



The Financial and Human resource Management Strategies to Develop the Organisation

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Abstract

This paper focus primarily on developing a new discipline on which can serve the purpose of strengthening the proposal for investment in human resource and develop a model which can quantify. It is mainly for identifying a new dimension beyond financial management (FM) and Human Resource Management (HRM)), by superimposing the effect of FM and HRM. Money spends on acquiring, managing of human resource is now considering as an investment, which was considered previously as expenditure. Human Resource is an asset to the organization, appreciate with time, only when provided predominant input. Commitment from the top management for the investment in the human resource development activities are improving continuously, but still this proposal is questioned sometimes. Though, this proposal is subjected to the condition of the business, which is being withdrawn considering as a minimizing- cost strategy and without considering any other factors.

Keywords: Financial management (FM), human resource management, human resource accounting (HRA), organization, strategies and retention etc.

Introduction

Financial Management: It believe that greater the confidence in selecting the best course of action can only be achieved by carefully analyzing finance functions and the unique contexts within which they operate. Business partnering to business intelligence, outsourcing, benchmarking, and talent management, just some of the solutions put forward to develop effective finance functions. In this report we propose a framework which helps managers carry out this analysis. Within Management and Control, the production and analysis of financial information, which includes management reporting, financial analysis, budgeting and forecasting, shows the highest average 'high importance' score. The explanation is that these are activities where finance departments have high responsibility¹ and the potential to significantly impact on organizational performance. There are likely to be high expectations that finance departments will perform these activities to a high standard and problems will need to be addressed urgently. A similar argument can be made for the high importance attached to general management and control, within which we include terms such as business support, decision support and business partnering.

Human resource Management: Human Resource Management is the new approach to managing people in any organization. People are considered the key resource in this approach. It is concerned with the people dimension² in management of an organization. So that an organization is a body of people's acquisition, skills development, higher levels motivation, attainments³ and ensuring management of their

level of commitments. These are all significant activities. These activities are fall in the domain of human resource management.

Human Resource Management is a process, which contains four main activities namely acquisition of people, development of people, motivation of people and as well as maintenance of human resources⁴.

Human Resource Management is that the wing of management which is responsible on a staff basis for concentrating on these aspects of operations, are primarily concerned with the relationship of management to employees and employees to employees and with the development of the group and the individual.

HRM is responsible for maintaining⁵ wealthy human relations and it is also concerned with the development of individuals and achieving integration of goals of the management.

Human resource management is the planning, organising, staffing, directing and controlling of the human resource, development, resources to the end that individual and societal objectives are accomplished. This definition explains that human resource management is the aspect of management, which deals with the planning, organising, staffing, directing and controlling the personnel functions of the organisation.

Financial Management is the process of taking financial decisions based on the data collected by accounting. Human Resource Management is a process of placing right person at

right place and at right time, HRM keeps its prime focus on the development⁶ of human resource, financial management canalize the investment and expenditure of any firm for maximizing its profit. Human Resource Financial Management (HRFM) is a thought to develop a new approach to cope up with the problems, which are remain unanswered by HRM and FM. They both fulfill the objectives of the others. HRM says that the optimization of the efficiency of the human resources is the investment made on the human resource can be reaped and for that employees requires a higher level of motivation and job satisfaction, where as FM says that the compensation⁷ of the employees improves where the job satisfaction can reach to the optimum level and hence they can have a higher motivation level. So that the both statements are complementary to each other, but the problem arises when there are any unexpected phase in the business cycle, resulting in considering investment in human resource is expenditure and questioning its reliability, also it weakens the proposal of human resource development activities and even some times results in retrenchment. HRFM can be an approach for taking decisions at such point of time where FM and HRM, individually incapable in selecting the best investment alternatives.

Human Resource Financial Management: A glance at Evolution' – to the limited extent that it is understood – explain us that it has not been a easy, regular process. It is open characterized by a certain lumpiness, sometimes new species have emerged or existing ones got considerably⁸ modified close to each other while at other times species have remained unchanged for long time. We also study instances of 'Disruptive' improvements, incidents which have considerably modified the succeeding situation, either by closing of dominant species or creation of new species which were much better suited for the succeeding conditions. An apt example is mass extinction of Dinosaurs, which were then the dominant species on the planet. Similarly, the modern world – post Second World War – has seen some major modifications, such as emergence of East Asian Economies, followed by that of the BRIC countries and the paradigm-changing Global Recession⁹ of this century, which is still not fully over and which has led to most prevailing ideas and thoughts in the fields of Economics and Management being questioned. It is important for us to go back in time for us to be able to admire and understand the difference in the pace of human development, in both terms of physical and intellectual attributes. Since the time man started thinking, he has been striving for his betterment and to make his life simpler and more satisfying. In this endeavor, he has been prone to use all available resources, without paying much thought to the future. This had led to the two biggest crises facing 'Mankind' and the planet 'Earth', i.e.: i. Scarcity of Resources. ii. Huge Demand.

It has been presented with these two crises, modern global society and polity had to change its way of thinking. Man is

being forced to pay attention to the changing environment and the attitudes of 'Business' and 'Consumers' are changing. So that we have seen concerted deliberations and actions at the global level:

i. Directed at conserving natural resources, and ii. Directed at controlling the intensity and spread of the recent Global Recession. Evolution of time is accompanied with the change in the thought process on business. Modern businesses have to subscribe to the Triple Bottom-line approach, paying heed to People, Planet and Profit, in that order. In modern times, business has had to develop a new vision, changing its prime function from Profit Maximization to Shareholder Wealth Maximization Management thought evolved to change the attitude¹⁰ of Management towards its Employees, resulting in formation of the Human Resource Management discipline. Traditionally Finance function worked towards achievement of a focused goal. Wealth Maximization, while the Human Resource Management function laid stress on welfare and development of employees. Sometimes, Finance and accounting functions are erroneously¹¹ considered closely similar, whereas actually they have very distinct roles. While Accounting has as its primary objective diagnosis of the status of the business, Financial Management is focused on assisting the Decision Making activity in businesses, based on interpretation of data provided by Accounting. A business entity which is essentially a cluster of various departmental activities can be successful only when it is able to integrate activities of all its departments and create suitable linkages between them to achieve the two goals of optimum distribution of scarce resources and profit maximization. For attaining the Wealth Maximization objective, traditionally the primary goal of businesses is to optimize the input variables are considered the best solution.

Human Resource Management function concluded that instead of expenditure, Human Resource is an asset to the organization, the value of appreciation with time if provided with the right support as Training and Development, Career Advancement Opportunities and measures for enhancing 'On-the-Job Satisfaction'. However, it was observed that despite optimization of all input variables, output reached to a business. This led to evolution of the concept of Human Resource Development, for betterment of businesses. This leads to the integration of employee's individual goal with the organizational goal and results in increased 'Employee Productivity'/ 'Organizational Profit'/ 'National and Social Wealth'. Wealth Maximization Finance function's says that business compensates employees adequately for the purpose of improving employee satisfaction and substantial expenditure on developing their career advancement opportunities, such as conducting Training and Development activities. This is a cost to the business but 'Finance' is unable to accurately measure if the employee oriented programs are giving sufficient returns to the business. To cope with this dilemma, a new discipline. 'Human Resource Accounting' (HRA), emerged. Following

this approach resulted in the output derived going beyond the plateau that had become an obstacle earlier. This new discipline has benefitted businesses tremendously, primarily through providing a comprehensive tool for measuring Human Resource assets versus the expected returns and recording the same for bookkeeping purposes. In this way, the HR function contributes to achievement of the goal of shareholders.

Its prime objective is to provide information about the earning potential of human resource of the organization to all decision-makers. The development of the concept also stresses on the necessity of identifying the time horizon for investment in human resource, since investment in human resource as an asset is only beneficial to the extent to which the Human Resource asset appreciates¹². It also provides comparative information regarding cost and benefit associated with investments in human resource. During times when businesses experience an unexpected, declining phase in the business cycle, investments made on human resource start getting questioned¹³. Since making an investment in a depreciating asset is not considered a wise decision, investment in human resource in its depreciating/declining or saturation stage is generally avoided. This difference in the notions of finance and HR departments has drawn the attention of the author and brought forth the idea of developing the concept of HRA further to take it to a higher level of sophistication¹⁴. Human Resource Accounting consists of techniques of measuring and recording expenditure done on Human Resource Development. This expenditure starts getting treated as a cost, instead of investment, and finance department starts curtailing this investment on human resource to achieve cost minimization. Thus HRA's very basis gets questioned and, at times, is rejected. The intention of the author is to help evolve a new discipline (or sub-discipline) that, at this early stage, is being tentatively named 'Human Resource Financial Management' (HRFM). It is hoped that HRFM shall be able to provide solutions for the problems and questions that remain unanswered by HRA, solutions to problems such as: i. What weights should be assigned to different attributes? ii. What should be the norms for quantification of subjective attributes, which can work as the basis for bookkeeping of the investments made on and returns derived from human resource assets? iii. How best to measure the value of the human resource asset on the basis of these attributes? iv. How best to record those qualitative factors in quantitative terms, in the books of accounts? v. How best to utilize the data recorded in account books for determining the optimum course of action? vi. How can aggregate, organization wise KSA analysis can be done? vii. Are KSAs able to define the value of human resource asset satisfactorily? viii. If KSAs alone are insufficient, what additional factors can serve the purpose of defining the value of the human resource asset satisfactorily?

HRFM progressively evolves and gets established as a field of study that can help businesses in decision making, it shall find its correct place automatically. An important point is whether HRFM

should be considered a sub-discipline of Finance or HRM or it should be considered an independent discipline in its own right.

Literature Review: Many researchers are talked about the individual traits/roles of different functional managers in the organisations but here it is the new idea for managing the internal and the multi disciplinary management of financial management and the human resource management for the effective achievement of the organizational goals. This chapter reveals that how the financial management impact is on the effective management of the human resource Management.

Need of the study: The need of financial management for the development of Human resource management ensures the employee wellbeing, long term Financial stability and profitability of the organization, off course the role of financial management and the need of the finance is predominant in every functional area of the successful organization since the main key internal functional areas within the organization can reflect in the performance of the organization.

Objectives: To know the impact of Financial Management on Human Resource Management Development, to develop a strategic plan for recruitment, retention, and training, to analyze finance functions in order to compare other's HR developments and initiatives, to implement substantial and sustainable cost-containment strategies, to ensure significant increase in Human resources planning and development for optimum utilization of Human Resources, to implement substantial and sustainable cost-containment strategies on Human Resource.

Hypothesis

Alignment and integration are the keys to the success and effectiveness of global talent management and are proven to correlate strongly with superior business performance, both financial and non-financial. Companies that effectively align their talent management programs with their business strategies and integrate these programs with each other and across the organization deliver significantly higher financial returns. Past empirical research has mostly investigated the effects of HRM practices on financial performance and some on efficiency and employee turnover. Some indication of the possibility that the wider in the organizations certain formally defined HRM practices are applied, the better the outcome in terms of certain financial results will be under considerable support for the hypothesis that investments in such practices are associated with lower employee turnover and greater productivity and corporate financial performance. The main effect of internal career opportunities appears to be insignificant. Thus it would also seem unjustified to argue that the better the organizations do financially, the more career opportunities there are and to the extent that the organizations are also pursue an innovation strategy, it further increases the career opportunities. The impact of High Performance Work Practices on corporate performance is

in part due to their influence on employee turnover and productivity. Financial aspects (compensation, general benefits, employment security) can have (more) indirect influences on psychological empowerment by attracting and keeping competent employees in the organization, thus increasing the possibility of psychological empowerment.

Conclusion

The availability of data on human resource management at individual firm level limits the scope and depth of our analysis, but the preliminary investigation seems to reveal a set of robust findings concerning the effects of multi disciplinary management are more likely to have effective management practices that deviate from the traditional practice. This paper has provided a brief overview on recent changes in two important aspects of the financial arrangement and human resource management, and an examination of the combination between the two aspects. For example, those companies were less likely to have the awards for longtime employees.

The current analysis just examines the presence or absence of an employment management practice without asking more detailed questions about the ways the practice is implemented. There are several shortcomings in the current analysis, which make our conclusion only tentative.

This important task is left for future research. That is small sample size is a serious constraint for this study. Since it may takes a series of systematic survey to collect the data that would better illuminate the relation between financial management and human resource management.

To this end, the need of the hour is to combine the strengths of the two traditional disciplines. Proposing the Financial management and the Human resource management strategies to develop the organization is a new field of study is a attempt to synergistically combine the benefits of Finance functions and HRM, for the benefit of business. Financial management and the Human resource management strategies can prove to be the tool for harnessing the inherent benefits of the two related disciplines, to carry businesses on the path of enhance productivity and profitability by closing the open loops of the two prevailing disciplines.

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