

## **Human Resource Functions And Activities In The 21<sup>st</sup> Century To Attain Competitive Advantage**

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*This article reports on human resource functions and activities in the 21<sup>st</sup> century and how it should assist organisations to maintain their competitive advantage. By adding value to the organisation in which it exists, HR can secure its place for the future. Global organisations are being forced to become more competitive. Globalisation of markets, changing customer demands and increasing product-market competition, people and the way they are managed acquire greater importance in the 21<sup>st</sup> century. Globalised human resource management (GHRM) should be prepared to take the best skilled people worldwide regardless of their nationality. Recommendations are given: HR managers will have to build a standard framework that allows flexibility to develop and manage all different workforce options. HR managers need to develop their existing workforce that will be the workforce of tomorrow so people would want to stay with the organisation to keep their competitive advantage in the 21<sup>st</sup> century. The conclusions form the last part of this paper*

Field of Research: Human Resource Management

### **1. Introduction**

This article reports and discusses some critical issues and trends facing human resource management (HRM) in the 21<sup>st</sup> century. The main trends and issues revealed are HRM operating in a global organisation, the future generation and shortage of talented workers and the transformation of organisation structures in the 21<sup>st</sup> century. The aim of this article is to address these HRM issues through a variety of literature and views of authors in regards to the management of expatriate labour, diversity, cultural differences, retaining of employees and recruitment in a global environment to maintain sustainable competitive advantage. Some of the main issues having a significant impact on an organisation's aspirations in the marketplace are globalisation, capitalism, technological change, international exchange rates, supply and demand, and aging populations.

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Organisations are faced with making important decisions every day, related to these issues and countless others, that affect their ability to generate profit in a competitive environment. Successful organisations are always looking for a way to out-smart, out-produce or out-sell their competition; they are always looking for a way to attain competitive advantage. What are the future priorities of the human resource (HR) function? The answer to this question is not simple; there is no *one* 21<sup>st</sup> century priority for HRM. Rather, there are many different factors contributing to the HR functions and activities and these are constantly changing, as is business itself. HR needs to embrace these changes, and use them to its advantage. By adding value to the organisation in which it exists, HR can secure its place for the future. Byars & Rue (2006) are of the opinion that to meet the challenges of the future, tomorrow's HR's departments must be much more sophisticated than their predecessors.

The next section of this paper is a literature review with a discussion of the different views of researchers. A range of different perspectives on HR and HRM will be identified and discussed, with particular attention to the resource-based view (RBV) of the organisation. The many ways that HR contributes to an organisation's competitive advantage will also be examined in great detail. Discussion includes mention of how encouraging diversity, managing interactions, actively engaging employees, developing employees, managing talent, spurring innovation, and fostering constructive organisational cultures all play a part in enhancing the level of performance of both the HR function and the organisation at large. Some implications and recommendations for the 21<sup>st</sup> century HR manager will be discussed thereafter. Conclusions form the last section of this article.

## **2. Literature Review**

According to Robbins (2005) organisations today face a constantly changing environment which requires them to adapt and change. This, of course, means HRM is continuously being required to change also. Forster (2005) supports this changing environment statement but goes further in saying that there are many surprises and uncertainties facing organisations, and thus HR, including globalisation; the fast pace of technological innovation; the ongoing re-definition of the roles and activities of organisations; employers; trade unions and employees; economic and political instabilities; growing ethical and ecological challenges in business; and developments of new economies contribute to the ever-changing environment in which business operates. What is new, according to Macky and Johnson (2003) is the speed, scale and sheer diversity of global exchange in terms of trade opportunities, currency exchange, the flow of investment capital, near instantaneous information transfers via electronic means, labour mobility, and political influence.

The world of work has been immersed in a process of dynamic, and at times turbulent, changes reflecting the shift from the industrial era to the information age also known as the digital era. Losey (2005) mentions that technology is advancing so quickly that it is forcing organisations to change their strategies, in some cases, their product mix and changing the way HR is organised and delivered. Wiesner and Millet (2003) point out that globalisation involves the integration of markets and nation-states enabling individuals, corporations and countries to move freely and quickly around the world, unimpeded by national borders reaching the world farther, faster, deeper and cheaper. Technology has freed HRM from the historical administrative tyranny they have had to carry as they have been provided with new tools to improved productivity and performance. Global organisations are being forced to become more competitive and respond to changes in technology that enable new approaches to expand in an effort to maintain their competitive advantage.

Zanko (2003) includes all of the above mentioned factors and says that they contribute to the ever-changing environment in which business operates and explains that an underlying theme embedded within the HRM trends/issues is that of change. HR needs to embrace this change by ensuring that the business has the right people with the right knowledge, skills and abilities, and create a culture that contributes positively towards change. Du Plessis (2007), Farquharson and Baum (2002) and also Lines (2004) agree that HR can play a key role in the future in enacting organisational change to attain competitive advantage. Resistance to change can hinder the successful implementation of planned changes, as it encompasses behaviours that slow down or terminate an intended organisational change. By using appropriate practices during periods of change, in which employees feel that they are being looked after and that the process is fair, HR can potentially improve employee attitudes and resistance towards the change.

People and organisations need stability and core values, even in a changing environment. They both benefit from fulfilling the terms of a psychological contract according to Miller & Cardy (2000). Another perspective is from Tzafrir, Harel, Baruch and Dolan (2004) that it is HR's responsibility to ensure that employees feel valued and that they are important to the company. Broken psychological contracts can cause organisational problems such as loss of trust, anger and litigation. On the other hand English and Jordan (2005) see that the implicit nature of the psychological contract makes it particularly delicate and if employees feel it has been breached, this will have a significant impact on their levels of motivation and commitment to the company. By ensuring that the psychological contract between employees and employers is a positive one, which caters to both employee and management needs, HR helps the organisation to overcome any negative feelings which may come from employees arising out of change.

Advice from Wong & Snell (2003) is that by focusing on citizenship and ethics, organisations can become more adaptable to turbulent conditions because a citizen's performance is a set of active and voluntary behaviours that contribute positively to job performance and that facilitate the achievement of organisational goals through enhancing the social and psychological climates of the organisation. In maintaining competitive advantage, Losey (2005) is of the opinion that culture can represent firm brands, norms and values and is shaped by HR practices in relation to recruitment, training, pay and organisational communication. It is sustained when people make the organisational culture part of their personal identity and when customers and investors act on the culture.

Although not all authors make the distinction clear in their articles, there is a difference between competitive advantage and 'sustained' competitive advantage according to Macky & Johnson (2003). Through the course of this article the term "competitive advantage" should be regarded as to represent sustained competitive advantage, unless specifically stated otherwise. The term "sustained competitive advantage" is described as occurring when "competitors are incapable of duplicating the benefits of a firm's competitive advantage and cease their attempts to do so" (Macky & Johnson, 2003, p.17). It is this "cease" period in the other firm's attempts at duplication that signify a "sustained" competitive advantage. According to some researchers, there are two main criteria by which firms can achieve this sustainability of advantage; firstly, given the dynamic environment, they need to be able to continuously identify, upgrade, rejuvenate and reinvent valuable resources. Secondly, they need to have the ability to create an environment in which they can be self-reinforcing and enhancing in value and strength, thus causing sustained major cost disadvantages to imitating firms (Chan et al, 2004, p.19).

The increasing awareness of the competitive advantage provided by an organisation's HR is stated by some researchers to be due to the relative decrease in the ability for organisations to attain competitive advantage from other resources. In a highly competitive economic context, characterised by such phenomena as the globalisation of markets, changing customer demands and increasing product-market competition, people and the way they are managed acquire greater importance because many other sources of competitive success are less powerful (De Saá-Pérez & García-Falcón, 2002, p.123). It is from the resource based view (RBV) that the concept of HR providing competitive advantage is derived (Chan et al, 2004; Hatch & Dyer, 2004; Gottschalg & Zollo, 2007; Haesli & Boxall, 2005). According to the RBV, a firm is seen "not through its activities in the product market, but as a unique bundle of resources that are complex, intangible and dynamic" (De Saá-Pérez & García-Falcón, 2002, p.124). RBV theorists contend that "competing firms can enjoy sustained advantage due to resource heterogeneity and the imperfect mobility of such resources" (Chan et al, 2004, p.17).

The competitive advantage provided by an organisation's HR is provided by way of HR's "value, rareness, imperfect imitability and imperfect substitutability" (Chan et al, 2004, p.19). Value is provided by way of the performance that the company receives relative to the investment the company makes in hiring, training, and developing employees (Swiercz, 1995). HR's rarity stems from the fact that there are only a limited number of talented people available to employ in the market at any one time (De Saá-Pérez & García-Falcón, 2002). HR's imperfect imitability is provided by the level of difficulty (or sheer impossibility) associated with the duplication of employees' knowledge, skills, abilities, experiences and behaviours (Swiercz, 1995; Zaugg & Thom, 2002). This difficulty is largely due to the inherent individuality of the employees themselves and also to the high costs associated with employee recruitment, selection, and training. Imperfect substitutability is provided by way of the fact that "not everybody has the same capacity to adapt to different environments and technologies, and those who are able to create value in one context may be unable to do so in others" (De Saá-Pérez & García-Falcón, 2002, p.124). It should be noted that it is the imperfectly imitable and substitutable employees that provide much of a firm's competitive advantage, rather than the HRM function as such, due to the capability for competitors to imitate HRM policies and practices according to Hailey et al (2005).

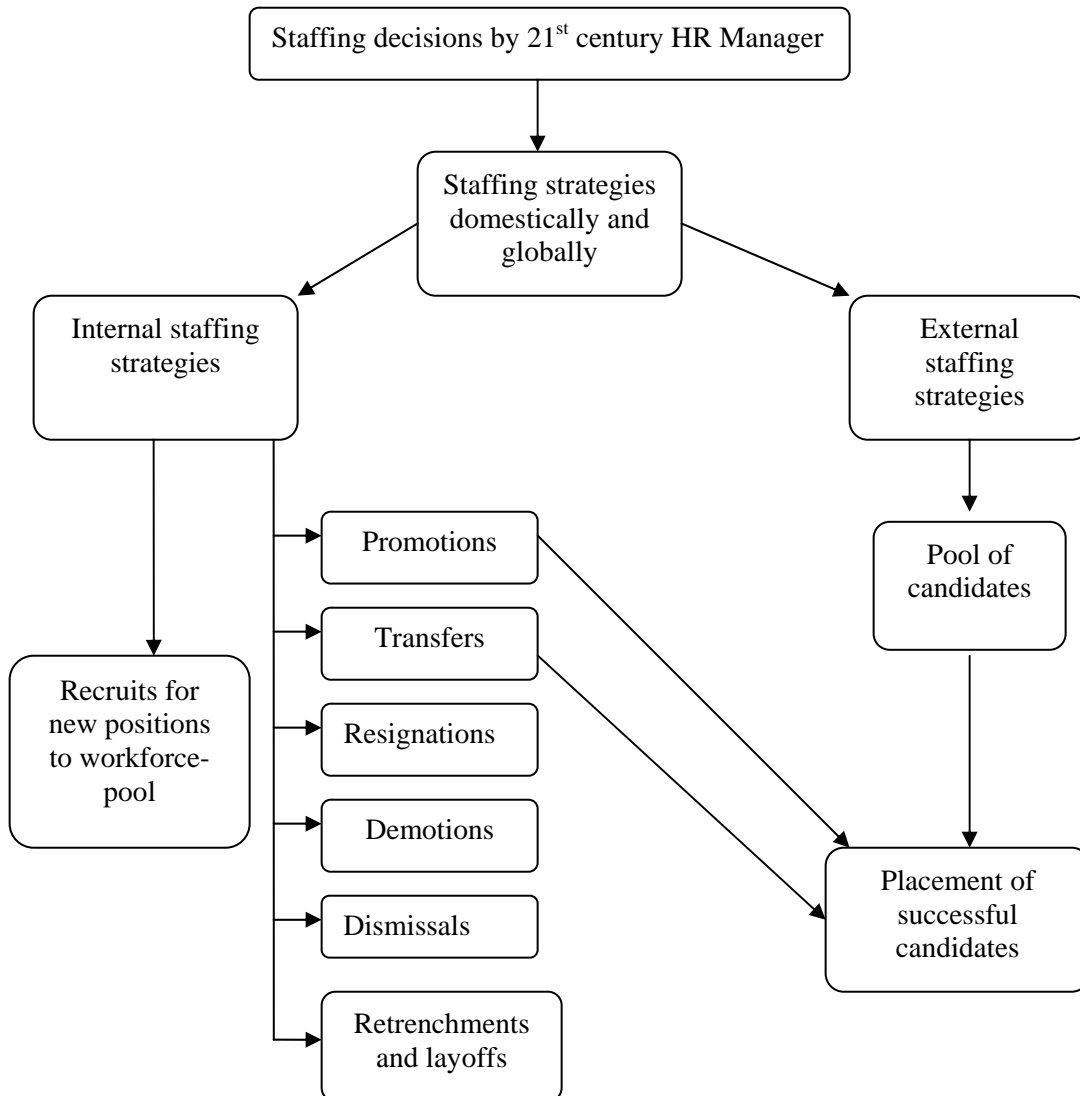
### **3. Implications For The 21<sup>st</sup> Century HR Manager**

The global era has arrived with information ubiquity and sensitivity. Just as organisations compete globally for products, so they will compete for talent in the 21<sup>st</sup> century (refer to Figure 1 below). From the authors' perspective the future talent will be a savvy generation; they will be young, highly educated seeking huge benefits and monetary rewards for luxuries. They will research the company they intend to work for; their organisational commitment and loyalty will be as long as the organisation can keep satisfying their needs. Recruitment companies according to Taylor (2001) are reporting the arrival of a new breed of highly skilled workers, they are younger, well educated, knowledgeable, extremely confident and not just interested in what they can do for the company, but rather what the company can do for them.

Theunissen (2007) mentions that even though some countries have less tolerance for foreign managers, globalised human resource management (GHRM) should still be prepared to take the best skilled people worldwide regardless of nationality (refer to Figure below for staffing decisions to be made). Brewster et al, (2005) state that, "The management of international assignments remains a critical component of effective global HR particularly in relation to the use of international assignments as mechanisms for developing global leaders" (2005, p. 18). However, Rhinesmith (2007) proclaims that HR professionals often make mistakes believing that going global means you hire locals to run local

businesses, in fact this is a multinational approach and not a global approach and that the balance between expatriate and local talent is going to be an interesting evolution in the 21<sup>st</sup> century.

**Figure 1: Functions of the 21<sup>st</sup> century HR Manager**



Source: Developed by A J du Plessis

According to Henson (2007) Generation Y employees seek flexibility in their work hours so they can spend time with their children, Baby Boomers want freedom to work part time, as many want to retire early but still want to hang on to their

healthcare and other benefits. Therefore, HR managers will have to build a standard framework that allows flexibility to develop and manage all different workforce options. HR managers will have to plan for outsourced suppliers, full-time, part-time, and temporary workers in a global business environment that will entail diverse, highly educated and skilled people. HRM need to look at how it develops their existing workforce that will be the future workforce so people would want to stay with the organisation. In this way the organisation could keep their competitive advantage. HRM will be expected to design the components of a HR system that is consistent with the elements of the organisation's architecture, strategies and goals. Collaboration may be vertical between managers and employees, horizontal between business units as a network, and personal between individuals in a team (Losey, 2005).

#### **4. Recommendations**

From a HRM perspective, globalisation will have a number of implications on organisations such as self-development and acquiring knowledge in the management of expatriate labour, diversity and cultural differences; HRM needs to develop the ability, skills and mindsets required to compete on a global scale. Organisations are becoming more reliant on their HR departments to deliver business performance through management and systems that provide success factors needed for a global and local competitive advantage (Taylor, 2001). Rhinesmith (2006) supports this in saying that HR is becoming the most significant factor in pursuing, defending and taking advantage of operating in a global world and for organisations to be competitive and successful they will need to align their HR processes more effectively with broader organisational goals. GHRM must be able to generate appropriate HR policies and practices, taking into consideration the cultural environmental force between nations; in organisational culture and national culture, the values and attitudes are shared by individuals from a specific country that shape their behaviour and beliefs in regards to what is important. HRM has to become a business partner aligned with the business objectives; they need to be the owner of the corporate culture and employee branding to be able to identify and develop critical competencies.

#### **5. Conclusions**

A priority for HR in the future will be developing positive employment relations. This will not only contribute to successful interpersonal relationships but will help to improve productivity and the overall performance of HR. The view from Sparrow (cited in Roberts, 2003) is that, "Organisations must shy away from 'one best way' solutions when designing global HR systems" and that "even among HR professionals there are different views about which HR practices deliver competitive advantage, that can have a major impact on global knowledge transfer". It was through the resource based view (RBV) that the value, rareness, imperfect imitability and imperfect substitutability of an organisation's HR were shown to provide the means for an organisation to attain an advantage over their

competition. Similarly, analysis of HR from the RBV has shown that competitive advantage can be achieved through a variety of HRM practices. These included recruiting and selecting suitable employees, encouraging diversity in the workplace, managing knowledge, fostering innovation, and focusing on employee development and engagement. Figure 1 explains the 21<sup>st</sup> century HR manager's duties and responsibilities domestically and globally. This is but one of the areas that the HR manager of the future will have to concentrate to satisfy employees from Baby Boomers to Generation Yers.

In summary, the role of HR in providing sustained competitive advantage was shown to be achieved through recognising and incorporating many different ideas and perspectives into the management of the HR function. Likewise, properly managed HR was identified as being an integral contributory factor in improving organisational productivity. It was also discussed that through attentive and forward-thinking management of HR, the value of HR can be improved, organisational productivity can be enhanced, and competitive advantage can thus be attained.

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