

Challenges of Human Capital Management in Organization (A Review)

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ABSTRACT

Management is the process of designing an environment in which individuals working together in groups efficiently accomplishes selected goals. The most valuable capital is human capital and the most powerful technology is people. Human Capital Management is that functional management process which involves attracting, developing and maintaining a talented and energetic workforce to support organizational mission, objectives and strategies. The methodology used by researchers of this paper was a theoretical approach through a descriptive studies and analysis. The researchers used secondary sources of data collection. It was discovered that HR do confront challenges of workforce diversity, globalization and technological advances in the discharge of their responsibilities. Hence recommended effective cross-cultural training of HR practitioners and flexibility of human resource strategies.

Keywords: Human Capital Management, Workforce Diversity, Globalization and Human Capital strategies.

INTRODUCTION

The practice of human Capital Management (HCM) is concerned with all aspects of how people are employed and managed in organization. It covers activities such as strategic HRM, Human Capital Management, corporate social responsibility, knowledge management, organizational development, resourcing (human resource planning, recruitment and selection, and talent management), performance management, learning and development, reward management, employee relations, employee well-being and health and safety and the provision of employee's services. HRM practice has a strong conceptual basis drawn from the behavioral sciences and from strategic management, human capital and industrial relations theories. This foundation has been built with the help of a multitude of research. Human Capital Managers are facing many challenges in present business scenario like globalization, work force diversity, technological advances and changes in political, legal environment and changes in information technology (Srivastava, 2012). Managers confront endless challenge as they strive to complete their day-to-day activities. All these challenges increase the pressure on HR Managers to attract, retain and nurture talented employees. These challenges cannot be ignored, rather ought to lead to design and execution of innovative mechanisms of developing skills and competencies of human resources to prepare them to accept the emerging challenges.

MEANING OF THE CONCEPT

Human resource management (HRM) is a strategic, integrated and coherent approach to the employment development and well-being of the people working in organizations.

Human resource management involves all management decisions and action that affect the nature of the relationship between the organization and its employees-its human resources (Beer *et al*, 1984). HRM comprises a set of policies designed to maximize organizational integration, employee commitment, flexibility and quality of work (Guest, 1987).

HRM Consists of the following Propositions

That human policies should be integrated with strategic business planning and used to reinforce an appropriate (or change an inappropriate) organizational culture, that human resources are valuable and a source of competitive advantage, that they may be tapped most effectively by mutually consistent policies that promote commitment and which, as a consequence, foster a willingness in employees to act flexibly in the interest of the 'adaptive organization's' pursuit of excellence (Legge, 1989). Human resource management is a distinctive approach to employment management which seeks to achieve competitive advantage through strategic deployment of a highly committed and capable workforce, using an integrated array of cultural, structural and personnel techniques (Storey, 1995). HRM: is the management of work and people towards desired ends. (Boxall *et al*, 2007)HRM is concerned with how organizations manage their workforce (Grimshaw and Rubery, 2007).

The Objectives of HRM

The overall purpose of human resource management is to ensure that the organization is able to achieve success through people. HRM aims to increase organizational effectiveness and capability-the capacity of an organization to achieve its goals by making the best use of the resources available to it. Ulrich and Lake (1990) remarked that: 'HRM systems can be the source of organizational capabilities that allow firms to learn and capitalize on new opportunities.' "But HRM has ethical dimensions which means that it must also be concerned with rights and needs of people in organizations through the exercise of social responsibility. Dyer and Holder (1988) analyzed management's HR goals under the headlines of contribution (what kind of employee behavior is expected?). Composition (what headcount, staffing ratio and skill mix?). Competence (what general level of ability is desired?) and commitment (what level of employee attachment and identification?).

The Development of the Concept of HRM

The terms "human resource management" (HRM) and "human resources" (HR) have virtually replaced the term "Personnel management" as a description of the process involved in managing people in organizations, although what is now described as HRM is in practice often synonymous with what used to be described as personnel management. In the early days of HRM it was suggested by Armstrong (1987) that; HRM is regarded by some managers as just a set of initials or old wine in new bottles. It could indeed be no more less than another name for personnel management, but as usually perceived, at least it has the virtue of treating people as a key resource, the management of which is the direct concern of top management as part of the strategic planning process of the enterprise. Although there is nothing new in the idea, insufficient attention has been paid to it in many organizations. However, commentators such as Guest (1987) and Storey (1995) regard HRM as a substantially different model built on unitarism (employees share the same interest as employer), individualism, high

commitment and strategic alignment (integrating HR strategy with business strategy). It is claimed that HRM is more holistic than traditional personnel management. HRM has also emphasized the notion that people should be regarded as assets rather than variable costs.

Origins of the Concept of HRM

The concept of HRM was first defined by Bakke (1966) who wrote that: The general type of activity in any function of management ... is to use resources effectively for an organizational objective... The function which is related to the understanding, maintenance, development, effective employment, and integration of the potential in the resource of 'people' I shall call simply the human resources function. However, HRM did not emerge in a fully fledged form until the 1980s in the 'marching model' and the Harvard framework, described below:

The Matching Model of HRM

One of the first detailed statements of the HRM concept was made by the Michigan school (Fombrun et al, 1984). They held that HR systems and the organization structure should be managed in a way that is congruent with organizational strategy (hence the name, 'matching model'). They further explain that there is a human resource cycle that consists of four generic processes or functions that are performed in all organizations; selection, appraisal, rewards and development.

The Harvard Framework

The other pioneers of HRM in the 1980s were the Harvard school of Beer et al (1984) who developed what Boxall (1992) called the 'Harvard framework'. This framework is based on their belief that the problems of historical personnel management can only be solved:

When general managers develop a view point of how they wish to see employees involved in and developed by the enterprise and of what HRM policies and practices may achieve these goals. Without either a central philosophy or a strategic vision- which can be provided only by general managers- HRM is likely to remain a set of independent activities, each guided by its own practice tradition.

Beer and his Harvard colleagues believed that today, many pressures are demanding a broader more comprehensive and more strategic perspective with regard to the organization's human resources'. These pressures have created a need for 'a longer — term perspective in managing people and consideration of people as potential assets rather than merely a variable cost. They were the first to underline the HRM tenet that it belongs to line managers. The Harvard school suggested that HRM had two characteristics features: 1. Line managers accept more responsibility for ensuring the alignment of competitive strategy and HR policies, and 2. HR has the mission of setting policies that govern how HR activities are developed and implemented in ways that make them more mutually reinforcing.

HRM as a System

An open systems view of HRM has been developed by Wright and Snell (1998). An open system is dependent on the environment for inputs, which are transformed during throughout to produce outputs that are exchange in the environment. Wright and Snell defined an open HRM system as a competence model of organizations. Skills and abilities are treated as inputs from the environment; employee behaviors are treated as throughout; and employee satisfaction and performance are treated as outputs. As illustrated in the figure below, an HRM system brings together HR philosophies that describe the overarching values and guiding principles adopted in managing people. Becker and Gerhart(1996) have classified these components into three levels: the system architecture (guiding principles), policy alternatives, and processes and practices.

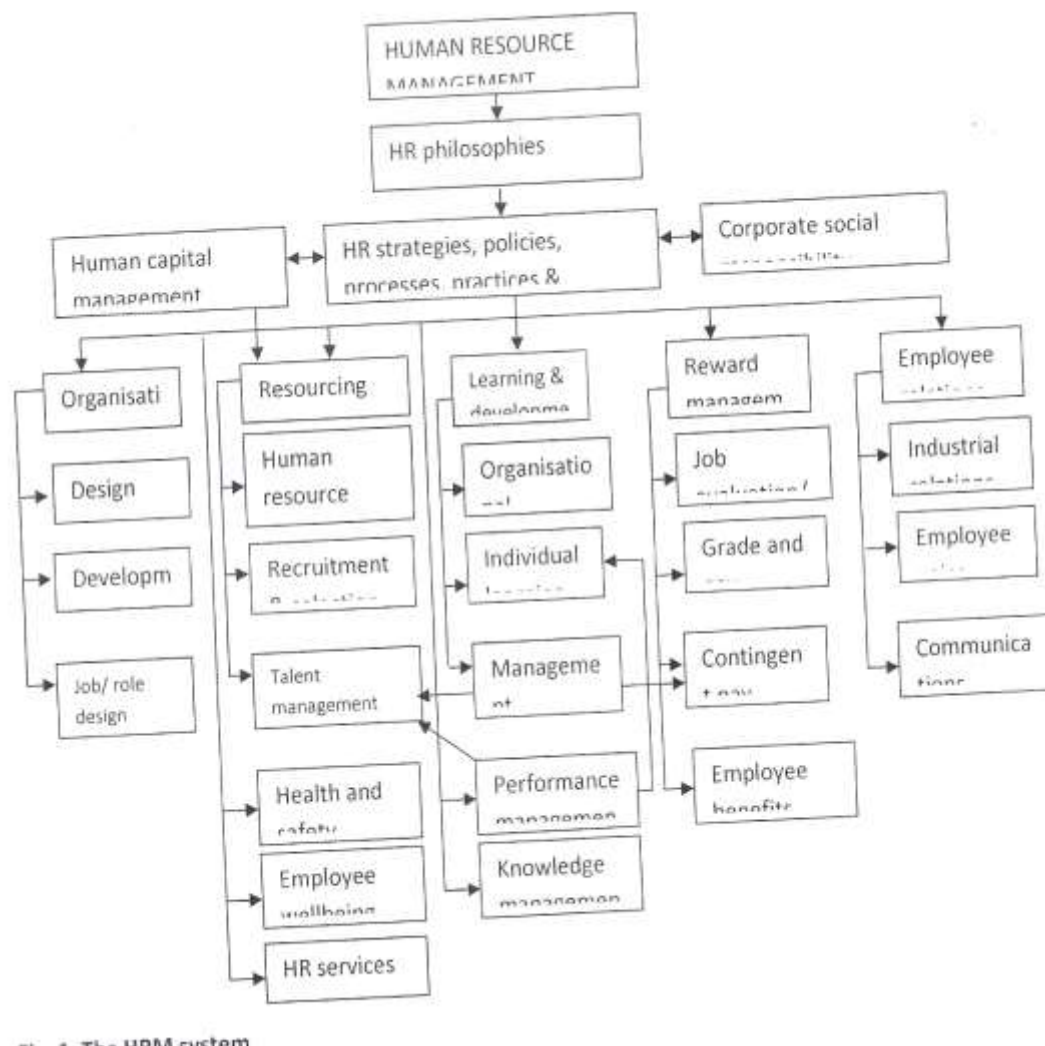


Fig.1. The HRM system

(Culled from Armstrong's Hand Book of Human Resource Management Practice, 11th ed. pg12)

Challenges of Human Resources Management in Modern Organizations.

Globalization

It is the process of denationalization of markets, politics and legal system i.e the use of the so-called global economy. Globalization refers to an extension beyond national borders of the same market forces that have operated for centuries at all levels of human economic activity (village markets, urban industries, or financial centres). It means that World trade and financial markets are becoming more integrated. Growing internationalization of business has its impact on Human Resource Management in terms of problems of unfamiliar laws, languages, practices, competitions, attitudes, management styles, work ethics etc. Human Resource Managers have a challenge to deal with more functions, more heterogeneous functions and more involvement in employee's personal life.

Workforce Diversity

According to Thomas (1992), dimensions of workplace diversity include but are not limited to age, ethnicity, ancestry, gender, physical abilities/qualities, race, sexual orientation, educational background, geographic location, income, marital status, military experience, religious beliefs, parental status and work experience. The future success of any organization relies on the ability to manage a diverse body of talent that can bring innovative ideas, perspectives and views to their work. The challenges and problems faced in workplace can be turned into a strategic organizational asset if an organization is able to capitalize on this melting point of diverse talents. With the mixture of talents of diverse cultural backgrounds, genders, ages and life styles, an organization can respond to business opportunities more rapidly and creatively, especially in the global arena, which must be one of the important organizational goals to be attained. More importantly, if the organizational environment does not support diversity broadly, one risks losing talent to competitors. This is especially true for multinational companies (MNCs) who have operations on a global scale and employ people of different countries, ethical and cultural backgrounds. Thus a Human Resource Manager needs to be mindful and may employ a 'Think Global, Act Local Approach' in most circumstances. In many ways, the effectiveness of workplace diversity management is dependent on the skillful balancing act of HR Manager.

Technological Advances

There is a challenging task of adapting workplace to rapid technological changes which influence the nature of work and general obsolescence. Advanced technology has tended to reduce the number of jobs that requires little skills and to increase the number of jobs that require considerable skill, a shift we refer to as moving from touch-labour to knowledge work. There is new working technology. In this situation, organizations have to change its technology. New technology creates unemployment and in other hand, there comes scarcity of skilled manpower. Hence, technological changes bring difficulties and challenges in organizations.

Changes in Political and Legal Environment

Changes in political and legal environment means changes in political parties and rules/regulations which shape business organizations in the country, businessmen must be law abiding while doing business. Many changes take place in the legal and

political framework within which the industrial relation system in the country functions. Hence it is the responsibility of human resource and industrial relations executives to fully examine the implications of these changes and bring about necessary adjustment within the organization so that later utilization of human resources can be achieved. It is the responsibility of human resource manager to anticipate the changes and prepare organization to face them without any breakdown in its normal functioning.

Changes in Economic Environment

This includes examination of the impact of a number of factors on production. Some of the key factors are the scarcity of raw materials and other inputs including power and electricity, encouragement of the culture of consumerism, increasing consumer awareness and demand for quality products, continuing upward trend in the inflationary pressures with decrease in the purchasing power of naira and its spiraling effects in the ever increasing aspirations of workers for higher wages and other material benefits and mounting costs on the employee welfare and other benefits. For instance, in an inflationary economy, the resources tend to become scarce and the costs of machines, materials and labour multiply. These push-up the capital and running costs.

Revolution in Information Technology

Information Technology has influenced Human Resource Management through human resource information systems (HRIS) that streamline the processing of data and make employees' information more readily available to managers. More recently, there has been and in the future there will be impact of revolutionary computerized information system in the management of people, which covers two primary areas of application in managerial decision making process:

- Use of electronic computers in managerial decision-making process.
- In HR, computerized information system will have increasing impact at the coordinate and strategic levels of the organization.

Mobility of Professional Personnel

One of the interesting facts will be increase in the mobility of various managerial and professional personnel among the organizations. As individual develop greater technical and professional expertise, their services will be in greater demand by organization in the environment.

METHODOLOGY OF THE STUDY

This research was carried out employing data collected from secondary data sources which include textbooks, internet sources and other periodicals. Also, the researcher adopted a theoretical approach through descriptive studies and analysis.

CONCLUSION AND RECOMMENDATIONS

It can be concluded that Human Resource practice is becoming more challenging day-by-day, the practitioners face a lot of problems like retention, attraction of employees, dealing with different cultures of people, managing work force diversity, technological and informational changes; to overcome these challenges training (cross cultural and technological training) is necessary for HR Practitioners. Hence, they need to be abreast of current developments in HR practices. It is recommended that HR Practitioners

should always undergo cross-cultural training to enable them understand the cultures of others. Companies need to motivate professional personnel more and more so that they do not change organization frequently. Financial and non-financial incentives should be offered to employees, HR Practitioners should adopt change as technology in the work place. There is need to shift Human Resource strategy with changing economy. HR strategies should be agile, capable of flexing and adaptive to changes in the economy. Technical changes in the work place often require the implementation of additional training for workers. Training and development is generally the realm of the Human Resource department, this creates yet another challenge for human resource Managers. Human Resource must first determine what training is necessary and then implement training measures to ensure all workers can keep up with technical changes. HR Managers must also determine when it may train existing employees and when it must search for new workers to fill technical positions within the organization. Effective training on Human Resource Information System- HR information system should be given to the HR Managers/Professionals, so that they can overcome IT challenges. Unbiased performance evaluation system and proper career development plans should be used in the organization to reduce professional mobility.

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Reference to this paper should be made as follows: Babalola Adesola Oluremi and Kolo Joshua (2015), Challenges of Human Capital Management in Organization (A Review). *J. of Management and Corporate Governance*, Vol. 7, No. 1, Pp. 10 – 17.
