changed.
- Redesigning work often involves having fewer employees who work longer hours and perform multiple job tasks. It may also involve replacing workers with capital equipment or making them more efficient by use of technology or new processes.
- Aligning HR activities means making HR efforts consistent with organizational efforts to improve productivity. This alignment includes ensuring that HR functions are not working against productivity.

- Outsourcing analyses involve HR in conducting cost-benefit analyses to justify outsourcing. Additional factors may include negotiating with outsourcing vendors, ensuring that contractors domestically and internationally are operating legally and appropriately, and linking organizational employees to the employees of the outsourcing firm.