



HR Policies and Financial Management Strategies to Develop the Organization- A Review Paper

Shivani Parmar¹

¹PG Scholar

BVM College, Gwalior, M.P.

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 Though, this proposal is subjected to the condition of the business, which is being withdrawn considering as a minimizing- cost strategy and without considering any other factors. The strategic nature of HR decision making extends far beyond the doors of the HR department. Just as money changes hands and is important to more than those in a finance department, nearly all decisions in a company's purview involve HR in some way, shape, or form.

Keywords: *Financial management (FM), human resource management, human resource accounting (HRA), organization, strategies.*

1. INTRODUCTION:

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 dimension in management of an organization [1]. So that an organization is a body of people's acquisition, skills development, higher levels motivation, attainments and ensuring management of their level of commitments [2]. 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 resources [3]. HRM is responsible for maintaining wealthy human relations and it is also concerned with the development of individuals and achieving integration of goals of the management [4].

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 responsibility and the potential to significantly impact on organizational performance [5]. 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.

2. LITERATURE REVIEW:

Many researchers are talked about the individual traits/roles of different functional managers in the organizations 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.

3. 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 reflects in the performance of the organization.

4. 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.

5. 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 considerably modified close to each other while at other times species have remained unchanged for long time [6]. 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 Recession 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 [7]. 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.

Finance and accounting functions are erroneously considered closely similar, whereas actually they have very distinct roles [8]. 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 scares 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.

6. PRESUMPTION:

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. One 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.

7. 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.

8. REFERENCES:

1. Anvari M. and Gopal V.V., A survey of cash management practices of small Canadian firms, *Journal of Small Business Management*, 53 – 58 (1983) .
2. Arnold-McCulloch R.S. and Lewis J., Standards of financial management in the younger enterprise, Paper presented to the Eighth National Small Firms Policy and Research Conference, *University of Ulster, North Ireland*, (1985).



3. Back D., Success in Small Business: the Role of the Financial Adviser, *Longman Professional Sydney*, (1985).
4. Burns P., Financial characteristics of small companies in the UK, *Cranfield School of Management*, (1985).
5. Elliott J.W., Control, size, growth and financial performance in the firm, *Journal of Financial and Quantitative Analysis*, **7**, 1309–20, (1972).
6. Romualdo D., Anthony and Vijay Gurbaxani., Strategic Intent for IT Outsourcing, *Sloan Management Review*, 39 (1998).
7. Gorton M., Use of financial management techniques in the UK – based small and medium sized enterprises: empirical research findings, *Journal of Financial Management and Analysis*, **12**, 56–64 (1999).
8. Anderson A., Training in Practice, **1st** ed., Ed. *New Delhi: Infinity books*, (2000).