

# Review of human resource management in retail industry

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## Abstract

Organized retail, which is about 17% of the market, is expanding rapidly at 20% per year. This is driven by the emergence of large retail outlets and shopping malls. Research shows that another reason for the boom in organized retail is the emergence of middle class, which as of today is close to 300 million people – showing a growth of nearly 2% a year. HR is steadily moving up the value chain and becoming a critical stakeholder for the Industry. The dynamic nature of this market has made availability of talent indispensable for survival. The need for focused talent attraction, development and retention strategies has made it imperative for HR, traditionally seen as a support function in retail, to step up and take on a more strategic role. For HR to integrate with the Business as a strategic function we need to be clear on the Strengths and Opportunities that HR can build upon and simultaneously be aware of Weaknesses and Threats that can pose new challenges to HR in the retail industry.

**Keyword:** HR Management, Psychology, FMCG

## Introduction

The retail industry is facing serious talent crunch especially at the middle level management. Though unskilled labor is easily available for the sector at entry levels, it is very difficult to retain the talented manpower to succeed the current leaders. This is because of high attrition rates which hamper the development of leadership pipeline in the retail industry. The unorganized sector of the retail industry employs large temporary workforce in addition to the permanent employees to serve at lower levels. These include students, fresh graduates, and cyclical workers etc. who quit as soon as they find better opportunities elsewhere. An important problem in the retail industry is lack of professionally educated staff. Retail as an academic option at Masters level is relatively new concept and till last decade, only few universities were offering professional degrees in retail. This has created a gap in the demand and supply of talent into this industry. Traditionally, retail has been a career choice for less educated and young people who take this profession either to finance their education or to support their families and end up in the unorganized sector. But they cannot be expected to be experts of customer relationship management and supply chain management.

## Literature review

Research from Global Hunt India shows sector-wise analysis that is BPO, ITeS and aviation sectors will witness attrition level of as much as 40-45 per cent this year, followed by retail and telecom (35-40 per cent), IT (30 per cent), pharma and infrastructure (20-25 per cent), while research and development will see 15-20 per cent of attrition. The Indian retail market, which is the fifth largest retail destination globally, has been ranked as the most attractive emerging market for investment in the retail sector (AT Kearney's 2009). In 2007, the retail trade in India had a share of 8-10% in the GDP (Gross Domestic Product) of the country. In 2009, it rose to 12%. It is also expected to reach 22% by 2010. Among the 500 top retailers in Asia-Pacific 17 Indian retailers mark their position, as against 87 from China, 72 from Japan, 48 each from Korea and Taiwan, 40 from Australia, 38 from Hong Kong and 31 from Singapore (Retail Asia July 2008). According to the Compare Info base Limited, 2007, almost all the sectors in India are facing attrition, but the reasons and effects are unique to each sector like 50% in retail sector, 50% BPO sector, aviation 46%, telecom 30%, financial 40%, FMCG 17%, manufacturing, biotechnology 35%, pharmaceuticals 32% (Niketh S 2008).

Mobley et al concluded that a number of studies offered moderate support for a negative relationship between satisfaction with supervision and turnover (i.e. the higher the satisfaction with supervision, the lower the turnover). Lee & Corey stated that SCM consists of the integration activities taking place among a network of facilities that procure raw material, transform them into intermediate goods and then final products, & deliver products to customers through a distribution system. Giunipero et.al. in a recent literature review of a decade of SCM literature note that the literature, in reality, is still very fragmented and although several studies purport to discuss supply chain issues, most of the existing research only examines one link of the chain, or more importantly only focuses on one ingredient in the supply chain performance mix. The impact of human resource management (HRM) policies and practices on firms performance is an important topic in the field of human resource management, industrial relations, and industrial and organisational psychology. High Performance Work Practices, which can improve the knowledge, skills, and abilities of a firm's current and potential employees, increase their motivation, reduce shirking, and enhance retention of quality employees (Jones & Wright 1992). Retailers achieve their financial objectives by effectively managing their five crucial resources: their location, merchandise inventory, stores, employees and customers. Human Resource Management (HRM) is particularly vital in retail sector as they are labour intensive like service sector. HRM can be the basis of a sustainable competitive advantage for the following three reasons. First, labour cost accounts for a significant percentage of retailer's total expenses. Thus, effective management of employees can result in cost advantage. Second, the experience that most customers have with a retailer is determined by the activities of employees who select merchandise; provide information and assistance and stock display and shelves. Thus, organisation's talent plays a major role in differentiating a retailer's offering from its competitors offering. Finally, the potential advantages are difficult to duplicate.

## **Conceptual overview of human resource management activities**

Human Resource management (HRM) is centralized on the 'people' in management. The term HRM has received huge importance in the modern business due to its influences on organizational productivity. HRM is considered as the philosophy, policies, procedures and practices relating to the management of people within organizations. In the words of Michael J. Jucius, human resources as 'a whole consisting of interrelated, inter-dependent and interacting physiological, psychological and sociological and ethic components'. According to Leon C. Megginson, 'human resources are knowledge, skills, creative abilities, talents and aptitudes obtained in the population; whereas from the view point of the individual enterprise, they represent the total of the inherent abilities acquired knowledge and skills as exemplified in the talents and aptitude of its employees'. According to K. Ashwathappa, "Human Resource management refers to a set of programmes, functions and activities designed and carried out in order to maximize both employees as well as organizational effectiveness." Edwin B. Flippo, has defined human resources management as 'the planning, organizing, directing and controlling of the procurement, development, compensation integration, maintenance and reproduction of human resources to the end that individual, organizational and societal objectives are accomplished."

Human Resource Management activities are broadly classified into four functions or categories. These include:

- a) Acquisition of human resources
- b) Development of human resources
- c) Motivation of human resources
- d) Maintenance of human resources

### **Acquisition of human resources**

Acquisition process is mainly concerned with securing and employing the people possessing required kind and level of skills necessary to achieve the organisational objectives. The acquisition function begins with planning. It also covers other functions such as job analysis, human resource planning, recruitment, selection, placement, induction and internal mobility.

### **Development of human resources**

Development process is concerned with improving, moulding and changing the skills, knowledge, creative ability, and aptitude and values of the employees. The development function of human resources concentrates on three dimensions which include employee training, management development and career development.

### **Motivating of human resources**

The motivation function begins with the recognition that individuals are unique and that motivation techniques must reflect the needs of each individual. It is an area of management that deals with integrating people into work situation in a way that motivates them to work together productively, co-operatively and with economic, psychological and social satisfaction.

### **Maintenance of human resources**

The maintenance process is concerned with providing those working conditions that employees believe are necessary in order to maintain their commitment to the organisation. The objective of the maintenance function is to retain people who are performing at high levels.

### **HRM in organized retailing**

Employment market in India is lacking for skilled manpower. The retailing industry is generating huge employment opportunities especially in the area of organized retailing. The requirement of man power in the cut throat competition in the retail industry is rapidly increasing in all the functional areas of retailing organizations. The HR needs are increasing to see the customers at the retail outlets and to motivate them indirectly for more buying. HRM activities play crucial role in many areas including placing the right person in the right job, starting new employees in the enterprises, training employees for jobs that are new to them, improving the job performance of each person, gaining creative co-operation and developing smooth working relationships, Interpreting the company's policies and procedures, controlling labour costs, developing the abilities of each person, creating and maintaining department morale and protecting employees health and physical condition.

In retailing, human resources are needed for almost all aspects of activity – buying, inventory management, marketing, accounting, selling, training, packaging and dealing with customers. If not managed or coordinated effectively, adverse effects on all these functions will be noticeable. This will affect the firm's image, turnover and profits, and also reduce goodwill, which is important for maintaining and increasing the retailing firm's market share. HRM helps retailing to prove its ability, to stand efficiently before consumers, to create profitability, to provide better services, to help the economy to grow instantly, to improve the workforce and to be part of success of the organizations. Retailing Industry today is in the challenging mode and whizzing along on the fast lane. Being a labour intensive industry sector, workforce management has emerged as the single biggest task for human resources managers. Companies are being challenged to reorganise and adapt their employees to become more efficient.

## Findings & suggestions

The importance of human resources in the organizational point of view is need of the hour especially in the era of globalization. The effectiveness of human resources are directly influencing the organizational productivity. From the study on HRM activities in organized retailing, it is observed that all the three select retail companies have been actively engaged them selves in terms of man power planning and taking responsibilities over estimating manpower gaps. The comparative study on the acquisition of human resources for the three companies has shown that there is a significant difference in the perceptions of the employees with reference to acquisition of human resources in the three companies. The induction and training days in the organization has also shown that there is a significant difference in the three companies. The development programs in the company are not taken place which indicates that all the three companies are only focusing on the induction rather than continuous development programmes. Further, the appraisal process has also clearly revealed that almost all the companies are only focusing once in a year to make decisions on appraisal process and this is one of the key issues which is need to be considered.

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