

# Human Resource Management: Its Role in Economy

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## **Abstract:**

*Models for the function of human resource management in the new economy are what this study aims to achieve. Firms are shifting their attention from people management towards human resource management as they move to the new economy, and it is important to discuss this trend. Human resource management and people management are compared and contrasted in this study, as well as the differences and similarities between the two concepts. Both traditional and cutting-edge financial theories are scrutinised.*

*An overview of human resource management, the current economy, and the projected future of the global economy may be found in this document's opening section. Human resource management in the new economy will be evaluated as a shift in focus from people management. An ultimate objective is to define the role of human resource management within the new economy by determining what changes are necessary to existing human resource management functions. As a result, this chapter lays up a foundation for understanding HRM's place in the new economy.*

**Keywords:** Management, clients, responsibilities, firms and economy

## **Introduction**

According to Gunnigle et al, human beings are the lifeblood of any organisation (1997: 1) Employees are a company's most powerful and crucial asset. Organizational success can be enhanced and maintained by improving and maintaining the efficacy of workforce management. People management is one of the most challenging aspects of organisational management since it entails dealing with people who are physically and psychologically different. The part of organisational management tasked with overseeing an organization's workforce is known as personnel management.

The element of organisational management that deals with the employees of a corporation is known as personnel management.

The structure and activities of the organisation play a crucial role in influencing culture and values and in developing individuals.

Human resource management encompasses planning, recruiting, selection, deployment, and termination of employees.

Employee development encompasses a wide range of activities, including but not limited to management development, career advancement, and performance evaluation.

Choosing a reward approach and managing payments and benefits are all parts of reward management.

Human resource management encompasses all of the aforementioned areas, as well as relations between employers and employees, as well as employee involvement and communication, as well as the well-being and safety of employees.

Employment and personnel management includes everything from employee records to employment regulations and procedures to working environment and employee information systems.

Just like the Industrial Revolution, information technology has radically altered the nature of labour. One hundred years after the Industrial Revolution began the Scientific Revolution in management. Engineers and psychologists both explored how to best manage people at work in the early twentieth century. It is possible to learn about the origins of human resource management and people management here, along with the first justifications for human capital's existence.

Management of human resources includes all the aspects of human resources, such as decisions, strategies and factors; principles; operations; practises; functions; activities; and methods; and all facets of people's behaviour in their work connections, as well as the dynamics that arise as a result of that behaviour

Dickson (1998) argues that HRM is an amalgamation of administrative and resource management functions. Consequently, integration is a critical component of human resource management. In a similar way to people management, the primary function of HRM is to provide assistance. It can assist in the management of employees in the workplace by giving guidance and monitoring. Secondly, human resource sourcing is the responsibility of the company. There will be additional responsibilities, including training, development, recruitment, and planning. A company's overall strategy relies heavily on strategic management. Strategic human resource management is an integral part of the decision-making process.

Human resource management is currently functioning in a rapidly changing and very unpredictable world. When it comes to its role, human resource management is also changing. There were a lot of things that human resource management specialists had to handle on their own in the past. Many of the functions previously undertaken by human resource management specialists are now being handled by line managers. The same is true for businesses, which are rapidly divesting themselves of any duties that aren't directly related to their core activities. This trend is leading in many human resource management functions being outsourced, resulting in an alteration of the kind of services that are being delivered.

A lot of terminology in human resources appears to be the same yet has a variety of meanings. Two instances of this are human resource management and people management. You would

think that these two names are interchangeable, but they're not. It is possible to get confused between human resources and people management if these tiny differences are not taken into consideration. Human resource management is a proactive technique in the beginning.

The best way to avoid these challenges is to plan for them in advance. It is a reactive method that only handles problems as they arise in personnel management. In addition, the two methods serve different purposes. There is a difference between personnel management and human resource management when it comes to training and advancement.

A number of fundamental differences are apparent when comparing human resource management to traditional personnel management. Starting with the fact that, under the HRM model, personnel management concerns are fully integrated with strategic decision-making rather than less prominent and issue specific as in the old HRM model. Furthermore, HR management is considered as proactive and long-term, whereas traditional personnel management is more reactive and focused on the immediate future. Human resource management (HRM) promotes employee loyalty, yet HRM is a management tool for exerting psychological control over people. No apparent conflict of interest exists between employers and employees when it comes to human resource management in the employee relations sector. However, personnel management has its roots in the pluralist tradition and is largely concerned with the conflict between employers and their employees. Human resource management, on the other hand, is connected with more bureaucratic and inflexible organisational structures, whereas personnel management is associated with organic and fluid organisational systems. It is the primary goal of human resource management to maximise the contribution of human resources to the overall effectiveness of a corporation. On the other hand, human resource management seeks to maximise cost-effectiveness by concentrating on the recruitment and retention of people. (Walton as quoted in Gunnigle et al, 1997: 43).

When compared to personnel management, we can see that human resource management is the attainment of a fit between workforce management and the strategic goals of the firm, which is what we call human resource alignment. Harris echoes this sentiment (1984)

*A company's culture is shaped by its strategy, and successful organisations do the same." Human resource management activities can be utilised to reinforce certain ideas, beliefs, and behaviours while discouraging others," he says.*

As a short-term repair, human resources management is viewed. A long-term approach to human resource management, in contrast, is predicated on the idea that an organization's top-level business strategy includes human resource considerations.

Having defined the concepts of human resource management and human capital planning, it's necessary to discuss the historical and future economic situations in which these two notions have and will be used.

Kelly asserts that no one can escape the transforming power of machines (1998: 1). Previously on the periphery of civilization, technology has now permeated our thoughts and our daily routines. One by one, the things we treasure in life are being impacted by scientific advancements and becoming less valuable. Human thought, expression, and communication have all been infiltrated by high technology. Despite the current focus on rapid technological change, a much more profound change is taking place beneath the surface. The gyrating cycles of trendy technological gadgets and must-haves are steadily being propelled by a new economic system. Our tools are reshaping the distribution of wealth across the globe. As computers have become smaller and communications have become more reliable, we now live in a new type of economy.

Ending the twentieth century is being changed in a similar way to how it was altered by both the Industrial and Digital Revolutions. In 1997, the microprocessor became the driving force behind a new economy. An entirely new economy is being powered by microchips like steam engines and electricity were before them. Its effect on productivity and growth is still debated, but not on the way we work and live as a society (Isaacson, December 1997).

There are various characteristics of this new economy:

It is made up of globally scattered workforces with a growing diversity of talents.

It is a faster and more technological world, in which invention is the driving force behind change. ([www.gbn.org/public/gbnstory/scenarios/columns/june2000column.htm](http://www.gbn.org/public/gbnstory/scenarios/columns/june2000column.htm))

‡ It's everything intertwined. It is based on solid evidence. In today's knowledge-based economy, intellectual capital plays a key role in determining a product's worth. It aids in distributing power. An individual's freedom and democracy are enhanced by technology. A symbol of the Information Age, the Internet has several centres of power that are all connected. It encourages honesty. In a networked society, free minds, free markets, and free commerce thrive. It requires a lot of expertise. When mass manufacturing, marketing, and communication were at the heart of the old economy, the world was transformed. It is now possible to create one-of-a-kind goods (Isaacson, December 1997).

In the wake of globalisation, the development of information technology, and the creation of computer networks, there has been a rise in the number of huge, unruly forces. These include the disintegration of corporate hierarchies and the politically sensitive downsizing and job losses that accompany it.

Due to these changes, a new Information Age economy is emerging, with knowledge and communication serving as the key sources of revenue rather than natural resources and physical labour. Tycoons of the next generation now rule the roost.

A product or service that does not exist in reality, not because of oil they produce or steel they forge, is the real reason for their existence (Stewart, 1998: 6).

Rather of relying on physical assets, the new economy is evolving toward an information-based economy. Thus, the focus is shifting from product creation to service delivery. A company's competitive advantage is derived from its employees, not its products or technology, because most firms have access to the Internet. In today's environment, a company's most precious asset is its employees. This asset is the responsibility of human resources management and HR specialists.

Individuals are at the heart of today's economy, says Gratton (2000: 3), with their unique talents, as well as their inspirations and hopes, as well as their dreams and delights. In this decade,

companies who are able to provide meaning and purpose, as well as a framework and framework that allows people to achieve their full potential, will prosper." Consequently, in the new economy, human resource management is of paramount importance to enterprises. Businesses must examine their current human resources activities and adjust them to fit the needs of the new economy and the people who work in it in order to fulfil this function.

Human resource management is a critical component of the new economy, and this study aims to establish a model that explains the role of HRM in the new economy.

According to a number of firms, the workforce they need is becoming increasingly difficult to find. At the same time, the success of any strategy centred on people depends on attracting and maintaining the best talent. An employer of choice must have a well-coordinated HR system. A lucrative wage and benefits package is easy to put together. Developing a human resources system that picks, develop, and generate results that justify the investments is the challenge. Using an employer of choice strategy in conjunction with a high-performance work system is a powerful combination. To achieve long-term business success, it is necessary to ensure that the organization's employees feel valued, to instil a sense of belonging through association with the company, to ensure that each employee has the opportunity to reach his or her highest potential personally and professionally, and (6) to instill a sense of excitement and fun.

Thus, many companies are now changing their focus from the substance of the strategy to how it is really implemented. A company's human capital provides the foundation for strategy implementation skills and capabilities such as speed, inventiveness, and adaptability. This has immediate ramifications for a company's HR system.

When it comes to transactions, processes, and compliance, the human resources department was accurately categorised as an operational cost centre. In contrast, HR systems that develop and maintain an organization's strategic architecture should be considered as a long-term financial investment. For the company, it could serve as a strategic lever and an important part of the infrastructure that supports the value creation process.

The success of any company is directly related to the abilities and behaviours of its workforce. These companies are established by focusing first on their business objectives and then creating an atmosphere where they can achieve them. Employees' actions have a direct impact on the company's performance and financial performance.

Human resources are important.

Organizations benefit from the expertise and institutional memory of their employees. All of the company's employees' collective knowledge, skills, and abilities can be found here. (<http://207.155.252.4/icmgroup.com/whatis.html>).

According to Brooking (1996: 15), human-centered assets are a company's employees' combined expertise, creative and problem-solving ability, leadership, entrepreneurialism, and managerial qualities.

Ten rules for managing intellectual capital are outlined below.

According to Stewart, there are 10 criteria for managing intellectual capital (1998: 163-165).

Companies do not own human capital. A company's human capital is a shared asset between the company and its personnel. In order to profit from this asset, a firm must first recognise its shared ownership.

It is imperative for a company to foster a culture of collaboration, community, and other forms of social learning in order to build the human capital it needs. Value might be placed on a person's distinct talents. Multidisciplinary teams capture, formalise, and capitalise on common ability since it is less dependent on any one person. When an employee leaves, the company's knowledge is not lost. If a corporation serves as the learning locus, it will be the primary benefactor of any knowledge gained in the area, regardless of if part of it is passed on to other organisations.

Third, organisations must realise that certain employees are not worth their weight in gold. Organizational wealth is founded on unique abilities and talents that no one else can replicate, as well as strategic skills and talents that generate the value customers pay for. It's important to have people with specific talents on your team. It's important to keep these costs to a minimal.

4. To put it another way, "structural capital" refers to the company's intangible assets, which it owns outright. Customers should be able to work with your employees as quickly and easily as possible.

One of the primary roles of structural capital is to provide capital for long-term projects. Knowledge stockpiles and the activities that consumers value, as well as a rise in the flow of information within the company are their main objectives.

6. Expensive physical and financial assets can and should be replaced with knowledge and information. It is critical for every company to evaluate its capital expenditures and determine whether low-cost intangibles can serve the same duties as high-cost physical assets.

7. Knowledge work is required for custom work. Although many businesses have been characterised by mass production, there are opportunities for unique partnerships that benefit both the company and its customers.

A historical phenomena, economic "globalisation" is the product of human inventiveness and technological progress. International trade and financial movements are examples of this phenomenon. Workers and knowledge can also be transported across borders using the term "cross-border mobility" (technology).

Because of global markets, people can access greater and larger markets all over the world. As a result, they'll be able to compete more effectively in the global marketplace, as well as slash their imports.

The new economy's tools and drivers must be adopted by organisations in order to reap the benefits and establish a competitive advantage. To stay competitive in today's global market, companies must include Internet, ecommerce, and globalisation.

Employees' work habits are being restructured.

Many knowledge workers will be able to live where they want and work how they want while still making a substantial contribution to the companies they work for or collaborate with. In the Web work style, employees can use the Web's flexibility to its fullest extent. The employee has the final word on how they want to work.

The competition for the best staff will intensify up in the next several years. Those companies who give their workers more leeway will have a significant advantage here.

### ‡ **The virtual world of recruiting**

Email, file sharing and database searching are just few of the ways Internet users can contact with each other online via the interconnected network of computers. A firm can post classified ads, get resumes from potential employees and promote itself as the employer of choice by using these services. In an increasingly globalised economy, no nation or company is able to prosper or fail on its own. Human capital is being transformed from local to global in this new global economy, and new concepts are developing to help managers make the transition.

### **E-commerce**

The world of business is undergoing a major shift. One of the main drivers of change is e-commerce, which is weakening old regional barriers, generating unprecedented opportunities for both large and small enterprises, and significantly altering the competitive landscape.

EDI, e-mail, electronic bulletin boards, fax transmissions, and electronic bank transfers are all examples of electronic commerce. You can buy and sell anything you can think of online: stock and bond trading; downloading and selling of soft commodities (software; graphics; music; etc.); and even business-to-business transactions.

A company's size, location, and feedback are all useless in e-commerce because of the Internet's role in making these factors irrelevant.

Human creativity and technological progress have resulted in economic "globalisation." International trade and financial movements are examples of this phenomenon. Workers and knowledge can also be transported across borders using the term "cross-border mobility" (technology).

Because of global markets, people can access greater and larger markets all over the world. There is a belief that they will be able to get more financing, access to technology, lower import prices, and expand their export markets.

The new economy's tools and drivers must be adopted by organisations in order to reap the benefits and establish a competitive advantage. To stay competitive in today's global market, companies must include Internet, ecommerce, and globalisation.

### **Conclusion**

The new economy's tools and drives, as well as the organization's strategic management, are intertwined through human resource management. Even though strategic management may focus on the implementation of a living strategy, people-centered management, intellectual capital, human capital, and knowledge management, these aspects are incorporated into an organisation through the functions of recruitment and selection, placement and induction, as well as training and development. In addition, human resource management ensures that the new economy's instruments, such as the Internet and e-commerce, are handled and incorporated into existing training and development programmes for the company's staff.

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