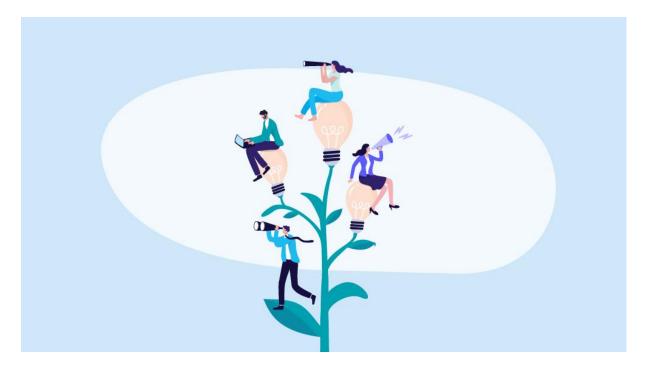# Why Is Human Resources Important?

8 Top Reasons

Written by Gem Siocon

Why is human resources important? Could it be because organizations with strong HR practices are [1.4 times more likely](#) to outperform their competitors and 2.5 times more likely to report effective talent management? Or it's because organizations with high employee engagement experience [23% higher profitability](#).

Knowing why HRM matters requires a holistic approach and learning how it affects your organization's success and growth. Let's explore how HR supports and nurtures an organization's most critical asset – its workforce.

What is HR?

HR is a department within an organization that deals with various aspects of employee-related matters. The primary functions of HR include recruitment and hiring, employee onboarding, managing employee benefits, payroll, employee relations, handling workplace issues and conflicts, and ensuring compliance with labor laws and regulations.

Modern organizations cannot be without HR. In the past, many organizations saw HR as a function to hire, fire and protect against compliance risk. Today HR is much more important, and the contribution stretches even further. Given the challenges of AI, an aging workforce, and global skills shortage, a good HR function is key to the success of the organization.

HR is responsible for maintaining a productive and harmonious work environment and supporting the organization's overall goals by effectively managing its human capital.

What is Human Resources Management (HRM)?

While HR and Human Resource Management (HRM) are often used interchangeably, there is a slight difference between the two. HRM encompasses the strategic approach and philosophy of effectively managing human resources. It includes various activities, processes, and policies that aim to align an organization's workforce with its strategic objectives, ultimately enhancing overall performance and gaining a competitive advantage.

These activities include:

- **Talent acquisition,** selecting qualified candidates to fill job vacancies, and ensuring a fair and unbiased recruitment process.
- **Training and professional development** by identifying training needs and designing, implementing, and evaluating the effectiveness of training programs.
- **Employee engagement and satisfaction** by creating a positive work environment that fosters employee engagement and satisfaction.
- **Compensation and benefits management** through offering fair and competitive pay and benefits. HR professionals conduct salary benchmarking, set pay ranges, manage payrolls, and designs benefit plans.
- **Resolving conflicts** between employees or between employees and management amicably and within the organization's guidelines. It also guides conflict resolution strategies, handles disciplinary procedures, and maintains a harmonious work environment.
- **Employee performance management** by setting clear expectations, evaluating performance, and providing feedback.
- **Managing the organization's reputation and image** with employees, customers, and the public. It upholds ethical standards, promotes diversity and inclusion, and communicates the organization's values and culture.

8 reasons why HRM contributes to business effectiveness

HRM is integral to any organization's success. By effectively managing human resources, HRM ensures business effectiveness by:

Fostering organizational culture

According to Forbes, organizational culture refers to the environment that employees are constantly immersed in. The human resource management (HRM) department plays a crucial role in shaping and cultivating this culture by establishing values, norms, and behaviors that align with the organization's mission and vision.

Additionally, HRM creates and sustains a positive work environment that fosters employee engagement, morale, and wellbeing. This supportive environment and positive work culture have increased employee productivity, satisfaction, and retention.

A recent [Deloitte Review](#) found that organizations with strong cultures experience 40% higher employee retention and 30% higher levels of innovation.

Driving strategic planning

As defined by the [Harvard Business School](#), strategic planning refers to the continuous organizational process of utilizing existing knowledge to outline an organization's intended direction. The HR department collaborates closely with senior leaders to align HR strategies with the organization's objectives.

Through this collaboration, the HR department identifies talent gaps, formulates workforce plans, and implements strategies to attract, develop, and retain skilled employees. This proactive approach ensures that the organization has the right motivated individuals in the appropriate positions, which fosters business growth and success.

HR has developed in leaps and bounds over the past decade. We have moved from a compliance function to a true strategic partner in business performance and an essential ingredient to sustained organizational success. *Dieter Veldsman, Chief HR Scientist – AIHR*

Promoting business sustainability and growth

HRM is on the frontline to support an organization's long-term sustainability and growth.

It can achieve this goal by leveraging several strategies:

- Support diversity and inclusion in the workplace
- Invest in employee wellbeing
- Promote ethical business practices
- Advocate for, measure, and report on sustainable business practices, such as paperless communication, transportation, recycling, and energy efficiency.
- Promote a healthy work-life balance
- Attract, retain, and develop top talent through continuous learning and development initiatives.

Ensuring legal compliance and risk mitigation

HRM ensures that organizations adhere to all federal and local labor laws, regulations, and industry standards. HR professionals must stay current with legal labor-related requirements to mitigate legal risks, avoid costly penalties, and maintain a compliant work environment.

Enhancing employee relations and productivity

The success of an organization greatly depends on the productivity of its employees. To achieve this, the HR department is crucial in creating a positive work environment that

maximizes employee productivity. They implement effective performance management systems, establish clear job expectations, and provide regular feedback and coaching.

These strategies help employees understand their roles and responsibilities, set performance goals, and continuously improve their performance. In fact, according to a survey, [89% of HR professionals](#) agree that regular feedback and clear expectations are key factors in engaging employees and fostering high productivity.

By increasing employee productivity, operational efficiency and overall business performance are enhanced.

Empowering managers

Managers are crucial in leading and managing their teams, directly interacting with employees. Therefore, they require support to fulfill their responsibilities effectively.

HR support for managers includes guidance on people management practices, training and development opportunities, and assistance with conflict resolution or performance issues.

When managers are empowered, several positive outcomes result:

- Enhanced employee-manager relationships
- Increased employee engagement and retention
- Improved decision-making
- Increased innovation
- Better problem-solving
- Increased customer satisfaction
- Enhanced organizational culture and agility

Attracting and retaining top talent

Recruiters and talent acquisition teams face significant challenges when it comes to attracting, hiring, engaging, and retaining top talent. To address these challenges effectively, the HR department focuses on developing recruitment strategies, building a compelling employer brand, and implementing efficient selection processes.

Additionally, they offer competitive salaries, attractive benefits, and opportunities for professional development. These efforts ultimately help organizations retain top talent, reduce turnover, and create a talent pool that drives business effectiveness and success.

Effective people management

HR leverages several strategies to optimize and achieve effective people management:

- Developing clear policies and procedures that promote fairness, consistency, and transparency
- Promoting a healthy work-life balance
- Strategic talent management

- Implementing performance management systems
- Data-driven decision-making
- Empowering managers and employees
- Facilitating effective communication and feedback
- Providing training and development opportunities

Strong people management practices build a motivated, engaged, high-performing workforce, increasing productivity and business effectiveness.

References:

Why Is Human Resources Important? 8 Top Reasons. available: https://www.aihr.com/blog/why-is-human-resources-hr-important/