10 Reasons HR is Important to an Organization

December 1, 2022   [Natasha Serafimovska](#)

"Nothing we do is more important than hiring and developing people."   Lawrence Bossidy, the former COO of General Electric

This is especially true with the current tectonic shifts in how people work and what they expect from their workplace.

These new trends have highlighted human resources (HR) management's crucial role in organizations. Whether it comes to attracting talent, training your existing workforce, or simply taking care of compliance and corporate culture, HR acts as the glue that keeps the whole organization together.

Startups and smaller businesses often fall prey to poor HR planning as they prioritize other business needs instead. However, setting up a good HR foundation from the very beginning can help a business of any size thrive and avoid issues in the future. Here, we answer *why is HR important to an organization.* Then, we'll identify some tools HR professionals use to keep things in order.

What Are Human Resources?

The idea of human resources [originated from the Industrial Revolution](#). Two entrepreneurs, Robert Owen and Charles Babbage, noticed that employee happiness directly impacted their productivity and the business's bottom line. In the past, HR primarily focused on recruitment and disciplinary actions. The field has since evolved to look after all aspects of people management within the business. Currently, HR embodies the more nuanced aspects of employee well-being and building a healthy corporate culture.

What Does HR Actually Do?

Unlike other [jobs that don't require a degree](#), most HR jobs require at least a Bachelor's due to the immense responsiblity the HR department takes on. It's actually the biggest reason why HR is so important. The organization's HR department is responsible for ALL aspects of employee management. It also ensures the business complies with local (and international, if applicable) employment laws. This includes tasks such as

- hiring

- overseeing employee performance

- researching employee benefits

- managing holiday allocation and sick leave.

Since the pandemic, HR professionals are also in charge of drafting remote work strategies and implementing systems that will ensure seamless collaboration regardless of where or how an employee works.

10 Reasons Why Human Resources Is Important

Let's dive a bit deeper into why HR is important to any organization with a small, medium, or large workforce:

Manage Recruiting

Attracting and retaining talent is easier said than done. Recruitment has been particularly painful for businesses in recent years as [people quit their jobs in droves](#). HR professionals must keep an eye out for the latest trends and best practices to incorporate those into the recruitment strategy of the business.
Without a dedicated team looking after recruitment, you can easily fall behind your competitors. As a result, you expose your business to skills gaps and inefficiencies that can impact business performance.

Strategic Management

Another reason why HR is important has to do with the fact that they strategically build talent maps. Consumer and market shifts directly impact how the business evolves and what skillsets it may need in the short, mid, and long term. HR is directly involved in anticipating these needs and taking prompt action to avoid disruptions in business activity and performance.

Hiring New Employees

Your HR department takes on roles and tasks that recruiters are often responsible for. This includes reviewing job applications, conducting interviews, and making job offers. Considering there are currently [more vacancies than unemployed people](), [86%]() of HR professionals feel that recruitment is becoming more akin to marketing than anything else. For that reason, HR staff must be able to "sell" you as an employer and make competitive offers that will stand out against the competition.

Training Staff

Corporate training is another key area of driving business performance, as the skills employees need are continuously evolving. Companies often have to anticipate the skills their employees will need in the future and identify the gaps in their skill sets to provide adequate training. Not to mention, they also have to keep individual employees' aspirations and career ambitions in mind.

A recent study found that more than [70%]() of today's skills will soon become obsolete due to rapid changes induced by COVID. As we advance, employers will look to HR to keep the workforce well-trained and up-to-date.

Manage Wages and Salaries

Compensating employees for their work is another big focus area for HR. Despite the enormous demand for more flexibility, employees still prioritize [salary as the main differentiator]() when applying for a job.
So, the HR department's job will be to create salary bands and ensure fair payment. They must also ensure that annual raises and bonuses are clear, effective, and in line with business performance.

Look after Company Benefits

Company benefits are a great way to stand out in a sea of hundreds of other employers who may be vying for the attention of job seekers. However, the executives in charge of business growth and product development don't have time to think about innovative ways to attract talent.

That's where HR comes in. The HR department is in charge of creating attractive benefits packages. These packages don't just get new employees through the door. They also help retain current employees who may be on the fence. Sick leave policies, maternity coverage, healthcare insurance, and pension contributions are some perks that help keep and retain all-star employees.

Establish Company Culture

Businesses have become increasingly aware of how company culture impacts business performance. Glassdoor's 2019 Mission and Culture Survey found that 77% of job seekers consider corporate culture before applying for a job. Healthy culture massively impacts morale, employee productivity, and your overall brand as an employer. So, the HR department's role also includes creating a culture where employees feel safe and appreciated.

Safety & Risk Management

Health and safety are essential to ensuring a safe work environment for your employees. This is particularly important in high-risk industries such as construction or manufacturing. It also applies to other industries with procedures for fires, earthquakes, or other environmental hazards.

HR should also observe national or federal laws when drafting safety policies for other types of risks – firearms or violence, for instance.

Compliance Management

HR must stay abreast with local, national, and federal laws pertaining to employee safety and rights. Staying informed and incorporating regulations in the internal HR policy helps avoid sanctions and exorbitant lawsuits.

Investigate & Resolve Conflict

Conflict is an unavoidable part of life, especially when people work together for an extended time. HR departments, in this context, are in charge of putting systems in place that will mitigate such situations and acting as a mediator should it be necessary.

HR is also the go-to department in sensitive situations where an employee may have an issue with their superior or if they feel harassed or unsafe in the workplace.

Why Human Resource Management is a Growing Industry?

The human resource management market was worth [$19.38 billion in 2021](#). Experts expect it to grow by a compound annual growth rate (CAGR) of 12.8% from 2022 to 2030. That is due to two reasons:

1. The competition for attracting talent is growing and

2. More efforts are being put into utilizing data for hiring and training practices.

So, if you want to advance in the HR field, you should [highlight your data, tech, and marketing skills.](#)

How Do Human Resource Management Systems Boost HR Performance?

Businesses are racing to attract talent and develop existing skills to drive business performance. As a result, HR professionals rely more and more on data and analytics to plan and execute their HR strategy. Technological systems, such as HRM systems, have become necessary for scaling.

HRM systems often come with standard functionality like payroll and holiday management. Still, many also focus on using data to track employee performance, suggest training and manage the overall employee lifecycle with that company.

Examples of HRM Software

There are many options, and your choice will depend highly on your organization's size and budget. Here are a few examples of HRM systems that can give you an idea of what's available on the market:

- [Workday](#) – this is a cloud-based HR software aimed at businesses of all sizes. It helps businesses with workforce planning, talent management, and payroll processing.
- [Sage HR](#) – this is an ideal tool for small and medium-sized businesses who want to optimize performance appraisals, time-tracking, expenses, and their employee directory.
- [Oracle HCM](#) – if you're already an established business with 1,000+ employees, then Oracle HCM can be a great fit. The platform comes with standard payroll and performance management functionality but also offers special functionality depending on your industry needs.

Bottom Line

In only three years, the world of work was turned on its head. And as people's priorities shift and businesses face stiffer competition, HR will be central in keeping organizations agile and their workforce productive.

If you haven't already, now is a great time to review your HR practices and see what changes you may need to implement. Instead of becoming paralyzed by the sheer volume of work that sits ahead of you, start small. Streamline your day-to-day operations and then look at leveraging data to build a thriving, future-proofed HR function for your business.