



Munich Personal RePEc Archive

# **Managing People in Organizations: Perspectives of Creativity, Innovation and Entrepreneurship**

Dissanayake, D.M.N.S.W.

University of Kelaniya, Sri Lanka

24 August 2012

Online at <https://mpra.ub.uni-muenchen.de/40854/>  
MPRA Paper No. 40854, posted 26 Aug 2012 15:52 UTC

# **Managing People in Organizations: Perspectives of Creativity, Innovation and Entrepreneurship**

*D.M.N.S.W.Dissanayake.*

*Department of Commerce and Financial Management  
Faculty of Commerce and Management Studies*

*University of Kelaniya*

*Sri Lanka.*

[neelacksha911@gmail.com](mailto:neelacksha911@gmail.com)

## **Abstract**

The business environment is highly intense and every corporate is seeking for strategies for survival and positioning the value proposition in a proper manner. Besides, the human factor is considered as vital in this regard. Properly selected, recruited, trained, motivated and performing individuals are a key asset for any organization regardless of the business sector. Thus the function of human resourcing is considered as imperative. Further, in the perspective of strategic, the HR department intends to develop HR plans and strategies which are aligning to the organizational strategic direction and the overall business strategy. Various tools and procedures need to be identified in order to execute the strategy. This review detailed about the importance of human resource management in recent business challenges and how the value depends on upon the effective execution of human resource framework. Pertaining empirical investigations have also used to illustrate the importance of managing people at work.

**Key Words:** Entrepreneurship, Human Resource Management.

**JEL Classifications:** O15, Z000, L26

## **Business challenges of today's world**

At present the business world is constantly changing. Every corporate adopt innovative practices to obtain the position in the market. Adding to that, the business environment is highly intense and filled with many players. Authors define the environment as turbulent, dynamic and stable depending on the uncertainty. Further, business challenges are highly implicate to small entrepreneurs as well. Since they are incapable of finding the correct source of finance has become a critical concern in this regard. Basically entrepreneurs face challenges when they start their businesses. Some of the business changes are elaborated below.

At the outset, developing a vision and a business idea is fundamental. Usually this is the foremost challenge for an entrepreneur. It is not an easy task to find the right business opportunity and creatively developing the business idea to initiate. I would like to define it as 'Envisioning the business idea' the primary task of an entrepreneur. It is important to state, as an entrepreneur, he must able to identify what others cannot identify. In this regard, it is worthwhile to state about the importance of segmentation what the marketing guru Philip Kotler defined. The segmentation of a desired market means that the consumers are divided according to different bases of segmentation, (Salaimeh, 2008). Another explanation would be; dividing the market into smaller and manageable homogeneous groups, (Philip, Armstrong, Wong & Saunders, 2009). The notion of segmentation can be practiced according to different bases. One categorization would be geographic, demographic,

psychographic, and behavioral segmentation, (Philip, Armstrong, Wong & Saunders, 2009).

In fact markets can be segmented in different ways. The visionary CEO of Sony; Akiyo Morita identified a market segment for his most famous 'Walkman', which enabled people listen to music in privacy whilst doing their day to day things such as walking, travelling and so on. Today finding new categories is very challenging, for every conceivable category there is an alternative or a substitute. Alternatives in marketing are direct competitors whilst substitutes are indirect competitors. Those who market water will find alternatives such as carbonated drinks, ready to drink fruit juices, king coconut and coconut juice etc. Energizer drinks, fresh milks, fresh fruits and ice creams are substitutes. Beer and stout too is a substitute as all of them, in whole or part are thirst quenchers and satisfy the needs and wants of the thirst market.

The carbonated drinks category can be divided into cola drinks sub-category, flavored clear drinks sub-category, flavored colored drinks sub-category represented by multi-national brands Pepsi & Coke, 7 UP and Sprite and Mirinda and Fanta respectively. Above illustrations give an insight to the importance of segmentation in markets. Various brands and categories have been selected and identified the importance of segmentation for their respective markets.

One might ask as to whether a business can create markets. But markets guild up of segments that already exists. A business can create a category or sub-category to satisfy a need of an existing market segment or segments. A good example is

the market segment built up those who need prevention from cavity formation. Once this segment is identified and found to be substantial the business can develop a value proposition to serve that need. Perhaps herbal product for prevention of cavity formation would be need satisfying.

Thus, identifying the correct business opportunity is the initial task. Moreover, once the business idea is identified and the transformation the business idea into business plans also another important aspect. Transformation of the business idea to a feasible business opportunity can be elaborated as follow. Initially the entrepreneur could identify the problem. Secondly, keen evaluation is needed to assess the opportunity in the problem identified. Therefore, he can come up with a feasible solution. This leads to develop the business opportunity into a workable business idea; finally, the entrepreneur can integrate the solution into the business plan. Another way could also be identified where the entrepreneur is developing the business as a challenge. Here the entrepreneur is acting as a sorcerer. Some people tend to assess past and present dealings in the business. But here forecasting about the future is required.

Second most important challenge is raising the required capital to the business. When it comes to sources of finance number of ways are available. Small entrepreneurs tend to contribute their own savings. Large firms tend to contribute to alternative methods such as issuing shares etc. identifying the correct and the most suitable source would be a definite challenge to the entrepreneur. Improper identification of the correct source could lead to obstacles to the business.

Thirdly, assembling the team with proper personnel is also another dominant issue. For small firms round table strategic business teams are vital to success. They tend to meet regularly and they often engage with brainstorming sessions as well. Thus this allows modifications to the business operations. All entrepreneurs are with weakness and strengths. It is important to identify correct mixture of personnel to mitigate weaknesses.

Fourthly finding the ideal location to the business is also important. Apparently, it is an easy task. But obviously it is hard to define. Followings are some factors that need to be considered to identify the correct location. Ease of accessing the raw material is important. The distance to locate the raw material increases the cost of the firm. In this regard, ease of accessing the cheap labor is also important. Finally it is significant to identify the existing economic and political stability with regards to the business. Though political concerns are not directly involved with the business it is important to recognize the political surroundings as well.

Fifthly overcoming potential competition is also important. It can be state the competition is a definite benchmark for creativity of the business. Adding to that, to gain a competitive advantage and to position the value proposition, innovations are critical.

In a nutshell, Snell & Bohlander, (2007), illustrated some possible challenges to organizations that need to be overcome. Those can be stated as follows. Every business is now spreading through its geographical regions. Simply stated they are going globally. When businesses are going globally every corporate adopt

innovative and strategic practices to enhance their capabilities. So therefore one can identify that going globally is a major concern in today's businesses. Further, new technologies are booming day by day. Businesses tend to adopt contemporary practices of new technology to gain benefits. Thus initiatives in technology are also another critical concern in this regard. And also people nowadays tend to change. They do not remain on a plateau. To cope with those changes businesses tend to make novelty initiatives to position the value proposition properly.

### **The effective role of Human Resource Management**

Human resources management is a critical aspect in an organization as it enables an organization to achieve a competitive advantage. Properly selected, recruited, trained, motivated and performing individuals are a key asset for any organization no matter they are in manufacturing or service sector. Such employees can enable the organization to achieve and sustain the growth and momentum of any organization operating in any industry at domestic scale or international scale. However the emphasis on human resource management can vary depending on the organization and what they are trying to achieve. Even though every organization has to devote its valuable time and money in order to develop its strategic resources the practice of that could be different in different organizational settings, (Snell & Bohlander, 2007).

When it comes to HRM, the roles are prime importance. The most important HRM roles can be elaborated as follows.

- Organizing and planning for people in the organization and the work.
- Acquisition of the people and development
- Pertaining policy execution programs and practices

Roles and functions pointed out above can be elaborated as follows in detail.

### **Organizing and planning for people in the organization and the work**

In the perspective of strategic the HR department tend to develop HR plans and strategies which are align to the organizational strategic direction and the overall business strategy. Various tools and procedures need to be identified in order to execute the strategy. Adding to that, integration is required organizational legislations and socio-political aspects. Further, a proper communication and formulation of HRM policies is also required. Some kind of a scanning the organizational environment is also being done to detect the emerging trends of the business environment. When it comes to strategic movements such as mergers and acquisitions, people related issues are also need to be considered within the HR function. Finally, in the strategic perspective, an illustration of the values and philosophy with regards to people management in the organization, (Snell & Bohlander, 2007).

Further the organizational design is also another aspect among this role. Under this pertaining work analysis and recommendations should need to be taken in the organization. Finally recommendation is required for the organizational structure and design.

## **Acquisition of the people and development**

Under the acquisition of pertaining people in the organization, staffing the organization appropriately is a must. Within this function, the department determines the long term perspective of HR needs, assess the current resource and competencies, and identification of areas of need is being done. When it comes to staffing the organization, the requirements for particular tasks should be defined. An appointment of the representative committee will be done. Adding to that, a determination of a method of job analysis is also required in the organization. Finally, the recruitment and selection is being done after the compilation of the job description. Implementation of the recruitment strategy is accomplished within the organization or externally. Methods of recruitment is also needs to be defined by the HR department. Some of the available recruitment methods are personal agencies, job posting and advertising. Placement of the staff is done prioritising the benefits of the organization. The personnel should be match with organizational environment. The management of termination is also need to be evaluated from the HR function. Staff turnover rates are measured and accounted accordingly.

According to the requirements of the legislation training and development strategies are made. In this regard the improvements in productivity and delivery are highly concern. To identify the necessity of the training and development, training need analysis is vital. This assessment provides facts pertaining to the requirement of the training of the organization. Soon after the training need identification, training is conducted within the organization. With

regards to the return on investment, evaluation of the training need is accomplished.

The sub function of career management is done based on the aspirations of the individual's expectations and aspirations of the organization. When attempting to this a proper management of the career related issues is fundamental,(Snell & Bohlander, 2007). Adding to that, career related issues with regards to the surroundings of the organizational restructuring, outplacements and downsizing strategies is also prime importance.

The performance management of the organization is done linking with the pertaining HRM systems of the organization. Assessing performance is done in individual level and as a whole of the organizational level. The notion of industrial relations is the other important and last sub sector of this function. Developing and communicating of industrial procedures and policies are done in line with the legislative environment of the organization. Required negotiations and necessary disciplinary and grievance hearing procedures are implemented at this stage.

## **Pertaining policy execution programs and practices**

Most importantly the compensation management is discussed under this. Compensation strategies developed should be in line with the overall legislative environment of the organization. With the identification of the pertaining legislative environment compensation systems are developed for the organization. Managing overall labour costs is a critical concern in this regards. When it comes to information

management current information with regards to employees related to decision making will be provided illustrating the possible process and measurements of the HRM function. Emerging trends also could be acknowledged under this. The integrated HRM administration will be provided by the administrative management sub function. Employee data management is also done by under this function. Lastly, in this main function, financial management plays a vital part. The HRM budgets are built for HRM functions respectively. The funds are raise with effective negotiations. Primarily these functions strive to add a value to the organization with an effective demonstration of and understanding of the business. Adding to that, the function measures the financial impact of human resource systems as well, (Snell & Bohlander, 2007).

### **Contribution of the HRM functions to overcome the challenges of the organization**

To identify how HRM functions assist to overcome challenges of the organization, let's look at the significance of measuring HRM activities.

Dimension in most HR departments is more often than not limited to processes measuring costs and not viewing value added (HRPS, 1993). There is now the very important need to validate each monetary value invested, measure up to strategies to decide utmost value, and to make a decision on where to invest particularly as companies mix up to stay alive after the September 11 tragedy. Pepitone (1997) repeated that HR leaders should be acquainted with how to demonstrate the value-added of their services because management is more and

more necessitating departments to give confirmation of their value. In addition, Sorensen (1995) stated that the most excellent method for HR to gain trustworthiness so that it can make significant alternations is for practitioners to gauge the cost and efficiency of what they do. And they have to put that into verbal communication that senior executives appreciate: financial consequences. HR managers need to calculate the cost and efficiency of their actions far more intimately than they have in the precedent. Many organizations have been compulsory and are ongoing to decide ways of being more gainful. Many of the other functions counting finance, accounting, and marketing are clever to demonstrate a return on investment for their own hard work, so given the augmented importance on HR practices, it is very important for HR to be able to illustrate its efficiency in creating worth for the association. The new HR is distorted roles compare itself to any other role, not only through adapted worth creation strategies, but throughout outcomes, qualitative and quantitative dimensions, and straight relationships to productivity.

The straightforward option of presenting HR's value or becoming extinct as a department presents itself to HR professionals and known the burly faith of HR as a foundation of added value in associations, there is no option than for HR professionals to be clever to quantitatively and qualitatively give details its strategic position in the association. There has been considerable confirmations more than the years to demonstrate the association among HR and organizational recital as summarized by (Yeung & Berman, 1997).

It can be stated that, effective human resource activities increases organizational

performance is empirically verified by Voorde, De, Paauwe, Veldhoven, (2010) and Cappelli, Peter, Hefter, Anne, (1996). Therefore it can be stated that HRM

functions are effectively contribute to the goodness of the organization and to overcome challenges listed above.

## References

Salaimah, M. A. L. (2008). Marketing concepts; segmentation and the product development process. *European Journal of Scientific Research*, 23(03), 454-457.  
Retrieved from <http://www.eurojournals.com/ejsr.htm>

Philip, K. Armstrong, G. Wong, V. Saunders, J. (2009). "Marketing defined". *Principles of marketing* (5th Ed.).

Snell, S. Bohlander, G. (2007), Human Resource Management, India Edition.

HRPS. (1993). *Human resources department effectiveness: measurement and benchmarking's role*: Human Resource Planning Society.

Pepitone, J. S. (1997). Four ways to measure HR's value. *HR Focus*, 74(6), 13-15.

Sorensen, N. M. (1995). Measuring HR for success. *Training & Development*, 49(9), 49.

Yeung, A., & Berman, B. (1997). Adding value through human resources: reorienting human resource management to drive business performance. *Human Resource Management*, 36(3), 321-335

Voorde, Van De, Paauwe K. J., Van Veldhoven, M., (2010). "Predicting Business Unit Performance Using Employee Surveys: Monitoring HRM-Related Changes", *Human Resource Management Journal*, 20: 1, p.44, pp. 44–63.

Cappelli, Peter, Crocker-Hefter, Anne, (1996) "Distinctive Human Resources are Firms' Core Competencies", in: Randall S. Schuler, Susan E. Jackson, *Strategic Human Resource Management*, 2nd Edition, Blackwell, USA, 2007, p.191.