Power of Human Resource Management in the booming Sri Lankan Economy*

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Ultimate purpose of Sri Lankan economy is better standard of living of its people. Sri Lankan nation/economy attempts to achieve a better standard of living in the period of time being considered compared with the past period of time. Generally standard of living refers to the level of well-being enjoyed by Sri Lankan people by fulfilling their needs (which are legally and morally acceptable). Our nation has to face a number of challenges such as increasing population, production and distribution of various things including foods and drinks, alleviating the gap between the rich and the poor and eradication of poverty, reducing unemployment rate, prevention of diseases and recovering patients, controlling inflation, searching new sources of energy for sources being depreciated, providing safety and security, and other unknown challenges. Sri Lanka faces these challenges through the creation and continuance of organisations. A nation does need organisations which produce goods and services that are needed by its people to meet their numerous needs. An organisation means a formal group of two or more people who function in an official structure that was set up purposefully to accomplish a certain goal or goals (common). While success depends on good organisations progress of success depends on better organisations. Thus, Sri Lanka faces two central economic challenges:

1. to function organisations soundly to achieve expected success. In other words, how to run organisations smoothly to achieve the expected success?
2. to improve organisations continuously to achieve expected progress of success. In other words, how to improve the organisations to achieve the progress of success?

How does Sri Lanka face these two central economic challenges? One major way of facing is through a definite process called Human Resource Management (HRM). Today HRM, which is a very important functional field of Organizational Management, has evolved a very broad and profound management branch dealing with management of Human Resources in an organisation. HRM is an academic discipline and practice as well concerning with human resources, functions and goals. Human Resources (HR) include all managerial and non-managerial employees in an organization and it (considering HR as a singular term) is unique compared with other resources (money, machines, materials, information, time etc) as it is animate, active and living; it has the ability to think, feel and react; its value appreciates with the passage of time (because of experience, training etc.); it has the ability to influence on determining its cost (pay); it has the ability to organize (as unions, teams etc.); its behaviour is complex and may be unpredictable; it has the ability of creativity and innovation, which cannot be found in any other resources; and it makes decisions in respect of all other resources. Functions include job design, job analysis, HR planning, recruitment, selection, hiring, induction, performance evaluation, training & development, career management, pay management, incentives management, welfare management, management of employee movements, discipline management, health and safety management, grievance management and labour relations. Goals refer to desired targets to be achieved in future and
they may be various, yet ideally to maximize satisfaction of major stakeholders such as owners, customers, suppliers and employees.

In this context, the term ‘power’ refers to the ability to strongly and positively affect. According to traditional HRM perspective, how HRM affects strongly and positively to function organizations smoothly for achieving expected success and to improve organizations continuously for achieving expected progress of success is depicted in the following Figure:

**Figure-1 Effect of HRM on Organizational Success**

As per strategic perspective in terms of competitive advantage, effective and efficient HRM practices can create or enhance an organisation’s competitive advantage (the ability that an organisation can have a relatively better market share and then a better profit or rate of return on investment compared with its competitors) and research-based evidence indicates that a firm’s HRM practices can have a rather strong impact on competitive advantage. HRM practices give a direct impact as well as an indirect impact on competitive advantage (a detailed description and explanation was not done due to lack of space). HRM functions result in employee-centred outcomes which will result in organisation-centred outcomes, and then which will result in competitive advantage (based on Kleiman, 2000) (see Figure -2).

**Figure -2 Indirect Impact of HRM on Competitive Advantage**
HR Development perspective focuses on formally and systematically providing new learning to increase employees’ capabilities so as to increase their current job performance and future job performance as well. Improvement of capabilities will result in improving individual and collective job performance which will improve organizational productivity. Here the term ‘capability’ is used as a broad term that includes knowledge and skills (alternatively called competence) and attitude. Basically there are seven capabilities (can also be called human assets) which are to be possessed by a right employee who is capable of achieving excellence at work (work life) as well as at home (non-work life). In fact emphasis is to develop a person first and then the organization. Before developing nation and organization, it is imperative to develop person. Developed people will contribute to develop organizations leading to develop country as a whole. Figure-3 shows how HRM contributes to improve capabilities of the employees.

According to Industrial Relations perspective, HRM will attempt to create and enhance industrial peace by removing or avoiding industrial unrest (presence of trade union counterproductive actions such as strikes, picketing, rallies, riots, etc.). HRM policies, procedures and rules acceptable to workers and their unions will lead to the development of a sound labour relations system which is needed to achieve industrial peace, which is indeed a precondition for national development. Industrial peace, which is the outcome of good labour relations, has come to be realized as the *sine qua non* of national economic development in a competitive world market. Figure-4 indicates effect of HRM on national development.
On **macro perspective** HRM can play a significant role in facing some challenges in a booming Sri Lankan economy such as reducing poverty, increasing employment opportunities, enhancing health and safety of people, minimizing environmental pollution, enhancing social and industrial peace and reducing work-family conflict. What are the appropriate HR practices/actions to meet these challenges? Exhibit-1 presents some appropriate HR practices.

### Exhibit-1 Some Appropriate HR Practices for Meeting Macro Challenges of Booming Economy

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<th>Macro Challenge</th>
<th>Some Appropriate HR Practices</th>
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| **Reduction of Poverty**                 | • To give employees with wages and salaries which possess sufficiently *primary equity* (degree to which pay is capable of meeting primary needs of the employee such as foods, water, clothes and shelter).  
  • To provide welfare benefits such as housing, feeding, transport, thrift & savings, advances & loans, and education services for family members of employees considerably.  
  • To hire and/or train children from low income families who meet selection criteria sufficiently. |
| **Increase of Employment Opportunities (or minimizing unemployment)** | • To introduce part-time employment work schedules such as job sharing.  
  • To apply work sharing (an alternative work schedule whereby all employees have to share a condensed work during a recession) instead of layoffs and retrenchment.  
  • To improve employee self-discipline so as to reduce serious misconducts which lead to dismissals. |
| **Enhancement of Health and Safety of People** | • To implement various safety measures to avoid occurrence of accidents to customers and common people in addition to employees.  
  • To apply various health improvement programs to employees and their family members.  
  • To provide medical services such as renovating and equipping nearby hospitals. |
| **Minimization of Environmental Pollution (and Environment Projection)** | • To recruit and select job applicants who meet environmental criteria in addition to job-related criteria (*green staffing*).  
  • To include environmental dimension as a duty in job description (*green job analysis*).  
  • To train employees for the environment to impart the needed knowledge about the environmental policy, its practices, and right attitudes (*green employee training*). |
| **Enhancement of Social and Industrial Peace** | • To give employees with wages and salaries which possess sufficiently *internal equity* (degree to which the pay is related to the relative worth of jobs).  
  • To adopt a staged approach to handling grievances with formality, time limits, participation and simplicity.  
  • To implement diversity training programs to provide awareness and education to employees on specific cultural and sex differences and how to respond to these in the workplace. |
| **Enhancement of Work-Family Balance** | • To apply alternative work schedules such as flex time, compressed workweek and telecommuting.  
  • To discourage ‘presenteeism’.  
  • To provide training and development programs on *personal quality* (personal character, personal management and personal key success factors). |

On **international perspective**, what is the role of HRM? Sri Lankan organizations (at least several) will have to expand their business activities to international markets and therefore they will be in need of procuring, maintaining and developing an international workforce that is appropriately competent, motivated, committed and loyal. Growing body of knowledge based on research evidence is available to help such international organisations to manage international employees, particularly expatriates.
successfully. In booming Sri Lankan economy, foreign investment is being encouraged and therefore presence of Multinational Companies (MNCs) is inevitable. One of the major constraints for MNCs for implementing their global strategies is HRM in the host countries. Is it either *local isomorphism* (subsidiaries of a MNC act and behave as local firms) or *internal consistency* (HRM practices of a subsidiary of a MNC resemble those of the parent company or some other international standard)? It is a general principle that the more an HRM practice contradicts the existing social norms of Sri Lanka, the more likely it will fail. Tailor-made HR policies and practices to fit Sri Lankan culture are needed for MNCs and also they need to have a right balance between tailor-made HR practices to fit our culture and the need to integrate global consistency with local adaptability. In this regard a well-known general theory is Prof. Geert Hofstede’s five dimensions of difference (power distance, individualism & collectivism, masculinity & femininity, uncertainty avoidance, and long-term & short-term orientation). Application of HR practices which match these dimensions enables the MNCs to deal with the issue of transferability of HRM practices. How this is done specifically is not presented here due to reason of space.

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