

OBM3102

FOUNDATION IN BUSINESS

SELF INSTRUCTIONAL
MATERIALS

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**FACULTY OF BUSINESS, HUMANITIES &
HOSPITALITY**

**BACHELOR OF COMMERCE
(HONS) IN
INTERNATIONAL BUSINESS**

Topic 8 ► Human Resource Management

LEARNING OUTCOMES

By the end of this topic, you will be able to:

1. Explain at least 5 objectives of HRM;
2. Explain all 7 steps used in HR planning process;
3. List 5 main benefits of employee development; and
4. Provide 5 reasons why compensation and benefits are important.

► INTRODUCTION

What do all businesses have in common regardless of the product or service? Employees! Unless you are a sole proprietorship, you will have to navigate the process of planning for, recruiting, hiring, training, managing, and possibly firing employees. These responsibilities all fall under the heading of human resource management.

8.1 INTRODUCTION ON HRM

Human Resource Management was originally known as personnel or people management. In the past, its role was quite limited. Within any company or organization, HRM is a formal way of managing people. It is a fundamental part of any organization and its management.

The main responsibilities of the personnel department include hiring, evaluating, training, and compensation of employees. The human resources department deals with any issues facing the staff in their working capacity within an organization. HR is concerned with specific work practices and how they affect the organization's performance.

Today, Human Resources Management deals with:

- Anything related to managing people within a company or organization. This means decisions, strategies, principles, operations, practices, functions, activities, and the methods used to manage employees.
- The type of relationships people have in their places of employment and anything that affects those relationships in a positive or negative way.
- Ensuring that employees are satisfied with the conditions of their employment. This leads to better services and production of goods and helps the company's success.

When we talk about human resources in a business situation it means the workforce, i.e., the employees of a company and what skills and energy they bring. This includes any ideas, creativity, knowledge, and talents that employees bring with them and use to help the organization be successful. In other words, the resources a person has or the knowledge and experience developed over the years.

HRM focuses on bringing in (recruiting) new employees with new talents for the company and managing employees. Another function is to guide and help said employees by providing direction when necessary. In a large organization, with a lot of people, it is important to have a department that specifically focuses on staff issues. These issues are things like hiring, performance management, organizational development, training, occupational health and safety, motivation incentives, communication, workplace culture, and environment.

Human Resource Management is now a vital part of any organization. Every company or organization is required to have this department. It helps with increasing the morale of workers by working on relations between employees and their employers and constantly striving to make them better. The HR department also provides any support employees need to assist them improve their performance.

The HRM function extends to assessing the productivity and/or success of every department in an organization or business. It assists each department and helps them improve their work. It also intervenes

when necessary to help solve any problems that might arise with regards to employees' work. Getting better results from the company's workers is another job of HRM.

When a business has valuable, rare, and/or unique human resources it will always have a competitive advantage over other similar organizations.

Below are the criteria used in Human Resource Management – when using these effectively, a company can make an impact in its particular field.

CRITERIA USED IN HUMAN RESOURCE MANAGEMENT

– **Value Building:** People who try hard to decrease costs and to provide a service or product unique to customers, can increase their own value as employees and that of the company. Organizations also use empowerment programs, quality initiatives, and strive for continual improvement in order to increase the value that employees bring to the company.

– **Rarity:** When the skills, knowledge, and abilities of employees are not equally available to all companies in the same field, the company that has these people, has a very strong advantage. This is why top companies endeavor to hire and train the best and the brightest employees. This way they gain advantage over their competitors. In some cases, companies will even go to court to stop other organizations from taking away their valued employees. This proves that some companies have clearly identified the value and the uniqueness of certain employees.

– **Incomparability:** Employees give their companies competitive advantage when their capabilities and contributions cannot be reproduced by others. That is, the knowledge and skills that they bring to the organization are unique and not easily found elsewhere. Certain corporations such as Disney, Southwest Airlines, and Whole Foods have, over the years, developed very distinctive cultures that get the most from employees. These cultures are difficult for other organizations to imitate. Southwest Airlines, for example, rewards the employees who perform well. It is also able to maintain employees' loyalty through offering free airfares and profit sharing in the company.

– **Organized work force:** People with unique talents can help a company achieve a competitive advantage when they can easily be reassigned to work on new projects without much notice. In order for this to happen teamwork and co-operation are needed and the creation of an organized system.

The criteria above show the importance of people power and also the link between human resources management and performance management. Many high-functioning organizations now know that their success depends on the knowledge and skills of their employees, or, their human capital. Human capital is aligned with the economic value of employees with the right knowledge, skills, and abilities. Their knowledge and skills have economic value. Managing human capital properly is imperative for any organization wanting to maintain a competitive advantage. In some ways it is the most important part of an organization's human resource function.

8.1.1 The Objectives of HRM

The objectives of HRM are the goals of an organization. Individual or group activities are then organized in such a way so as to achieve those objectives or goals. Organizations and companies aim to secure and manage certain resources, including human resources, to achieve the specified goals.

Human resources must therefore be managed in a way that uses their resources to achieve the organizational objectives/goals. Basically, the objectives of HRM come from and contribute to achieving organizational objectives.

OBJECTIVES OF HRM

1. To establish and use a workforce that is able and motivated, in order to achieve the goals of an organization.
2. To create the desirable organizational structure and working relationships among all the members of the organization.
3. To integrate individuals and/or groups within the company by matching their goals with those of the company.
4. To ensure individuals and groups have the right opportunities to develop and grow with the organization.
5. To use what human resources a company has in the most effective way to achieve organizational goals.
6. To ensure wages are fair and adequate and provide incentives and benefits thereby satisfying both individuals and groups. Also, to ensure ways of allowing recognition for challenging work, prestige, security and status.
7. To have continual high employee morale and good human relations by establishing and improving conditions and facilities within the organization.
8. To improve the human assets by providing appropriate training programs on a continual basis.
9. To try to effect socio-economic change in areas such as unemployment, under-employment and inequality by distributing income and wealth. This way society can benefit. Added employment opportunities for women and the disadvantaged will also be impacted in a positive way.

10. To offer opportunities for expression.
11. To ensure that the organizational leadership works in a fair, acceptable and efficient manner.
12. To ensure a good working atmosphere and employment stability by having proper facilities and working conditions.



SELF CHECK 8.1

1. Does the HR of your company practice the objectives of HRM that you have just learnt? Please share your findings in Nilai Uni Connect.

8.2 HR PLANNING PROCESS

The Human Resource Planning is a process of forecasting the organization's demand for and supply of manpower needs in the near future. The following Table will list the steps you need to forecast the organization's demand for and supply of manpower needs.

| STEPS TO FORECAST THE ORGANIZATION'S DEMAND FOR AND SUPPLY OF MANPOWER NEEDS | |
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| Step 1 | <p>Determining the Objectives of Human Resource Planning:</p> <p>The foremost step in every process is the determination of the objectives for which the process is to be carried on. The objective for which the manpower planning is to be done should be defined precisely, so as to ensure that a right number of people for the right kind of job are selected.</p> <p>The objectives can vary across the several departments in the organization such as the personnel demand may differ in marketing, finance, production, HR department, based on their roles or functions.</p> |
| Step 2 | <p>Analyzing Current Manpower Inventory:</p> |

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| | <p>The next step is to analyze the current manpower supply in the organization through the stored information about the employees in terms of their experience, proficiency, skills, etc. required to perform a particular job.</p> <p>Also, the future vacancies can be estimated, so as to plan for the manpower from both the internal (within the current employees) and the external (hiring candidates from outside) sources. Thus, it is to be ensured that reservoir of talent is maintained to meet any vacancy arising in the near future.</p> |
| Step 3 | <p>Forecasting Demand and Supply of Human Resources:</p> <p>Once the inventory of talented manpower is maintained; the next step is to match the demand for the manpower arising in the future with the supply or available resources with the organization.</p> <p>Here, the required skills of personnel for a particular job are matched with the job description and specification.</p> |
| Step 4 | <p>Analyzing the Manpower Gaps:</p> <p>After forecasting the demand and supply, the manpower gaps can be easily evaluated. In case the demand is more than the supply of human resources, that means there is a deficit, and thus, new candidates are to be hired.</p> <p>Whereas, if the Demand is less than supply, there arises a surplus in the human resources, and hence, the employees have to be removed either in the form of termination, retirement, layoff, transfer, etc.</p> |
| Step 5 | <p>Employment Plan/Action Plan:</p> <p>Once the manpower gaps are evaluated, the action plan is to be formulated accordingly. In a case of a deficit, the firm may go either for recruitment, training, interdepartmental transfer plans whereas in the case of a surplus, the voluntary retirement schemes, redeployment, transfer, layoff, could be followed.</p> |
| Step 6 | <p>Training and Development:</p> <p>The training is not only for the new joiners but also for the existing employees who are required to update their skills from time to time. After the employment plan, the training programmes are conducted to equip the new employees as well as the old ones with the requisite skills to be performed on a particular job.</p> |
| Step 7 | <p>Appraisal of Manpower Planning:</p> <p>Finally, the effectiveness of the manpower planning process is to be evaluated. Here the human resource plan is compared with its actual implementation to ensure the availability of a number of employees for several jobs. At this stage, the firm has to decide the success of the plan and control the deficiencies, if any.</p> |

Thus, human resource planning is a continuous process that begins with the objectives of Human Resource planning and ends with the appraisal or feedback and control of the planning process.



SELF CHECK 8.2

Does your HR use the 7 steps in HR planning process?

8.3 DEVELOPING THE WORKFORCE

It's not easy being a job seeker these days. Technological advances, international competition, and workplace automation have resulted in stagnant wages and fewer opportunities for low-skilled workers. This makes workforce development more important than ever before.

Workforce development takes a “people-first” approach to business development. This approach offers strategies to improve an individual's potential in the workplace and their career trajectory. Workforce development not only improves their prospects in life, but also leads to downstream benefits for businesses.

In this topic, we'll take a deep dive into the concept of workforce development and will discuss how it works and how you can realize its many benefits.

How Do You Define Workforce Development?

What is workforce development? A simple working definition of workforce development describes the concept as “employment initiatives offered by agencies and government offices” that help create, sustain, and retain a viable workforce. The objective of workforce development is to create economic prosperity for individuals, businesses, and communities.

Workforce development focuses on an individual's ability to grow their skills and develop the tools they need for business success. In other words, workforce development trains individuals to be more productive and prosperous in the workplace, which benefits both the employer and the worker.

Why Your Business Needs Workforce Development

A recent study conducted by Accenture found that 62 percent of C-level executives were unsure how to develop their workforce in an increasingly digital economy. In fact, the

authors of the report go on to state that over \$3 trillion of future revenues may be lost due to inefficient or ineffective workforce development.

Whether your workforce is on a manufacturing floor, auto garage, medical clinic, or office tower, you must continually invest in training your employees. Otherwise, you may find that they're unequipped to handle the problems of the future. As a result, your customers, vendors, or clients may take their business to a more forward-facing firm.

At its core, workforce development is about maximizing the potential of your employees and providing them with the opportunities to effectively handle problems. When an employee feels like they're valued and trusted, they're more likely to stick around for the long haul.

Benefits of Workforce Development

The benefits of workforce development are two-pronged: on the one hand, the employees themselves stand to gain from retraining, and on the other hand, the employers also enjoy a higher-skilled team. Below, we've listed some of the main benefits of employee development.

| MAIN BENEFITS OF EMPLOYEE DEVELOPMENT |
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| <ul style="list-style-type: none">• Increased job satisfaction• Lower turnover rate• Increased operational efficiency• Improved productivity• Enhancements in innovative thinking• Proactive, not reactive, problem solving |

An empowered workforce is one which feels like an asset to their employer. However, when an employee feels neglected or ignored by their management team, they may start looking for employment elsewhere. Plus, it gives employers the opportunity to communicate with their staff about best practices and how they can move forward in the industry together.

Examples of Workforce Development

Workforce development isn't a "one and done" initiative to train your employees. Rather, it's an ongoing process of educating and empowering your workers so that they can tackle the workplace problems of tomorrow.

To help you get a better idea of what workforce development looks like in practice, we've provided a few examples below.

| EXAMPLES OF WORKFORCE DEVELOPMENT | |
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| Data Collection and Analysis Reviews | <p>Today's workplace is dominated by key performance indicators (KPIs) and metrics designed to assess employee performance and keep track of progress. Further, with digital sensors and web-assisted record-keeping, it's never been easier to maintain a centralized database of employee KPIs.</p> <p>First, allow your employees to access their KPI data from a company server. Then, schedule a face-to-face monthly, bi-monthly, or quarterly review where you discuss their performance and how they can improve.</p> |
| Skills-Based Training | <p>Take, for example, a scenario in which you operate a customer support call center. Rather than manually receiving phone calls from customers, your team now must make outgoing calls, record inquiries, and research solutions to problems on the fly. To do this, they must be trained in the latest technology.</p> <p>Hosting bi-weekly or monthly computer literacy courses would go a long way toward maximizing the potential of your workforce at a call center. Plus, hosting a skills-based training program can help your employees acquire the certifications they need to be competitive in the job market.</p> |
| Relationship Building | <p>If your workforce primarily consists of members of at-risk groups, then it might make sense to host regular workshops based on developing interpersonal skills. Knowing how to resolve conflict, communicate clearly, manage stress, and empathize with others can go a long way toward boosting employee morale and overall job satisfaction.</p> |
| Continuing Education Programs | <p>Many successful companies, from thriving small businesses to Fortune 500 corporations, invest in their loyal employees' continuing education. Show your employees that they are valued by offering to subsidize the cost of work-related certificates, diplomas, degrees, and other relevant credentials.</p> |

Workplace Development Best Practices

The best workforce development programs have a well-thought-out strategy for training employees in the most efficient and user-friendly way possible. For this reason, we've highlighted some of the best practices to ensure you get the most out of your company's development program.

| WORKPLACE DEVELOPMENT BEST PRACTICES | |
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| Leverage Industry Expertise | You don't have to tackle workforce development alone. Fortunately for you, you can lean on established industry experts who can walk you through how to retain and retool your workforce for superior results. Many firms offer workforce development solutions to help you bring in new talent and HR professionals who can train your workforce to meet the demands of tomorrow. |
| It's About Learning | Remember that workforce development is built around learning rather than training. Typically, when you announce to your employees that they must undergo mandatory training you will receive sighs and a general lack of enthusiasm. However, positioning developmental education as a learning opportunity often yields higher engagement. Workforce learning can take many forms, including brainstorming sessions, online e-learning, one-on-one mentoring, or individualized performance reviews. |
| Transparency Is King | From the beginning, make sure you transparently communicate your expectations for the development program with your employees. If you spring additional training on your workforce without clearly explaining why, the program may backfire and leave your team distrustful of management's long-term plans. Explain how long the development program will last, what they can expect, and, most importantly, let them know that they will be compensated for their time. Also, let your employees know that you're receptive to feedback and want to find out whether the program made a tangible impact on their performance. |
| Let Your Employees Take The Wheel | Don't waste your time or resources teaching your employees what they already know. This can build resentment and animosity between employers and employees. Instead, let your employees engage in self-directed learning. This way, you let the development program meet your employees at "their level" and speed up the process by not teaching redundancies. |

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| | Further, don't schedule a completion time for your employees—rather, allow them to learn at their own pace. |
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Help Close The Skills Gap

A study conducted by McKinsey & Company found that 40 percent of American business leaders are experiencing difficulty finding employees with in-demand skills, even for entry-level positions. An additional 20 percent of employers claim that most of their new talent is underprepared for the job that they're entering.

The discrepancy between the demand for skilled talent and the supply of talent available represents a "skills gap." This gap has widespread negative effects on economic growth. However, harnessing the power of this untapped resource can be the difference-maker in your business's future success.

Don't wait around for the skills gap to close on its own. Instead, take matters into your own hands by providing extensive onboarding and regular workforce development programs. This way, your workforce can adapt to the economy's changing demands. Or, consult industry experts to handle workforce development for you.

Position Your Company For Tomorrow's Market

Research shows that employees are feeling more unsettled about their jobs than ever before. For instance, a recent study by Deloitte found that 71 percent of Millennial and Gen-Zers plan to leave their jobs in the next two years due to discontent with how their leadership skills are being developed.

By investing in ongoing workforce development, you can retain your top talent and improve your business's standing in our ever-changing economic landscape. But remember, it's crucial that you keep your employees—the learners—at the center of the development program by letting them choose where, how, and what to learn.

8.4 COMPENSATION AND BENEFITS

People are a vital asset to an organization, and compensation and benefits are essential pillars of a team member's satisfaction in the workplace. A rewarding compensation and benefits plan can attract loyal, motivated and engaged candidates and may reduce the turnover rate of people in a company. Understanding compensation and benefits can help you manage staff retention and advance your career as a human resources manager. In this article, we explain what compensation and benefits are, discuss their differences and importance and list essential components of nonfinancial compensation that provide organizations with a competitive advantage.

What are compensation and benefits?

Compensation and benefits are crucial functions of human resource management. A rewarding compensation and benefits plan attracts high-performing candidates and helps foster staff motivation, retention and a positive workplace experience.

Compensation is the financial value that a team member receives in exchange for their services. This monetary value can include wages, salary, commissions and bonuses. Benefits are nonmonetary, additional perks or rewards that a company provides for a team member. Certain benefits may have a financial value, even though a team member receives no cash. Examples of benefits with a monetary value include equity, stock options, health insurance and retirement savings plans. Nonmonetary benefits may be a flexible working schedule, paid time off or learning and development opportunities.

Differences between compensation and benefits

Compensation and benefits are both parts of the employment package that an organization offers a candidate. Companies often use compensation as a collective term to describe a remuneration package, but compensation is cash remuneration paid to a team member. Benefits are nonfinancial rewards given to team members besides their cash payment for the services they offer to the organization. The main difference between the two is whether they're financial or nonfinancial forms of remuneration.

Human resource managers use compensation to attract talented candidates and improve staff retention. They use benefits to motivate team members, encourage engagement and improve performance in the workplace. Each team member and potential candidate has different needs, and employers can motivate some people with financial rewards and others with nonfinancial rewards. In addition, compensation is a monetary value and is subject to taxation. In contrast, some benefits are tax-free, such as meals provided for the convenience of a team member. Some benefits also have a portion that's exempt from taxation, such as transportation benefits.

Why are compensation and benefits important?

Excellent compensation and benefits packages can differentiate a company from other employers in the marketplace. A business hires people to achieve its organizational goals, and candidates can join companies to earn money and advance their careers. Companies that develop a competitive and well-designed compensation and benefits strategy may enjoy these benefits:

| WHY ARE COMPENSATION AND BENEFITS IMPORTANT? | |
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| Attracting high-performance candidates and improving retention | Companies must continually recruit high-performance candidates and manage the retention of team members for business continuity. Often, talented people know how to highlight their value and negotiate for the best |

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| | <p>compensation and benefits options. Compensation specialists consider a combination of compensation and benefits to recruit high-performance candidates and reduce staff turnover. A desirable mix of monetary and nonmonetary options can make an organization more competitive in the marketplace, attract talent and reduce recruitment costs.</p> |
| Motivated team members | <p>When compensation is below the average in an industry, employers may find it challenging to keep team members highly motivated. Fair compensation boosts morale and increases workplace satisfaction, which motivates people to deliver their best efforts, reduces absenteeism and improves staff retention. Besides direct compensation, benefits, such as a workplace gym, prepaid meals, additional paid vacation time or a gift card for achieving a goal, can motivate team members to perform their tasks.</p> |
| Increased loyalty and engagement | <p>When an organization values and appreciates team members, it fosters a belief in the company's overall mission, helps improve staff retention and increases loyalty and engagement. Examples of benefits that make people feel valued and understood in the workplace include stock options, flexible schedules, personal days, child care, gym memberships and product discounts. The benefit of a service recognition program is that it inspires loyalty and engagement and can improve staff retention.</p> |
| Improved productivity | <p>Team members who feel undervalued or under-compensated might spend more time on personal projects or offer a minimum service in proportion to their compensation. In contrast, a successful compensation and benefits plan rewards team members for their efforts and can inspire increased efficiency and productivity in the workplace. Performance-based reviews, sales incentives and team rewards can motivate team members and improve productivity.</p> |

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| Enhanced workplace experience | Although competitive compensation is essential, benefits such as health and wellness programs, paid time off, rewards and incentives can enhance the workplace experience and reduce absenteeism. For instance, offering insurance options benefits team members and can allow them to focus on workplace tasks. When team members are excited about coming to the workplace, they might provide better customer service and talk positively about the organization to their friends and family. |
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Points to Ponder/Takeaways

- Within any company or organization, HRM is a formal way of managing people. It is a fundamental part of any organization and its management.
- The Human Resource Planning is a process of forecasting the organization's demand for and supply of manpower needs in the near future.
- The objective of workforce development is to create economic prosperity for individuals, businesses, and communities.
- A rewarding compensation and benefits plan can attract loyal, motivated and engaged candidates and may reduce the turnover rate of people in a company.

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