



Human Resource Management: A Central Business Concern in Today's Economy

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Abstract

This paper highlights a theoretical framework for the value and importance of human resource management (HRM) in today's economy, that is, globalization that has been having a noteworthy influence on the field of HRM. As the old economy was based on physical assets, today's economy is based on knowledge and information and is characterized by electronic communication, computer, network systems, and satellite communication. A qualitative research design was employed. Questionnaire was conducted using Lawshe's technique through an evaluation panel which was comprised of 14 participants. The various ratios of our results were higher than the content validity ratio (CVR) value of 0.51 for a total number of 14 panelists. The determination of the content validity index (CVI) was calculated through the mean of the CVR values. The CVI was 0.84 and this result indicated that our model is reliable and acceptable.

Keywords: Human resource management, Globalization, Knowledge economy, Lawshe's technique

1. Introduction

Globalization is more and more impacting upon the management of human resources (HR). Coping with the international intensity of competition brought about by the "new economy", a knowledge-based economy (KBE) has emerged to replace the old economy that focused on physical assets instead of the hearts and mind of the HR. This KBE utilizes the skills of the HR to the full, which created a new way of thinking about HRM and demands responses on behalf of HR managers. The driving forces of today's economy have impacted upon the management of HR in a variety of ways: the penetration of technology and particularly the use of the internet in business environment has demanded different skills and competencies on behalf of employees and also had effects on education and training needs. Given the driving forces of today's economy, it is clear that the nature of the management of HR is changing.

The thrust of this article is to look into the value and importance of the management of HR in today's economy using a schematic diagram that depicts this value and scope of the management of HR within globalization (New Economy). To reach this objective, Lawshe's (1975) technique was utilized to scrutinize the reliability of our results and validate the model that was presented to the evaluation panel.

This paper is organized as follows: The first section discusses the enterprises in today's economy; the second section visits the management of HR within enterprises through the practices of staffing (recruitment and selection); placement and orientation; and training and development. The third and last section reads the drivers and tools (Internet; Today's economy (Globalization); and Electronic or E-commerce) of today's economy.

2. Literature Review

2.1 *The Enterprises in Today's Economy*

Today's economy is driven by the needs of customers for products and services that are alike throughout the world. In comparison to the old economy characterized by knowledge; financial capital; and the commitment of HR, today's economy brings about knowledge; ideas; and information sharing. Today's economy is global as different countries become increasingly interdependent thanks to the dynamics of trade in goods and services and flows of capital and digital. In its being global, the new economy is appreciably interrelated and gives room to business opportunities. It is based on knowledge sharing as knowledge management (KM) focuses on 'doing the right thing' instead of 'doing things right'. Gates (1999) posits that KM is a fancy term for a simple idea. We manage data, documents, and people's efforts. KM is necessary for enterprises as what worked yesterday may or may not work tomorrow. To remain aligned with the dynamically changing needs of the business environment, enterprises or organizations in today's business atmosphere need to continuously assess their theories of business for ongoing effectiveness. As the new economy is a

knowledge society, the HR need to be facile in the application of new technologies to do their business contexts. Such understanding is indispensable so that they can assign “programmable” tasks to technologies to concentrate their time and efforts on value-adding activities that require inventiveness and originality. Moreover, in this globalization, information sharing and communication are conducive to organizational performance as studies (See for instance Argote, 1999) posit that knowledge sharing is a critical team process because if knowledge is not shared, the cognitive resources available within a team remain underutilized. Gunnigle et al. (1997) hold that employees are the lifeblood of organizations; that organizations’ workforce is one of its most potent and valuable resources. An employee managed effectively is a vital ingredient for the improvement and also for the sustaining of organizational performance. From this, we posit that in today’s economy, human resources as essential resources to organizations need to be respected and be given a reason for being in for instance helping them to understand the enterprise’s mission statement, vision, and values, and how these apply to their day-to-day working; engendering pride and commitment through the enterprise’s culture. Organizations or enterprises must respect their human resources by empowering them; caring and having a concern for their employees. Trust in employees; provide on-going training and personal development growth opportunities as the new economy requires.

The new economy will favor the rise of the knowledge worker. Knowledge workers are workers who use their intellect to convert their ideas into products, services, or processes. The main value of the knowledge workers to an enterprise in the new economy is their ability to gather and analyze information and make decisions that will benefit the enterprise. They (Knowledge workers) are capable of working collaboratively with and learn from each other; they are willing to take risks, expecting to learn from mistakes rather than be criticized (Rogoski, 1999). Knowledge workers are continually learning, aware that knowledge has a limited shelf life (Allee, 1997). In this new economy brains have become more valuable. Table 1 illustrates the characteristics and the influence of the drivers of the old economy and today’s economy.

(Insert Table 1 about Here)

2.2 The Management of Employees within Enterprises

HRM is to support and steer HRM throughout the enterprise or organization. HRM is the effective management of workers at workplace and examines what can or should be done to make working human resources more productive and satisfied. Treating a worker as a human being in their own right is all part of embedding humanist values within the enterprise or organization. But it is also about preparing for prospective success. Employees are seen as the most outstanding resource of the organization and strategic importance of HRM is acknowledged. The ultimate role of HRM is to support the enterprise and its workers (human resources) to achieve their goals and objectives as the role of HRM is changing with the change in the competitive market or business environment and the realization that HRM must play a more crucial or strategic role in the effectiveness of success of an enterprise. The strategic importance of HRM means that a certain number of significant element or concepts need to be addressed and applied. We are not going to give detailed or exhaustive elements of these concepts but we should rather address the following:

- Analysis of problems that need to be solved for a profit-oriented objective;
- Addressing issues like HRM as staffing (recruitment and selection); Placement and Orientation; Training and Development...
- Train the human resources staff in focusing on the strategic value of the management of human resources and the importance of contributing to the enterprise’s profits.

As highlighted previously, today’s economy is characterized by knowledge and information as compared to the old economy (OE) characterized by financial capital; knowledge; the dedication of the employees. And what makes it different from today’s economy is the fact that this turbulent and aggressive business environment has favored a shift on the OE from physical assets to the value of human capital. Therefore, surviving in the new global business market, calls for improved productivity and increased competition. Due to the market becoming worldwide, enterprises in different industries have or need to upgrade their products and use technology skillfully in order to face increased competition. The most characteristic feature of today’s economy is that it can impact upon any phenomenon in any part of the globe (world). HRM is one of those phenomena that possess property to change under the influence of today’s organizations. It is based on the notion (as stated earlier) that human resources are humans, and they need to be treated as a basic business resource. The management of workers should be seen as understanding of the human aspect of an enterprise and its strategic role or value. From this approach, human resources have proficient responsibilities but also to prove themselves in other activities that are apt to bring revenue to the enterprises. This will allow enterprises to focus on staffing (recruitment and selection) and retention of employees in reducing turnover that disrupts work and negatively impacts enterprise performance. In their will of recruiting and retaining key human resources, enterprises in today’s economy can hire temporary workers through employee leasing network and resort to outsourcing as well, as outsourcing permits an enterprise or organization that contracts with another enterprise or organization to provide

services that might otherwise be performed by in-house workers (human resources). Many reasons motivate enterprises or organizations to outsource different jobs, but the most important and significant advantage seems to be the fact that it often permits to save money. Countless of the enterprises that provide outsourcing services are able to do the work for considerably less money, as they do not have to provide benefits to their workers, and also have fewer overhead (indirect) expenses to worry about.

Given the structural making of the world characterized by the flow of technology and human resources across national boundaries, today's economy will influence the different human resource function, namely, staffing (recruitment and selection) because recruiting, selecting and retaining high-quality and skillful applicants are advantageous for enterprises to be competitive in this challenging business environment. The ensuing section of this article highlights the following: Outsourcing; Temporary or contingent human resources and leasing of human resources issues.

2.2.1 Outsourcing

Outsourcing allows enterprises or organizations to focus on other business issues while having the details taken care of by external professionals or experts. This implies that a large amount of resources and attention that might fall on the shoulders of versed people (experts) in management can be utilized for more essential, broader issues within the enterprise. Though outsourcing is profitable for enterprises because it often helps them save money, many disadvantages are effective as well. Consequently, outsourcing often eliminates straight (direct) face-to-face communication between an enterprise and its customers. This fact implies that it impedes the enterprises to build up a noteworthy 'partnership' with their customers. And this is often conducive to disappointing results which bring discontent on one or both sides. Any susceptible information is more defenseless (vulnerable), and an enterprise may become a 'slave', that is, a very reliant on its outsource providers, which could cause problems, should the outsource supplier back out on their contract unexpectedly. Though outsourcing may prove highly beneficial for many enterprises, it also has some drawbacks. Therefore, it is important that each individual enterprise truthfully weigh up their want to find out if outsourcing is a practicable panacea.

2.2.2 Temporary Human Resources

As employers seek new ways to make the employment relationship more flexible, they have increasingly relied on a variety of arrangements popularly known as "temporary work." The use of autonomous contractors and part-time, temporary, seasonal, and leased workers has expanded tremendously in recent years. We view this change both as a healthy development and a cause for concern. On the positive side, contingent employment relationships are in many respects a sensible response to today's competitive global marketplace. The benefits are clear that various forms of temporary or contingent work can offer to both some management and some workers. Temporary arrangements let a number of enterprises or organizations make best use of employees' flexibility in the face of seasonal and cyclical forces and the demands of modern methods such as just-in-time production. This same flexibility helps some human resources, more of whom must balance the demands of family and work. On the other hand, the temporary deals may be introduced merely to trim down the amount of payment paid by the enterprise or organization for the identical amount and value of work, which raises some serious social issues. This is particularly true because temporary human resources or contingent workers are drawn disproportionately from the most vulnerable sectors of the workforce.

2.2.3 Leasing Human Resources

Human resources leasing is an arrangement in which an enterprise (called subscribing enterprise or firm) transfers its employees to another enterprise (called leasing firm) which specializes in HRM, payroll accounting, and risk administration to name a few. The subscribing enterprise leases their human resources back as employees of the leasing firm and usually pay more for their services than their salaries at the time of transfer. This way the payroll and associated expenses and taxes of the leased employees become the leasing firm's liabilities. An employee leasing company is a business, which by agreement and for a fee, places employees of a client company on the leasing company's payroll. In turn, the leasing company "leases" these employees back to their original employer, usually for limitless period of time. In a nutshell, employee leasing is a way for enterprises to provide a body of well-trained and long-term human resources who are capable of expanding as today's business environment requires.

We cannot deny that today's economy is characterized by the free flow of technology and human resources across national boundaries as well as the spread of information technology presenting an ever-changing competitive business environment. This will require the use of Internet; Electronic or E-commerce which are part of the drivers and tools of today's economy. Therefore, the next section reads: The drivers and tools of today's economy. Those drivers and tools are discussed in the section that follows.

2.3 *The Drivers and Tools of Today's Economy*

The drivers and tools of today's economy call for the Internet; Globalization; and the Electronic or E-commerce.

2.3.1 The Internet

The main characteristic of today's economy is that the Internet is a means of getting and sharing information for people to use those knowledge and information for enterprises' objectives and goals attainment. Korper and Ellis (2000) posits that the most widely part of the Internet that is used is the World Wide Web (WWW). The Internet has brought a new type of lifestyle and it represents a key ingredient in the new economy as the sharing of information and the effectiveness of communication are essential for business opportunities and for people around the globe.

2.3.2 Globalization

Globalization is an umbrella term for a complex series of economic, social technological, cultural and political changes seen as increasing interdependence, integration and interaction between people and companies in disparate locations. The most characteristic feature of globalization is that it can influence any process or phenomenon in any part of the world. Rapid development of international trade and growing concernment of information transfer have made even most conservative countries follow the rules of global processes. Human resource management (HRM) is one of those phenomena that possess property to change under the influence of globalization. HRM is both an academic theory and a business practice. It is based on the notion that employees are firstly human, and secondly should be treated as a basic business resource. HRM is also seen as an understanding of the human aspect of a company and its strategic importance. According to this approach employee has an ability not only to perform his professional duties but also to prove himself/herself in other activity that can bring profit for the company. This way employee has a sensation of being an important part of the company and gives the best return through his work.

2.3.3 Electronic-Commerce (E-Commerce)

The Internet has brought a new-fangled economic ecosystem (environment), the E-commerce marketplace, and it has turned out to be the practical most important street of the world. Providing a rapid and suitable way of exchanging commodities and services both nationally and globally, E-commerce has boomed. E-Commerce refers to consumer and business transactions that occur over the Internet, giving room to the speedy exchange of commodities (goods) and services worldwide. It is the electronic transmission of funds, goods, services and/or data between two businesses or a business and a client. E-commerce's key strengths are access to worldwide business environments (markets) as a result of the aptitude to process commercial transactions from approximately whichever setting in the world, and increased output through the creation of more efficient sales processes and the lessening in a company's expenses.

3. Methodology

3.1 Research design and method

We used a qualitative research design for this current study. To achieve the objective of our research, this research design was important to get data that would bring about a clear understanding of the value and importance of the management of human resources in today's economy. To measure the different variables identified for this present research, the technique of Lawshe (1975) was utilized. Lawshe's technique is essentially a method to gauge agreement among raters or judges regarding how essential a particular item is. Lawshe (1975) proposed that each of the subject matter expert (SME) raters on the judging panel respond to the following question for each item: "Is the skill or knowledge measured by this item "essential," "useful, but not essential," or "not necessary" to the performance of the construct?" According to Lawshe (1975), if more than half the panelists indicate that an item is essential, that item has at least some content validity (CV). Greater levels of CV exist as larger numbers of panelists agree that a particular item is essential. Our objective in referring to Lawshe's technique for our inquiry is to determine the reliability and validity of the findings for the model to be developed to pinpoint the value and importance of HRM in today's economy. This research was conducted in two phases. Phase one consisted in data gathering and phase two in data analysis.

3.1.1 Data gathering

3.1.1.1 Population and sampling

As Lawshe's technique requires that panelist have a sound expertise in a specific field, our sample is comprised of fourteen (14) respondents who are deemed to be experts in the management of human resources. These participants form the evaluation panel for us to obtain the required data to draw conclusions.

3.1.1.2 Questionnaire distribution

The model was presented to the evaluation panel (N=14). Questionnaires was structured and the participants were instructed to evaluate the model of the study with regard to their expertise using a 3-point likert scale (Likert, 1932) (1= Essential; 2= Necessary but not essential; and 3=Unnecessary).The questionnaire comprised the following: The schematic presentation of the model; The enterprises in today's economy; the management of human resources within enterprises; the drivers and tools of today's economy; the value of human resource management in today's economy through staffing (recruitment and selection); placement and orientation of human resources; training and development

of human resources. We utilized the commercial software package for social sciences (SPSS, Version 11.0) to perform the calculation.

3.2 Data analysis

Lawshe's technique was utilized for data analysis. Lawshe's (1975) Content Validity Ratio (CVR) can be utilized to assess the content expert judgment. Lawshe's (1975) specified a formula for determining a minimum CVR for different panel sizes. According to this formula, a minimum CVR value of 0.51 is required for fourteen (14) panel members. Lawshe developed a formula termed the content validity ratio (CVR):

$$CVR = (N_e - N/2)/(N-2)$$

CVR= content validity ratio, N_e = number of subject matter expert (SME) panelists indicating "essential", N = total number of SME panelists. This formula yields values which range from -1 to +1. The CVR value ranges from -1.00 and +1.00, where a CVR of 0.00 means that 50% of the experts in the panel believe that a measurement item is "essential" and, therefore, content valid; positive values indicate that at least half the subject matter expert (SME) raters rated the item as essential, that experts are in agreement that the item is essential to content validity (CV). To determine content validity (in relation to our paper), a panel of SMEs examined a set of items indicating whether the items are essential, useful, not necessary. The CVR is calculated to indicate whether the item is pertinent to the content validity (CV). The mean CVR across items may be used as an indicator of overall test for CV. The scope of the CVR can be derived from the following:

- When fewer than half say "very important", the content validity ratio (CVR) is negative.
- When half say "essential" and half do not, the CVR is zero (0).
- When the entire panelist says "very important", the CVR is computed to be 1.00 (It is adjusted to 0.99) for manipulation.
- When the number saying "essential" is more than half but less than all, the CVR is somewhere 0 and 0.99.

4. Results and discussion

The schematic presentation of the model has a CVR value of 0.7 as 12 panelists say "essential". The ensuing variables: the enterprises in today's economy; the drivers and tools of today's economy and the value of the management of human resources in today's economy all have a CVR value of 1% as 14 panelists chose "1" indicating "essential". The variables "the management of human resources in today's economy"; "staffing (recruiting and selection)"; "outsourcing"; "temporary human resources" and "leasing human resources", have a CVR value of 0.8 as 13 panelists say "essential". These results are noteworthy and within acceptable limits, which require that our model be validated as the CVR value of this current research are in line with the characteristics of the CVR and according to Lawshe (1975: 568), a total number of 14 panelists have a minimum acceptable CVR Value of 0.51. From the results of our findings, we notice that the various ratios of our results are higher than the CVR value of 0.51 for a total number of 14 panelists, which implies the validity and acceptance of the model and its components. It was then imperative to determine the content validity index (CVI) and the determination of the CVI brought us to calculate this CVI subsequent to the identification of the items which were to be included in the concluding outline. Therefore, the CVI was calculated through the mean of the CVR values of the different variables of the model mentioned previously. This was done by the sum total of the CVR divided by the total number of the variables identified for the study. The CVI for this study is 0.84 which is between the ranges of -1.00 to +1.00 as suggested by Lawshe's technique (1975). The results of our different findings are noteworthy and significant and they imply that our model (See Table 2) is reliable and acceptable.

(Insert Table 2 about here)

The value of the management of human resources in today's economy is to integrate the elements of that economy into the diverse processes and policies strategies of the enterprises by putting the human resources on their balance sheet as they are fundamental pillars for enterprises to be healthy and competitive. The incorporation of the aspects of that economy into the different processes and policies of the enterprises is to be done through the issues of staffing (recruitment and selection); placement and orientation; and the development of human resources (training and development). Embracing the drivers and tools of today's economy will bring about competitive advantage to the enterprises. With the emergence of this global village (New Economy), enterprises that do not want to lag behind others will have to adopt a people-focused policy that puts their people first, that is, at the center of their corporate strategy. In today's economy impacted by this technological revolution that requires information and communication technologies, the management of human resources is essential as it should be related to the drivers and tools (Internet, Globalization, E-commerce) of the enterprises as human resources are the most important assets of an enterprise; a business cannot be successful without effectively managing this resource.

5. Conclusion

The scope of this paper was to build up a model that describes the value and importance of human resource management (HRM) in today's economy. To reach this objective, we utilized Lawshe's (1975) technique that is

essentially a method to gauge agreement among raters or judges regarding how essential a specific item is. This technique allowed us to determine the content validity (CV) of the model through an evaluation panel. The results of the CV (0.84) indicated that the result is significant. Therefore, the model was noteworthy and within acceptable limits. The findings of this paper provide a piece of jigsaw of the value and importance of the management of human resources in the new economy. Our findings imply that in today’s economy, human resources within enterprises should be treated as a basic resource. They should be at the heart of enterprises, that is, on their balance sheet as they (human resources) are the pillars of those enterprises for them (enterprises) to move from mediocrity to excellence. As the intent of this paper is to develop a model that highlights the value of HRM in today’s economy, the validation of the model should be done through a significant number of data. Ideally, data from various fields could help in determining if the measure is indeed generalizable. Collecting data across a variety of fields and expertise could be of great help to the management of human resources in today’s economy. Such data could identify individuals that may or may not possess expert-like skills in those areas.

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Table 1. Transitional Model of Human Capital in Today’s Economy

Drivers/Influence	Old Economy	New Economy
	←	→
Attachment Factors	Long tenure-the Career Employee	Short-term Involvement contract; Self-employment Shareholder
	Dependence/Dependability	Adaptation/Adaptability
Motivation Factors	Psychological Contract of a job for life-security	Intellectual Commitment-stimulation of Job
	Regular salary	Lure of Increased Monetary Rewards
Work Practices Factors	Regular; Continuing Factors and Processes	Consecutive and Sequential Projects
Reward Factors	Stable Reward Structure	Volatile Reward Structure
	Internal, Vertical Promotion	Cross-Boundary Advancement
Development Factors	Training	Education
	Career Related to Training to further Self-actualization in Company and Improve Company Capacity	Self-Actualization through Professional Development within and without Company
	Company Specific Skills	Transferrable Knowledge
Cultural Factors	More Control of Individuals	Greater Autonomy of Individuals
	Organizationally Driven	Individual and Team Driven
Organizational Factors	Single Employer Certainty	Multiple Employers Ambiguity

Adapted from McGregor et al. (2004)

Table 2. The Schematic Model of The Value and Importance of HRM in Today's Economy

