

Competitive advantage in the 21st century: What are the human resource functions and activities?

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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 21st century. This paper reports on organisations to maintain their competitive advantage and the role of human resource functions and activities. HR can secure its place for the future by adding value to the organisation in which it exists. Globalised human resource management (GHRM) should prepare the best skilled people worldwide regardless of their nationality. Recommendations are given in the last part of this paper for HR managers to add value to their organisations to stay competitive. Conclusions form the last part of this paper.

Field of Research: Human Resource Management

1. Introduction

This paper reports and discusses the main trends and issues in HRM operating in a global organisation, the future generation and shortage of talented workers and the transformation of organisation structures in the 21st century. These HRM issues will be addressed 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 (Du Plessis, Sumphonphakdy, Oldfield & Botha, 2013).

What are the future priorities of the human resource (HR) function? The answer to this question is not simple; there is no one 21st 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. Du Plessis, Nel & San Diego, (2013) 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. 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

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In the next section of this paper a literature review with a discussion of the different views of researchers is found. A range of different perspectives on HR and HRM is 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.

Some implications and recommendations for the 21st century HR manager are suggested. Conclusions form the last section of this paper.

2. Literature Review

Human Resource (HR) practitioners have been tagged for many years as administrators, however organisations are now looking to the HR function to go beyond the delivery of cost effective administrative services and provide expertise on how to leverage human capital. Simultaneously the role of HR practitioners as strategic business partners and leaders of change has also received considerable attention. Ultimately, the competitive forces that organisations face today create a new mandate for HR and this necessitates changes to the structure and role of the HR function (Du Plessis, Nel, San Diego, 2013).

The HR profession has been continuously evolving and changing over the past hundred years, adding more and different roles and responsibilities. When one traces the HR profession one finds that out of the Industrial Revolution, labour unions and the industrial welfare movement arose as well as ground-breaking research in scientific management and industrial psychology. In the 1980's climate of anxiety over prospects for economic growth, it became apparent that there was a need for the HR function to become more 'proactive' and human resource problems needed to be anticipated and prevented or at least minimised (Gilbertson, 1984). This decade also saw the HR profession faced with criticism and questions regarding its validity, which subsequently resulted in a significant body of research that linked HR practices to organisational performance (Du Plessis, 2012).

Du Plessis, (2012) 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 in the 21st century.

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. Du Plessis (2007), Farquharson and Baum (2002) 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.

Since 1970 NZ experienced major developments in legislation impacting on employment relations, along with more economic restructuring and radical shifts in the labour demand and supply, enforced a growing awareness of the importance of the 'human asset' (Du Plessis, 2012). A generally harsher business environment and increasing competitive pressures caused the HR function to be increasingly seen as a 'specialist' role (Macky, 2008). This made it necessary for HR practitioners to recognise that they had the potential to play a key part in maximising the efficiency of the organisation's human resources.

At the same time the role of HR practitioners in NZ organisations was becoming more strategic in orientation (Du Plessis, 2009; Macky, 2008; Boxall, 1995; Stablein & Geare, 1993). HR practitioners started to depict themselves as 'strategic' HR professionals who divided their roles into operations and strategy. The profile of the New Zealand HR practitioner had also changed dramatically. By the late 1990s the majority of HR professionals (60%) were well educated women with a degree or postgraduate qualification and a previous career in HR (Institute of Personnel Management New Zealand, 1997).

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.

For organisations to maintain their competitive advantage, 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 according to Du Plessis, Frederick, & Maritz (2013). There is a difference between competitive advantage and 'sustained' competitive advantage according to Macky & Johnson (2003). Through the course of this paper 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.

Du Plessis (2012) is of the opinion that 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 their sources of competitive success are less powerful

According to the resource based view (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 and the global human resource management (GHRM) departments should attract and provide the necessary well equipped employees.

The high costs associated with employee recruitment, selection, and training are some of the issues to be handled and sorted by GHRM. 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. 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 Du Plessis, Paine & Botha (2012).

3. Implications for the 21st century HR manager

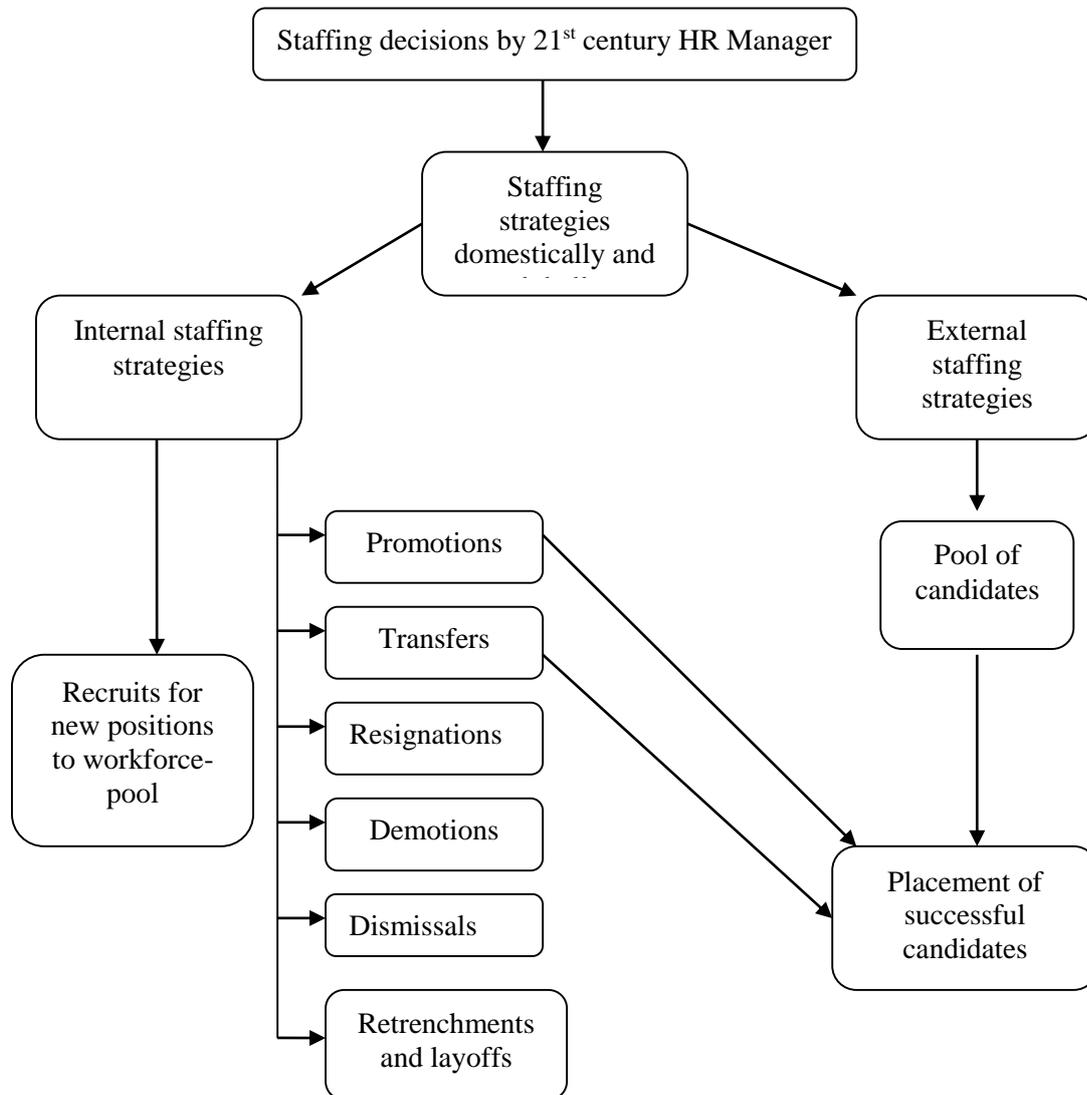
For the purpose of this study the researchers established that the following capabilities are expected from the HR practitioners to be a key driver to maintain competitive advantage in an organisation:

- Capable of anticipating the effect of internal/external changes
- Capacity to facilitate support to those affected by change
- Ability to have proactive role in change management initiatives
- Ability to align HR systems with the expected reorganisation
- Ability to motivate others through the application of professional credibility & reciprocal trust
- The capability to delegate HR functions to line managers and other employees

Due to the fact that the global era has arrived with information ubiquity and sensitivity the authors’ perspective is that 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. organisations compete globally for products, so they will compete for talent in the 21st century (refer to Figure 1 below). This will become part of HR’s functions to

handle them successfully. Even though some countries have less tolerance for foreign managers (employees), 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) (Du Plessis 2012).

Figure 1: Functions of the 21st century HR Manager



Source: Du Plessis as cited in Nel et al (2012 p221)

The management of international assignments remains a critical function and activity of effective global HR. The balance between expatriate and local talent is going to be an interesting evolution in the 21st century. 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.

Developing of the existing workforce that will be the future workforce is yet another critical function and activity of HR practitioners to add to the organisations competitive advantage.

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 21st 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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