

Free human resources literature review

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1. LITERATURE REVIEW

1.1 Human Resource Management

In a rapid competitive business environment, the procedures of outlining the role, function and process of Human Resource Management (HRM) within a dynamic and uncertain environment are ongoing for many decades. In the early 1980s numerous books and articles were published by American Business Schools professors to support the widely recognition of HRM concept, and the environmental volatility in today's contemporary business that specifically identify conflict and heterogeneity (Soderlund and Bredin, 2005). Due to its diverse origins and many influences, HRM covers essential aspects of central concern in organisations such as individual, practice, educational theory, social and organisational psychology, sociology, industrial relations, and organisational theory (Soderlund and Bredin, 2005)..

To date there is no widely acceptable definition for HRM and what it entirely involves in our daily business world (Brewster and Larsen, 2000). Fewer satisfactory definitions have been propounded by different writer such as (Soderlund and Bredin, 2005), whom perceived HRM as 1) an ' executive personnel responsibility', that mainly concern with management activities; 2) classified HRM as management philosophy that concerns with people treatment and, finally 3) discerned HRM as interaction management between the firm and its people.

Due the conflicting theoretical conception and hypothetical disagreement about the general acceptance of the definition, Price (2007) definition would

be used to in this literature because it better explained and cover huge areas of the study. According to Price (2007):

“ A philosophy of people management based on the belief that human resources are uniquely important to sustained business success. An organization gains competitive advantage by using its people effectively, drawing on their expertise and ingenuity to meet clearly defined objectives. Human resource management is aimed at recruiting capable, flexible and committed people, managing and rewarding their performance and developing key competencies”.

The dynamic and uncertainty in HR contemporary organisations are tremendously moving towards a radical dimension (Analoui, 2007). Recent debate by many researchers have laid more emphasis about matching and incorporating the HR-department with other strategic functioning departments within organisation (Soderlund and Bredin, (2005); Analoui, (2007); Price, (2007).

1. 2HR IN A CONTEMPORARY ORGANISATION

HR is essentially crucial in today’s contemporary organisations because it induce high-performance management through the use of employees; by enhancing their levels of customer’s service, productivity, growth, profits and quality control (Armstrong, 2000). Lado and Wilson (1994, p 701) outlined a separate interconnected activities, roles, processes and other aspects that are aimed to attracting, maintaining, and developing the firm HR activities in contemporary organisations, such as: 1) planning; 2) recruitment and

selection 3) training; 4) performance management; 5) benefits and rewards; 6) compensation; 7) and 8) career development (Banhegyi et al., (2008) and (Robbins & Coulter, (2002).

1. 2. 1 Planning

Planning in Human Resource has been discussed in different HRM contexts for many years (Wren, 1994). HR planning was initially an important aspect of job analyses and was often used as bases for determining strengths and weaknesses among the employees and to develop the skills and competences they needed (Gallagher, 2000). As individual career plans started to gain more popularity, companies gradually started to pay more attention to the certain skills and competences among individual employees as a way of aligning and dealing with the companies' succession planning (Kuratko and Morris (2002).

As this aspect been scrutinised rigorously by many researchers, HR planning is still a complicating and complex issue of debate within the HR practices (Schuler, 1986). In 1978, McBeath addressed his view of HR planning by highlighting a set of issues that he regarded as being important with respect to the HR planning. These were;

- An estimation of how many people the organization needed for the future
- A determination of what ability, skills, and knowledge requires to compete
- An evaluation of employees ability, skills and existing knowledge
- A determination of how the company could fill the identified competence gaps

Storey (1995) argues that HR planning today is a very important task of every contemporary organization's HR department. According to him, HR planning mainly involves the identification of skills and competence within the organization, the filling of identified competence gaps, and the facilitation of movements of employees within the organisation. An essential part of the HR planning is the succession planning which aims to ensure the supply of individuals and filling of gaps on senior key positions when they become vacant and replenish competences to areas where they are most valued (Wolfe, 1996).

1. 2. 2 Recruitment and selection

In organization the system that responsible for placing diversifies talents throughout is refers to as recruitment and selection processes. The process of recruitment and selection is an ethical approach by a firm to seek and attract the most competent and suitable applicant for a vacant position (Analoui, 2007). Price (2007) inferred that recruitment strategies can be divided in three significant approaches: suitability – the most qualified applicant for the position, malleability – moulded within the cultural norms, and flexibility – the most reliable and versatility employee. These factors are quite complicating and can be easily mistaken during the process of hiring employees. Suitability is a critical aspect hence it mainly concerned with the process of hiring the most suitable applicant for the position.

The process of selecting and retaining potential employees is the greatest organisational competitive battle in modern days (Pfeffer, 1994). Having the greatest talent simply implies that the firm will be able to compete

aggressively in the market. This phenomenon are quit prevalent in our daily business life and has also pushes organisations to gain a niche by employing the most renowned managers to lead the thriving future.

1. 2. 2. 1 Channels of Recruitment

Russo et al., (1995) cascaded channels of recruitment into external and internal recruitment, and formal and informal channels. Internal recruitment channels mainly involve the use of intercommunication between other strategic areas of the organisation and the entire HR department. This approach enhances the firm to prioritise and target in-house or current employees (Russo et al., 1995; Analoui, 2007). Internal recruitment can be fully considered when it is fair and transparent, since favouritism might occur; while external channel of recruitment base on the contrary.

1. 2. 3 Training

In today's contemporary organisation, employees ' skills and knowledge can make a positive impact on the firm' s productivity (Guzzo, Jette & Katzell, 1985). Organisations have to counter some difficulties while training a single or more employees (Ostroff & Kozlowski, 1992). Previous literatures argue the affordability of some organisations that deprive themselves for a single individual employee particularly when human resources are limited: this can hinder the productivity on the short term and destabilize the organization (Bishop, 2003). He continues tostressthat such perception about training implies that organisation should embark on a cost reduction strategies and focuses on in-house or on-job-training (OJT).

Formal training is just one of the possibilities for organisations to enhance the personnel performance level, as important roles are covered also by organizational socialization (Chao, 1997) and multitasking (May, 1997). It was suggested in the early 1990s that organisational socialisation is a fine process for newcomers to source out information's about the organisation, learn about the necessary tasks and how to perform their responsibility; clarifying their roles and relate with others inside the organisation (Ostroff & Kozlowski, 1992). This philosophy was also supported by Rollag & Cardon (2003) as they indicated that the process of socialisation within a firm enhance newcomer to incorporate and learn in a well conducive atmosphere.

1. 2. 4 Performance Management

The concept of measuring performance or managing performance within organisations is to strategize how firms can get the utmost benefits from their employees (Dransfield, 2000). The approach to measuring performance can be classified as a three-step approach that composed by objectives, appraisal and feedback. The first step is the setting of performance objectives that are quantifiable, easy to measure and simple to communicate throughout the organisation (Dransfield, 2000). After that, the process of performance appraisal should take place (Bredin, 2008).

The management of performance includes design of work systems, facilitation of knowledge utilisation, sharing and creation, and appraisal and reward systems (Cardon & Stevens, 2004). However, this phenomenon has been supported by different researchers claiming that performance management/appraisal is an outstanding process to determine and supervise

employees output within the firm, so as it would be less complicating to assess and achieve maximum performance (Zhu & Dowling, 1997).

It is an excruciating process to implement and evaluate a systemic approach that can accurately pinpoint employee who is responsible for results within an organisation (McKenna & Beech, 2008). However, outcomes of individual behaviours such as job satisfaction, employee turnover, absenteeism (Dyer and Reeves, 1995); motivation and commitment (Seibert, Silver, & Randolph, 2004), are proximal hence human resource processes are interconnected. In as much that the human resource practices are intended to achieve result in this area; their effect can also have a tremendous influence on the aforementioned outcomes (Bloom, 1999).

1. 2. 5 Benefits and rewards

Eliciting high contributions within an organisational environment is highly essential for the firm as well as the employees (Appleby and Mavin, 2000). For instance, expectancy theories have explicated aspects of anticipated rewards in line with employee's motivations. This indicated that every employee will have to face with a logical decision in accordance to the present economical circumstance (Tannenbaum and Dupuree-Bruno, 1994). As a result to that employee considerable effort will manifest into an intended realisations and fulfillment of a specific desire outcome. Such manifestation enhances the explanation of the crucial aspect of organisational reward system and how it can be sustain and elicit the firm human capital investment Tannenbaum and Dupuree-Bruno (1994).

The conceptions of both internal and external rewards are highly valued by organisations and its employees. Not only the obvious fact that employees yearns more about promotional opportunities, higher pay or better benefits, but also their desires and anguish spins from autonomy, personal growth and valued responsibility. Different authors have suggested the positive relationship, size and the implementation of innovative ideas in human resource practice as a result to economic of scale (Baldrige and Brunham, (1975) and Moch and Morse, (1977). This conception has locus the local firms at greater disadvantage in-terms of retaining or recruiting top-notch talent (Tannenbaum and Dupuree-Bruno, 1994).

Figure 2: model for reward management

Source: Bratton & Gold, 2003, p. 282

1. 2. 6 Compensation

According to Patel & Cardon (2010) compensation is vital for contemporary organisation as it contributes to attract and retain high skilled workers with superior salaries, and it encourages a desired stakeholder behavior regarding recognition and legitimacy. Minbaeva et al. (2003) inferred that compensation would enhance motivation among personnel too.

Even though non-financial compensation can really work as a positive stimulus for the workers, providing monetary benefits is necessary to increase the productivity of the employees on the individual or group level (Gomez-Meja, 1992). Balkin and Swift (2006) suggest a more flexible approach toward the payment issue. They proposed to relate it to the life

stage of the organisation with a higher rate of non-monetary benefits during the first years of activity, and a re-equilibration whenever the company enters the mature stage. Non-monetary paybacks are represented by stock options, stocks or other form of equity sharing that enhance the participation and the motivation of employees, while spreading the risks over a larger number of people (Graham et al., 2002).

The aforementioned ownership sharing represents also a long-term planning for compensation, as Graham et Al. (2002) stated, but also short-term rewards exist. These are represented by profit sharing policies aiming to encourage the employees toward group work, or to control the organizational outcomes (Heneman & Tansky, 2002).

1. 2. 7 Career development (CD)

Many practitioners and scholars within human resource development (HRD) field have claimed that the utmost crucial aspect of the practices is career development (McLagan, 1989; Weinberger, 1998; Swanson & Holton, 2001). However, this area of studies has been given little attention (Upton, Egan & Lynham, 2003).

With the intense competition in the 21 century, many organisations have realised that in order for them to stay competition they have to improve their employees and enhance their career development (Boudreaux, 2001); rather than individual career development (Swanson & Holton, Upton, Egan & Lynham, 2003). Therefore, many organisations are now taking a proactive measures towards equipping their staffs and educationally (Leana, 2002) or

create a climate that supports their staffs at all levels of the organisation to be more resultant and productive (Sullivan, 1999); which Boudreaux, (2001); Brown, (1997) referred to as “ shared responsibility”. However, learning within an organisation is quite critical and expensive; (McDonald, Hite & Gilbreath, 2002). The most common learning methods within organisations are informal (i. e. on-the-job coaching, sessions, lesson learned, development assignment) Power, Hubschman, & Doran, (2001) and formal learning (i. e. as training/workshop and other forms of professional training conducted by professional bodies internally or externally (McDonald, Hite & Gilbreath, 2002).

1. 3The importance of HR in organisation

The sole aim of HRM is to guarantee that the firm human capitals are being used in the fullest capability to produces the greatest organisation results that meets with the firm needs Nadeem Moiden, (2003) and Gilley and Gilley, (2007). Therefore, the philosophy of empowering employee’s capabilities is coined to the conception that HR is extremely crucial for sustainable competitive advantage and organisational success (Koch & McGrath, 2003). HR in organisation is also crucial because its assist managers and employees through a change process (Hendry, Jones, Arthur & Pettigrew, 1991).

Businesses can gain enormous competitive advantages when their employees are used effectively to drawing on their expertise and ingenuity to meet clearly defined objectives. When organisation recruit the most effective, capable, committed and flexible people; and managed and reward them accordingly their performances, competencies and efficiency would

help the firm productivity immensely (Price A., 2007). Managers that tactfully execute organisational goals depend on the HR practices to deliver excellences so that they can achieve the utmost business performance (Becker, B. and Gerhart, B., 1996).

However, the HRM field has been isolated and misunderstood by many researchers and practitioner, failing to realise that without employees there would be no functioning organisation Argote, McEvily and Reagans (2003). As employees remain the most expensive and reliable asset of the organisation, the practices of HR will remain a vital area of discussion (Becker, B. and Gerhart, B., 1996).

1. 3. 1 Advantages and disadvantages of HR

As many other departments within an organisation encounter, challenges are inevitable and are present in our daily business lives. There are three main disadvantages, or some may refer to a challenges facing HR, namely:

1. Managers “ need to support corporate productivity and performance improvement efforts” (Dessler, 2008, p 87).

2.“ Employees play an expanded role in employers’ performance improvement efforts” (Dessler, 2008, p 87). All the basics contents associated with high-performance organisation, such as high-technology team-based production, are rather futile without high levels of employee competence and commitment.

3. The challenge, derived from the first two, is that “ employers see that

their human resource units must be more involved in designing – not just executing – the company’s strategic plan” (Dessler, 2008, p 87).

1. 4 Strategic HR roles in dynamic and uncertainty environments

Strategic HRM (SHRM) roles consist of strategies executions and formulations. The strategies execution has been the predominant aspect of the SHRM’s strategic job. Strategies formulators always set and margin their formulations in line with the corporate and competitive strategies and aligned the firm policies and practices towards their strategic formulations (Dessler, 2008).

In recent years, there has been a trend shift and researchers have now identified SHRM to take an active role with the top managers in the firm to formulate the company’s strategic plans. The gliding competitive environment due to a globalized economy has lead to that many employers are pursuing improved performance by improvement of commitment and competence level of their employees. Dessler, (2008) outlined four strategic tools that could be used to enhances employees abilities and proficiencies, such as employees satisfaction, loyalty, motivation and satisfactions.

1. 4. 1 Employee satisfaction

Employee satisfaction is the individual satisfaction as a professional person, that is, the individual has an effect on his attitude. Organization member to its operating characteristic is the cognitive evaluation, employees get through the more realistic values and expectations of the gap between the value obtained after the meeting whether or not all aspects of work attitudes

and emotional responses. It involves the work of the degree of organizational commitment and work motivation is closely related (Saari, L. M., & Judge, T. A., 2004).

Superior-subordinate communication is an important influence on job satisfaction in the workplace, in which the way a subordinate perceives a supervisor's behavior can positively or negatively influence job satisfaction. Nonverbal messages play a central role in interpersonal interactions with respect to impression formation, deception, attraction, social influence, and emotional expression (Burgoon, Buller, & Woodall, 1996).

1. 4. 2 Employee loyalty

Employee engagement is personified by the passion and energy employees have to give of their best to the organization to serve the customer.

Engagement is characterized by employees being committed to the organization, believing in what it stands for and being prepared to go above and beyond what is expected of them to deliver outstanding service to the customer. Engaged employees feel inspired by their work, they are customer focused in their approach; they care about the future of the company and are prepared to invest their own effort to see that the organization succeeds (Cook, 2008).

Engagement can be summed up by how positively the employee:

Thinks about the organization;

feels about the organization;

proactive in relation to achieving organizational goals for customers, colleagues and other stakeholders.

Employee loyalty can be divided into active and passive loyalty. The former refers to the subjective staff loyal to the company with the desire (Cook, 2008). This desire is often due to a high degree of organization and employee goals and now there are consistent with organizational help for employees' self-development and self-realization factors. Passive loyalty is when the employees themselves do not wish to remain in the organization, but due to some constraints, such as high wages and welfare, transportation, etc., have to stay in the organization. Once these conditions disappear, the staff can no longer feel organizational loyalty (Cook, 2008).

The basic elements of enterprise employees, their enthusiasm on behalf of corporate morale, awareness of their work reflected in the subtle strength of enterprises (Pepitone and Bruce, 1998).

1. 4. 2. 1 Wages and benefits systems

Salaries and benefits in the eyes of employees affect their loyalty is one of the important factors. “ Money is not the most important, but no doubt a very important”, whether corporate or professional loyalty, loyalty is established on the basis of material, good pay system to ensure the basic material needs of the employees, will have good professional loyalty, and corporate loyalty (Cook, 2008).

1. 4. 2. 2 Enterprise human resource management system

As indicated above human resource management is compulsory for each company and one of the most important courses; how to send staff to the right on the job, motivate employees, training and study staff, will be affected to some extent, staff loyalty. In the development of the unscientific, resulting in unfair business, become a mere formality, which often occurs. Negative phenomena that affect the performance of their staff, or even result in employees slack, complain more, rumors filled the air, to lose morale.

Figure 3 Maslow's hierarchy of needs

Source: Maslow, (1943)

1. 4. 2. 3 Retaining top employees

Excellent staff should have: First, high loyalty, company loyalty by recognizing the company's values, to share weal and woe, and common development; second, right attitude, initiative, and study to make improvements, work hard and willing to do, know that they are doing, those things that do and should not do, great development potential; Third, professional ability, can work independently, with skill, and can continue to improve (McKeown, 2002). The roles of great employees are being productive and increased passion for and commitment to the organization's vision, strategy and goals (Cook, 2008, p. 31-32).

1. 4. 3 Employee Motivation

Motivating employees was highlighted as an indispensable part of HRM in many studies (e. g. Pinnington and Edwards, 2000; Dessler, 1997; Stone, 2005). Pinnington and Edwards (2000) divided motivational incentives into two parts: motivating individuals and motivating groups. The former one pays the attention on individual needs and the later one highlight the equity principia.

Some incentives played big roles in motivational process, for instance, the good communication between organization and employees (e. g. Ivancevich, Konopaske and Matteson, 2008; Stone, 2005; Dessler, 1997), High Job satisfaction (e. g. Lambert, Hogan and Barton, 2001; Wright and Bonett, 2007), Good Payment and treatment (Carpenter and Sanders, 2004) and so on. Meanwhile, relating to the interesting issue on employee turnover often happened in the company, job satisfaction is one kind of factor that influences the turnover intent of employees. Lambert, Hogan and Barton (2001) pointed out that job satisfaction is a key mediating variable between the work environment and turnover intent, and suggested that managers take the focus on the work environment to improve employee's job satisfaction, and ultimately lower turnover intent. Carpenter and Sanders (2004) opined that the investment in TMT (Top Management Team) could be way for attracting and retain talent for organization. Thus, it is required, and should be considered into the HRM process too.

1. 4. 4 Employee satisfaction

Employee satisfaction is mainly concern with the satisfactions that derived from the individual as a professional person. One common research finding is

that job satisfaction is correlated with life satisfaction (Rain, et al, 1991). This correlation is reciprocal, meaning people who are satisfied with their lives tend to be satisfied with their jobs vice versa.

However, some research have argued this concept that that job satisfaction is not significantly related to life satisfaction because of their variable such as nonworking satisfaction and core self-evaluations are taken into account (Rode, J. C. 2004). Organization member to its operating characteristic is the cognitive evaluation. Employees get through the more realistic values and expectations of the gap between the values obtained after the meeting whether or not all aspects of work attitudes are emotional responses. This consists of the extent of firm involvement and related motivational activities (Saari, L. M., & Judge, T. A., 2004).

Burgoon, Buller, & Woodall, (1996) one of the most suitable means of influencing employees satisfaction is the manners at which superior relate and communicate with subordinates. The meshing and mashing of interpersonal relationships between the two distinctive groups or status plays a significant roles in terms of respect, attractions, formative impression or emotional expression, deceptions and social influences (Burgoon, Buller, & Woodall, 1996). Weiss and Cropanzano, (1996) inferred that such immediacy and friendliness will cumulate the essential elements of job satisfaction (Weiss and Cropanzano, 1996).

The way employee's feels and thought that their jobs being appreciated are very much essential in terms of employees job satisfactions (Organ, D. W., & Ryan, K., 1995); turnover (Saari & Judge, 2004); and absenteeism (Wegge, et

al, 2007). Job satisfactions ultimately looks at the general aspects of satisfactions employees gained from their work in entirety (Mount & Johnson, 2006).