

How hr contributes towards making their human resources into a competitive advant...

[Business](#), [Branding](#)



Introduction The scope of this essay is to critically evaluate why it is important for companies to make their human resources into a competitive advantage and how HR contributes towards this process. It was always feared that machines will replace the need for people at work. But in reality, it's just the opposite.

People are more important in today's organizations than ever before. As Edward L. Gubman author of *The Talent Solution*, (cited in Bohlander et al, 2007, p.

) points out, " in many fast-growing economies, it maybe easier to access money and technology, than good people. " Successful organizations are particularly good at bringing together different kinds of people to achieve a common purpose. People can make a difference when they dare to believe in creating advantage for themselves, their communities and their future (Creating People Advantage, 2008, p. 1). The Importance of Talented People for an Organization People are the most important success factor for companies going forward and people should be seen as an investment for the short and long term.

As Dr. Hans-Paul Buerkner, CEO of Boston Consulting Group (BCG) (*The Talent Advantage*, 2008) says that, how well a country or a company performs, depends on its people. Even when some countries have good natural resources, they need people to translate it into wealth. And for countries like Singapore, which has no natural resources, they are still doing well because of a good educational system. Every company is in the people business, whether it be consulting, banking or manufacturing. If the

company has good people, who are engaged, motivated, highly skilled and innovative then they can be successful, and if the company neglects or doesn't have them, they'll automatically fail.

Companies such as Seylan Bank of the Ceylinco Corporations had failed in the recent past due to poor leadership, poor quality and poor competitiveness. Now they are using HRM to restructure their bank and they have come up with a 3 year strategic plan to gain competitive advantage and it intends to consolidate its position in the market (" Seylan Bank," 2009) Therefore, in difficult times, where people are generally focused on short-term gains, innovation and training in HR may suffer. So this is the time when HR managers can stand up to say, " look we can be more resourceful. We do have talent that's been untapped.

We can apply skills and capabilities in different ways than we've considered before. (HR Management, 2009). Therefore, companies which have the right talent will gain competitive advantage. The Importance of Human Resources to be a Competitive Advantage for Companies. Companies in today's world are facing global competition. And every organization has its own competitive advantage which out does the other. While people have always been an integral part of the organization, they have taken an even more central role in building a firm's competitive advantage. McDonalds for example, has developed core competencies in management efficiency and training.

Federal Express has core competencies in package routing, delivery, and employee relations (Gaining competitive advantage, p. 244). Companies should find talented people because companies are always faced with the pressure to compete and they have to think about the future of their company. A company's future will only exist if they use their HRM functions to make their human resources more competitive (Creating People Advantage, 2008, p. 7):

- Restructuring the organization-When organizations restructure, HR managers should smoothly and effectively manage this process, such as having good relationships with employees and seeing to their needs so that it'll create agility and long-term affiliation.

- Delivering on recruiting and staffing- When older methods of recruiting and staffing such as advertisements in newspapers and web pages loses effectiveness, HR managers should start marketing and branding their companies and they should also stay in touch with the line managers for internal staffing.
- Mastering HR processes-HR managers should separate administrative services from the strategic tasks in order to increase efficiency and effectiveness, so that they'll be perceived favorably by senior managers. Linking HRM to Organizational Strategy MacMillan (cited in Gaining competitive advantage, p. 1) suggests that, to gain competitive advantage, HR managers should understand the response barriers, intelligence systems, preemption potentials, infrastructure requirements, calculated sacrifices, general management challenges and take many more aspects into consideration. HR managers must be constantly alert to new ways of gaining the upper hand over rivals. In other words, they should become more

strategic. Those days, HRM was considered as administration and nothing much. It centered around routine tasks such as record keeping and maintenance.

And it was also known as personal administration (Managerial auditing journal, 2003) and the HR those days did not interfere in the strategic plans of the organization. Higher level managers considered HRM as something which was not necessary for the organization because it did not contribute to productivity and the profit levels of the organization. But today HRM has gained more importance in most organization. Most executives viewed human capital as a cost needing to be controlled or minimized.

Now, they realize that employees contribute significantly to the financial performance of the organization. This fresh perspective on the value of employees to an organization has widened the focus of HRM (Human Resource Management, 2004, p. 20). As said in Creating People Advantage, companies are complex social systems that require clarity of purpose, guidance, and direction.

Companies that fine-tune these systems by creating what we call people advantage - the ability to create competitive advantage through people strategies-will raise ahead of their competitors. One of the most important part of an organization strategy should be HR and its people, and to integrate them their has to be a strategic workforce plan. A strategic workforce plan could be formulated by taking two steps: Firstly by understanding how a company's overall strategy drives the demand for

people. That is, by knowing how many employees the company needs, what qualifications the employees should have and will the company need them in the future years.

Secondly, the companies should understand the four “ bridges” that link strategy and HR. •Sourcing strategy- The activities a company undertakes in recruiting, hiring, internal staffing, HR marketing and branding, and diversity efforts should precisely target its workforce needs as determined by the demand and supply of workers needed in the future. •Performance strategy- The companies approach to individual performance management, human capital metrics, and incentive systems should support overall corporate goals. •Development strategy- A company’s efforts at developing its people and leaders must reinforce the corporate strategy.

•Affiliation strategy- A company should build good relationships with employees, by providing a work life balance, by motivating them and by compensation and retention. Companies need to measure each of these four strategies to understand that people drive strategies, and also to see whether its people are going in the right direction (Creating people advantage, 2008, p. 2).

How can HR contribute to make their human resources into a Competitive Advantage? A survey conducted by BCG (The Boston Consulting Group) and WFPMA (World Federation of Personal Management Associations), (Creating people advantage, May 2008) showed that, if the HR department in companies meet the following challenges, they’re able to sustain competitive

advantage. Developing and retaining the best employees •Managing talent- Every industry needs talented people. This process involves attracting, developing and retaining all individuals with high potentials across all levels of the organization.

Talent may soon become scarcer and to tackle this problem companies should communicate this problem to the HR managers to identify new talent pools, so that HR managers can implement programs that will enable talent affiliation and development (Creating People Advantage, May 2008).

Companies can also invest in training and attracting talent. But sometimes companies are afraid that after all the investment, time and effort they could lose the employees. But for some private companies, they can afford to invest in the longer time by accepting lower profit margins until they have a certain quality of people. •Improving leadership development- HR managers should play leadership roles as well so that they can convey the mission and sense the purpose of the organization. They should develop people and engage the staff in achieving organizational goals. HR managers should train employees to create good client relationships, so that their clients know what to expect and even if the client sees a shortage of expectation in the work, he should not have any negative thoughts about the company and should stick to that company (Creating people advantage, May 2008).

•Managing work life balance- HR managers should provide flexible work arrangements so that employees desire to work for the purpose of reaching the organizational goals.

They could also offer some compensation for working long hours or making sure that older employees get a longer vacation, so that during their absence they can train new employees. Even when companies offer such initiatives today, employees sometimes perceive that it may hinder their careers and their position within the company (Creating people advantage, May 2008). Anticipating change •Coping with an ageing workforce - With the workforce in developed economies ageing, companies face 2 risks; the loss of capacity and knowledge as employees retire, and the loss of productivity. Therefore to overcome this problem, HR managers can shift work schedules, adjust health-management programs so that an ageing workforce can maintain the highest levels of productivity (Creating people advantage, May 2008). •Managing change- HR manager should be able to manage change and cultural transformation and they should also be able to measure change to see how well the employees are performing and are they in the right direction.

Chinese MNC which were operating in the UK found extensive use of UK HR management practices in the Chinese subsidiaries. They not only adopt to UK cultural and regulatory constraints, but also use this as means of transferring and diffusing best practice expertise and management back to China. Ties with the parent company also remained strong, so some of Chinese management practices were still used in higher level management decision-making (Zhang, M, 2003). •Managing globalization- All large companies face globalization.

Rapidly developing economies like Brazil, China, India and Russia will be critical to the success or failure of many countries. One of the main HR challengers that these companies will face in managing globalization is making sure that the right people are in place in the right location and that there is effective and efficient cross-country and cross-cultural collaboration (Creating people advantage, May 2008). Enabling the organization

- Becoming a learning organization- In a world driven by innovation and rapid change, becoming a learning organization - from top to bottom - provides a clear competitive advantage (Creating people advantage, May 2008).

HR managers should make sure that the right people are being trained in the right place. As HR managers are investing in learning and training they should also monitor the return on these investments. If they don't then they won't be able to know whether the training has brought positive results.

- Transforming HR into a strategic partner- Executive saw the big need for HR to improve its ability to become a strategic partner.

Strategic partners translate business strategy into action (Stone, p. 9).

Companies in developing countries can also benefit financially by strategically aligning and investing in their HR policies and practices.

Strategic HR orientation is defined as the alignment of HR planning, selection, performance evaluation, compensation, development and staffing practices with the business strategies of the organization.

A study of 19 Indian manufacturing and service companies showed that strategic HR-oriented firms performed significantly better than firms with a

lower emphasis by making better use of a low-cost sustainable advantage. The study also showed that the head of the HR function should be included in the strategic decision-making by senior management. This will enable the HR director to formulate HR strategies that support organizational strategies (Singh, K.

2003). Therefore being a strategic partner is one of the most important roles of an HR manager. Conclusion Meeting the challenges of developing and retaining the best employees, anticipating change and enabling the organization to become a learning organization from top to bottom, will be a Herculean task for HR executives. But HR managers should also hope to gain the trust of senior executives by becoming a strategic partner and aligning the employee needs with the business objectives in order to create successive results. The best way for a company to start making decisions about its future focus and activities is by creating people advantage.

HR managers should study the external environment to understand the trends in the economy to achieve their organizational objectives. They should also understand the internal environment, because HR needs are unique in every business. Companies should conduct an HR audit that uses both quantitative and qualitative indicators to show HR as an investment rather than merely as a cost. Companies who concentrated on the other aspects of their business to compete, such as using technology and innovation, will not succeed because, innovation and technology could be imitated and not people. Therefore, I would like to conclude that, talented people are necessary for an organization.

If companies can't find talented people, they have to create them, with the help of the HRM department, so that they can become a competitive advantage and help the organization secure a position in the market and make it more competitive and successful. References Bohlander, Snell, Sherman. (Eds.). (2007).

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