

# Human Resource Management and Supply Chain Management Intersection

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**ABSTRACT :** Supply Chain Management (SCM) is, today, a familiar management terminology. Although supply chains in industries have been in existence for quite some years, it is only in the last decade or so that SCM has begun to be viewed and treated as a strategic component of business management. This is mainly due to its ability in the present context, which can and does result in, sustainable competitive advantage for supply chain organizations as a whole and supply chain partners, individually. Hence, this article examines the specific role of HRM and Organizational Behavior (OB) specialists in performing the functions of Staffing, Training, Evaluation and Compensation effectively, to support optimal performance of the entire supply chain as an integrated unit.

## I. INTRODUCTION

Supply chain as an activity has been dominant from the past two decades. Of course, as we are more and more influenced and impacted by globalization and the service economy of the 21<sup>st</sup> century, supply chains have also embraced activities involving e-commerce, retailing, etc. According to Harland (1996), there are four sequential phases: 1) the internal flow of materials and information, 2) the dyadic relationships with immediate suppliers and customers, 3) the extended relationships with the supplier's supplier and the customer's customer, and 4) the network of inter-connected businesses involved in the delivery of product and service packages.

Mentzer (2001) defines supply chain as: "A systems approach to viewing the supply chain as a whole, and to managers the total flow of goods from the supplier to the ultimate customer". Another definition goes as follows: "Supply chain is a network of facilities and distribution options that performs the functions of procurement of materials, transformation of these materials into intermediate and finished products, and the distribution of these finished products to customers."

Taking into account, the essence of these definitions and also keeping in mind, the requirements of this article (for using it to interface with HRM concepts), it is necessary to derive certain HR and SCM-re-lated postulates. As we know, HRM deals with Human Resource Planning and Acquisition of Talent (Human resource), otherwise known as staffing, employee relations management, and finally development and compensation, in HRM research also, four key areas of human resource activity are consistently identified in the literature and in texts; they are: staffing, training, evaluation, and compensation.

In the entire gamut of HRM activity, the following employee-related outcomes are needed for successful supply chain to operate in the organization. These outcomes are intra-company outcomes. The SCM organization will do well to ensure that these employee outcomes are driven with top management support. The outcomes are listed below:

- ❖ Efficiency,
- ❖ Speed of response,
- ❖ Supply chain orientation,
- ❖ Systems thinking,
- ❖ Service-level agreement,
- ❖ Direct interaction with customers/end users;
- ❖ Internal customer orientation,
- ❖ Multi-tasking,
- ❖ Ability and agility, and

# International Journal of Innovative Research in Science, Engineering and Technology

(An ISO 3297: 2007 Certified Organization)

Vol. 3, Issue 3, March 2014

- ❖ Commitment, cooperation and team spirit.

These outcomes are products of (employees) acquiring and applying suitable competencies at work. The key competencies in demand in this area are likely to be:

- ❖ Deeper knowledge of technology fundamentals,
- ❖ Strong communication and collaboration skills,
- ❖ Ability to learn new things faster,
- ❖ Good team management skills,
- ❖ Flexibility to adopt to new roles,
- ❖ Ability to get work done, and
- ❖ Analytical skills and problem-solving ability.

These outcomes and competencies of employees are general and not arranged in any order of priority. However, at the same time, the outcomes are all desired for successful supply chains to operate. It may be that, some of them operate with varying degrees of importance at specific points of time in the course of supply chain. In order that the HR professional understand his/her role in helping the organization achieve the outcomes listed above, HR expectations and business- driven expectations as given in Table 1, need to be borne in mind. Though it is true that these expectations have a bearing on the overall organizational climate, culture, etc., some of the outcomes have to be driven by HR and some by the business manager. This exercise is necessary in order to determine the role profile of HR, in the context of supply chain orientation among its employees.

There is a need for caution. The above division of outcomes on people should not be treated as watertight compartments. In fact, these outcomes can sustain over a long period of time and become part of work culture, only when joint responsibility is taken by both the HR and Business Manager. It is only then that HR will be really seen as responding to the emerging challenges of the supply chain team. A discussion about each of these outcomes will enrich the HR manager about the new expectations and also the business manager about taking active support from HR, to demand service in order to obtain business driven outcomes. First of all, the HR-driven outcomes. Supply chain orientation should be present in the entire organization across levels and should be supported by the top management. Even, in spite of its own structure, employees at all levels should be sensitized to thinking and working with a proper supply chain orientation. In fact, supply chain orientation can be combined with other HR driven outcomes, such as internal customer orientation. Systems thinking is again primarily a situation, when each person in the organization is able to understand the transactions and the systems and respond accordingly to the customer and to realign the work processes. Systems thinking is a part of Learning Organization (Senge R 1994) concept and there is a big role for HR to act as an en-abler to build or convert the organization into a Learning Organization. Commitment, cooperation and team spirit are essentially connected with the organization culture and leadership aspects and hence, they are primarily to be driven by HR and the top management. The other business-driven outcomes on people are to be essentially driven by business because many of them are related to the operational aspects and connected to the core of the job. As this is primarily business driven, the elaboration on these outcomes is not discussed because it is beyond the scope of this article.

The next question that arises is how do these outcomes impact HRM activities? How should HR respond to the challenges generated

| Table 1 : Desired Outcomes              |   |
|---|---|
| HR-Driven Outcomes                      | Business-Driven Outcomes                  |
| Supply chain orientation                | Service-level agreement                   |
| Systems thinking                        | Direct interaction with customer/end user |
| Internal customer orientation           | Multi-tasking                             |
| Commitment, cooperation and team spirit | Ability and agility                       |
| Efficiency                              | Speed of response                         |

by the new situation to make the employees perform with supply chain orientation, perform with systems thinking, possess

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internal customer orientation, show commitment, cooperate and show better teamwork? It looks a tall order indeed! But it won't be a tall order, once the HR manager is able to understand the business dynamics and also starts interacting proactively with the business manager, right from the stage of job analysis till the stage of performance evaluation. In fact, the role of a HR Manager is to understand business intricacies, to align with the needs of business which will bring HR to the numerator! To understand how these new outcomes on people impact HRM gamut of activities, the following methodology may be used.

## II.METHODOLOGY I

This assumes that the HR Manager will be delivering services as a separate function. In this scenario, there is a need for HR Manager to acquire new competencies to perform satisfactorily, the new expectations from the role with supply chain orientation. In other words, there is a need for a 'new look HR Manager' who is able to perform HR functions with supply chain flavor! Table 2 shows the competencies from a supply chain point of view. Each function of the HRM is considered separately.

Table 2 gives an idea of supply chain aspects, where HR Managers can contribute effectively.

### Staffing

The staffing competencies of assessing team compatibility, systems thinking, collaborative attitude and trustworthiness are all easily assessable. By now, HR Manager should be aware of the tests that can measure most of these factors.

| HR Function              | Staffing                     | Training                              | Evaluation                                     | Compensation                           | Remarks            |
|--------------------------|------------------------------|---------------------------------------|--|--|--------------------|
| Supply chain orientation | Assessing team compatibility | Customer focus                        | Individual performance                         | Pay for performance                    |                    |
| Cognitive skills         | Systems thinking             | TQM training                          | Team performance                               | Team bonus; team awards;               |                    |
| -do-                     | Collaborative attitude       | Supply chain orientation              | 360° appraisal                                 | Customer appreciation bonus            |                    |
| Affective learning       | Trust worthiness             | Service level agreements              | Flexibility to handle unexpected demand shifts | Shared services management             | System improvement |
| Psychomotor skills       |                              | Problem-solving and analytical skills | Ideas management                               | Suggesting awards on achieving savings |                    |

Where necessary, HR manager should supplement company-specific subjective or objective measures. At the beginning, some measures may be rough and indicative, but as these measures are practiced and refined, these measures will get fine-tuned and more accurate.

### Training

Employee training is an extremely critical second step. Unless, the company demonstrates the need to practice Customer Focus (CF) practices in the company and implements programs to internalize Total Quality Management Total Quality Management (TQM) philosophy, the supply chain orientation, which is the result of continuous training, will not be exhibited by employees in their day-to-day performance.

### Evaluation

Performance evaluation will be a joint exercise between the HR manager and the business manager. As individuals in

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Vol. 3, Issue 3, March 2014

supply chain will need to perform both, as individual employees and as members of the chain (team), performance evaluation is a very tricky exercise. In some workplaces, the rewards are fully based on team outputs and in some companies, these are individualized to a large extent, giving a small scope for team performance, for which team leader is held accountable. In many forward-looking organizations, a healthy ratio of individual/team rewards is maintained. In many US-based companies, the ratio is as high as 60:40.

## Compensation

According to the new orientation, the compensation structure will also need to undergo suitable changes. The concepts of pay for performance will be the basis, in addition to base pay fixed, which is payable according to legal requirements. Team bonuses will be the key factor driving team performance and flexibility. In order to encourage excellence at work, there is a need to promote customer appreciation bonus; special reward needs to be looked for predictable behaviors, which are to be reinforced. Another powerful way of achieving involvement and excellence is the concept of ideas management. In addition to cost, this concept drives employee pride and innovation.

## III.METHODOLOGY II

This methodology is based on the premise that the entire function of supply chain interface with HRM activities is performed by a small, is-functional team consisting of members from HRM and Business :as. In this methodology, the m operates as a self-directed n, with powers to summon, al-locate and utilize resources, include-human capital. The HRM function is of staffing, training, evaluation and compensation are allocated members of the team, based on there individual and collective competencies. In this arrangement, the crucial role will be that of the coordinator who will integrate all these activities to provide the supply un to act as the people's strength and when required. The coordinator is free to make use of suitable software for this purpose. In large organizations with global opera-ns, the managements have set up Lat is known as 'Talent Supply Lain Management' (TSCM) process. According to Thomas Elah, Executive Director, TPSA, "TSCM :he complete and integrated process required to hire, retain and as;n professional service profession-; to successfully win business and execute client engagements as efficiently as possible." The typical outcomes of TCSM can be: cost reduction, accelerating the time to mar-t, product value addition, etc. Traditionally, since HRM has been generally seen as a stand alone function, ere will be resistance to take a 2am approach' to staffing and her functions of HRM. This difficulty can be easily overcome by jobrotation and also training the members of the team in various HRM function. Similarly, the HR manager also needs to be trained in SCM processes d techniques. In other words, given to context of a Learning Organization, it makes sense to invest in con-LIUOUS improvement of all employees including this team, which is earmarked to take up SCM and HRM interface activities. This approach will ultimately result in the organization learning faster than its competitors. This is a competitive advantage in today's knowledge era. Ultimately, the Seven 'Cs' of Learning Organizations are achieved through this method, if properly implemented. The Seven 'Cs' identified (Bogue, 1994) are: Continuous, Collaborative, Collective, Connected, Captured, Codified and Creative.

The essence of this article lies in the fact that whether it is Methodology I or Methodology II, there is an impact of supply chain thinking on the HRM roles and functions. The entire gamut of HRM functions will need a fresh look, with the HR Manager wearing the cap of HRM/ SCM interface. This new role is just the beginning of the journey for SCM and HRM interface. In this article, discussion is confined to inter-company processes and systems. However, there is another important aspect in Supply Chain, i.e., SCM practices across companies engaged in a supply chain. This is the challenge of the next level, where the SCM interface with HRM is found across various companies in a supply chain, whether it is upstream company or downstream company, and the customer derives the benefit of more efficient and responsive chain partners (Ulrich& Brockbank, 2005).

## IV.CONCLUSION

As we shall see in future, SCM will become more and more important in the business context, with globalization spreading its wings further and deeper. Due to increasing levels of competition and also as companies look towards becoming learning organizations for gaining competitive advantage, HRM functions will receive and require a 'new look', and will need to have a new flavor. Hence, there will be a drastic shift in the role expectations of HR Managers. Organizations can

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(An ISO 3297: 2007 Certified Organization)

Vol. 3, Issue 3, March 2014

meet this challenge by following one of the two methods—one to improve the competency of the HR manager and allow him to function independently; two, to make him and others form a cross-functional team to manage the new role expectations. Whatever be the approach, it is certain that HRM in such SCM companies will have supply-chain oriented, collaborative and trust-based relationship practices that ensure better value to customers.

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