SCHOOL OF MANAGEMENT STUDIES

UNIT – I - STRATEGIC HUMAN RESOURCE MANAGEMENT – SBAA7019

1. INTRODUCTION

1.1 STRATEGY

Strategy is a high-level plan to achieve one or more goals under conditions of uncertainty. Strategy is an action that managers take to attain one or more of the organization's goals. Strategy can also be defined as "A general direction set for the company and its various components to achieve a desired state in the future. Strategy results from the detailed strategic planning process".

- Chandler defines Strategy is the determination of the basic long-term goals of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals.

- Mintzberg defines Strategy is a mediating force between the organization and its environment: consistent patterns in streams of organizational decisions to deal with the environment.

- Prahlad defines Strategy is more then just fit and allocation of resources. It is stretch and leveraging of resources

- Jauch and Glueck defines "Strategy is a unified, comprehensive and integrated plan that relates the strategic advantages of the firm to the challenges of the environment. It is designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organisation."

1.1.1   NATURE OF STRATEGY

Based on the above definitions, we can understand the nature of strategy. A few aspects regarding nature of strategy are as follows:

- Strategy is a major course of action through which an organization relates itself to its environment particularly the external factors to facilitate all actions involved in meeting the objectives of the organization.

- Strategy is the blend of internal and external factors. To meet the opportunities and threats provided by the external factors, internal factors are matched with them.

- Strategy is the combination of actions aimed to meet a particular condition, to solve certain problems or to achieve a desirable end. The actions are different for different situations.

- Due to its dependence on environmental variables, strategy may involve a contradictory action. An organization may take contradictory actions either simultaneously or with a gap of time. For example, a firm is engaged in closing down of some of its business and at the same time expanding some.

- Strategy is future oriented. Strategic actions are required for new situations which have not arisen before in the past.

- Strategy requires some systems and norms for its efficient adoption in any organization.

- Strategy provides overall framework for guiding enterprise thinking and action.

1.1.2   CONCEPT OF STRATEGY

The concept of strategy is based on three subsidiary concepts:

- Competitive advantage

- Distinctive capabilities and

- Strategic fit.

Competitive advantage

The concept of competitive advantage was formulated by Michael Porter (1985). Competitive advantage, Porter asserts, arises out of a firm creating value for its customers. To achieve it, firms select markets in which they can excel and present a moving target to their competitors by continually improving their position.

Distinctive capabilities

A distinctive capability or competence can be described as an important feature that confers superiority on the organization'. Kay extends this definition by emphasizing that there is a difference between distinctive capabilities and reproducible capabilities. Distinctive capabilities are those characteristics that cannot be replicated by competitors, or can only be imitated with great difficulty. Reproducible capabilities are those that can be bought or created by any

company with reasonable management skills, diligence and financial resources. Most technical capabilities are reproducible.

Strategic fit

The concept of strategic fit states that to maximize competitive advantage a firm must match its capabilities and resources to the opportunities available in the external environment. A critical aspect of top management's work today involves matching organizational competences (internal resources and skills) with the opportunities and risks created by environmental change in ways that will be both effective and efficient over the time such resources will be deployed.

1.1.3   FORMULATION OF STRATEGY

Strategy formulation refers to the process of choosing the most appropriate course of action for the realization of organizational goals and objectives and thereby achieving the organizational vision.

The process of strategy formulation basically involves six main steps. Though these steps do not follow a rigid chronological order, however they are very rational and can be easily followed in this order.

1. **Setting Organizations' objectives -** The key component of any strategy statement is to set the long-term objectives of the organization. It is known that strategy is generally a medium for realization of organizational objectives. Objectives stress the state of being there whereas Strategy stresses upon the process of reaching there. Strategy includes both the fixation of objectives as well the medium to be used to realize those objectives. Thus, strategy is a wider term which believes in the manner of deployment of resources so as to achieve the objectives. While fixing the organizational objectives, it is essential that the factors which influence the selection of objectives must be analyzed before the selection of objectives. Once the objectives and the factors influencing strategic decisions have been determined, it is easy to take strategic decisions.

2. **Evaluating the Organizational Environment -** The next step is to evaluate the general economic and industrial environment in which the organization operates. This includes a review of the organizations competitive position. It is essential to conduct a qualitative

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and quantitative review of an organizations existing product line. The purpose of such a review is to make sure that the factors important for competitive success in the market can be discovered so that the management can identify their own strengths and weaknesses as well as their competitors' strengths and weaknesses. After identifying its strengths and weaknesses, an organization must keep a track of competitors' moves and actions so as to discover probable opportunities of threats to its market or supply sources.

3. **Setting Quantitative Targets -** In this step, an organization must practically fix the quantitative target values for some of the organizational objectives. The idea behind this is to compare with long term customers, so as to evaluate the contribution that might be made by various product zones or operating departments.

4. **Aiming in context with the divisional plans -** In this step, the contributions made by each department or division or product category within the organization is identified and accordingly strategic planning is done for each sub-unit. This requires a careful analysis of macroeconomic trends.

5. **Performance Analysis -** Performance analysis includes discovering and analyzing the gap between the planned or desired performance. A critical evaluation of the organizations past performance, present condition and the desired future conditions must be done by the organization. This critical evaluation identifies the degree of gap that persists between the actual reality and the long-term aspirations of the organization. An attempt is made by the organization to estimate its probable future condition if the current trends persist.

6. **Choice of Strategy -** This is the ultimate step in Strategy Formulation. The best course of action is actually chosen after considering organizational goals, organizational strengths, potential and limitations as well as the external opportunities.

1.1.4 STRATEGY IMPLEMENTATION

Strategy implementation is the translation of chosen strategy into organizational action so as to achieve strategic goals and objectives. Strategy implementation is also defined as the manner in which an organization should develop, utilize, and amalgamate

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organizational structure, control systems, and culture to follow strategies that lead to competitive advantage and a better performance.

Steps in implementing a strategy:

✔ Developing an organization having potential of carrying out strategy successfully.

✔ Disbursement of abundant resources to strategy-essential activities.

✔ Creating strategy-encouraging policies.

✔ Employing best policies and programs for constant improvement.

✔ Linking reward structure to accomplishment of results.

✔ Making use of strategic leadership.

Excellently formulated strategies will fail if they are not properly implemented. Also, it is essential to note that strategy implementation is not possible unless there is stability between strategy and each organizational dimension such as organizational structure, reward structure, resource-allocation process, etc.

1.2 EVOLUTION OF SHRM

The evolution of SHRM are summarised here:

1. From Personnel Management to HRM:

Traditionally, it was the initial stage to perform the HR functions in the managerial set up in the form of personnel department. There were mainly the functions of staffing and maintaining the labour relations at every sphere of organisational set up. The personnel management was more centralise and bureaucratic with some old and traditional approaches. It was not viewed as involved in the competitive or strategical areas of business. Before the year 1970, the emergence of HRM as replacement for personnel management was taken up. The main task of HRM is to ensure the achievements of organisational goals through the commitment of people and it is often believed in that HRM is just a more modern term as compared to the traditional personnel management.

2. From HRM to SHRM:

For the last four decades, it was the dynamic and competitive business environment resulting from globalisation has led top managerial cadres to bring a new focus on HR to be organises and managed. It was a basic perception that how the HRM managed and contributes to the effective role and performance of organisation. Now the HR function has to develop more dynamic and strategical viewpoints. The late 1980th and early 2000s witnessed an integrated approach was developed between HRM and business strategy. More attention was given on the relationship of HRM with the strategic management of organisation. In the 21st century the HRM has the approaches of HR cognition, HR learning, knowledge of HR, network of HR and HR development within the purview of strategic managerial scenario.

It was the proactive role of HRM which have concerned with organisational effectiveness, strategical framework, behavioural aspects, resource utilisation, capacity development and change environment. Since the HR provide and contribute a lot of different competitive advantages to the organisation, it is needful to integrate HR practices with the emergence of new strategical viewpoints of corporate business areas. With the emerging role of strategic planning of HR, integrated approach of HR systems, strategical business environment and new avenues of organisational effectiveness was emerged. There have been a dynamic shift from the concept of HRM to Strategic Human Resource Management.

Strategic human resource management is the process of linking the human resource function with the strategic objectives of the organization to improve performance. Attracting and keeping talented and skilled employees is one of the most important challenges organizations face in today's dynamic business world. No strategy, no matter how well designed, will work unless the organization has the right people, with the right skills and behaviors, in the right roles, motivated in the right way and supported by the right leaders. A company can develop a competitive advantage through the skills and competencies of its people. So to be successful more value must be given to people.

- Strategic human resource management is the proactive management of people to the desired value to them. It is designed to help companies better meet the needs of their employees while promoting company goals.

- SHRM is a philosophy of people management based on the belief that human resources are uniquely important to sustain business success.

- SHRM aims to ensure that the culture, style, and structure of the organization and the quality, commitment and motivation of its employees contribute fully to the achievement of business objectives.

- HR strategies combine all people management activities into an organized and integrated program to meet the strategic objectives of an enterprise.

1.3 SHRM DEFINITION

"Strategic human resource management means formulating and executing human resource policies and practices that produce the employee competencies and behaviors that the company needs to achieve its strategic aims."- Gary Dessler

"Strategic human resource management is an approach to making decisions on the intentions and plans of the organization concerning the employment relationship and the organization's recruitment, training, development, performance management, and the organization's strategies, policies, and practices." – Armstrong

Strategic human resource management (SHRM) is defined as "the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals". – Wright & McMahan

1.3.1 NATURE OF SHRM

- Long-term Focus: As business strategies have a long-term orientation, therefore, focus of SHRM is also long-term probably more than one year

- Associated with Goal-Setting: SHRM is highly related with setting of objectives, formulation of policy and allocation of resources and it is carried out at all levels of top management.

- Interrelated with Business Strategies: There is an interrelation between business strategies and SHRM. E.g. it gives significant inputs when business strategy is formulated, and human resource strategies (like recruitment, staffing, training and performance appraisal)

- Fosters Corporate Excellence Skills: SHRM considers employees as the strategic potential of the organization and on that basis makes effort to differentiate the organization from its competitors present in the markets. It also promotes learning of modern skills

1.3.2 COMPONENTS OF STRATEGIC HUMAN RESOURCE MANAGEMENT

This definition implies the following four components of SHRM:

1. It focuses on an organization's human resources (people) as the primary source of competitive advantage of the organization.

2. The activities highlight the HR programs, policies, and practices as the means through which the people of the organization can be deployed to gain competitive advantage.

3. The pattern and plan imply that there is a fit between HR strategy and the organization's business strategy (vertical fit) and between all of the HR activities (horizontal fit).

4. The people, practices, and planned patterns are all purposeful, that is, directed towards the achievement of the goals of the organization.
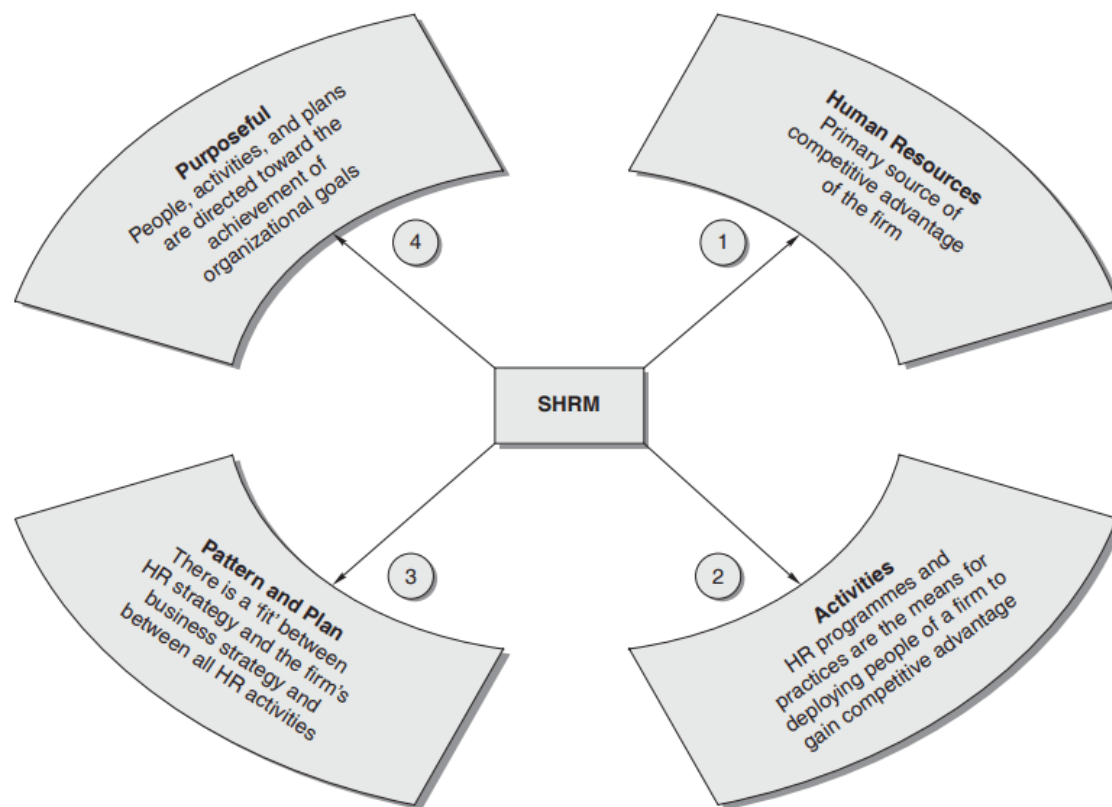
Purposeful
People, activities, and plans are directed toward the achievement of organizational goals

Human Resources
Primary source of competitive advantage of the firm

Pattern and Plan
There is a 'fit' between HR strategy and the firm's business strategy and between all HR activities

Activities
HR programmes and practices are the means for deploying people of a firm to gain competitive advantage

SHRM

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1

3

2

Fig 1: Components of SHRM

1.3.1 OBJECTIVES OF SHRM

(a) Plan for manpower requirements for its business located in national and international markets.

(b) Conduct scientific selection and appointment of employees for business operation of right type and right in number.

(c) Train the employees on technology in use and working procedure for developing their skills and knowledge.

 (d) Place the employees at jobs according to their areas of specialization.

(e) Provide opportunities for the employees deserving on the scientific basis.

(f) Compensate employees according to their skills, experience and contributions.

(g) Maintain employees motivated, satisfied and cooperative in organisation.

(h) Improve industrial relations, industrial peace and harmony at workplace.

(i) Encourage employees for their cooperation, commitments and higher performance at work.

(j) Contribute through manpower in improvement of organisational performance and organisational effectiveness in business.

(k) Contribute in profitability, progress and image of the organisation.

(l) Stay competitive and effective in business for growth and excellence in global market.

For effective accomplishment of the objectives the Strategic HRM should keep in mind the interests of all concerned parties or stakeholders in the organisation in designing its strategies. The main stakeholders are employees, employer and management. The focus of SHRM should be on human relations, regular development, empowerment of employees; leadership, communication, welfare and security of employees, quality of work life.

1.3.2 NEED FOR SHRM

- The first & at most concern of SHRM is to focus on actions that distinguish an organization/firm from its competitors.

- It provides idea to allocate the resources of organization to most match & capable Employee.

- It design the foundation of organization to achieve efficient business benefits, structure, culture, employees values propositions and effective communication strategic plan for HRM.

- SHRM also keep track of down turns, down falls, risks and other business acquirement.

- SHRM also take part in employee recruitment, hiring, training and assessments processes.

- SHRM add its expression in business's decision making task.

- Strategic Human Resource Management give emphasis to organizational codes of moral values and manage public crash of business.

- SHRM provide tactic and proposal to the director of organization.

- SHRM take your business to the new level, integrates HR workflow, defines new goals, aligned employee work force for business flourishment.

1.3.3   IMPORTANCE OF STRATEGIC HUMAN RESOURCE MANAGEMENT

1. Identifying and analysing external opportunities and threats that may be crucial to the company's success.

2. Provides a clear business strategy and vision for the future.

3. To supply competitive intelligence that may be useful in the strategic planning process.

4. To recruit, retain and motivate people.

5. To develop and retain highly competent people.

6. To ensure that people development issues are addressed systematically.

7. To supply information regarding the company's internal strengths and weaknesses.

8. To meet the expectations of the customers effectively.

9. To ensure high productivity.

10. To ensure business surplus thorough competency.

1.3.4   ROLE OF SHRM

The major roles of Strategic HRM in an organisation are given below:

1. Strategic role – The strategic role of HR involves formulating business decisions, translating corporate strategy into a human resource strategy, and training employees to concentrate on customer needs.

2. Information and decision-making role – In this role, the HR department must inform and advice the organisation about the various best practices like efficiency in customer services or new product development. In the information and decision- making role, HR must take decisions about problems in employee relations.

3. Strategic HR functional role – This is a very important role. In this role, HR must select, design and implement planning and appraisal systems for the employees. These systems should fit both the strategy and the culture of the organisation concerned.

4. Administrative role – In this role, HR must implement policies and procedures for the organisation. In addition, the HR department must try to improve the administrative system of the organisation. SHRM organises various training and development programmes to encourage employee involvement. It thus, motivates the employees to become flexible to achieve the strategic goals of the organisation.

1.3.7 HR AS ASSETS - VRIO Framework:

The VRIO Framework or VRIO Model is part of the Resource-Based View (RBV), which is a perspective that examines the link between a company's internal characteristics and its performance. RBV is therefore complementary to the Industrial Organization (I/O) perspectives that look more at external factors such as competitiveness in order to determine performance and profit potential .

The supporters of RBV argue that organizations should look inside the company to find the sources of competitive advantage instead of looking at the competitive environment. The key concepts within this view are therefore Firm Resources and Sustainable Competitive Advantage. Firm resources can be defined as 'all assets, capabilities, organizational processes, firm attributes, information and knowledge controlled by a firm that enables it to improve its efficiency and effectiveness'.

Resources are often classified into categories such as tangible (e.g. equipment, machinery, land, buildings and cash) and intangible (e.g. trademarks, brand reputation, patents and licenses) or physical, human and organizational resources. In order for companies to transform these resources into sustainable competitive advantage, resources must have four attributes that can be summarized into the VRIO framework.

Valuable:

First and foremost resources must be valuable. According to the RBV, resources are seen as valuable when they enable a firm to implement strategies that improve a firm's efficiency and effectiveness by exploiting opportunities or by mitigating threats.

Rare Secondly, resources must be rare. Resources that can only be acquired by one or few companies are considered to be rare. If a certain valuable resource is possessed by a large amount of players in the industry, each of the players has a capability to exploit the resource in the same way, thereby implementing a common strategy that gives non of the players a competitive advantage. Such a situation is indicated as competitive parity or competitive equality. In case a company does possess a large amount of resources that are valuable and rare, it is likely to have at least temporary competitive advantage.

Inimitable

Although valuable and rare resources may help companies to engage in strategies that other firms cannot pursue since the other firms lack the relevant resources, it is no guarantee for long-term competitive advantage. It may give the focal company a first-mover advantage but competitors will probably try to imitate these resources. Another criteria that resources should meet is therefore that they should be hard and costly to imitate or substitute.

Organization

The resources themself do not create any advantage for a company if the company is not organized in way to adequately exploit these resources and capture the value from them. The focal company therefore needs the capability to assemble and coordinate resources effectively. Examples of these organizational components include a company's formal reporting structure, strategic planning and budgeting systems, management control systems and compensation policies. Without the correct organization to acquire, use and monitor the resources involved, even companies with valuable, rare and imperfectly imitable resources will not be able to create a sustainable competitive advantage. When all four resource attributes are present, a company is save to assume it has a distinctive competence that can be used as source of sustainable competitive advantage. Below is a diagram that sums up the four VRIO attributes and the resulting advantages the company has in different situations.
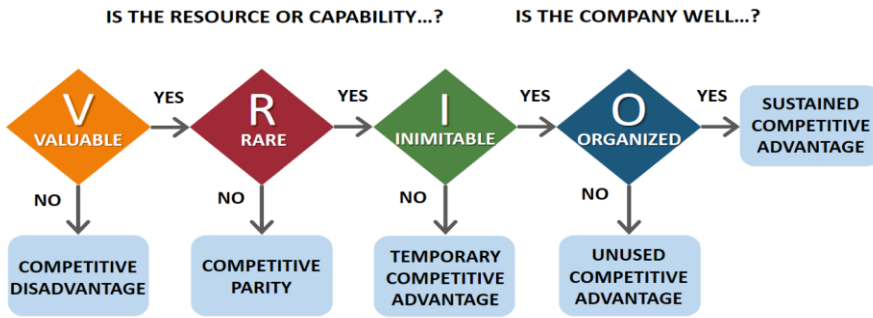
IS THE RESOURCE OR CAPABILITY...?   IS THE COMPANY WELL...?

| V VALUABLE | →YES→ | R RARE | →YES→ | I INIMITABLE | →YES→ | O ORGANIZED | →YES→ | SUSTAINED COMPETITIVE ADVANTAGE |

NO → COMPETITIVE DISADVANTAGE
NO → COMPETITIVE PARITY
NO → TEMPORARY COMPETITIVE ADVANTAGE
NO → UNUSED COMPETITIVE ADVANTAGE

Fig 2: VRIO Framework

1.4 TRADITIONAL HRM VERSUS SHRM

. The major points of differences between the two are;

Basis	Traditional HRM	SHRM
Responsibility for HR programs	Staff personnel in the HR department	Line managers; all managers responsible for people are HR managers
Focus of activities	Employee relations— ensuring employee motivation and productivity, compliance with laws	Partnerships with internal (employees) and external (customers, stakeholders, public interest groups) groups
Role of HR	Reactive and transactional	Proactive and transformational, change leader
Initiative for change	Slow, piecemeal, and fragmented, not integrated with larger issues	Fast, flexible, and systemic, change initiatives implemented in concert with other HR systems
Time horizon	Short-term	Consider various time frames as necessary (short, medium, or long-term)

Control	Bureaucratic control through rules, procedures, and policies	Organic control through flexibility, as few restrictions on employee behavior as possible
Job design	Focus on scientific management principles—the division of labor, independence, and specialization	Broad job design, flexibility, teams and groups, and cross-training
Important investments	Capital, products, technology, and finance	People and their knowledge, skills, and abilities
Accountability	Cost center.	Investment center.

1.5 DIFFERENCE BETWEEN SHRM AND HR STRATEGIES

The terms strategic human resource management and human resource strategies are often used interchangeably, however, some distinction can be made between the two.

In a general sense, the difference between SHRM and HR strategies is similar to that between strategic management and corporate business strategies. Both SHRM and strategic management describe an approach adopted by the management and focus on long-term issues and provide direction to the organization.

Human resource strategies and business strategies are outcomes of this approach which focus on the organizational view concerning key issues and specific functions, or activities.

SHRM	HR Strategies
A general approach to the strategic management of human resources.	Outcome (manifestation) of the general SHRM approach.
Aligned with the organizational intention about its future direction.	Focus on specific organizational intentions about what needs to be done.
	Focus on specific issues that facilitate the

Focus on long-term people issues.	achievement of corporate strategy.
Defines the areas in which specific HR strategies need to be developed.	Human resource strategy decisions are derived from SHRM.
Focus on macro concerns such as structure, culture.	
Strategic HRM decisions are built into the strategic business plan.	

1.6 HARD VS. SOFT HRM

Hard HRM:

The focus here is to identify workforce needs so you can recruit and manage as you need to (including hiring staff, or making others redundant).

The main features of this approach are

- Regular changes in employee numbers.
- Little business transparency.
- Lower wages.
- Little to no empowerment of employees.
- Appraisal systems that focus on good and bad performance.
- A more old-fashioned style of leadership.

Soft HRM: This approach treats employees as an essential resource in your business—if not the most important one of all. This makes it a more progressive outlook. One where you treat staff members as individuals. The soft HRM model focus is for the needs of your staff, including rewards and motivation.

- Focussing on long-term planning for your business and its workforce.
- An open and transparent business model with good communication.
- Competitive pay, relying on salary benchmarking and bonus packages.
- Employee empowerment.

- Appraisal systems that identify training opportunities and professional development.
- A more democratic type of leadership.

1.7 LINKING HR PRACTICES TO BUSINESS STRATEGY AND ONE ANOTHER

This issue of fitting HR practices to business strategy is becoming increasingly important and relevant HR issues for HR staff and line managers. HR fit involves making sure HR activities make sense and help the organization achieve its goals and objectives.

The three aspects of HR fit are:

1. **Vertical fit**

   This aspect of vertical fit concerns the coincidence between HR practices and overall business strategy.

2. **Horizontal fit**

   This relates to the extent to which HR activities are mutually consistent. Consistency ensures that HR practices reinforce one another.

3. **External fit**

   The third aspect concerns how well HR activities match the demands of the external environment. Ensuring these aspects of fit requires HR practice choices. The challenge is to develop internally consistent configurations of HR practice choices that help to implement the firm's strategy and enhance its competitiveness.

   There is a need for strategic flexibility along with a strategic fit for the long-term competitive advantage of the firm. The fit is defined as a temporary state in an organization, whereas flexibility is defined as the firm's ability to meet the demands of the dynamic environment. The two types of flexibility identified are:

- **Resource Flexibility**

  Resource flexibility is the extent to which a firm can apply its resources to a variety of purposes. It also involves the cost, difficulty, and time needed to switch resources from one use to another.

- **Coordination flexibility**

  Coordination flexibility concerns the extent to which an organization has decisionmaking and other systems that allow it to move resources quickly from one use to another. This task is accomplished by having an effective partnership between HR managers and line managers.

1.8 STRATEGIC FIT:

Strategic fit expresses the degree to which an organization is matching its resources and capabilities with the opportunities in the external environment. In addition, strategic fit also examines the resource base of the organization and explores how they can be utilized to achieve maximum benefits. Resources can be classified both as tangible and intangible:

Tangible: ▪ Financial (Cash, securities) ▪ Physical (Location, plant, machinery)

Intangible: Technology (Patents, copyrights) Human resources Reputation (Brands) Culture

Strategic fit" is an often-used term in strategic goals. It is a crucial part of strategic process management. Two important key factors that help organization achieve strategic fit are the planning and implementing strategy. Strategic fit portrays an organization's ability to utilize its resources and depicts how well it is performing in making the most of the internal and external environmental issues as well as strengths and opportunities. Strategic fit is linked to the effective utilization of resource by a business organization which implies that profitability cannot be only achieved through positioning and selecting the right industry for the organization but rather through focusing on internal factors that make use of the inimitable distinctiveness of the organization's assortment of resources and competences. Strategy fit is all about managing and modifying strategies, which includes formation of business structure to support the way it operates through the progression and correlation; achieving success by the use of available resources, such as people, technology and information, and adjusting the strategy to face new challenging situations

RESOURCE-BASED VIEW (RBV)

The resource-based view of the firm (RBV) represents a fundamental change in SHRM thinking by focusing on the internal resources of the organization, rather than external. This approach particularly seeks to build a 'unique bundles' of HR practices as a source of sustainable competitive advantage.

In order to have competitive advantage keeping key employees loyal is essential.For an example, a luxury restaurant management provides a unique platform for employees where they customize their kitchen based on the Chef's needs & desire, this strategic HR approach is a core competence that will make your employees feel like business partners. Another example of using (RBV) approach in attracting & wining back employees who matters to your business. A trading firm offers their key employee's a comprehensive benefits scheme through providing flexible hours initiatives which allows them to work from home; such HR practices acts as a valuable resource which will reduce the threats of them leaving you and heading to the competitor.
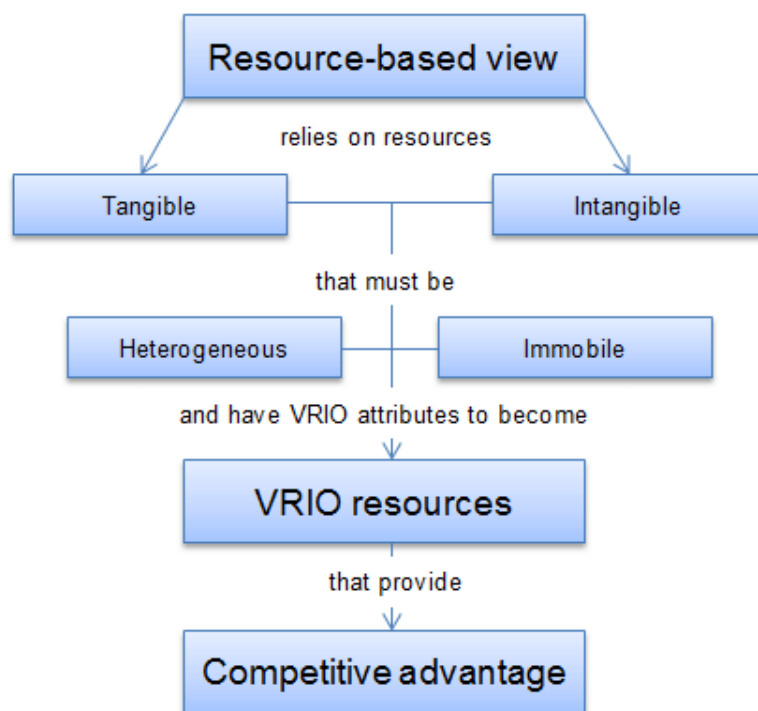

Fig 3 : RESOURCE-BASED VIEW (RBV)

The resource-based view (RBV) is a way of viewing the firm and in turn of approaching strategy. Fundamentally, this theory formulates the firm to be a bundle of resources. It is these resources and the way that they are combined, which make firms different from one another. It is

considered as taking an inside-out approach while analysing the firm. This means that the starting point of the analysis is the internal environment of the organization.

Resources

Resources of the firm can include all assets, capabilities, organizational processes, firm attributes, information and knowledge. In short resources can be considered as inputs that facilitate the organization to perform its activities. All resources that an organization has may not have strategic relevance. Only certain resources are capable of being an input to a value creating strategy which put the organization in a position of competitive advantage. An organization's resource should have four attributes to provide the potential for competitive advantage.

The VRIN characteristics :

- **Valuable -** When resources are able to bring value to the firm they can be a source of competitive advantage.

- **Rare -** Resources have to deliver a unique strategy to provide a competitive advantage to the firm as compared to the competing firms. Consider the case where a resource is valuable but it exists in the competitor firms as well. Such a resource is not rare to provide competitive advantage

- **Inimitable -** Resources can be sources of sustained competitive advantage if competing firms cannot obtain them. Consider the case where a resource is valuable and rare but the competing organizations can copy them easily. Such resources also cannot be sources of competitive advantage

- **Non-substitutable -** Resources should not be able to be replaced by any other strategically equivalent valuable resources. If two resources can be utilized separately to implement the same strategy then they are strategically equivalent. Such resources are substitutable and so are not sources of sustained competitive advantage. The VRIN characteristics mentioned above are individually necessary for the resources to be valuable

1.9 BEST PRACTICE VS. BEST FIT APPROACH

Most organizations don't place a high enough focus on human capital management as a component of core competence. In order for organizations to be successful in any market, they

must have a strategic approach in managing human resources which will lead in creating a workforce that provides a sustainable competitive advantage.

The relationship between performance and human resources management can be linked into two strategic approaches which are the "best practice" & "best fit".

Best practice

The Best-practice model claims that certain bundles of HR activities exist which **universally** support in improving Any organizational performance in reaching a competitive advantage regardless of the organizational setting and irrespective of the location & size. What works well in one organization will not necessarily work well in another because it may not fit its strategy, culture, management style, technology or working practices.

Best fit

On the other hand, Best-fit approach is also known as the contingency model and proponents of this approach assert that there is no universal way of doing things as what might work well in one place may be unsuccessful in another place. This vertical integrated approach the proposition that organizations will be more effective if they adopt a policy of strategic configuration by matching their strategy to one of the ideal practices, where leverage is gained through the close link of HR policies & practices to the business objectives.
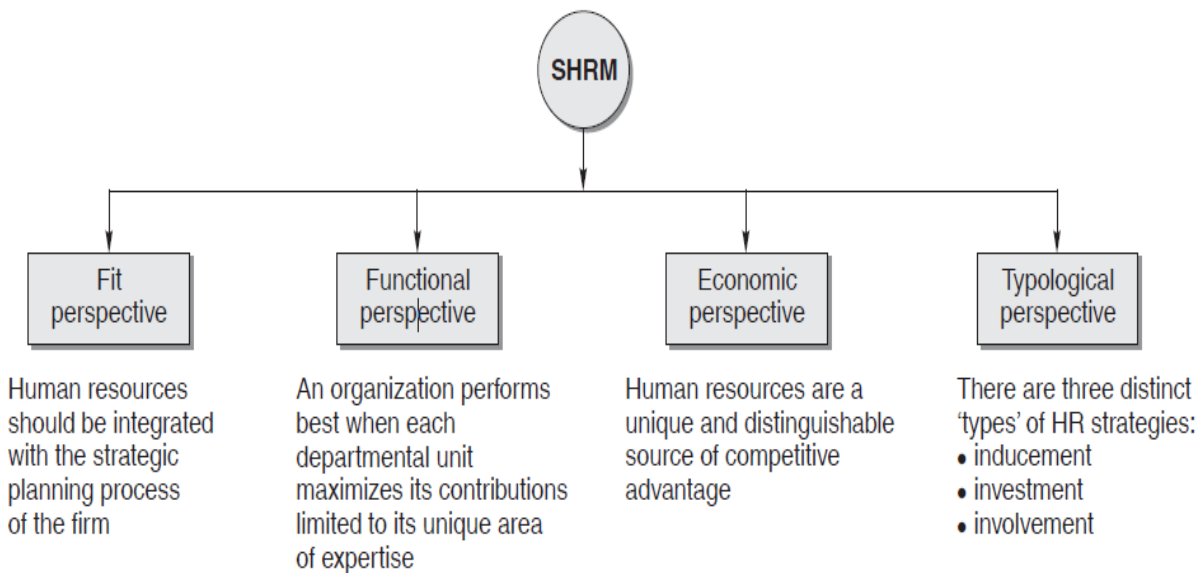
1.10 THEORETICAL PERSPECTIVES OF SHRM

Fig 4 THEORETICAL PERSPECTIVES OF SHRM

1. Fit Perspective :

HR practices and organization performance indicators. The fit perspective, therefore, proposes HR as a critical success variable that must be integrated into all phases of organizational planning. Moreover, even the best laid strategic plans cannot be implemented without taking into account the HR practices.

2. Functional perspective

Strategic human resource management literature classified as 'functional' has two characteristics. Human resource is seen as a staff function and, therefore, as advisory and subordinate to the core line functions. This is in accordance with the classical organization design theory. This perspective relies on the principle that an organization performs best when each departmental unit maximizes its contributions, limited to its unique area of expertise. General managers at the top have the responsibility of giving direction to the firm, functional managers with independent expertise (HR functional staff specialists) are in the middle, and subordinates who carry out supervisors' directives are at the bottom.

3. Economic Perspective

This perspective views human resources as a unique and distinguishable source of competitive

advantage. Barney's resource-based VRIO framework, discussed earlier, takes an economic perspective on SHRM. Wright and McMahan (1992) extended Barney's view and argued that human resources can be a source of sustained competitive advantage when four basic requirements are met—human resources must add value to the firm's production processes, skills sought by the firm must be rare, human capital must not be easily imitable, and human resources must not be subject to replacement by technological advances or other substitutes.

4. Typological Perspective

Typologies help in developing systematic comprehensive theories for the study of new innovations in managerial thought. The three distinct types of HR strategies identified by them were as follows:

Inducement strategy It is used by firms to support a business environment that is highly competitive with respect to price and/or quantity. In this strategy, the decision making power is highly centralized, with supervisors accepting only a moderate amount of employee initiative, while discouraging innovation and spontaneity. Human resource strategies focus on cost, expecting high performance in a minimally staffed organization. Loyalty and commitment are rewarded by the organization to discourage high employee turnover.

Investment strategy It is most likely to be found in firms where the business strategy is based on differentiation, such as quality, features, or service, rather than price. The organization is characterized by a tall structure, power is centralized, and the technology is modern and adaptable. The HR strategy encourages creativity, initiative, and high performance standards. Formal rules and procedures are minimal.

Involvement strategy It is found in firms with a business strategy based on innovation and flexibility when they are confronted with a market that is characterized by a highly competitive price and/or quality. This strategy is also found in firms that use innovation to continuously provide differentiated products or services, and also respond fast as there is a change in markets or when their competitors catch up.

1.11 STRATEGIC HUMAN RESOURCE MANAGEMENT (SHRM) – APPROACHES

There are two approaches to strategic human resource management:

1. Attempts to link Human Resource activities with competency based performance measures.

2. Attempts to link Human Resource activities with business surpluses or profit.

These two approaches indicate two factors in an organisational setting. The first one is the human factor, their performance and competency and the later is the business surplus. An approach of people concern is based on the belief that human resources are uniquely important in sustained business success.

An organization gains competitive advantage by using its people effectively, drawing on their expertise and ingenuity to meet clearly defined objectives.Integration of the business surplus to the human competency and performance required adequate strategies. Here the role of strategy comes into picture. The way in which people are managed, motivated and deployed, and the availability of skills and knowledge utilized will all shape the business tomorrow's strategy.

The strategic orientation of the business then requires the effective orientation of human resources to competency and performance excellence.

1.11.1 Benefits of a Strategic Approach to HR:

1. Identifying and analyzing external opportunities and threats that may be crucial to the company's success,

2. Provides a clear business strategy and vision for the future,

3. To supply competitive intelligence that may be useful in the strategic planning process,

4. To recruit, retain and motivate people,

5. To develop and retain of highly competent people,

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7. To supply information regarding the company's internal strengths and weaknesses,

8. To meet the expectations of the customers effectively,

9. To ensure high productivity,

10. To ensure business surplus thorough competency,

11. Facilitates development of high-quality workforce through focus on types of people and skills needed,

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13. Facilitates planning and assessment of environmental uncertainty, and adaptation of organization to external forces,

14. Successful SHRM efforts begin with identification of strategic needs,

15. Employee participation is critical to linking strategy and HR practices,

16. Strategic HR depends on systematic and analytical mindset,

17. Corporate HR departments can have impact on organization's efforts to launch strategic initiatives.

1.12 BARRIERS TO STRATEGIC HUMAN RESOURCE MANAGEMENT

1. Short term mentality: Short-term mentality and focus on the current performance of SHRM is the first barrier. Every manager act, long-term focus, because the organization has been established with long-terms objectives/focus.

2. Strategic inability: Very often SHRM does not think strategically and he cannot think it due to incapability. This type of inability may arise for many reasons as lack of technical knowledge, insufficient training and the like.

3. Lack of appreciation: Sometimes top managers do not recognize the activities of strategic human resource management. So SHR manager does not get interested in doing any innovative venture. A few appreciations may get them a substantial mental boost up.

4. Failure in understanding the role: General managerial roles may not be fully understood by be managers. This failure is due to lack of knowledge about the specialty of a degree of responsibility. This failure may create distance between these managers.

5. Difficulty in quantifying outcomes: Many outcomes may not be quantified. But SHRM tries to enjoy the contribution. This is not always possible. Participation, work etc. type function cannot be quantified because of their intangibility.

6. Wong perception on human assets: Investment in human assets may be regarded as high risk than that of technology and information. Though these technologies are run by the human resources. This wrong perception may inhibit the progress.

7. Resistance: SHR Managers may be resisted because of the incentives for change that might arise. The change implemented demand some incentives for efforts to execute the changed program. If these incentives are not given reasonable, they may create barriers SHRM

UNIT – II - STRATEGIC HUMAN RESOURCE MANAGEMENT – SBAA7019

2. MODELS OF SHRM

2.1 THEORIES OF SHRM

The development of strategic human resource management theories allows management to do HR practice in a more flexible and effective way. Strategic Human Resource Management which is the result of the evolution has brought to the organisation's attention. For getting success into business, business strategies involve observing the ability of your employees so that the outcomes can be submitted on time following by the growth of company. Through the strategic planning process, you can make sure that you know the company goals, opportunities and the other competitive and after that hire the staff and get them train to achieve all the requirements of company.

Universalistic theory

- It is also referred to as the best practice model, which is based on the assumption that there is a set of superior/best HRM practices, and that adopting them will inevitably lead to superior organizational performance

- The idea that the adoption of certain 'best' human resource practices would result in enhanced organizational performance, manifested in improved employee attitudes and behaviors, lower levels of absenteeism and turnover, higher levels of skills and therefore higher productivity, enhanced quality and efficiency and of course increased profitability.

- Universalistic perspective maintains that firms will see performance gains by identifying and implementing best practice irrespective of the product market situation, industry or location of the firm.

- Firms that have very distinctive management practices, distinctive human resources practices which shape the core competences that determine how firms compete. What works well in one organization will not necessary work well in another because it may not fit its strategy, technology or working practices.

- Organizational high performance work systems are highly idiosyncratic and must be tailored carefully to each firm's individual situation and specific context in order toprovide maximum performance.

- Benchmarking is a valuable way of identifying areas of innovation and development that are practiced to good effect elsewhere by leading companies.

Contingency theory

- For the contingency theory, otherwise known as best fit HRM, there are no universal prescription of HR policies and practices. It is all contingent on the organization's context, culture and its business strategy

- The best fit theory emphasizes the importance of ensuring that HR strategies are appropriate to the circumstances of the organization, including the culture, operational processes and external environment.

- HR strategies have to take account of the particular needs of both the organization and its people. It explores the close link between strategic management and HRM by assessing the extent to which there is vertical integration between an organization's business strategy and its HRM policies and practices

- The vertical integration between business strategies or the objective of the business and individual behaviour and ultimately individual, team and organizational performanceis at the fore of core models of SHRM.

- In vertical integration or 'fit' where 'leverage' is gained through procedures, policies and processes is widely acknowledged to be a crucial part of any strategic approach to the management of people.

- The best fit therefore ensures an explicit link or relationship between internal people processes and policies and the external market in business strategy, and thereby ensures that competences are created which have a potential to be a key source of competitive advantage.

- According to the contingency approach, a firm's approach to competition depends on, or makes use of the talents and capabilities of employees, then HR practices would be more likely to have an impact on performance; otherwise the connection between HR and performance might be minimal.

Configurational theory

- A strategy's success turns on combining external fit and internal fit. A firm with bundles of HR practices should have a high level of performance, provided it also achieves high levels of fit with its competitive strategy.

- Emphasis is given to the importance of bundling SHRM practices and competitive strategyso that they are interrelated and therefore complement and reinforce each other.

- Practices within bundles are interrelated and internally consistent, and has an impact on performance because of multiple practices. Employee performance is a function of both ability and motivation. There are several ways in which employees can acquire needed skills (such as careful selection and training) and multiple incentives to enhance motivation (different forms of financial and non-financial rewards.)

- A key theme that emerges in relation to best-practice HRM is that individual practices cannot be implemented effectively in isolation but rather combining them into integrated and complementary bundles is crucial.

- In the configuration school, cohesion is thought likely to create synergistic benefits which in turn enable the organization's strategic goals to be met.

- The approach of bundling is holistic as it is concerned with the organization as a total entity and addresses what needs to be done as a whole in order to enable it to achieve its corporate strategic objectives.

- The notion of a link between business strategy and the performance of every individual in the organization is central to 'fit' or vertical integration. Internal fit advocates bundlesof practice, to ensure that organizations gain benefits from implementing a number of complementary practices rather than only a single practice

Competitive Theory

- Under this model, organizations need to work out the required employee behaviors to implement a chosen competitive strategy and devise supporting HR practices to enable those behaviors to be encouraged in the workforce. Vertical integration can be explicitly demonstrated through the linking of a business goal to individual objective setting, to the measurement and rewarding of attainment of that business goal.

- SHRM according to configuration theorists requires an organization to develop a HR system that achieves both horizontal and vertical integration. The configuration approach contributes to the SHRM debate in recognizing the need for organizations to achieve both vertical and horizontal fit through their HR practices, so as to contribute to an organization's competitive advantage and therefore be deemed strategic.

- The use of performance management practices and competency frameworks are typically adopted to provide for coherence across a range of HR activities
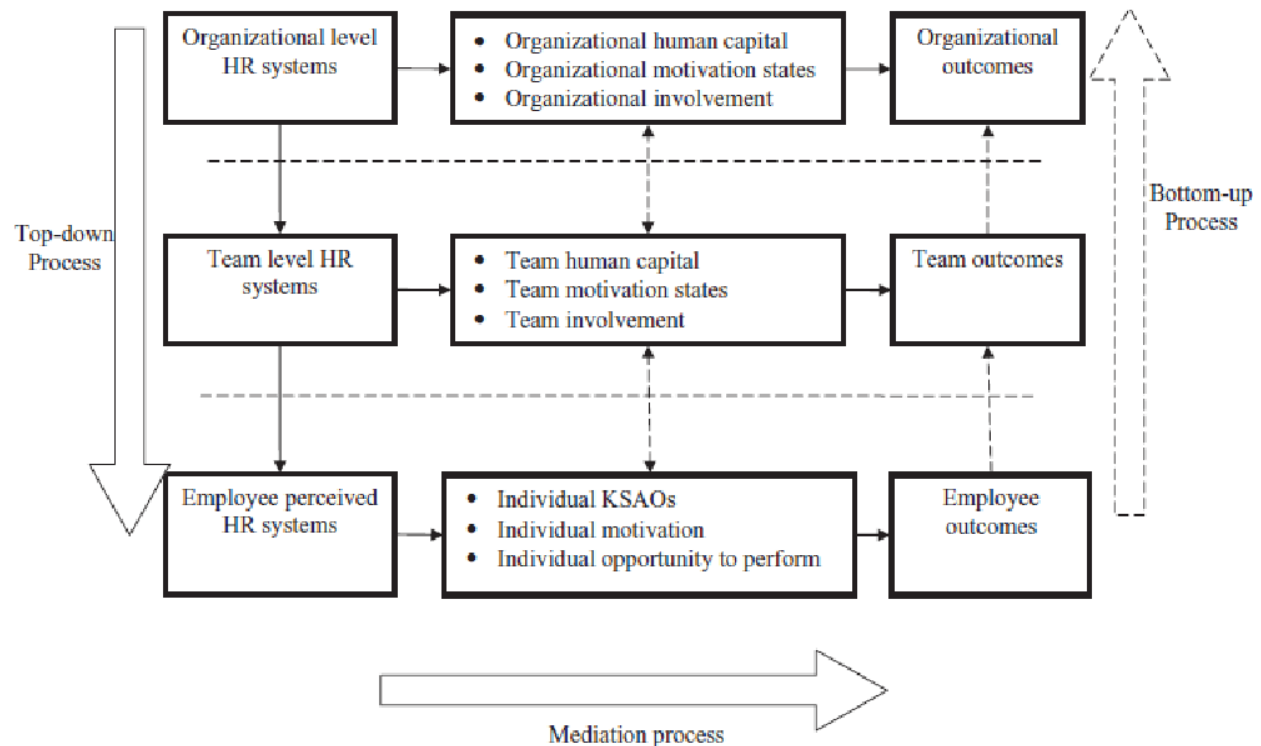
2.2 MULTILEVEL MODEL OF SHRM

Harvard Model or the Integrated System Model:

The Harvard Model was postulated by Beer et al (1984) at Harvard University. The authors of the model also coined it the map of HRM territory. The Harvard model acknowledges the existence of multiple stakeholders within the organisation. These multiple stakeholders include shareholders of various groups of employees, government and the community at large.

The recognition of the legitimacy of these multiple stakeholders renders this model a neo-pluralist model. This model emphasises more on the human/soft side of HRM. Basically this is because this model emphasizes more on the fact that employees like any other shareholder are equally important in influencing organisational outcomes. In fact the interest of the various

groups must be fused and factored in the creation of HRM strategies and ultimately the creation of business strategies.

A critical analysis of the model shows that it is deeply rooted in the human relations tradition. Employee influence is recognised through people motivation and the development of an organisation culture based on mutual trust and team work. The factors must be factored into the HR strategy which is premised on employee influences, HR flows, reward system etc. The outcomes from such a set up are soft in nature as they include high congruence, commitment, competencies etc.

The achievement of the crucial HR outcomes has got an impact on long term consequences, increased productivity, organisational effectiveness which will in turn influence shareholder interests and situational factors hence making it a cycle. It is thus important to note that the Harvard model is premised on the belief that it is the organisation's human resources that give competitive advantage through treating them as assets and not costs.
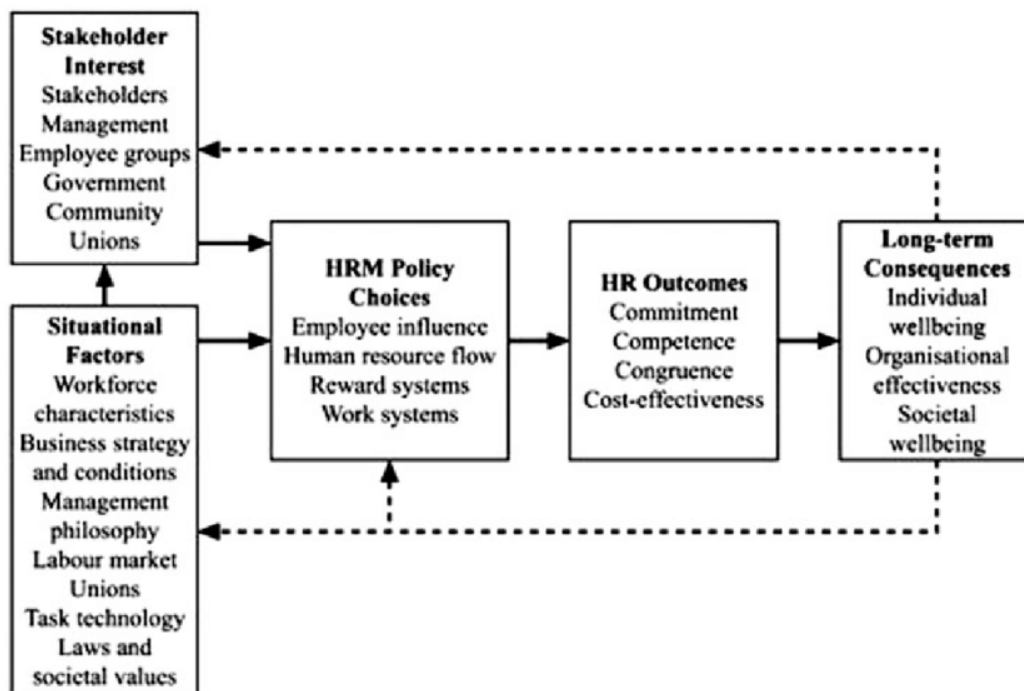

Fig 2.2 Harvard Model 1

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Devanna Model / "Matching Model"/ Michigan Model:

This model would be described as 'hard' HRM because it emphasises treating employees as a means to achieving the organisation's strategy, as a resource that is used in a calculative and purely rational manner. Hard HRM focuses more than soft HRM does on using people as resources and as a means towards the competitive success of the organisation.

Arguably, the strength and the major limitation of their approach is that it focuses on the organisation and how it can best rationally respond to its external environment. Focusing on the level of the organisation has the advantage of drawing attention to aspects partly under the control of management, such as formal strategy, structure, and preferred culture. On the other hand, attending to the organisational level may lead managers to assume that, through organisational strategy, structure, and HR systems, they have more power than they really have to change individuals and influence the external environment.

Hard HRM assumes that increasing productivity will continue to be management's principal reason for improving HRM. The authors proposed a framework for strategic HRM that assumes the needs of the firm are paramount. They said in their view organisations exist to accomplish a mission or achieve objectives and that strategic management involves consideration of three interconnected issues. First, the mission and strategy must be considered because these are an organisation's reason for being. Second, the organisation's structure, personnel requirements, and tasks, must be formally laid out, including systems of accounting and communications. Third, HR systems need to be established and maintained because, as the authors state: 'people are recruited and developed to do jobs defined by the organisation's formal structure: their performance must be monitored and rewards allocated to maintain productivity'

The Michigan model is 'hard' HRM because it is based on strategic control, organisational structure, and systems for managing people. It acknowledges the central importance of motivating and rewarding people, but concentrates most on managing human assets to achieve strategic goals. A company practising hard HRM would have a style of management that treats employees in a calculated way, primarily as means to achieving business goals. Its top management would aim to manage the organisation rationally and achieve a 'fit' between the organisation's strategy, structure, and HRM systems.
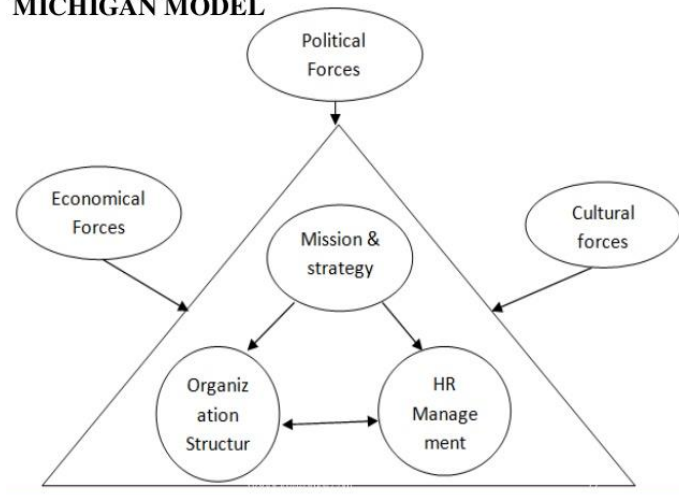
MICHIGAN MODEL

Fig 2.3 Michigan Model

2.3 DESIGNING HUMAN RESOURCE SYSTEMS FOR SUSTAINED COMPETITIVE ADVANTAGE

The expertise of a human resources professional in regards to procedures, compliance and legal constraints can be an invaluable asset to a company. Designing the specific needs that the human resources position will fill is a critical first step to crafting an effective system.

Identify Needs

A human resources department can handle a wide variety of tasks, depending on the size of the organization. Typically, the core of HR's function is to handle all inner policy and employee-related business. This could include hiring and terminations, disciplinary issues, compliance and managing company policies. In some organizations, the role of human resources will also extend to managing the health-care benefits; from interacting with the insurance broker and carriers to educating employees on the benefits to processing enrollments. Some human resource professionals even manage payroll.

Assign Tasks

Once you have identified what roles you want human resources to fill, you can begin assigning these tasks to the human resources professional. By doing this, you will begin to see how large or small a human resources department you will need. Review each task and assign an estimated time commitment to it. This will showcase if the tasks can be feasibly accomplished in the hours you intend to staff the department. This exercise will relay whether you need one part-time or

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full-time human resources professional, multiple professionals or if your needs are best served by an HR consultant.

Establish Procedures and Policies

Procedures for each task assigned to human resources will need to be laid out in order for the department to function efficiently. Establishing procedures can help the entire company to work in harmony, with clear steps to follow in order to resolve any issues. For example, if there is a dispute between employees, they will need to know what steps to take and channels to go through to resolve these issues. Developing a company handbook will also be helpful in establishing procedures. Handbooks are an efficient way to consolidate all the main policies and procedures in one place where all employees have access to it.

Fill the Positions

Once you have laid out all the details of the department, you will need someone, or multiple people, to execute these decisions and policies. When interviewing applicants, you will need to keep their roles and the tasks assigned to those roles in mind. This will help you to sort through applicants to find the best fit for your HR needs and the HR roles you intend to fill. If you are looking for someone to run the entire department, whether on their own or as the leader of a team, you will need someone with lengthy HR experience. For HR support positions, someone with less experience and a strong administrative background would be ideal. Use all your human resource system planning to determine who will be the best fit.

2.4 SHRM IMPLICATIONS

Strategic Partner versus Employee Champion

Success in the multiple-role framework requires that HR professionals balance the tension inherent in being a strategic partner on the one hand and an employee champion on the other. As strategic partners with managers, HR professionals partner with managers and are seen as part of management. Taken to an extreme, this may alienate employees from both HR and management. Employees at one company that was moving its HR function into strategic partnership saw the HR professionals, whom they felt provided the only channel through which their concerns were voiced to management, participating in more management meetings, becoming active in strategic

planning, and becoming synonymous with management. As a result, the employees felt betrayed and rated the HR function as not meeting their needs.

As employee champions in partnership with managers and employees, HR professionals ensure that the concerns and needs of employees are voiced to management. Taken to an extreme, this may alienate the HR function from management, who may not want to work with HR people whom they see as insensitive to business realities and advocates of employees. Resolving this conflict requires that all parties-HR, management, and employees recognize that HR professionals can both represent employee needs and implement management agendas, be the voice of the employee and the voice of management, act as partner to both employees and managers.

Change Agents versus Administrative Experts

HR professionals must also balance the need for change, innovation, and transformation with the need for continuity, discipline, and stability. This tension between their roles as change agents and as administrative experts yields a number of paradoxes that must be managed. Businesses must balance stability and change. A business must have stability to ensure continuity in products, services, and manufacturing. Businesses that change constantly loses identify and chase mythical successes that never materialize. On the other hand, businesses that fail to change in the end simply fail. Businesses must balance the past and the future. A business must honor its past but also move beyond it. It must recognize that past successes ensure current survival but that only by letting go of the past will the future arrive. Old cultures should ground new cultures, nor become impediments to change.

Businesses must balance the benefits of free agency and control. A business needs to encourage free agency and autonomy in making decisions, sharing information, and soliciting ideas. Conversely, a business requires discipline among employees to make the value of the whole greater than that of the parts, to forge individual efforts into team accomplishment, and to create boundaries for freedom. Businesses must balance efficiency and innovation. New ideas and programs require risk capital, both economic and human. HR professionals need to encourage risk and innovation while maintaining efficiency. Thus, risks need to be bounded, nor haphazard. To resolve these and other paradoxes, HR professionals dealing with cultural change need to be both cultural guardians of the past and architects of the new cultures.

2.5 SHRM AND THE GLOBAL SCENARIO

Global trends impacting the future of HR management include the following:

The boost in global trade and the expansion of transnational companies have resulted in cross-cultural workforces: Trade liberalization and technological advancements have encouraged companies to expand internationally and trade their products and services on a global scale. The world's largest companies have stretched across borders to the point where they have greater operations and more employees in other parts of the world than in their countries of origin. Free trade is an agent of economic progress, and technology has opened access to a global talent pool. This international expansion by companies will continue, as will the internationalization of the world's workforces.

Global interdependencies increase exposure to risks: Binding companies through infrastructure and trade links brings great opportunities, but it also increases operational risks. Seismic events, whether economic, political, regulatory or societal, impact the entire value chain in developing and developed countries.

The global workforce is ageing and becoming both gender and ethnically diverse: Older workers will grow in number globally, while in developed countries the share of youthful workers declines, resulting in shortages in those countries. The shortages will be remediated somewhat by older workers who stay in the workforce. Women have surpassed men in education, and 1 billion will enter the workforce over the next two decades. More workers are also migrating or are being hired across borders. Organizations thus need to adapt to the needs of older workers, women and multi-ethnic workforces.

Skilled workers from emerging countries will improve productivity while seeking higher wages across borders: Workers are becoming better educated and more skilled globally, resulting in higher productivity. The number of educated workers is near parity between OECD and non-OECD countries, and individuals are migrating abroad in search of better opportunities and wages.

Remote and temporary workers increase flexibility to meet labor needs but increase demands on management : Remote and temporary workers address short-term labor demands and provide a hedge against risk without increasing ongoing costs. However, management needs

to understand how to transfer knowledge from temporary to permanent employees and how to develop a corporate culture that keeps people engaged and maintains productivity.

Organizations struggle to balance societal culture and their corporate culture: Culture impacts productivity. Two types of culture exist: societal culture develops very slowly and becomes a part of a person's self-identity. Corporate culture comprises the values, beliefs and practices a company chooses to adopt. Organizations need to understand how to manage cultural distance—the gaps between cultures—and the points of friction. They also need to understand how and when to impose their corporate culture.

Cultural differences affect management styles and employee development: Many merger and acquisition (M&A) failures are attributed to culture. Employees from different backgrounds are motivated by different incentives and react differently to various management and communication styles.

Cultural diversity contributes to success : Local labor brings in-depth cultural understanding that organizations can use to their advantage and to avoid missteps. Multicultural workforces also contribute to creativity and innovation thanks to diverse perspectives and experiences.

Corporate social responsibility helps manage risk while boosting the bottom line: Socially responsible organizations adopt rights-aware, anti-corruption policies that improve recruitment and retention, reduce risk and solidify the corporate brand. By ignoring corporate social responsibility (CSR) they risk incurring legal penalties, even if violations occur remotely in the global supply chain. Local customs and competitor actions may be contrary.

DEVELOPMENT OF SHRM IN DIFFERENT COUNTRIES

Most human resource management theories, practices and literature originate in the Western countries. However, globalization and cross-cultural interaction increasingly highlights the differences in national cultures, and it is clear that Eastern and Western countries have different approaches, perspectives, norms and practices. Comparison of human resource practices in Eastern countries such as China and Japan and Western countries such as the United States and United Kingdom, therefore, reveals that they differ significantly in terms of organizational structure, motivational programs, communication and conflict resolution.

Organizational Structure

Organizational structure, leadership styles and people-management philosophies differ in Eastern and Western countries because of the varying value systems. In Eastern countries, there is a strict adherence to organizational hierarchy, and the leadership style is mostly autocratic; in Western countries, organizations have flatter structures and leaders tend to be more democratic. However, because countries in the Far East such as China and Korea and the Middle East have collectivist cultures where the group takes precedence over individuals, employees are usually ideally organized into workplace teams.

Motivation Programs

Western and Eastern countries differ in their views on motivation; whereas Western countries tend to place greater emphasis on individual rewards and compensation packages and personal career development, Eastern countries value collective rewards and steady progression. In the Western context, individual workers stand out when they exercise personal initiative and are duly rewarded through competitive remuneration and opportunities for growth. Conversely, in the Eastern countries, there have been various influences including Confucianism and Buddhism that emphasized long-term orientation, thrift, communality harmony and respect for tradition. As a result, workers receive promotion and rewards on the basis of seniority, and rewarding high-performance teams rather than individuals works better as a motivational tool.

Communication

Human resource practitioners in Eastern and Western countries adopt different modes of communication because of the various meanings attached to verbal and nonverbal interaction. In Eastern countries, communication is mostly contextual and indirect because of the need to save face, while in Western countries, verbally direct communication is the ideal practice. Effective human resource management also calls for observance of nonverbal cues such as facial expressions, punctuality and bowing etiquette. For example, in Japan, bowing is a sign of respect, and the depth of a bow communicates the esteem attached to the recipient. The use of email, networking forums and other management forums are also more highly valued in Western than Eastern countries where personal relationships are of the highest importance.

Conflict Resolution

Conflict resolution is a major aspect of human resource management that Western countries practice more overtly than the Eastern ones. In Eastern countries, there is a tendency toward harmony and a holistic approach, and people resolve conflicts through accommodation and compromise. Western style of competing emphasize withdrawing or ignoring a conflict altogether. The holistic approach also advances that all people are part of a whole system and that each person has a definite role to play, which has the overall effect of minimizing instances of disagreements. The converse is true of Western cultures, where individuals are encouraged to explore and develop themselves and this has a greater capacity to cause conflict.

2.6 DIMENSIONS OF SHRM

Dimensions of strategic human resource management includes

- HR practices and performance
- Re-engineering organizations and work
- Leadership
- Workplace learning
- Trade unions

Human resource management practices and performance

Although most HRM models provide no clear focus for any test of the HRM– performance link, the models tend to assume that an alignment between business strategy and HR strategy will improve organizational performance and competitiveness. During the past decade, demonstrating that there is indeed a positive link between particular sets or 'bundles' of HR practices and business performance

Re-engineering and strategic human resource management

All normative models of HRM emphasize the importance of organizational design. As previously discussed, the 'soft' HRM model is concerned with job designs that encourage the vertical and horizontal compression of tasks and greater worker autonomy. The redesign of work organizations has been variously labelled 'highperforming work systems' (HPWS), 'business process re-engineering' and 'highcommitment management'. The literature emphasizes core features of this approach to organizational design and management, including a 'flattened' hierarchy, decentralized decision-making to line managers or work teams, 'enabling' information

technology, 'strong' leadership and a set of HR practices that make workers' behaviour more congruent with the organization's culture and goals

Leadership and strategic human resource management

The concept of managerial leadership permeates and structures the theory and practice of work organizations and hence how we understand SHRM. Most definitions of managerial leadership reflect the assumption that it involves a process whereby an individual exerts influence upon others in an organizational context. Within the literature, there is a continuing debate over the alleged differences between a manager and a leader: managers develop plans whereas leaders create a vision . Managers are looking for a style of leadership that will develop the firm's human endowment and, moreover, cultivate commitment, flexibility, innovation and change

Workplace learning and strategic human resource management

Within most formulations of SHRM, formal and informal work-related learning has come to represent a key lever that can help managers to achieve the substantive HRM goals of commitment, flexibility and quality . From a managerial perspective, formal and informal learning can, it is argued, strengthen an organization's 'core competencies' and thus act as a lever to sustainable competitive advantage – having the ability to learn faster than one's competitors is of the essence here.

Trade unions and strategic human resource management

The notion of worker commitment embedded in the HRM model has led writers from both ends of the political spectrum to argue that there is a contradiction between the normative HRM model and trade unions. The critical perspective also presents the HRM model as being inconsistent with traditional industrial relations, albeit for very different reasons. Critics argue that 'high-commitment' HR strategies are designed to provide workers with a false sense of job security and to obscure underlying sources of conflict inherent in capitalist employment relations. Other scholars, taking an 'orthodox pluralist' perspective, have argued that trade unions and the 'high-performance–high-commitment'

International and comparative strategic human resource management

The assumption that SHRM is a strategically driven management process points to its international potentialities. The employment relationship is shaped by national systems of

employment legislation and the cultural contexts in which it operates. Thus, as the world of business is becoming more globalized, variations in national regulatory systems, labour markets and institutional and cultural contexts are likely to constrain or shape any tendency towards 'convergence' or a 'universal' model of best HRM practice

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2.8 HRM IN AN INTERNATIONAL CONTEXT

The growth of the knowledge-based society, along with the pressures of opening up emerging markets, has led cutting-edge global companies to recognize now more than ever that human resources and intellectual capital are as significant as financial assets in building sustainable competitive advantage. Good H.R. management in a multinational company comes down to getting the right people in the right jobs in the right places at the right times and at the right cost. These international managers must then be meshed into a cohesive network in which they quickly identify and leverage good ideas worldwide. IHRM is major determinant of success or failure in international business

A company's internationalization means having to adopt an international orientation in all the functional activities of the company, such as finance, marketing, production or human resource

practices. As an example, in the Human Resource (HR) department, HR managers will have to ask themselves questions such as:

• If the company goes international, what type of employees do they need to hire? Employees from the home country (expatriates), or local employees? How will we choose whether to send expatriates or use local employees?

• How can we know how HR practices are conducted in other countries? Is the recruitment and selection process the same in the country or countries the company wants to operate in?

• How do we manage knowledge across geographical and cultural distances? etc.

Knowing how to manage and deal in an effective way with all the issues involved in IHRM is critical to the success of the company.

2.9 DOMESTIC HRM VS. INTERNATIONAL HRM

HR management refers to those activities which organizations use to effectively and efficiently manage their employees .These activities includes

- HR Planning
- Recruitment and Selection
- Training and Career Management
- Performance Appraisal and Remuneration

The issue is that when we consider International Management, all of these activities become more complex . For example:

• Recruitment and Selection: The HR departments must take into account that the contracting needs of MNCs are different from those of firms which only act nationally. For instance, questions arise such as whether to select people from the host country or expatriates, or what should be the appropriate recruitment sources based on the location, among others.

• Performance Appraisal: An international firm's performance appraisal system must take into account the competency of the employees, but it also has to consider intercultural personal skills, sensitivity toward foreign norms and values, and the capacity to adapt to new environments. Therefore, when appraising the managers of MNCs, there must be a simultaneous consideration of global performance and the results of the subsidiary. There may be factors, such as work

legislation and/or market conditions, among others, which hinder the measuring and comparison of results.

• Training: The function of training for international HR departments also has a greater complexity. Normally, the decisions about training and improvement are taken based on the firm's degree of internationalization. For example, a firm in an export phase tends to cover its specific needs with external staff or professionals. In the regional activity phase, the firm should consider the cultural and geographic differences to create training strategies. The training of managers of global firms tends to be oriented to increasing their capacity to process and exchange social, technological and market tendency information, among other skills.

• Remuneration: The design of a globally appropriate remuneration policy is one of the greatest challenges HR departments are faced with. To design and administer an appropriate remuneration policy requires a thorough knowledge of the legislation, the customs and the employment practices of many countries. The industrial systems and relations are very relevant to this function. The economic climate changes quickly and firms must create remuneration proposals for their employees that are competitive. The aim is not to design global remuneration policies but rather for them to be equitable, fair and uniform for all the contexts within the organization.

The complexity of international HR could be attributed to different factors, such as more HR activities

- International taxation
- International relocation and orientation
- Administrative services for expatriates (host-government relations; and language translation services),
- More involvement in employees' personal lives (housing arrangements, cost-of-living allowances, etc.),
- Broader external influences (type of government, the state of the economy, etc.).

Taking into the account the noted differences between domestic and international HRM, a manager from a domestic company must consider the greater complexity of HR practices when the company goes abroad

2.10 STRATEGIC IHRM (SIHRM)

Scullion defines IHRM as 'the HRM issues and problems arising from the internationalisation of business, and the HRM strategies, policies and practices which firms pursue in response to the internationalisation of business'. When a firm is involved in international business activities, there are inevitable changes related to the attraction and retention of human resources, with the added dimension of considering the location of operations and the national origin of the employees and managers utilized

STRATEGIC IHRM (SIHRM) and has been defined as: 'human resource management issues, functions, and policies and practices that result from the strategic activities of multinational enterprises and that impact the international concerns and goals of those enterprises'. SIHRM has also been relabelled as 'strategic human resource management in MNEs

2.11 ISSUES IN IHRM

• Deployment in getting right skills to right place in organization regardless of geographic location

• Knowledge & innovation dissemination & transfer where all business units concurrently receive & provide information

• Talent identification & development of those employees with abilities & skills to function effectively in global organization

• Managing International Assignment

• Employee and family adjustment

• Selecting the right person for a foreign assignment

• Culture differences , Language and communication

• Worldwide environment variation

STRATEGIC ISSUES AND APPROACHES

Although the MNE is separated across several nations it is a single enterprise. MNE needs to determine:

- How to balance the needs for differentiation and for integration?

- How much autonomy it can and needs to grant to local units?

- How much to control and how to co-ordinate those units?

- How much control it will exert over the internal operations?

It has to decide the level of integration and local responsiveness

Integration vs. Localization

Hannon, Huang and Jaw operationalised GI as the degree of "importing HR strategies from headquarters" and LR as the degree of "customising HR strategies to respond to the needs of the local environment". The researchers identified three types of international HRM strategy such as autonomous, receptive and active strategy by using a two-by-two matrix of GI and LR, each measured by the practice orientations; they also showed that GI is related to a subsidiary's dependence on the parent's resources, while LR is associated with the dependence on local resources.

There are three IHRM strategies.

A subsidiary of an MNC in a given country is adopting: an "autonomous HR strategy" if it is benefiting from a low degree ofintegration and high degree of localization; a "receptive HR strategy" if it is benefiting from a high degree of integration and low degree of localization; and an "active HR strategy" if it is benefiting from high degree of integration and high degree of localization

1. Autonomous IHRM strategy: It has a low degree of integration but a high degree of local responsiveness. The autonomous IHRM strategy is most effective when the firm has a multi-domestic business strategy.

2. Receptive IHRM strategy: It has a high level of globalintegration but a low degree of local responsiveness. The receptive IHRM strategy is most suitable for firms with a global business strategy.

3. Active IHRM strategy. The active IHRM strategy has a high degree of global integration and high degree of local responsiveness. This strategy is most effective for firms that have a transnational business strategy

2.12 INTERNATIONAL STAFFING

International / Global staffing is defined as the strategic and operational issues faced by MNEs with regard to the employment of PCNs, HCNs and TCNs to fill key positions in headquarter and subsidiary operations. The appropriate mix of PCNs, HCNs and TCNs can have a significant impact on an MNE's ability to achieve strategic objectives such as innovation and performance outcomes.

The country categories involved in IHRM activities are (1) the host country where a subsidiary may be located, (2) the home country where the firm is headquartered, and (3) "other" countries that may be sources of labor, finance and other inputs –third countries. And, who are the employees who take part in IHRM? The three categories of employees of an international firm are (1) host-country nationals (HCNs), (2) parent-country nationals (PCNs) and third-country nationals (TCNs).

	Advantages	Disadvantages
PCNs	• Greater control of operations with the subsidiaries. • Familiarity with the goals, aims, policies and practices of the headquarters. • Cultural similarity with the headquarters, assuring the transfer of business policies. • Greater effectiveness in the communication with the headquarters. • Higher technical and managerial qualifications.	• High cost. • Problems of family adjustment, especially if partners of managers are unemployed. • Potential difficulties adapting to the foreign language and the social, economic and political-legal environment. • Do not trust the host-country employees.
HCNs	• Greater knowledge of the local economic and political conditions. • Lower costs than the use of PCNs. • Provide local employees with promotion opportunities, improving the acceptance of the firm in the locality.	• Greater difficulty controlling of the operations of the subsidiaries. • Difficulties transferring specific business policies and practices. • Hinder the balance between local demands and international strategies.
TCNs	• Assure the correct balance between technical skills and managerial experience. • Help to develop a reserve of international managers. • Normally involve lower costs than the use of expatriates.	• Represent less opportunities for international development for local employees. • Host-country's sensitivity with respect to nationals of specific countries.

APPROACHES TO STAFFING

There are four main approaches to staffing in multinationals (MNCs) (Perlmutter, 1969):

Ethnocentric Orientation: This is based on the presumption that the parent company's professionals, functions and approaches to management are better than the subsidiaries'. All the

top positions in the host country's firm are covered by expatriates. Fundamental decisions are madeat the headquarters and foreign subsidiaries have little autonomy. Among the business reasons for pursuing an ethnocentric staffing policy is the perception that there is a lack of qualified professionals in the host country.

Advantages

- Lack of qualified host country nationals (HCNs)
- Ability of the parent country nationals (PCNs) to coordinate subsidiary
- Transferring Know-how

Disadvantages

- Adaptation of PCNs to a host country may take a long time
- Promotion opportunities of local managers are limited
- PCNs' lack of sensitivity

Polycentric Approach: The management is based on staff contracted from the country where the subsidiary is deployed, endowing it with authority and power to make decisions. The top positions are occupied by local employees. This approach assumes that the cultures are different, and that headquarters may find the people in the host country difficult to understand. Therefore, the organization considers that the local people are better placed to make decisions about what happens in each location. From a management point of view, the headquarters has financial power, but the subsidiary units work as quasi-independent centers. The headquarters considers subsidiaries as independent entities and autonomy is granted to a great extent.

Advantages:

- No more language barriers and adjustment problems of expatriates
- The employment of HCNs is less expensive
- Morale and career opportunities of local staff

Disadvantages:

- Weak links between the independent national units and headquarters
- Lack of experience of both HCNs & PCNs is a liability in an increasingly competitive international environment

Geocentric Approach: This approach has been defined by Perlmutter (1969) as a concept oriented at the world; that is to say, nationality is not regarded as the basis of superiority. Management, in this case, is based on the search for the most suitable person to solve a problem or do a job, regardless of their nationality. The aim of such an approach is to achieve an international image, both in the headquarters and in the subsidiary. The subsidiaries do not function as independent satellites, but together contribute to the identity of the multinational organization. The aims of each business unit are both local and global, each one of them offering a unique contribution based on a unique competence. This approach requires a great effort of collaboration between all the units (headquarters and subsidiaries).

Advantages:

- A pool of senior international managers is developed
- Tendency of national identification of managers with subsidiary units is reduced

Disadvantages:

- Immigration laws which require the employment of local nationals are used by many host countries
- Difficult to implement because of increased training, compensation and relocation costs
- Longer lead times and more centralized control of the staffing process are required

Regiocentric Approach: In this case, international vacancies are filled by people whose personal profile fits the specific host region. Staff may move outside their countries but only within the particular geographic region. Here subsidiaries are interconnected and regulated by a regional center. Regional managers are not usually promoted to headquarter positions. For example, a US-based firm can create three different regions, Europe, South America and Asia. Managers from Europe can be moved through Europe but will rarely be moved to the Asian region or to the headquarters in the USA.

Advantages

- Need of area expertise
- Need of product expertise

2.13 INTERNATIONAL RECRUITMENT AND SELECTION

According to Ward, K., 2004, the more effective is the selection criteria, the more probability to retain satisfied employees. Thus better recruitment and selection tactics effect in enhanced organizations results. In case of expatriates, fundamental selection process begins with analysis of practical capability, examination of cross cultural necessities such as social understandings, flexibility, talking capability, optimistic approach, the amount of knowledge transfer is intrinsic in the expatriate's job etc .The success of expatriates can be verified from the subsequent features

- Eager & provoked to go abroad.
- Theoretically proficient to work.
- Adaptable to work atmosphere.
- Excellent capability of interaction and inter personal ability.
  Understanding which staffing strategy to use is the first aspect of hiring the right person for the overseas assignment. The ideal candidate for an overseas assignment normally has the following characteristics:
  1. Managerial competence: technical skills, leadership skills, knowledge specific to the company operations.

2. Training: The candidate either has or is willing to be trained on the language and culture of the host country.

3. Adaptability: The ability to deal with new, uncomfortable, or unfamiliar situations and the ability to adjust to the culture in which the candidate will be assigned.

When selecting an expatriate or a third-country national for the job, assuring that the candidate has the job factors, relational dimensions, motivational state, family situation, and language skills (or can learn) is a key consideration in hiring the right person. Some of the costs associated with failure of an expatriate or third-country national might include the following:

1. Damage to host-country relationships

2. Motivation of host-country staff

3. Costs associated with recruitment and relocation

4. Possible loss of that employee once he or she returns

5. Missed opportunities to further develop the market

Because success on an overseas assignment has such complex factors, the selection process for this individual should be different from the selection process when hiring domestically. The job analysis and job description should be different for the overseas assignment, since we know that certain competencies (besides technical ones) are important for success. Most of those competencies have little to do with the person's ability to do the job but are related to his or her ability to do the job in a new cultural setting. These additional competencies (besides the skills needed for the job) may be considered:

1. Experience working internationally

2. Extroverted

3. Stress tolerance

4. Language skills

5. Cultural experiences

Once the key success factors are determined, many of which can be based on previous overseas assignments successes, we can begin to develop a pool of internal candidates who possess the additional competencies needed for a successful overseas assignment. To develop the pool, career development questions on the performance review can be asked to determine the employee's interest in an overseas assignment. Interest is an important factor; otherwise, the chance of success is low. If there is interest, this person can be recorded as a possible applicant. An easy way to keep track of interested people is to keep a spreadsheet of interested parties, skills, languages spoken, cultural experiences, abilities, and how the candidates meet the competencies you have already developed. Once an overseas assignment is open, you can view the pool of interested parties and choose the ones to interview who meet the competencies required for the particular assignment.

2.14 TRAINING OF EXPATRIATES

Transferring official and supervisory employees, to arrange and watch over the company work place in overseas locality is a test for HRM and thus expatriation is a difficult and expensive event. In this phenomenon, HR team has to think about the necessity of global placement when recruiting employees for expatriation

Key issues in the management of expatriates:

For the efficient expatriate management, the planning phase plays a vital role in the entire expatriate cycle. Usually, expatriate have been sent overseas for the subsequent motives

- Organizing & synchronization of procedures.
- Relocate of talent & information.
- Decision making achievement.

For strategically functioning, organization needs to connect foreign work more strongly to the strategic equipped provisions. This involves a lot of care in deciding whether an expatriate is the most excellent option for global work.

Cross- cultural shock

The habitant traditions of an expatriate influence and permits them functioning well in the homeland. However shifting to another country makes their primary software less capable and waste. Thus culture is important when expatriating staff for global work. Training could be useful to certain extent in this situation. Not only making possible communication in the bureaucratic intelligence and responsive to the cultural differences, this enable migrant to better understand the back ground of why their foreign counterparts act in definite ways or require certain things in negotiations. Improved cultural knowledge about the host country helps the expatriate in better performing their duty

Intercultural communication

For better expatriate performance, intercultural communication is also considered to be very important because it makes one capable to grasp and understand foreign cultures, their particular theory in perception, thinking, feeling & acting . According to Jackson, T. 2002, the concept of international communication takes place when the message arises from two different cultural backgrounds. Because of cultural dissimilarities in these kinds of relations, the chance for difference of opinion is enormous. Such problems could be overcome by studying intercultural communication.

TRAINING AND DEVELOPMENT OF EXPATRIATES:

Working globally and cross culturally needs specific skills which could be acquired autonomously and some of which could be taught. In this context, a training program concentrating on cross cultural communications will have to spend a lot of time for self-introduction, conversation, and his practical knowledge towards the concept.

Cultural Training: The most significant component of any cross-cultural training plan is self-acquaintance. Trainees who have initiated to grasp how their personal background and values influence their fondness at work are fit near to considerate how these methods may work. However a manager who is blind to the alternatives made at home, considering "this is the only way" will not be competent in varying the decision making process used in other cultures .

The goal of cultural training is to train employees what the "norms" are in a particular culture. Many of these norms come from history, past experience, and values. Cultural training can include any of the following topics:

- Etiquette
- Management styles
- History
- Religion
- The arts
- Food
- Geography
- Logistics aspects, such as transportation and currency
- Politics

Cultural training is important. Although cultural implications are not often discussed openly, not understanding the culture can harm the success of a manager when on overseas assignment. For example, when Revlon expanded its business into Brazil, one of the first products it marketed was a Camellia flower scented perfume. What the expatriate managers didn't realize is that the Camellia flower is used for funerals, so of course, the product failed in that country.

Training on the goals and expectations for the expatriate worker is important. Since most individuals take an overseas assignment to boost their careers, having clear expectations and understanding of what they are expected to accomplish sets the expatriate up for success.

Repatriation Training: Repatriation is the process of helping employees makes the transition to their home country. Many employees experience reverse culture shock upon returning home, which is a psychological phenomenon that can lead to feelings of fear, helplessness, irritability, and disorientation. All these factors can cause employees to leave the organization soon after returning from an assignment, and to take their knowledge with them. One problem with repatriation is that the expatriate and family have assumed things stayed the same at home, while in fact friends may have moved, friends changed, or new managers may have been hired along with new employees. Although the manager may be on the same level as other managers when he or she returns, the manager may have less informal authority and clout than managers who have been working in the particular office for a period of time. An effective repatriation program can cost heavy, but the investment is worth it given the critical skills the managers will have gained and can share with the organization. In fact, many expatriates fill leadership positions within organizations, leveraging the skills they gained overseas.

Repatriation planning should happen before the employee leaves on assignment and should be a continuous process throughout the assignment and upon return. The process can include the following:

- Training and counseling on overseas assignment before leaving
- Clear understanding of goals before leaving, so the expatriate can have a clear sense as to what new skills and knowledge he or she will bring back home
- Job guarantee upon return (Deloitte and Touche, for example, discusses which job each of the two hundred expats will take after returning, before the person leaves, and offers a written letter of commitment.)
- Assigning the expatriate a mentor, ideally a former expatriate
- Keeping communication from home open, such as company newsletters and announcements
- Free return trips home to stay in touch with friends and family

- Counseling (at Honeywell, employees and families go through a repatriation program within six months of returning.)
- Sponsoring brown bag lunches where the expatriate can discuss what he or she learned while overseas
- Trying to place expatriates in positions where they can conduct business with employees and clients from where they lived

It is also important to note that offering an employee an international assignment can help develop that person's understanding of the business, management style, and other business-related development. Working overseas can be a crucial component to succession planning. It can also be a morale booster for other employees, who see that the chosen expatriate is further able to develop his or her career within the organization.

While the focus of this section has been on expatriate assignments, the same information on training is true for third-country nationals. If it is decided that host-country nationals will be hired, different training considerations might occur. For example, will they spend some time at your domestic corporate headquarters to learn the business, then apply what they learned when they go home? Or, does it make more sense to send a domestic manager overseas to train the host-country manager and staff? Training will obviously vary based on the type of business and the country, and it may make sense to gain input from host-country managers as opposed to developing training on your own. An understanding of the cultural components is the first step to developing training that can be utilized in any country

2.15 INTERNATIONAL PERFORMANCE MANAGEMENT:

The main aim of the performance management system is to invite, hold and make use of employees in such a way

- To improve originality in their work
- To improve committed and dedicated staff
- To reduce the cost of external resources.
- To reduce the outflow of experience and know-how

Performance management is considered to be one of the main component or reason for the success of the international business.

2.16 COMPENSATION AND REWARDS

There are a few options when choosing compensation for a global business. The first option is to maintain companywide pay scales and policies, so for example, all sales staff are paid the same no matter what country they are in. This can reduce inequalities and simplify recording keeping, but it does not address some key issues.

This compensation policy does not address that it can be much more expensive to live in one place versus another. Regional pay banding is not necessarily the ideal solution if the goal is to motivate expatriates to move. One possible option is to pay a similar base salary companywide or region wide and offer expatriates an allowance based on specific market conditions in each country. This is called the balance sheet approach. With this compensation approach, the idea is that the expatriate should have the same standard of living that he or she would have had at home.

Four groups of expenses are looked at in this approach:

1. Income taxes

2. Housing

3. Goods and services

4. Base salary

5. Overseas premium

The HR professional would estimate these expenses within the home country and costs for the same items in the host country. The employer then pays differences. In addition, the base salary will normally be in the same range as the home country salary, and an overseas premium might be paid owing to the challenge of an overseas assignment. An overseas premium is an additional bonus for agreeing to take an overseas assignment

2.17 INTERNATIONAL LABOR ENVIRONMENT

Understanding of laws and how they relate to host-country employees and expatriates can vary from country to country. Because of this, individual research on laws in the specific countries is necessary to ensure adherence:

1. Worker safety laws

2. Worker compensation laws

3. Safety requirements

4. Working age restrictions

5. Maternity/paternity leaves

6. Unionization laws

7. Vacation time requirements

8. Average work week hours

9. Privacy laws

10. Disability laws

11. Multiculturalism and diverse workplace, antidiscrimination law

12. Taxation

2.18 LOGISTICS OF INTERNATIONAL ASSIGNMENTS

One of the most important logistical aspects is to make sure the employee can legally work in the country where you will be sending him or her, and ensuring his or her family has appropriate documentation as well. A visa is permission from the host country to visit, live, or work in that country. Logistical help can be important to ensuring the success of an overseas assignment. Help with finding a place to live, finding a job for a spouse, and moving can make the difference between a successful assignment and an unsuccessful one

UNIT –III - STRATEGIC HUMAN RESOURCE MANAGEMENT – SBAA7019

3. HR STRATEGY: DEVELOPMENT AND DELIVERY

3.1 HR STRATEGIES

A Human Resource strategy is a business's overall plan for managing its human capital to align it with its business activities. The Human Resource strategy sets the direction for all the key areas of HR, including hiring, performance appraisal, development, and compensation. The HR strategy is thus a long-term plan that dictates HR practices throughout the organization.

3.1.1 NATURE

- It requires an analysis of the organization and the external environment
- It takes longer than one year to implement
- It shapes the character and direction of Human Resources Management activities
- Helps in the deployment and allocation of organizational resources (i.e. money, time, personnel)
- Is revised on a yearly basis
- It incorporates the expert judgment of senior (HR) management
- It is number-driven
- It results in a specific behavior

3.1.2 PURPOSE OF HR STRATEGIES

The strategy objectives is to meet Manpower requirements of the Organization in terms of approved Manpower Plan in additional to that to fulfil requirements of competent HR in terms of requisite capabilities, skills, qualifications, aptitude, merit and suitability with a view to fulfil Organization's objectives .However to attract, select and retain the best talent available keeping in view the changing needs of the organization. Nevertheless to ensure an objective and reliable systems of selection. Hand in hand to ensure placement of right man at the right job at the right time and finally to provide suitable induction points for intake and thereby achieve the desirable level of qualification, skill and age mix as required strengthening the Human Resource of the Organization.

3.1.3 TYPES OF HR STRATEGIES

Because all organizations are different, all HR strategies are different. According to Armstrong and Long (1994) and Armstrong and Baron(2002) revealed many variations identified two basic type of HR strategies

1) overarching strategies; and

 2) specific strategies relating to the different aspects of human resource management.

Overarching HR strategies

Overarching strategies describe the general intentions of the organization about how people should be managed and developed, what steps should be taken to ensure that HRM processes the organization can attract and retain the people it needs, and ensure so far as possible that employees are committed, motivated and engaged. They are likely to be expressed as broad-brush statements of aims and purpose that set the scene for more specific strategies. They are concerned with overall organizational effectiveness. Boxall and Purcell (2003) explain, employing 'better people in organizations with better process', developing high performance work systems and generally creating a great place to work.

Example GlaxoSmithKline 'We want GSK to be a place where the best people do their best work.'

Specific HR strategies

Specific HR strategies set out what the organization intends to do in areas such as:

- Talent management – how the organization intends to 'win the war for talent'.

- Continuous improvement – providing for focused and continuous incremental innovation sustained over a period of time.

- Knowledge management – creating, acquiring, capturing, sharing and using knowledge to enhance learning and performance.

- Resourcing – attracting and retaining high quality people.

- Learning and developing – providing an environment in which employees are encouraged to learn and develop.

3

- Reward – defining what the organization wants to do in the longer term to develop and implement reward policies, practices and processes that will further the achievement of its business goals and meet the needs of its stakeholders.

- Employee relations – defining the intentions of the organization about what needs to be done and what needs to be changed in the ways in which the organization manages its relationships with employees and their trade unions.

- Example: Nestle HR strategies on performance appraisals of Employees. They are done in order to understand each employee's abilities, competencies and relative merit.

  - Formal assessment by Line Managers and HR once a year with feedback.

  - Subordinate can question an unfair evaluation.

  - Specific Key Performance Indicators have been enlisted by the HR department.

  - Remuneration structure and promotion criteria take into account individual.

3.1.4 CRITERIA FOR AN EFFECTIVE HR STRATEGY

An effective HR strategy is one that works in the sense that it achieves what it sets out to achieve. In particular, it:

- will satisfy business needs;
- be founded on detailed analysis and study, not just wishful thinking;
- can be turned into actionable programmes that anticipate implementation requirements and problems;
- is coherent and integrated, being composed of components that fit with and support each other;
- takes account of the needs of line managers and employees generally as well as those of the organization and its other stakeholders

3.2 BUSINESS MODEL INNOVATION

Business model innovation at its simplest, it demands neither new technologies nor the creation of brand-new markets. It's about delivering existing products that are produced by existing

technologies to existing markets. And because it often involves changes invisible to the outside world, it can bring advantages that are hard to copy.

Business model is essentially a set of key decisions that collectively determine how a business earns its revenue, incurs its costs, and manages its risks, we view innovations to the model as changes to those decisions: what your offerings will be, when decisions are made, who makes them, and why. Successful changes along these dimensions improve the company's combination of revenue, costs, and risks.

Example for Business Model Innovation

Consumer

Until 2003 most FMCG companies in India catered to urban markets. In 2004 Unilever lead most of the industry to shift the focus towards rural India. Distribution and warehousing were redesigned and new products were launched. Existing products, such as Sunsilk shampoo, were repackaged into smaller sachets that were affordable in rural areas.

Transport/travel

The IndiGo airline revolutionised the low-cost carrier industry in 2000. By adopting an efficiency-centred business model, it established itself as the leader in the Indian low-cost carrier fraternity, providing excellent customer service, fast check-in and low prices.

Financial services

 An established firm, Future Group, set up a subsidiary, Future Capital Holding (FCH), to provide financial services to clients over the counter in their retail chain, Pantaloons. With over 400 branches of Pantaloons across the country, FCH initially provided consumer and personal loans to clients to purchase durable and other goods and expanded its portfolio into credit cards, life and general insurance, home loans and money transfers**.**

Role of HR in innovation: Human Resources can also play a key role in creating an organizational structure and overall culture that fosters and supports innovation. Recruiting can focus on hiring for innovation by identifying people who can "think outside the box" or have skills and capabilities that lend toward innovation. Performance management can serve as a valuable tool in the creation of a sustainable culture of innovation. Performance measures can

give consideration as to whether or not employees are given the time and resources to experiment, generate and explore ideas, and make presentations to management. Rewards can be used to reinforce the importance of innovation and recognition can be used to encourage and inspire employees to innovate and share ideas.   HR's role in organizational design provides huge potential for enabling innovation. For example, organizational design can be used to facilitate easier exchange of employees' ideas across boundaries and functions.

There are 3 things that HR Professionals can do to foster innovation:

- Hire for innovation
- Create a culture of innovation
- Train and reward for innovation

3.3 HIGH PERFORMANCE STRATEGY

 A high performance strategy sets out the intentions of the organization on how it can achieve competitive advantages by improving performance through people. High performance work system (HPWS) are composed of practices that can facilitate employees involvement, skill enhancement and motivation. Thompson and Heron(2005) defines High performance work organization , which invest in the skills and abilities of employees, design work in ways that enable employee collaboration in problem solving, and provide incentives to motivate workers to use their discretionary effort.

High Performance Work System

 Research conducted by Armitage and Keeble Allen (2007) indicated that people management basis formed the foundation of high –performance. They identified three themes underpinning the HPWS concept:

- An open and creative culture that is people-centered and inclusive, where decision taking is communicated and shared through the organization;
- Investment in people through education and training, loyalty inclusiveness and flexible working;
- Measurable performance outcomes such as benchmarking and setting targets, as well as innovation through processes and best practice.

Components of High Performance Work Practices

HPWPs involve substantial investment in human capital to empower employees by developing their knowledge, skills, flexibility, and motivation, with the expectation that the employer will provide them with the ability and the opportunity to deliver input into workplace decisions .In return, companies expect that empowered employees will be able to adapt quickly to rapidly changing market conditions, thus improving operational efficiency and performance of the company .Pfeffer (1998) outlines the main components of HPWPs in organizations:

- Highly selective hiring and sophisticated selection process
- Employment security and internal labour markets
- Comprehensive training, learning, and development
- Employee involvement, sharing of information, and workers' voice
- Team working/Self-managed teams
- High compensation based on performance
- Reduction of status differentials

Characteristics of High-Performance Culture

• A clear line of sight exists between the strategic aims of the organization and those of its departments and its staff of all level

• People know what is expected of them – they understand their goals and accountabilities

• People feel that their job is worth doing , and there is a strong fit between the job and their capabilities

• People are empowered to examine their contribution

• Management defines what it requires in the shape of performance improvements, sets goals for success and monitors performance to ensure that the goals are achieved

• There is strong leadership from the top, which engenders a shared belief in the importance of continuing improvement

• There is a focus on promoting positive attitudes that result in an engaged, committed and motivated workforce

• Performance management processes are aligned to business goals to ensure that people are engaged in achieving agreed objectives and standards

• Capabilities of people are developed through learning at all levels to support performance improvement and people are provided with opportunities to make full use of their skills and abilities

• A pool of talent ensures a continuous Supply of high performer s in key roles

• People are valued and rewarded according to their contribution

• People are involved in developing high performance practices

• There is a climate of trust and teamwork, aimed at delivering a distinctive service to the customer.

3.4 HUMAN CAPITAL MANAGEMENT

Human capital represents the human factor in the organization; the combined intelligence, skills and expertise that gives the organization its distinctive character. The human elements of the organization are those that are capable of learning, changing, innovating and providing the creative thrust which if properly motivated can ensure the long-term survival of the organization.- Definition by Bontis et al

Constituents of human capital

Human capital consists of intellectual, social and organizational capital.

Intellectual capital

These can be regarded as the intangible resources associated with people, which together with tangible resources (money and physical assets) comprise the market or total value of a business.

Social capital

Social capital is another element of intellectual capital. It consists of the knowledge derived from networks of relationships within and outside the organization.

Organizational capital

Organizational capital is the institutionalized knowledge possessed by an organization that is stored in databases, manuals, etc. It is also called as organizational capital.

HUMAN CAPITAL MANAGEMENT STRATEGY

A human capital management (HCM) strategy is a plan for managing talent in ways that enable an organization to meet its strategic objectives. Human Capital Management system describes the process of managing employees working in an organization that will result in significant productivity. In simple terms, managing the workforce in an organization is termed as human capital management. **Human capital management (HCM)** is a set of practices related to people resource management. These practices are focused on the organizational need to provide specific competencies and are implemented in three categories: workforce acquisition, workforce management and workforce optimization.

Definition:

Human Capital Management (HCM) is a strategic approach to people management that focuses on the knowledge, skills, abilities and capacity to develop and innovate possessed by people in an organisation**.**

Human capital management is an integrated effort to manage and develop human capabilities to achieve significantly higher levels of performance. - Chatzkel

Importance

- Hiring the right talent

- Orienting him/her to the organization

- Making a new employee feel comfortable

- Training employees in order to constantly upgrade their skills

- Retaining employees

- Making employees self sufficient and prepare them for adverse conditions

3.5 CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility (CSR) is a concept in which the corporate sector incorporates social and environmental concerns in its strategies and plays a more responsible role in the world. CSR activities include incorporating social characteristics or features into products and manufacturing processes, adopting progressive HRM practices, achieving higher levels of

environmental performance through recycling and pollution abatement, and advancing the goals of community organizations. CSR is a win-win strategy that benefits the company, as well as society.

CSR needs to be embedded in an organization's culture to make a change to actions and attitudes, and the support of the top team is critical to success. HR already works at communicating and implementing ideas, policies, cultural and behavioural change across organizations. HR department has a significant role in influencing attitudes and links with line managers and the top team to do CSR activities.

Under the Companies Act, 2013, certain classes of profitable entities are required to shell out at least 2 per cent of three-year annual average net profit towards CSR activities. They have to provide reasons for not spending on such projects. Companies having a turnover of at least Rs 1,000 crore, minimum net worth of Rs 500 crore and those having net profit of Rs 5 crore or more in a financial year are required to comply with the CSR norms.

Reasons Why Companies Should Engage In CSR

• Moral obligation means that stakeholders of a growing number of companies are satisfied only when the company balances the impact of its business with socially responsible practices.

• Sustainability involves meeting the needs of the present without compromising the capability for future generations. Substantial progress can be made by investing in solutions that are socially, environmentally, and financially sustainable

• Moreover, the very license to operate and crucial contracts themselves, with governments and other entities, might be conditional upon such obligation.

• Finally, CSR initiatives may be supported due to reputation impact, on the grounds that they will improve a company's image and even raise the value of its stock.

Corporate social responsibility enhances employee relations

1. Increased Organizational Citizenship Behaviors and Improved Employee Relationships

If employees think their employer is "doing the right thing," it seems they are more likely to "do the right thing" themselves. When organizations implement best practices in CSR, employees are more likely to engage in cooperative behaviors towards their coworkers and the organization,

like going out of their way to help their teammate. Similarly, CSR promotes higher-quality and closer relationships between employees.

2. Enhanced Employee Identification with the Organization

When employees feel that their organization is socially responsible, they experience a greater sense of identity with the business they work for. In fact, social responsibility can be more important than financial success in determining how much employees identify with their workplace.

3. Improved Retention and Organizational Commitment

Feeling positively about their organization's CSR initiative has been shown to increase employee's intentions to stay with their current employer, and their overall commitment to the organization. Commitment includes a huge range of positive attitudes, including how much employees like their organization, make personal sacrifices for the organization, and see their own future and success tied to the organization's success.

4. More Attractive Company Culture to Prospective Employees

Along with increasing current employees' commitment, CSR can also make organizations look more attractive to applicants and prospective employees. In the age when millennials look to work for "high impact" organizations, engaging in CSR may help companies to attract top talent over other organizations.

5. Better Employee Engagement and Performance

Employees have also been shown to be more engaged and to perform better when they feel good about their company's CSR involvement. By making employees aware of the company's efforts to give back and celebrating these efforts, you can help employees become more actively engaged with their work, and do better work overall.

6. Increased Creativity

Finally, CSR can increase employees' creative involvement, including generating new but practical ideas, originality, and creative problem-solving. When organizations express their values and passions through CSR, employees may be inspired to develop new and better ways to do their work.

Developing a CSR strategy

- Understand the business and social environment in which the firm operates;

- Understand the business and HR strategies and how the CSR strategy should be aligned to them;

- Know who the stakeholders are (including top management) and find out their views on and expectations of CSR

- Identify the areas in which CSR activities might take place by reference to their relevance in the business context of the organization and an evaluation of their significance to stakeholders.

- Prioritize as necessary on the basis of an assessment of the relevance and significance of CSR to the organization and its stakeholders and the practicalities of introducing the activity or practice.

- Draw up the strategy and make the case for it to top management and the stakeholders to obtain their approval.

- Communicate information on the strategy, comprehensively and regularly.

- Provide training to employees on the skills they need to use in implementing the CSR strategy.

- Measure and evaluate the effectiveness of CSR.

    Tata Chemical's CSR Initiative: BEACON

Tata Chemicals Ltd are committed to serve the national and local deprived communities, present in their area of operations. Their focus is highlighted in their initiative programme, BEACON,:

• Blossom: Promotion and development of native handicrafts

•Enhance: Overall enhancing the quality of life

 •Aspire: Education and vocational skill development

 •Conserve: Investment in Bio-diversity, natural resource and climate change management leading to increase in environment sustainability

•Nurture: Health care, sanitary solutions and safe drinking water

3.6 ORGANISATIONAL DEVELOPMENT

Development is a continuous process and it accommodates in itself many changes that occur in science and technology, economic, market, political environment, education, knowledge, values, attitude and behaviour of people, culture etc. Organisation development is a part of overall development in general. It cannot remain unaffected by the developmental process. The organisation has to change the beliefs, values and its structure to accommodate the new ideas, beliefs and new technologies for progress.

This is very essential. The organisation must respond to changes. So that it can face the challenges ahead. The management of human resources depends upon organisational effectiveness. Humans are affected by change. Organisation development accommodates and incorporates variety of planned changes based on humanistic democratic values, technology that are sought to improve the effectiveness of organisation and well being of its employees.

Definition : According to Dale S. Beach, organisation development (OD) is, "a complex educational strategy designed to increase organisational effectiveness and wealth through planned intervention by a consultant using theory and techniques of applied behavioural service."

According to George R. Terry, "Organisational development includes efforts to improve results by getting the best from employees, individually and as members of working groups."

As per Werren G. Bennis, Organisation Development is, "a complex educational strategy intended to change the beliefs, attitudes, values and structure of organisations so that they can better adapt to new technologies, markets and challenges and the dizzying rate of change itself."

Characteristics of Organisational development

1. Planned Change:

Organisational development (OD) is an educational strategy for bringing about planned change. Planned change concept makes it different from other approaches for change in organisations.

2. Encompasses the Whole Organisation:

This change covers the entire organisation. Organisational Development is the development of the whole organisation so that it can respond to change effectively. OD tends to ensure that all

parts of the organisation are well coordinated in order to solve the problems and opportunities that are brought by change.

3. Long Range Change:

OD is a long term process. It may take months or years to implement it. OD is never intended to be a stopgap arrangement or measure.

4. Systems Orientation:

OD is concerned with the various groups in the organisation and their interactions with each other. It is concerned with formal as well as informal or social relationships. It is concerned with group structures, processes and attitudes.

5. Change Agent:

The services of outside experts are obtained, generally, to implement the OD process. In OD, "Do it yourself" programmes are discouraged. When the primary change agent is a consultant from outside the organisation, he can operate independently without ties to the organisational hierarchy and politics of the organisation. The personnel director is the internal agent of the organisation who coordinates the programme with the management and the external agent.

6. Problem Solving:

OD emphasizes on problem solving rather than just theoretical discussion of the problems. The focus on real, ongoing problems rather than the theoretical or artificial ones is called actions research. Action research is a very important feature of OD. Sometimes, OD is called organisational improvement through action research.

7. Experiential Learning:

In the traditional approaches, training was provided to the people by lecture and discussion method, in which people talk about only abstract ideas. But in OD, particularly learn by experiencing in the training environment the kind of human problems they face on the job. This approach tends to produce more changed behaviour than the traditional approach. Theory is also necessary and desirable, but the ultimate test is how it applies in real practice.

8. Collaborative Management:

In contrast to the traditional management structure where orders are issued at upper levels and simply carried out by low levels, OD stresses collaboration among levels. In OD, organisations are viewed in a systems perspective.

9. Group Process:

In OD, an effort is made to improve interpersonal relations, open communication channels, build trust and encourage responsiveness to others. For this OD relies on group processes like group discussions, inter group conflicts, confrontations and procedures for co-operations.

10. Organisational Culture:

OD assumes that the culture of every organisation is different from the culture of the other organisations. The assumption that a particular solution can be applied to the problems of all the organisations is generally not made in OD. Instead the culture of each organisation must be understood and relations consistent with culture be developed.

11. Feedback:

In OD, feedback is given to all the participants about themselves, which provides them a basis for their next activities. They generally base their decisions on this concrete data. With the help of feedback of information, employees will be encouraged to understand a situation and take self corrective action before somebody else tells them what to do.

12. Situational and Contingency Oriented:

OD is flexible and pragmatic, adapting the actions to fit particular needs. Although some occasional OD change agent may have to impose a single best way on the group, there is, usually, open discussion of several better alternatives rather than a single best way.

13. Team Building:

The basic objective of OD is to build better team work throughout the organisation. OD tries to tie all the groups, small and large, working in the organisation, together to make one integrated and cooperative group. If any groups have some differences, OD will help them to find out the ways for solving the differences. The result of effective team work will be improved organisational performance.

Objectives of organisational development

1. Improve organisational performance as measured by profitability, market share, innovativeness, etc.

2. Make organisations better adaptive to its environment which always keeps on changing.

3. Make the members willing face organisational problems and contribute creative solutions to the organisational problems.

4. Improve internal behaviour patterns such as interpersonal relations, intergroup relations, level of trust and support among the role players.

5. Understand own self and others, openness and meaningful communication and involvement in planning for organisational development.

Steps in Organisational Development (O.D):

Lawrence and Lorsch have provided the following steps in organisational development:-

1. Problem identification—Diagnosis:

O.D. program starts with the identification of the problem in the organisation. Correct diagnosis of the problem will provide its causes and determine the future action needed.

2. Planning Strategy for Change:

O.D. consultant attempts to transform diagnosis of the problem into a proper action plan involving the overall goals for change, determination of basic approach for attaining these goals and the sequence of detailed scheme for implementing the approach.

3. Implementing the Change:

O.D. consultants play an important role in implementing change.

4. Evaluation:

OD is a long-term process. So there is a great need for careful monitoring to get process feedback whether the O.D. programme is going on well after its implementation or not. This will help in making suitable modifications, if necessary. For evaluation of O.D. programme, the use of critic sessions, appraisal of change efforts and comparison of pre- and post-training behavioural patterns are quite effective.

3.7 KNOWLEDGE MANAGEMENT

Knowledge management is about getting knowledge from those who have it to those who need it in order to improve organizational effectiveness. Knowledge management is the systematic management of an organization's knowledge assets for the purpose of creating value and meeting tactical & strategic requirements; it consists of the initiatives, processes, strategies, and systems that sustain and enhance the storage, assessment, sharing, refinement, and creation of knowledge.

KM involves the understanding of Where and in what forms knowledge exists; what the organization needs to know; how to promote a culture conducive to learning, sharing, and knowledge creation; how to make the right knowledge available to the right people at the right time; how to best generate or acquire new relevant knowledge; how to manage all of these factors so as to enhance performance in light of the organization's strategic goals and short term opportunities and threats.

KM must therefore create/provide the right tools, people, knowledge, structures (teams, etc.), culture, etc. so as to enhance learning; it must understand the value and applications of the new knowledge created; it must store this knowledge and make it readily available for the right people at the right time; and it must continuously assess, apply, refine, and remove organizational knowledge in conjunction with concrete long and short term factors.

Types of Knowledge

Tacit knowledge and explicit knowledge are the two main types of knowledge covered within the definition of knowledge management.

Tacit knowledge is more intuitive, less easy to package and share with others. Examples of tacit knowledge are innovative thinking and understanding body language.

Explicit knowledge is information that is easily codified and taught, such as how to change the toner in a printer and mathematical equations.

Areas of knowledge management

- Accumulating knowledge
- Storing knowledge
- Sharing knowledge

Benefits of knowledge management Knowledge management is important because it boosts the efficiency of an organization's decision-making ability. In making sure that all employees have access to the overall expertise held within the organization, a smarter workforce is built who are more able to make quick, informed decisions that benefit the company.

- More efficient workplace
- Faster, better decision making
- Increased collaboration
- Building organizational knowledge
- Onboarding and training process is optimized
- Increased employee happiness and retention, due to the valuing of knowledge, training, and innovation

Issues in Knowledge management

- The pace of change.
- Relating knowledge management strategy to business strategy.
- IT is best used in a supportive role.
- Attention must be paid to the processes (social, technological and organizational) through which knowledge combines and interacts in different ways.
- The significance of knowledge workers must be appreciated.

Knowledge management strategies

The codification strategy – knowledge is carefully codified and stored in databases where it can be accessed and used easily by anyone in the organization. Knowledge is explicit and is codified using a 'people-to-document' approach.

The personalization strategy – knowledge is closely tied to the person who has developed it and is shared mainly through direct person-to-person contacts.This is a 'person-to-person' approach that involves ensuring that tacit knowledge is passed on.

Knowledge management systems

- Creating an intranet.
- Creating 'data warehouses'.
- Using decision support systems.
- Using 'groupware', ie information communication technologies such as e-mail or discussion bases.
- Creating networks or communities of practice or interest of knowledge workers.

Contribution HR can make to knowledge management

- Help to develop an open culture that emphasizes the importance of sharing knowledge.
- Promote a climate of commitment and trust.
- Advise on the design and development of organizations that facilitate knowledge sharing.
- Ensure that valued employees who can contribute to knowledge creation and sharing are attracted and retained.
- Advise on methods of motivating people to share.
- Help in the development of performance management processes that focus on the development and sharing of knowledge.
- Develop processes of organizational and individual learning that will generate and assist in disseminating knowledge.
- Set up and organize workshops, conferences and communities of practice and symposia that enable knowledge to be shared on a person-to person basis.
- In conjunction with IT, develop systems for capturing and, as far as possible, codifying explicit and tacit knowledge.
- Generally, promote the cause of knowledge management with senior managers.

3.8 EMPLOYEE RESOURCING

Employee resourcing, generally known simply as 'resourcing' is the term used to describe activities concerned with the acquisition, retention and development of human resources. Employee resourcing involves 'the range of methods and approaches used by employers in resourcing their organisations in such a way as to enable them to meet their key goals' . Employee resourcing therefore involves staffing (i.e. Recruitment, selection, retention and

dismissal), performance (i.e. Appraisal and management of performance), administration (policy development, procedural development, documentation) and change management (the importance of the resourcing function as a change agent).

Strategic resourcing is concerned with ensuring that the organization obtains and retains the people it needs and employs them effectively. It is a key part of the strategic HRM process, which is fundamentally about matching human resources to the strategic and operational needs of the organization and ensuring the full utilization of those resources. The aim of strategic resourcing is therefore to ensure that a firm achieves competitive advantage by employing more capable people than its rivals. These people will have a wider and deeper range of skills and will behave in ways that will maximize their contribution. Strategic resourcing places more emphasis than traditional personnel management on finding people whose attitudes and behaviour are likely to be congruent with what management believes to be appropriate and conducive to success.

Components of strategic employee resourcing

The overarching component of strategic resourcing is the integration of resourcing and business plans.Within this framework strategic resourcing includes specific strategies for:

- Workforce planning, alternatively called human resource planning – assessing future business needs and deciding on the numbers and types of people required.
- Developing the organization's employee value proposition and its employer brand– the employee value proposition is what an organization offers that prospective or existing employees would value and which would help to persuade them to join or remain with the business; employer brand is the image presented by an organization as a good employer.
- Resourcing plans – preparing plans for finding people from within the organization and/or for learning and development programmes to help people learn new skills. If needs cannot be satisfied from within the organization, it involves preparing longer-term plans for ensuring that recruitment and selection processes will satisfy them.
- Retention plans – preparing plans for retaining the people the organization needs.

- Flexibility plans – planning for increased flexibility in the use of human resources to enable the organization to make the best use of people and adapt swiftly to changing circumstances.
- Talent management – ensuring that the organization has the talented people it requires to provide for management succession and meet present and future business needs.

3.9 TALENT MANAGEMENT

Talent management is a constant process that involves attracting and retaining high-quality employees, developing their skills, and continuously motivating them to improve their performance. The primary purpose of talent management is to create a motivated workforce who will stay with your company in the long run. The exact way to achieve this will differ from company to company.

IMPORTANCE OF TALENT MANAGEMENT

1. It helps businesses improve performance

Talent management is most effective of all when it combines three key components: rapid talent allocation, positive employee experience, and a strategic HR team.

2. It allows companies to stay competitive

By hiring and developing talented employees, your organization becomes stronger and better prepared to face changes and risks.

3. It drives innovation

New technologies are always hitting the scene, whatever your industry. Talented employees are able to find ways to harness the capabilities of new tools and solve problems or come up with original ideas.

4. It helps form productive teams

The appropriate talent management strategy will allow you to form a more productive team. This is far more useful than just having a bunch of creative and talented people in your organization.

5. It decreases turnover

When employees feel valued at a company, when they know they will have plenty of opportunities to grow in the business, they are less likely to seek work elsewhere.

6. It leads to strong employer branding

Talent management brands your company as an employer. This helps you to attract the best candidates for future hires.

7. It motivates others to grow

Having inspiring talent on your team will motivate other employees and help them grow.
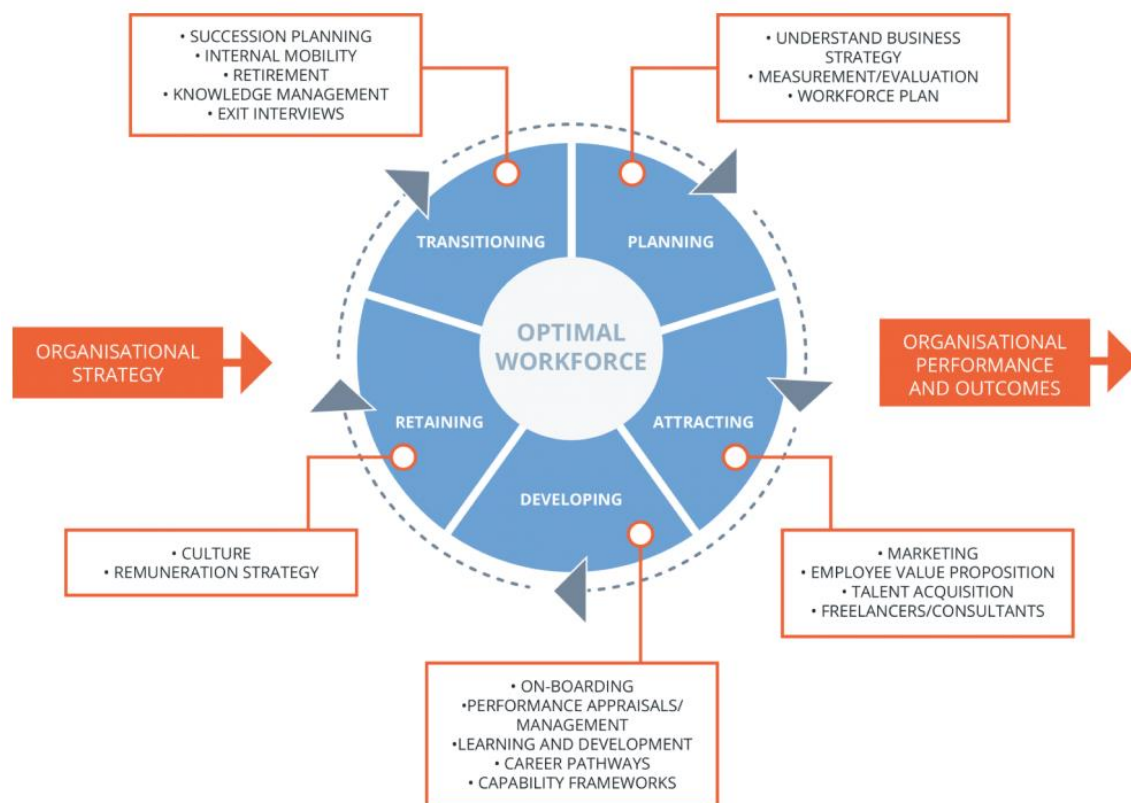
TALENT MANAGEMENT MODEL

Fig 3.1 Talent management model 1

1. Planning

Planning aligns your talent management model in line with the overall goals of your organization. Only with the correct planning can you ensure that you seek talent with the right skills and experience. In addition, it assesses current employees to see what is working well for the company. For instance, if employees with certain characteristics tend to stay at the organization for longer, you should plan to hire more workers like them.

2. Attracting

It is not always as simple as when one person leaves the company, you start a search for someone else to fill the role. For instance, your needs may change or employees may take on new responsibilities. Talent management ensures that you always have sufficient staff to carry out all your operations and prevent heavy workloads that could cause demotivation.

The right strategy will attract just the kind of workers you want at your business. Such hires will be driven, skilled, and seeking to advance within the company. Attracting talent is all about branding your company as an employer. You'll need to find ways to increase visibility in ways that allow you to present company as a best place to work. The main consideration here is to make your business more approachable.

Even if you choose not to hire someone for a particular position, you still need to create a positive experience. This will give you the opportunity to hire these candidates for other jobs or use them as ambassadors to acquire other talent.

3. Developing

The development part of the model involves taking steps to help talent grow within the company. It should be aligned with the employee development plan and includes identifying roles where particular employees could move to in the future as well as considering how to expand workers' skills and knowledge to fulfill new challenges facing your organization. Talent management also looks at what will keep employees at your company enthusiastic and willing to go the extra mile. It is necessary to provide employees with value. Motivation also requires the correct onboarding — to give new hires a great impression of your company from the very beginning. This will increase the chance that they stay with the company and work hard.

4. Retaining

Another purpose of talent management is to keep people at your company for longer. Employees need to continue feeling that the company is an enjoyable, meaningful place to work. Through training and other types of engagement, employees have the chance to create a career without leaving the company. You may achieve this by focusing on compensation (monetary and otherwise) as well as company culture.

5. Transitioning

After hiring and developing their skills, you need to plan for employees' transitions. Your aim at this stage is to keep their knowledge within the company this is called knowledge management. You need to have a plan in place to promote employees or move them to another role, department, or office. If a worker does decide to leave, you need to know why.

TALENT MANAGEMENT PROCESS

The talent management process is how you organize the management of your human resources. It is how you choose employees, how you hire them, and how (or if) you train them, motivate them, fire them, and so on. The following steps cover what you need to do to develop a continuous talent management process for your organization. It covers how to find the most talented people available and then help them stay in your company.

Step 1: Specify What Skills You Need

What is the first step in the talent management process? Before you can go any further, you must determine what kinds of hires you need and what requirements they should fill. Consider if it would be possible to teach existing employees to avoid the need to hire anyone new.

Step 2: Attract the Right People

There are several stages to attracting talent:

1. Create targeted advertisements and post them on top job sites — HR branding is helpful here.

2. Plan interviews and other means to identify the best person for the job. In addition to regular questions, consider using personality assessments, references, and tests that require candidates to perform in real-life situations.

3. Hire your top choices.

Step 3: Onboard and Organize Work

Help new employees feel orientated by being ready for them as soon as they enter the company. Know what tasks you will set them, have training sessions scheduled, and assign current employees to support new workers settle in.

Step 4: Organize Learning and Development

Remember, it is often easier to develop the skills of your current employees than to hire new talent. Plus, even if you do hire top talent, they will likely want to learn something in their new role. Plan ways for your workers to learn and grow, such as through conferences, courses, and a learning management system to create a learning environment.

Step 5: Hold Performance Appraisals

Checking employee performance regularly allows you to see if workers could manage additional responsibilities. This could save you hiring new talent and it may help an employee prepare for a promotion.

Step 6: Strategize to Retain Your Best Talent

Keep employees satisfied at work through promotions, benefits, motivating tactics, ensuring job satisfaction, and improving company culture.

Step 7: Plan for Successions

Nurture employees for successions, such as for when a senior member of staff retires. Enable employees to perform to their best through continuous learning opportunities, including knowledge management. If an employee decides to leave the company, conduct an exit interview to find out what went wrong — this will help you prevent the same issue occurring again in the future.

TALENT MANAGEMENT STRATEGY
- Develop the organization as an 'employer of choice';
- Plan and implement recruitment and selection programmes that ensure good quality
- People are recruited who are likely to thrive in the organization and stay with it for a reasonable length of time

- Plan and implement talent retention programmes;

- Introduce reward policies that help to attract and retain high-quality staff;

- Design jobs and develop roles that give people opportunities to apply and grow their

- Skills and provide them with autonomy, interest and challenge;

- Implement talent development programmes;

- Provide talented staff with opportunities for career development and growth;

- Recognize those with talent by rewarding excellence, enterprise and achievement;

- Generate and maintain a talent pool so that 'talent on demand' is available to provide for Management succession.

3.10 LEARNING AND DEVELOPMENT (L&D)

Learning and development (L&D) is one of the core areas of Human Resource Management. Learning and development is a systematic process to enhance an employee's skills, knowledge, and competency, resulting in better performance in a work setting. Specifically, *learning* is concerned with the acquisition of knowledge, skills, and attitudes. *Development* is the broadening and deepening of knowledge in line with one's development goals.

The goal of learning and development is to develop or change the behavior of individuals or groups for the better, sharing knowledge and insights that enable them to do their work better, or cultivate attitudes that help them perform better .Learning, training, and development are often used interchangeably. However, there are subtle differences between these concepts, which are shown in the table below.

Concept	Description
Learning	The acquisition of knowledge, skills, or attitudes through experience, study, or teaching. Training, development, and education all involve learning.
Training	Training is aimed at teaching immediately applicable knowledge, skills, and attitudes to be used in a specific job. Training may focus on delivering better performance in the current role or to overcome future changes.

Development	Development is aimed at the long term. It revolves around the broadening or deepening of knowledge. This has to fit within one's personal development goals and the (future) goals of the organization. Development usually happens voluntarily.

Objective

A learning and development strategy aims to achieve the following:

- Meet employee learning and development needs.
- Ensure optimal human capital development.
- Build the business management and leadership skills for a strong executive team

Learning and Development Process

The model starts with the organizational starting situation and prior knowledge based on which learning goals and objectives are defined. This information is used as input for the subject matter, teaching methods, and learning methods and activities. These lead to a certain result, which is monitored and evaluated. Based on this evaluation, the goals and objectives are updated.
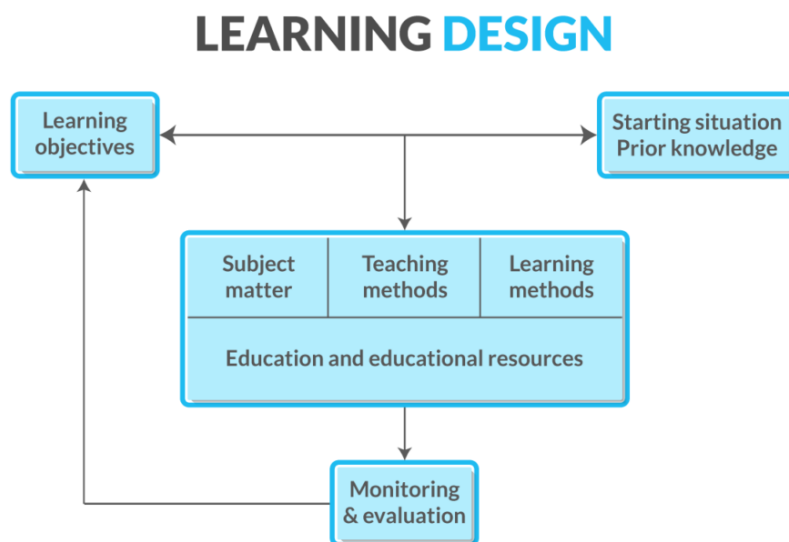

fig 3.2 Learning design 1

Based on this model, we identify four phases required to create an effective learning and development process.

1. An analysis of training needs (starting situation)

2. Specification of learning objectives

3. Design of training content and method

4. Monitoring and evaluation

Phase 1. Analysis of training needs

The first step is an analysis of the starting situations and prior knowledge to identify training needs. Employees have to acquire new knowledge, skills, and attitudes that are relevant for their (future) function. This way learning is a way to create new business capabilities.
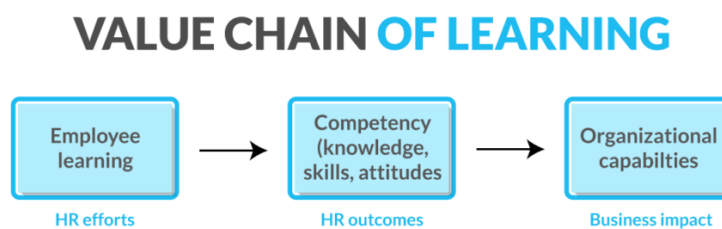
In other words, learning is a means to an end – it has a goal. Example goals could be the development of digital capabilities in an analog firm that needs to transform, building analytical capabilities to create more business value through analytics, or simply making sure that everyone gets their mandatory certification in time so they can continue to do their work.

Identifying the learning goal requires you to analyze where the organization wants to go and what skills are missing to get there. This happens in three parts.

1. **Organizational analysis**. In this phase, the short and long-term goals of the organization are analyzed. The goal is to define the training needs that will help the company realize its business goals.

2. **Function, task, or competency analysis**. Besides the identified organizational need, it is important to look at a function or task level. What are the competencies and skills required to be successful in one's job? The goal here is to identify the most important

knowledge, skills, and attitudes for employees to be successful in their jobs, and to identify which of these are the easiest to learn.

3. **Personal analysis**. In this analysis, job performance is evaluated. Current competencies and knowledge, performance, and skill levels are identified. The key source for this analysis is oftentimes the employee's performance evaluation. The outcome of the analysis serves as input for the definition of the training needs.

Using these three analyses, training goals can be specified. However, it is important to ensure there is sponsorship and support within the organization for the initiative.

Phase 2. Specification of learning objectives

The training needs need to be translated into learning objectives. These objectives serve as the starting point for the design of the training's content and method. This way training goals become highly specific and measurable. This helps to create an effective learning and development intervention aimed at improving these skills.

Phase 3. Design of the training material and method

In this phase, the teaching material and learning method are determined. This is where the choices about the training material, teaching method, and learning activities are made. This is often done together with an external trainer or training provider, and ideally also with involvement from the trainee. Trainee-centered methods are more interactive and include case studies, role-playing, self-directed lessons, on-the-job training, simulation, games, and so on. Effective training usually includes a mix of methods.

Phase 4. Monitoring and evaluation

The last phase of the learning process is monitoring and evaluation. In this phase, the learning objectives are evaluated and learning effectiveness is assessed. When the training is seen as effective, it should result in a change in behavior. This means that the starting situation and knowledge in the organization will be changed for the next learning design.

Methods of Learning

- **Lectures and seminars**. This is a more formal setting often used in universities with a lecturer and students. The setting inhibits interaction.

- **Discussion groups**. Highly interactive setting aimed at sharing viewpoints.

- **Debate**. Highly interactive setting aimed at convincing others of one's viewpoints.

- **Case study and projects**. These actively involve the participant and activate them to come up with solutions and answers.

- **Experiential activities**. These involve active participation and are often used in team building

- **Role Play**. A role is acted out or performed, for example as a technique to train customer interaction.

- **Simulation/Games.** An increasingly popular and highly interactive way of experimental learning. With the rise of virtual and augmented reality, this can be made very realistic.

- **Job shadowing**. Working with another employee who has a different experience to learn from them. This is a good way to learn and exchange ideas.

- **Outdoor management development (OMD)**.

- **Coaching**. Coaching focuses on hands-on skill development. The coach is often allocated and is the driving force. The coachee follows and learns.

- **Mentoring**. Mentoring is more strategic. The mentor is chosen by the mentee and the process is also driven by the mentee. Mentoring goes beyond skills.

3.11 REWARDS STRATEGY

A rewards strategy is a system implemented by a business that provides monetary, beneficial and developmental rewards to employees who achieve specific business goals. The strategy combines compensation and benefits with personal growth opportunities inside a motivated work environment. Designing and implementing a total rewards strategy requires a large-scale approach that drives organizational change.

The right reward strategy can help you achieve this for your employees, using benefits, bonuses and pay to encourage employee loyalty. Motivated staff will go that extra mile to contribute towards organisational success and better results. A successful environment will inevitably attract new talent, make existing employees feel rewarded and help retain your key people.

Components of Rewards

A total reward approach looks at what your organisation is trying to achieve, what your people want, what is affordable and the structures needed in place to achieve this. The four areas covered are:

1.   Cash compensation

Every organisation must pay its employees for the services that they provide (i.e. time, effort and skills). This includes both fixed (salary and allowances) and variable (bonus and incentives) pay. The cash compensation provided to employees increases over time and can be linked to a number of different factors such as performance or career development.

2.   Benefits

Organisations use benefits to supplement the cash compensation they provide to employees. These vary depending on the size of the organisation and affordability but can provide security and comfort to the employees and their families. The benefits include holidays, medical cover, income protection and pension schemes.

3.   Personal Growth

Providing personal and professional growth opportunities to employees is an essential part of any reward strategy. These can be skills acquired on the job as well as formal training

programmes valued by the employees that also serve the organisations strategic needs. Alongside this development, however, is the need to manage expectations, assessing performance and constantly striving to improve.

4.   Work Environment

A positive work environment can often be the defining factor in retaining key talent in an increasingly competitive market. Ultimately, we all want to work in an environment where there is genuine feeling of team spirit and togetherness. With a leader that inspires and supports us to achieve success at both work and home

REWARD STRATEGY DEVELOPMENT PROCESS

Developing a total rewards strategy is a four-step process consisting of:

Assessment: A project team assesses your current benefits and compensation system and determines the effectiveness of those systems in helping your company reach their goals. Activities that take place during the assessment phase of the process include surveying your employees on their opinions and beliefs regarding their pay, benefits and opportunities for growth and development as well as examining your current policies and practices. The most important outcome of the assessment phase is the project team assessment report, which includes your recommendations for the new total rewards system. The assessment report should include suggested solutions to questions such as:

- Who should be eligible for the rewards?
- What kinds of behaviors or values are to be rewarded?
- What type of rewards will work best?
- How will the company fund this?

Design: The senior management team identifies and analyzes various reward strategies to determine what would work best in their workplace. It decides what will be rewarded and what rewards will be offered to employees for those achievements. In a total rewards strategy, pay rewards for achievement of goals will not be the only consideration. HR strategists will also determine additional benefits (flexible work schedule, additional time off) or personal development opportunities (training or promotional) that employees will receive as a result of meeting the established company objectives.

Execution: The HR department implements the new rewards system. It circulates materials that communicate the new strategy to employees. Training also commences so that managers and decision-makers are able to effectively measure the achievement and employees are able to understand what they need to obtain to receive the rewards.

Evaluation: The effectiveness of the new plan must be measured and the results communicated to company decision-makers. Based on this, modifications can be proposed to the strategy for future implementation.
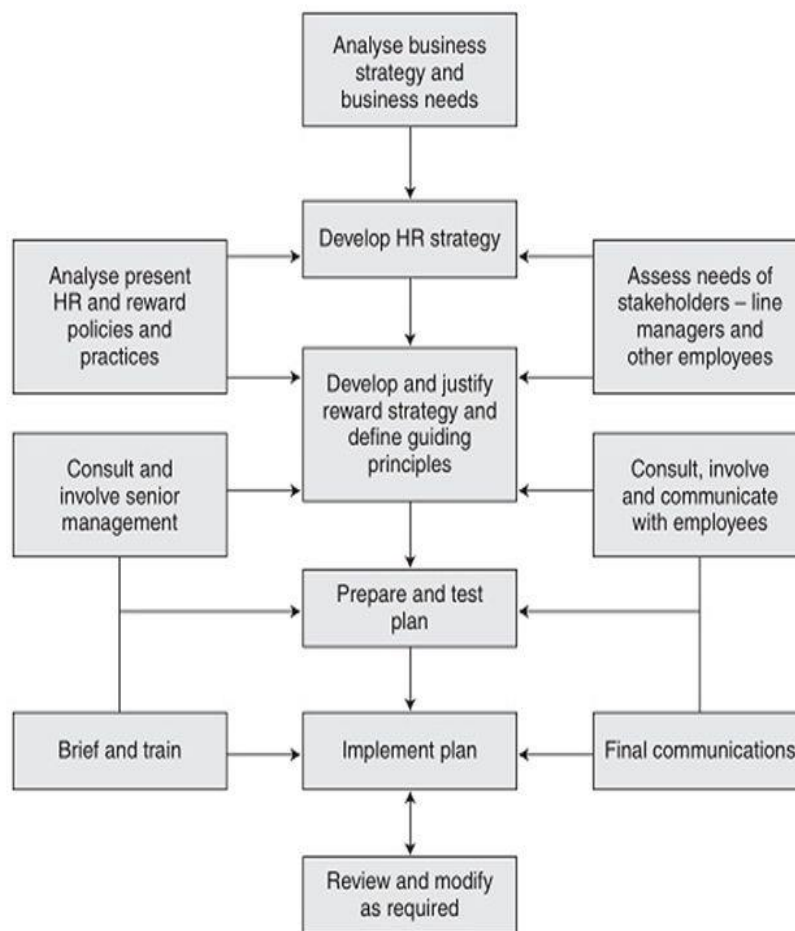

Figure   A model of the reward strategy development process

3.12 EMPLOYEE RELATIONS

Employee relations' (ER) is the term that defines the relationship between employers and employees. ER focuses both on individual and collective relationships in the workplace with an increasing emphasis on the relationship between managers and their team members. 'Employee relations' covers the contractual, practical, as well as the physical and emotional dimensions of the employee-employer relationship. The term employee relations is also used to highlight the efforts a company – or the HR department – makes to manage that relationship. These efforts are usually formalized in an employee relations policy or program.

Employee relations strategy define the intentions of the organization about what needs to be changed in the ways in which organization manages its relationship with the employees and their trade unions.

Eg: • 1. Strategy- achieving competitive edge through innovation •

2.Strategy- achieving competitive edge through cost reduction

Significance of Employee Relations

Employee relations are important because it helps in

- Improving motivation amongst employees

- Improving efficiency amongst employees and hence finally at organization level as well

- Increasing productivity of both employees and finally organization wise too

- Improving teamwork

- Strengthening harmony between employer and employees

- Increasing the sense of belonging amongst employees

- Increasing loyalty of employees

- Reducing absenteeism amongst

3.13 STRATEGY FORMULATION PROPOSITIONS

Strategy formulation is the process of determining and establishing the goals, mission and objectives of an organization, and identifying the appropriate and best courses or plans of action among all available alternative strategie to achieve them.

Fig Sequential strategic HRM model

3.14 DEVELOPING HR STRATEGIES

Essentially, the formulation of HR strategy requires answers to just three questions:

1. Where are we now?
2. Where do we want to be in one, two or three years' time?
3. How are we going to get there?

A methodology for formulating HR strategies was developed by Dyer andHolder (1988) as follows:

1. Assess feasibility – from an HR point of view, feasibility depends on whether the numbers and types of key people required to make the proposal succeed can be obtained on a timely basis and at a reasonable cost, and whether the behavioural expectations assumed by the strategy are realistic (eg retention rates and productivity levels).

 2. Determine desirability – examine the implications of strategy in terms of sacrosanct HR policies (eg a strategy of rapid retrenchment would have to be called into question by a company with a full employment policy).

3. Determine goals – these indicate the main issues to be worked on and they derive primarily from the content of the business strategy. For example, a strategy to become a lower-cost producer would require the reduction of labour costs. This in turn translates into two types of HR goals: higher performance standards (contribution) and reduced headcounts (composition).

4. Decide means of achieving goals – the general rule is that the closer the external and internal fit, the better the strategy, consistent with the need to adapt flexibly to change. External fit refers to the degree of consistency between HR goals on the one hand and the exigencies of the underlying business strategy and relevant environmental conditions on the other. Internal fit measures the extent to which HR means follow from the HR goals and other relevant environmental conditions, as well as the degree of coherency or synergy among the various HR means.

Fig 3.5 STRATEGY FORMULATION PROPOSITION 1

SETTING OUT THE STRATEGY

A strategic review can provide the basis for setting out the strategy. There is no standard model for doing this, but the following headings are typical.

1. Basis

- Business needs in terms of the key elements of the business strategy;
- Analysis of business and environmental factors (swot/pestle);

- Cultural factors – possible helps or hindrances to implementation.

2. Content – details of the proposed HR strategy.

3. Rationale – the business case for the strategy against the background of business

needs and environmental/cultural factors.

4. Implementation plan

- Action programme;
- Responsibility for each stage;
- Resources required;
- Proposed arrangements for communication, consultation, involvement and training;
- Project management arrangements.

5. Costs and benefits analysis – an assessment of the resource implications of the plan (costs, people and facilities) and the benefits that will accrue, for the organization as a whole, for line managers and for individual employees (so far as possible these benefits should be quantified in value-added terms).

3.15 STRATEGY IMPLEMENTATION

Strategy implementation is the translation of chosen strategy into organizational action so as to achieve strategic goals and objectives. Strategy implementation is also defined as the manner in which an organization should develop, utilize, and amalgamate organizational structure, control systems, and culture to follow strategies that lead to competitive advantage and a better performance.

Organizational structure allocates special value developing tasks and roles to the employees and states how these tasks and roles can be correlated so as maximize efficiency, quality, and customer satisfaction-the pillars of competitive advantage. But, organizational structure is not sufficient in itself to motivate the employees. An organizational control system is also required. This control system equips managers with motivational incentives for employees as well as feedback on employees and organizational performance. Organizational culture refers to the specialized collection of values, attitudes, norms and beliefs shared by organizational members and groups.

Following are the main steps in implementing a strategy:

- Developing an organization having potential of carrying out strategy successfully.
- Disbursement of abundant resources to strategy-essential activities.
- Creating strategy-encouraging policies.
- Employing best policies and programs for constant improvement.
- Linking reward structure to accomplishment of results.
- Making use of strategic leadership.

Excellently formulated strategies will fail if they are not properly implemented. Also, it is essential to note that strategy implementation is not possible unless there is stability between strategy and each organizational dimension such as organizational structure, reward structure, resource-allocation process, etc.

BARRIERS TO THE IMPLEMENTATION OF HR STRATEGIES

Major barriers that can be met by HR strategists when attempting to implement strategic initiatives are:

Failure to understand the strategic needs of the business with the result that HR strategic initiatives are seen as irrelevant, even counter-productive;

Inadequate assessment of the environmental and cultural factors that affect the content of the strategies;

Development of ill-conceived and irrelevant initiatives, possibly because they are current fads or because there has been an ill-digested analysis of best practice that does not fit the organization's requirements;

Selection of one initiative in isolation without considering its implications on other areas of HR practice or trying to ensure that a coherent, holistic approach is adopted;

OVERCOMING THE BARRIERS

To overcome these barriers it is necessary to carry out the following steps:

- Conduct analysis - the initial analysis should cover business needs, corporate culture and internal and external environmental factors. The framework could be a SWOT analysis of strengths, weaknesses, opportunities and threats facing the organization, or a PESTLE

analysis (the political, economic, social, technological, legal and environmental contexts within which the organization operates).

- Formulate strategy - the formulation should set out the rationale for the strategy and spell out its aims, cost and benefits.

- Gain support - particular care needs to be taken to obtain the support of top managers (for whom a business case must be prepared), line managers, employees generally and trade unions. This means communication of intentions and their rationale and the involvement of interested parties in the formulation of strategic plans.

- Assess barriers - an assessment is required of potential barriers to implementation, especially those relating to indifference, hostility (resistance to change) and lack of resources. Unless and until a confident declaration can be made that the initiative will receive a reasonable degree of support (it could be too much to expect universal acclamation) and that the resources in terms of money, people, time and supporting processes will be available, it is better not to plunge too quickly into implementation.

- Prepare action plans - these should spell out what is to be done, who does it and when it should be completed. A project plan is desirable, indicating the stages of the implementation programme, the resources required at each stage, and the stage and final completion dates. The action plan should indicate the consultation, involvement, communication and training programmes that will be required. It should also state how progress will be monitored and the criteria for measuring success against objectives.

- Project-manage implementation - this should be conducted by reference to the action or project plan and involves monitoring progress and dealing with problems as they arise.

- Follow up and evaluate - nothing can be taken for granted. It is essential to follow up and evaluate the results of the initiative. Follow-up can take place through interviews, focus groups and, desirably

3.16 MAKING THE IMPACT: THE ROLE OF HR

All organizations operate with the key objective of performing well with an obligation to their stakeholders. For an organization to perform well, they have to depend on the quality, dedication, enthusiasm, expertise and skill of the people working in the organization at each level. With

reference to resource-based view, HRM delivers added value and helps to achieve sustainable competitive advantage for an organization.

It is assumed that an improvement in performance can be achieved through people in the organization. This implies that HRM has a positive impact on the performance of the organizations. According to him, it is assumed that appropriate HRM practices can increase the motivation and commitment of employees. There are three ways how HRM can improve performance.

1. HR practices make a direct impact on employee commitment, engagement, motivation and skills.
2. When employees have the above characteristics, organizational performance in terms of quality, productivity and the delivery customer service will improve
3. When the organizational performance improve, the financial results will improve and this can be seen as a value chain in HR.

The same idea has been brought by Paauwe in 2004 and his idea is shown in the below diagram.
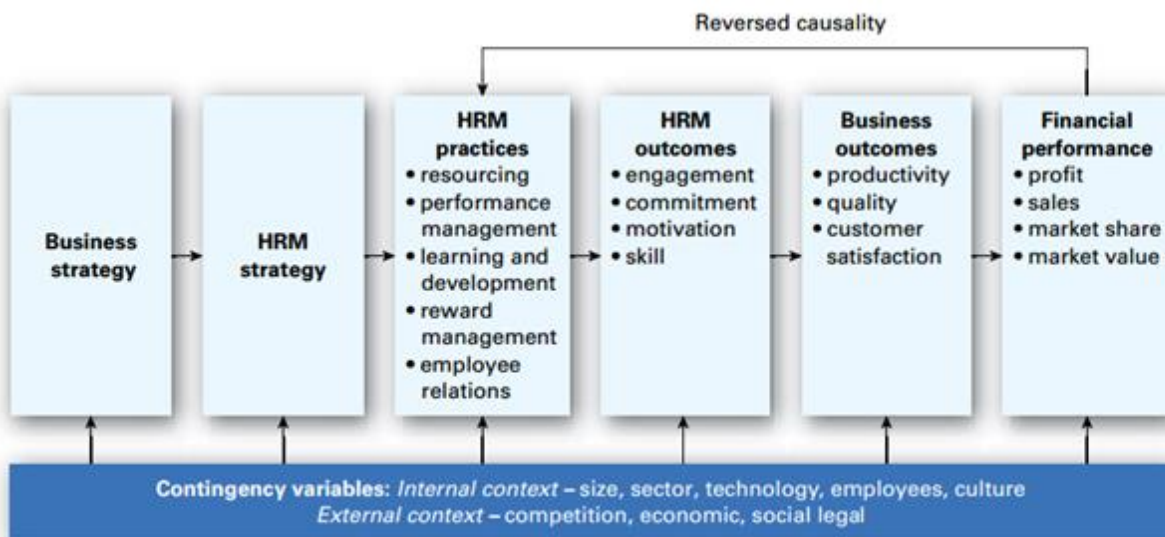

Fig 3.6 Impact of HRM on organizational performance (Paauwe, 2004)

In the modern studies, two issues have been identified as that affect the determination of a connection between HRM and organizational performance known as 'causal ambiguity' and 'contingency factors'. Causal ambiguity simply means that there are other or hidden factors between the factors influencing the cause and effect. This means, in the concerned issue there can be more factors affecting the performance of the organization other than HRM. Economic or business factors are among them which are difficult to identify. Contingency factors includes the internal and external environmental factors that influence what happens within the organization.

Today there is an emerging concept called "High performance work system and culture" which means that the organizations achieve sustained high performance through the work systems that they adopt. But in return, these systems are managed and operated by people which implies that high-performance working is all about improving performance through people.

In summary, we can say that HRM contributes to enhance organizational performance by providing insights on the performance issues affecting the organization and its employees. The aim is to find new ways of achieving performance challenges. HR can advise management on the development of a high performance strategy supported by performance and reward initiatives. Additionally, HRM can review practices and policies such as things concerned with organizational development, engagement, resourcing, learning and development, and employee relations. Decisions can then be made to enhance existing policies and practices or introduce new ones.

UNIT – IV - STRATEGIC HUMAN RESOURCE MANAGEMENT – SBAA7019

4. STRATEGIC HRM COMPONENTS

4.1 STRATEGIC HR ISSUES

Human resource strategy is an elaborate and systematic plan of action developed by a human resource department. This definition tells us that an HR strategy includes detailed pathways to implement HRM strategic plans and HR plans. Think of the HRM strategic plan as the major objectives the organization wants to achieve, and the HR plan as the specific activities carried out to achieve the strategic plan. In other words, the strategic plan may include long-term goals, while the HR plan may include short-term objectives that are tied to the overall strategic plan.

Companies now understand that the human side of the business is the most important asset in any business (especially in this global economy), and therefore HR has much more importance than before. Initially termed as personnel management, HR activities mostly involved hiring process and legal compliance where as human resources management involves strategic planning and implementation.

The Ulrich HR model, a common way to look at HRM strategic planning, provides an overall view of the role of HRM in the organization. His model is said to have started the movement that changed the view of HR; no longer merely a functional area, HR became more of a partnership within the organization. David Ulrich and Wayne Brockbank, *The HR Value Proposition* looks at five main areas of HR
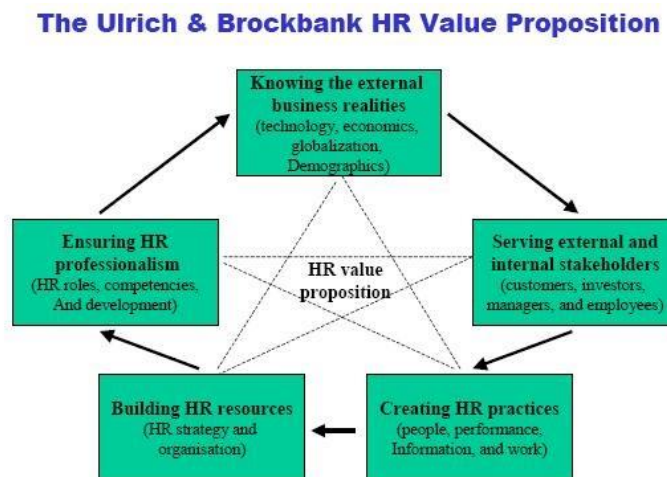

Fig 4.1 Ulrich HR model 1

Based on the model, four aspects are considered when creating a good HRM strategic plan:

1. Make it applicable. A good strategic plan should be the guiding principles for the HRM function. It should be reviewed and changed as aspects of the business change. Involvement of all members in the HR department and communication among everyone within the department will make the plan better.

2. Be a strategic partner. Alignment of corporate values in the HRM strategic plan should be a major objective of the plan. In addition, the HRM strategic plan should be aligned with the mission and objectives of the organization as a whole. For example, if the mission of the organization is to promote social responsibility, then the HRM strategic plan should address this in the hiring criteria.

3. Involve people. An HRM strategic plan cannot be written alone. The plan should involve everyone in the organization. For example, as the plan develops, the HR manager should meet with various people in departments and find out what skills the best employees have. Then the HR manager can make sure the people recruited and interviewed have similar qualities as the best people already doing the job. In addition, the HR manager will likely want to meet with the financial department and executives who do the budgeting, so they can determine human resource needs and recruit the right number of people at the right times. In addition, once the HR department determines what is needed, communicating a plan can gain positive feedback that ensures the plan is aligned with the business objectives.

4. Understand how technology can be used. Organizations oftentimes do not have the money or the inclination to research software and find budget-friendly options for implementation. People are sometimes nervous about new technology. However, the best organizations are those that embrace technology and find the right technology uses for their businesses. There are thousands of HRM software options that can make the HRM processes faster, easier, and more effective. Good strategic plans address this aspect

4.2 LIFECYCLE STAGES AND HRM STRATEGY

Life Cycle Stage	Staffing	Compensation	Training and Development	Labor / Employee Relations
Introduction	Attract best technical and professional talent.	Meet or exceed labor market rates to attract needed talent.	Define future skill requirements and begin establishing career ladders.	Set basic employee-relations philosophy of organization.
Growth	Recruit adequate numbers and mix of qualifying workers. Plan management succession. Manage rapid internal labor market movements.	Meet external market but consider internal equity effects. Establish formal compensation structures.	Mold effective management team through management development and organizational development.	Maintain labor peace, employee motivation, and morale.
Maturity	Encourage sufficient turnover to minimize layoffs and provide new openings. Encourage mobility as reorganizations shift jobs around.	Control compensation costs.	Maintain flexibility and skills of an aging workforce.	Control labor costs and maintain labor peace. Improve productivity.

Life Cycle Stage	Staffing	Compensation	Training and Development	Labor / Employee Relations
Decline	Plan and implement workforce reductions and reallocations; downsizing and outplacement may occur during this stage.	Implement tighter cost control.	Implement retraining and career consulting services.	Improve productivity and achieve flexibility in work rules. Negotiate job security and employment-adjustment policies

Issues in Human Strategies

1. Managing Talent

2. Improving Leadership Development

3. Strategic Workforce Planning

4. Enhancing Employee Engagement

4.3 ORGANIZATIONAL STRATEGY

An organizational strategy is a creation, implementation, and evaluation of decisions within an organization that enables it to achieve its long-term and short-term objectives.

Key strategic considerations of organization strategy

(1) What re-configurations, reach extensions and strategic relationships will be necessary to deliver the intended organizational strategy.

(2) What new skills and capabilities will be needed? How will procedures change relating to the new skills and capabilities?

(3) What will the new level of performance be? How will it be achieved?

(4) What changes to corporate culture will be needed?

(5) How will operational activities be integrated?

The most important phase of implementation is the formulation of the organizational strategy is human factor. Most of the organizations successful in strategy implementation consider the human resource factor as very important in making strategies happen. Consideration of human resources requires management thinks about communication needs. They must articulate strategies so those charged with developing the corresponding action steps fully understand the strategy to be implemented. In addition, the human resource function understands the effects each new strategy will have on their people needs.

HR activities that support an organizational strategy

1. Recruitment and selection

The ability to attract and select human resource having the right knowledge, skills, and attitude is an important function of HR. If it is successful in this work, it will be providing support to organization strategy in a big way. Productivity, quality, and service are the most critical issues in any organization and any positive contribution of HR in these areas will be of paramount importance. The organization should recruit and induct employees who are a good fit for the jobs. If so, this will result in a visible improvement in productivity. Improvements will show in planning, processes, supervision, techniques etc. leading to improvement in productivity. This, in turn, will directly affect the organization profitability. HR in such cases is adding value to the organization. Similarly, HR through right hiring may add value to the organization. If customer satisfaction shows an upward trend. HR adds value when costs and errors show a downward trend.

2. Quality is one of the most critical issues for any organizational strategy

Improvement in quality positively affects a host of other areas. Improvement in quality leads to a reduction in production or service cost and, providing customer delight resulting in customer retention. Increase in sales follows thus improving market reputation leading to a reduction in marketing expenses which contributes towards improved profitability. It is, however, important to remember that to qualify as a value-adding activity, improvements must be shown to have happened in consequence of the activity started by human resource function. In this context, the

most important thing is the availability of the correct data and the right interpretation. In every case right measuring tools have to be found and the reasons for improvements are to be correctly determined.

3. Performance appraisal and compensation

Performance Appraisal and Compensation are the most critical areas of HRM. Formulating a system which is fully aligned with organizational strategy, and implementing the same in an objective and transparent manner is essential. Not only will this make the system acceptable but also positively affects employee's motivation. The system not only enunciates the organization's expectations regarding employee's performance. It also helps in employee training and development. Similarly, laying down a sound and fair compensation policy goes a long way in attracting, maintaining, developing and retaining good employees. HR can add, value by proper formulation and implementation of these important functions and thus support organization strategy.

4. Training and development

A learning organization is fast becoming a reality. In any organization, continuous learning means growth through learning events and experiences for individual employees as well as teams, and the organization as a whole. HR plays an important role in developing a culture of continuous learning. Identifying, training and development needs and arranging, training and development programs for employees is part of the whole learning process. A system which creates an environment conducive to learning through experience, coaching, mentoring, self-learning as well as through training and development is a must in the learning organization. HR which is the main organizer, director, and controller of learning. Learning must be applied to processes in order to bring about improvements. Once again, HR is successful in adding value to the organization.

4.4 ROLE OF HR FUNCTION IN THE OVERALL SUCCESS OF THE BUSINESS

Human capital leverages all the areas of an organization. Therefore, the HR department needs to ensure the human asset is effectively aligned with the strategy determined by the organization. To capitalize on the leverage, organizations need to adopt a new perspective of HR. HR systems must align with the organizational strategy. Employees must be strategically focused. Every

element of the HR function, from hiring, compensation, training etc. needs to be developed in order to enlarge the human capital in the organization. When HR is strategic and involved with and/or linked to organizational performance, it plays an important role in the success of an organization. When HR interventions are strategically aligned, competitive advantage is more easily achieved.

Alignment between HR activities and strategic planning can be formed by HR. HR must expand beyond the administrative function. It must focus more on how it can support the organization in strategic planning and implementation. By increasing the competencies of HR personnel, the department will increase its credibility and be integrated into a strategic role. For that purpose, measuring itself from a business perspective and by the value, it brings to an organization is the key to its elevation to the role of a strategic business partner. Once there is a clear understanding of how HR affects the bottom line from a business / and or strategic point of view. The role of the HR function in the overall success of the organization will become crystal clear

4.5 HUMAN RESOURCE STRATEGY

A Human Resource strategy is a business's overall plan for managing its human capital to align it with its business activities. The Human Resource strategy sets the direction for all the key areas of HR, including hiring, performance appraisal, development, and compensation.

The HR strategy is thus a long-term plan that dictates HR practices throughout the organization.

An HR strategy has a set of characteristics:

- It requires an analysis of the organization and the external environment.

- It takes longer than one year to implement.

- It shapes the character and direction of Human Resources Management activities

- Helps in the deployment and allocation of organizational resources (i.e. money, time, personnel)

- Is revised on a yearly basis.

- It incorporates the expert judgment of senior (HR) management.

- It is number-driven.

- It results in a specific behavior.

HUMAN RESOURCE MANAGEMENT (HRM)

Human resource management (HRM) is concerned with all aspects of how people are employed and managed in organizations. The beliefs of HRM included the assumptions that it is the human resource that gives competitive edge, that the aim should be to enhance employee commitment, that HR decisions are of strategic importance and that therefore HR policies should be integrated into the business strategy

The goals of HRM are to:

- Support the organization in achieving its objectives by developing and implementing human resource (HR) strategies that are integrated with the business strategy (strategic HRM);
- Contribute to the development of a highperformance culture;
- Ensure that the organization has the talented, skilled and engaged people it needs; create a positive employment relationship between management and employees and a climate of mutual trust;
- Encourage the application of an ethical approach to people management.

4.6 MEASURES AND EVIDENCES

An old business maxim suggests, "You cannot manage what you cannot measure." Imagine the following scenario. An HR executive is part of a senior management team in a planning setting. The General Manager asks for input on what the plans should be for the business. The finance Vice President reports the economic requirements of the business and talks about key financial indicators, including: inventory, margins, product turnover, revenue, expenses, debt, and other financial indicators of success. The marketing Vice President reports the customer requirements of the business and talks about measures of customer service, market share, customer focus groups, customer retention, and other indicators of customer satisfaction. The technology Vice President reports on indicators of emerging technologies, cycle times for product introduction, and research and development budgets and investments. The manufacturing Vice President reports operating efficiencies, product quality, and volume indicators. What measures does the

Vice President of human resources bring to this table? Traditionally, the HR executive could talk abstractly and conceptually about employee morale, turnover, and commitment. To fulfill the business partner role of HR, concepts need to be replaced with evidence, ideas with results, and perceptions with assessments.

MEASURES OF HRM

BALANCE SCORE CARD

A Balanced Scorecard is a performance management tool used by executives and managers to manage the execution of organizational activities and to monitor the results of actions. Fundamentally a balanced scorecard provides a summary level view of organizational performance at a quick glance and includes key performance indicators (KPIs) across four main areas or perspectives:

- Financial Perspective: KPIs for productivity, revenue, growth, usage, and overall shareholder value.
- Customer Perspective: KPIs for customer acquisition, customer satisfaction rates, market share, and overall brand strength.
- Internal Process Perspective: KPIs for resource usage, inventory turnover rates, order fulfillment, and quality control.
- Learning / Growth Perspective: KPIs for employee retention, employee satisfaction, and employee education, training, and development.

Think of the balanced scorecard as the dials and indicators in an airplane cockpit. For the complex task of navigating and flying an airplane, pilots need detailed information about many aspects of the flight. They need information on fuel, air speed, altitude, bearing, destination, and other indicators that summarize the current and predicted environment. Reliance on one instrument can be fatal. Similarly, the complexity of managing an organization today requires that managers be able to view performance in several areas simultaneously. The balanced scorecard allows managers to look at the business from four important perspectives. It provides answers to four basic questions:

The Balanced Scorecard Links Performance Measures

- How do customers see us? (customer perspective)

- What must we excel at? (internal perspective)

- Can we continue to improve and create value? (innovation and learning perspective)

- How do we look to shareholders? (financial perspective)

The Balanced Scorecard Links Performance Measures

Financial Perspective

GOALS	MEASURES

How Do We Look to Shareholders?

How Do Customers See Us?

Customer Perspective

GOALS	MEASURES

What Must We Excel At?

Internal Business Perspective

GOALS	MEASURES

Innovation and Learning Perspective

GOALS	MEASURES

Can We Continue to Improve and Create Value?
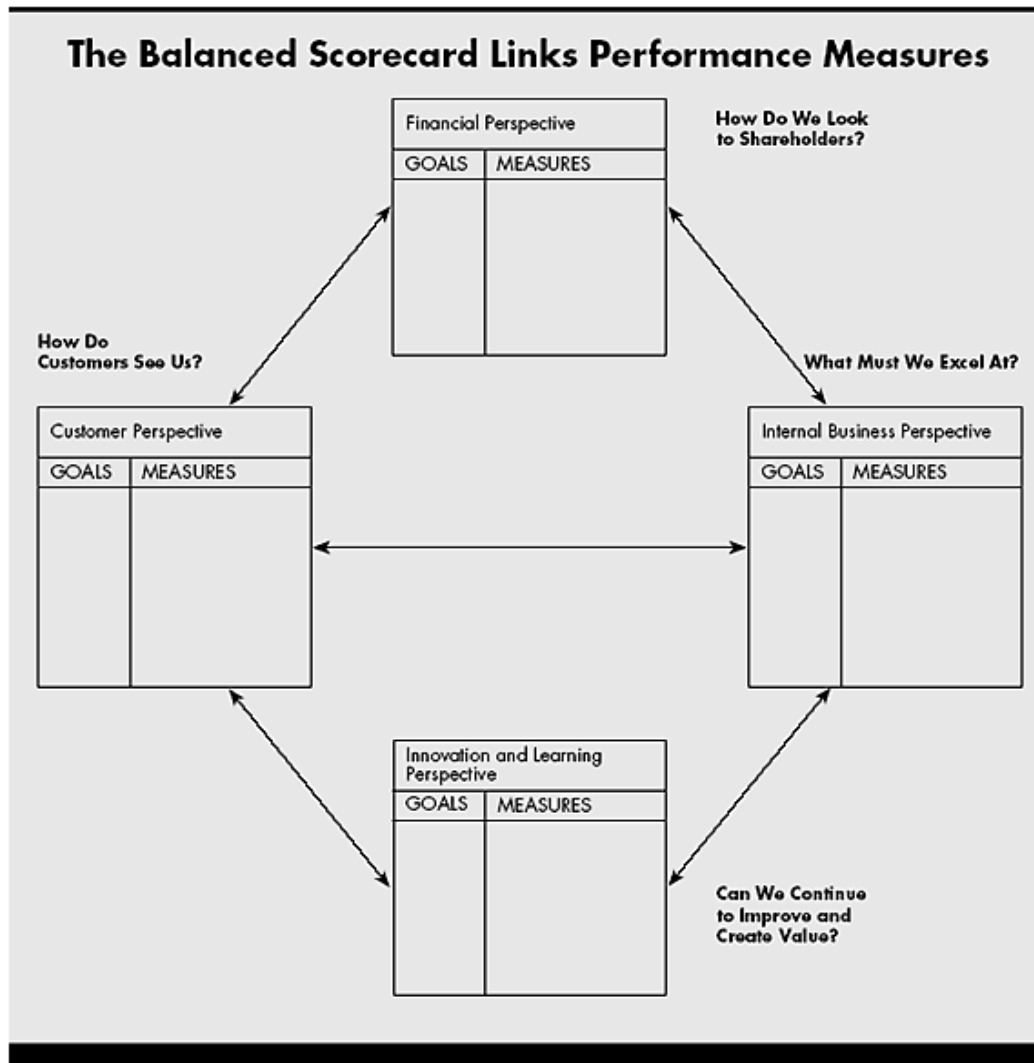
Fig 4.2 Balance score card Approaches

- Customer Perspective: How Do Customers See Us?

The balanced scorecard demands that managers translate their general mission statement on customer service into specific measures that reflect the factors that really matter to customers. Customers' concerns tend to fall into four categories: time, quality, performance and service, and cost.

- Internal Business Perspective: What Must We Excel at?

The internal measures for the balanced scorecard should stem from the business processes that have the greatest impact on customer satisfaction—factors that affect cycle time, quality, employee skills, and productivity, for example. Companies should also attempt to identify and measure their company's core competencies, the critical technologies needed to ensure continued market leadership. Companies should decide what processes and competencies they must excel at and specify measures for each.

- Innovation and Learning Perspective: Can We Continue to Improve and Create Value?

A company's ability to innovate, improve, and learn ties directly to the company's value. That is, only through the ability to launch new products, create more value for customers, and improve operating efficiencies continually can a company penetrate new markets and increase revenues and margins—in short, grow and thereby increase shareholder value.

- Financial Perspective: How Do We Look to Shareholders?

Financial performance measures indicate whether the company's strategy, implementation, and execution are contributing to bottom-line improvement. Typical financial goals have to do with profitability, growth, and shareholder value.

Fig 4.3 Balance score card Measures

4.6.1 HUMAN RESOURCE SCORE CARD

HR scorecard is meant to measure leading HR indicators of business performance. Leading indicators are measurements that predict future business growth. These are called HR deliverables. They are also known as HR metrics, and more specifically HR KPIs, as they are metrics that are linked to the business strategy.

There are five steps to create an HR scorecard:

1. Create an HR strategy map
2. Identify HR deliverables
3. Creation of HR policies, processes, and practices
4. Aligning HR systems
5. Creating HR efficiencies

1. HR Strategy Map

The strategy map helps to identify how HR is driving these business outcomes. The question here is: what HR practices drive the strategic goals of the company?

Example

As you can see, the company's strategic goal is on top. Next, HR has identified its recruitment contribution to this goal. The contribution is to hire more qualified professionals. The way to do

this is through becoming a more attractive employer in the labor market, and through a decrease in the time it takes to hire a new employee (lead time).

2. HR deliverables

To measure this, HR deliverables or KPIs are created. This HR scorecard example shows how these strategic goals can be measured. For example, the lead time is measured as the 'time to hire in days', which is currently 38, but has to be decreased to 25, a 34% improvement!

Recruitment Strategy Map			HR Scorecard		
			KPI	Current score	Target
Strategic	Most innovative organization in the sector		• Position in the sector-wide innovation benchmark • Time to market of last 5 new products in days	5 121	Top 3 95
Employee growth	Hire more qualified professionals		• Satisfaction score of manager after 1 year (*quality of hire*)	0.70	0.85
Financial	Decrease of recruitment cost		• Recruitment cost in Dollars	4 MM	3.5 MM
Process	Decrease of lead time	More attractive employer	• Time to hire in days • Acceptance ratio in % • Top employer benchmark	38 70% Top 40%	25 90% Top 20%

3. HR policies, processes, and practices

Another element of the HR scorecard is concerned with policies, processes, and practices.In the previous example, the key deliverables include a decrease in lead time and a high ranking in the top employer benchmark. These deliverables can be supported through:

- **Policies**: A strong employer branding policy will help in building a strong reputation that will help in becoming a top employer

- **Processes**: Key to decreasing lead time will be an optimization between how recruiters and managers communicate. Oftentimes, managers take a long time to review resumes and plan interviews with candidates. Changing these slow processes into workflows that guarantee next-day action, can decrease the time to hire with days, sometimes weeks. This is one of the many processes that can be implemented to enable better performance on the HR deliverables.

- **Practices**: This looks at the specific practices that help HR achieve the aforementioned deliverables.

Creating policies, processes, and practices that create synergies is referred to as 'bundles' of practices. These practices act together to create synergy for the HR deliverables. This is also the core focus of the next step in the scorecard, aligning HR systems.

4. Aligning HR systems

It is about aligning the different HR practices to create synergy .Aligning these HR systems is key in performing on the HR deliverables.For example, the employee branding efforts should focus on the type of workers that the employer is actually looking for. In addition, decreasing lead time by rushing through the process may lead to a lower quality of hire, resulting in a mismatch between what HR is doing, and some of the goals it tries to achieve.

5. **Creating HR efficiencies**

Traditionally, HR has focused a lot on creating efficiencies. When it comes to creating an HR scorecard, some efficiencies have to be thrown out of the window.For example, a higher quality of hire, your cost to hire someone might go up. In our example, the quality of hire is a strategic HR measurement. Investing money into increasing the quality of hire is well worth it. This justifies investments in assessments, employer branding projects, and other HR initiatives that boost the main HR deliverables.

People Costs	Performance
• Compensation cost: Revenue	• Revenue per employee
• Benefit costs: Revenue	• Earnings per employee
• HR cost per person	• Market cap per employee
Commitment	**Deployment**
• Turnover rate	• Vacancy rate
— Critical skills	• Internal—external fill ratios
— High performers	
— All employees	
• Commitment pulse	

4.6.2 HR AUDIT

Human Resource Audit is a comprehensive method of objective and systematic verification of current practices, documentation, policies and procedures prevalent in the HR system of the organization. An effective HR audit helps in identifying the need for improvement and enhancement of the HR function. It also guides the organization in maintaining compliance with ever-changing rules and regulations. HR audit, thus, helps in analyzing the gap between 'what is the current HR function' and 'what should be/could be the best possible HR function' in the organization. Though HR auditing is not mandatory like financial auditing, yet, organizations these days are opting for regular HR audits in order to examine the existing HR system in line with the organizations policies, strategies and objectives, and legal requirements. HR auditor can be internal or external to the organization. Generally, HR consulting firms render the service of external HR auditors.

PURPOSE OF HR AUDIT

- Examining compliance with legal requirements and organization's policies,

- Identifying problem areas to avoid crisis situation with appropriate planning,

- Analyzing ways to better serve the needs of relevant parties – employees, partners or society, measuring the work processes,

- Seeking HR related opportunities available within the organization, dealing with situation of merger and acquisitions, etc.

BENEFITS OF HR AUDIT

1) Clarification of the HR department duties and responsibilities.

(2) Ensuring timely compliance with legal requirements.

(3) Creation of increased acceptance of the necessary changes in the HR department.

(4) Stimulation of uniformity of HR policies and practices.

(5) Encouragement of greater responsibility and professionalism among members of the HR department

(6) Identification of the contributions of the HR department to the organisation.

(7) Improvement of the professional image of the HR department.

(8) Finding solution of critical personal problems.

(9) Reduction of HR costs through more effective personnel procedures.

(10) Also review of the department information system.

SCOPE OF HR AUDIT

However, a comprehensive scope of HRM audit includes all aspects of HRM which are as follows:

1. HR strategies and policies,

2. HRM functions,

3. HR compliance, and

4. HR climate.

1. HR Strategies and Policies:

The starting point of HRM audit should be an evaluation of HR strategies and policies and the way these are in tune with those of the organization. For formulating HR strategies and policies, it is essential that the objectives of HRM functions are clearly defined. The audit may evaluate the extent to which various HR strategies and policies have been formulated and what their qualities are.

Various HR strategies and policies may be audited by evaluating their:

i. Consistency with the organizational objectives, strategies, and policies;

ii. Consistency with the environment;

iii. Appropriateness in the light of organizational resources;

iv. Appropriateness in the light of time horizon; and

v. Workability.

2. HRM Functions:

The major thrust of HRM audit is on evaluation and review of various HRM functions relating to acquiring and employing human resources, developing human resources,

compensation management, integration and maintenance of human resources, and industrial relations.

The audit should measure and evaluate these functions in the following context:

i. The type of HRM functions performed;

ii. The degree to which these functions are related to HRM objectives; and

iii. The degree to which these functions are performed effectively.

3. HR Compliance:

HR compliance refers to the adherence to various HR strategies and policies by line managers and adherence to legal requirements.

In this context, evaluation revolves around the following:

i. The extent to which line personnel adhere to various HR policies in dealing with personnel working under them; and

ii. The extent to which there is compliance with the legal requirements as provided under various legal Acts relevant for management of human resources.

4. HR Climate:

Quality of HR climate has important impact on motivation, job satisfaction, morale, and performance of human resources.

HR climate can be evaluated by various outcomes which are as follows:

i. Degree of employee turnover,

ii. Degree of employee absenteeism,

iii. Degree of accidents,

iv. Status of grievances and disciplinary actions, and

v. Findings of attitude and morale surveys.

HR Audit Cycle

Set or
adjust
HR practices

Re-evaluate practice
and provide
ongoing HR support

Measure and assess
current practices

The HR Audit Cycle

Implement legally compliant
employment and
good HR practices

Compare current employment
practice against legal
requirements and
HR Good Practice Standards:
theHRbusiness Audit

Identify and recommend
areas for change

Fig 4.4 HR Audit Cycle

HR AUDIT PROCESS

The general process of conducting an audit includes seven key steps, each of which is discussed in greater detail below:

- Determine the scope and type of audit.

- Develop the audit questionnaire.

- Collect the data.

- Analyze the collected data

- Create action plans

- Provide feedback about the results.

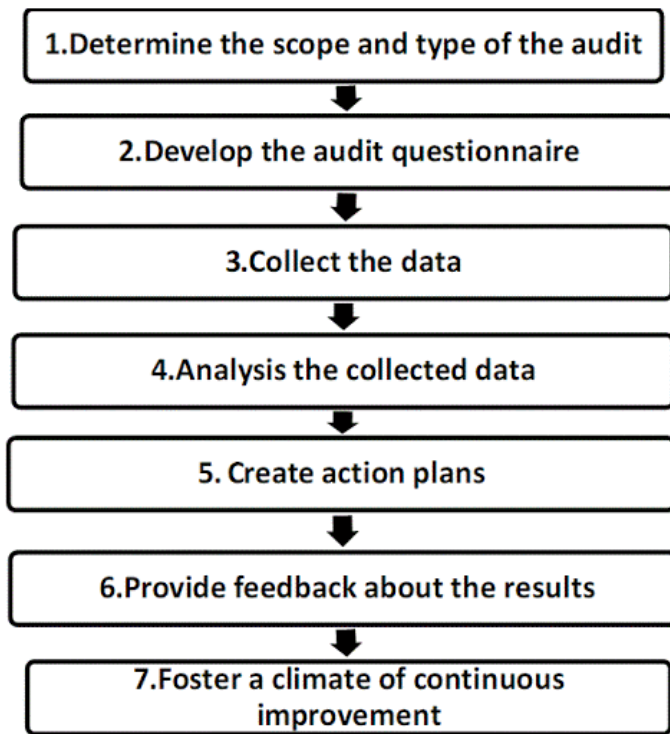- Foster a climate of continuous improvement.

1.Determine the scope and type of the audit

2.Develop the audit questionnaire

3.Collect the data

4.Analysis the collected data

5. Create action plans

6.Provide feedback about the results

7.Foster a climate of continuous improvement

Fig 4.5 HR Audit Process

1. *Determine the scope and type of the audit*

To uncover the needed information, the audit team must determine exactly which areas to target for review. If the organization has never audited its HR function, or if significant organizational or legal changes have recently occurred, the audit team may want to conduct a comprehensive review of all HR practice areas. On the other hand, if concerns are limited to the adequacy of a specific process or policy, the audit team can focus its review on that particular area.

2. *Develop the audit questionnaire*

Whether conducting a comprehensive audit or an audit of a specific practice, the audit team should invest sufficient time in developing a comprehensive document that elicits information on all the subjects of the inquiry. HR must develop a list of specific questions to ensure that the questionnaire is complete.

3. *Collect the data*

The next phase includes the actual process of reviewing specific areas to collect the data about the organization and its HR practices. Audit team members will use the audit questionnaire as a road map to review the specific areas identified within the scope of the audit.

4. *Analyze the collected data*

To fully assess the audit findings, the team must compare them with HR benchmarks. This comparison will offer insight into how the audit results compare against other similarly sized firms, national standards or internal organizational data.

5. *Create action plans*

From this final analysis, the audit team can develop a timeline for action that will help determine the order in which to address the issues raised. In addition to a formal report, the audit team should discuss the results of the audit with employees in the HR department, as well as with the senior management team, so that everyone is aware of necessary changes and that approvals can be obtained quickly. The organization must create action plans for implementing the changes suggested by the audit, with the findings separated by order of importance: high, medium and low. Conducting an audit and then failing to act on the results actually increases legal risk.

6. *Provide feedback about the results*

At the conclusion of the audit process, the audit team must summarize the data and provide feedback to the organization's HR professionals and senior management team in the form of findings and recommendations. Findings are typically reduced to a written report with recommendations prioritized based on the risk level assigned to each item (e.g., high, medium and low).

7. *Foster a climate of continuous improvement*

At the conclusion of the audit, HR leaders must engage in constant observation and continuous improvement of the organization's policies, procedures and practices so that the organization never ceases to keep improving. This will ensure that the company achieves and retains its competitive advantage. One way to do this is to continuously monitor HR systems to ensure that they are up-to-date and to have follow-up mechanisms built into every one of them.

One approach is to designate someone on staff (or an outside consultant) to monitor legal developments to ensure that HR policies and practices are kept current. Likewise, organizations should keep track of the audit findings and changes made, turnover, complaints filed, hotline

issues, and employee survey results to identify trends in the organization's employment-related issues. Identifying problematic issues, growth areas or declining problem spots can help in the decision of where to allocate time, money and preventive training resources in the future.

4.6.3 HR ANALYTICS

HR analytics is the process of collecting and analyzing Human Resource (HR) data in order to improve an organization's workforce performance. The process can also be referred to as talent analytics, people analytics, or even workforce analytics. This method of data analysis takes data that is routinely collected by HR and correlates it to HR and organizational objectives. Doing so provides measured evidence of how HR initiatives are contributing to the organization's goals and strategies.

For example, if a software engineering firm has high employee turnover, the company is not operating at a fully productive level. It takes time and investment to bring employees up to a fully productive level. HR analytics provides data-backed insight on what is working well and what is not so that organizations can make improvements and plan more effectively for the future. As in the example above, knowing the cause of the firm's high turnover can provide valuable insight into how it might be reduced. By reducing the turnover, the company can increase its revenue and productivity. HR analytics specifically deals with the metrics of the HR function, such as time to hire, training expense per employee, and time until promotion. All these metrics are managed exclusively by HR for HR.

HR ANALYTICS METRICS

1. Revenue per employee: Obtained by dividing a company's revenue by the total number of employees in the company. This indicates the average revenue each employee generates. It is a measure of how efficient an organization is at enabling revenue generation through employees.

2. Offer acceptance rate: The number of accepted formal job offers (not verbal) divided by the total number of job offers given in a certain period. A higher rate (above 85%) indicates a good ratio. If it is lower, this data can be used to redefine the company's talent acquisition strategy.

3. Training expenses per employee: Obtained by dividing the total training expense by the total number of employees who received training. The value of this expense can be determined from

measuring the training efficiency. Poor efficiency may lead you to re-evaluate the training expense per employee.

4. Training efficiency: Obtained from the analysis of multiple data points, such as performance improvement, test scores, and upward transition in employees' roles in the organization after training. Measuring training efficiency can be crucial to evaluate the effectiveness of a training program.

5. Voluntary turnover rate: Voluntary turnover occurs when employees voluntarily choose to leave their jobs. It is calculated by dividing the number of employees who left voluntarily by the total number of employees in the organization. This metric can lead to the identification of gaps in the **employee experience** that are leading to voluntary attrition.

6. Involuntary turnover rate: When an employee is terminated from their position, it is termed "involuntary." The rate is calculated by dividing the number of employees who left involuntarily by the total number of employees in the organization. This metric can be tied back to the recruitment strategy and used to develop a plan to improve the quality of hires to avoid involuntary turnover.

7. Time to fill: The number of days between advertising a job opening and hiring someone to fill that position. By measuring the time to fill, recruiters can alter their recruitment strategy to identify areas where the most time is being spent.

8. Time to hire: The number of days between approaching a candidate and the candidate's acceptance of the job offer. Just like time to fill, data-driven analysis of time to hire can benefit recruiters and help them improve the candidate experience to reduce this time.

9. Absenteeism: Absenteeism is a productivity metric, which is measured by dividing the number of days missed by the total number of scheduled workdays. Absenteeism can offer insights into overall employee health and can also serve as an indicator of employee happiness.

10. Human capital risk: This may include employee-related risks, such as the absence of a specific skill to fill a new type of job, the lack of qualified employees to fill leadership positions, the potential of an employee to leave the job based on several factors, such as relationship with managers, compensation, and absence of a clear succession plan. HR analytics can be used to measure all these metrics.

THE HR ANALYTICS PROCESS

- Understanding the organization's business goals
- Identifying the metrics to be analyzed to achieve those goals
- Collecting and analyzing the relevant data
- Obtaining insights into this data
- Communicating how this data impacts the organization

THE HR ANALYTICS PROCESS

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Fig 4.7 HR Analytics Process

BENEFITS OF HR ANALYTICS

HR Analytics helps your organization become more strategic, data helps you tackle current issues and also plan better for future activities.

1. **Improve your hiring process**

Finding the right candidate is always a task, and when they do, one can only hope everything goes well and they actually join the organization. How many candidates actually join, how many drop-off at what stage? What job boards work the best for you? How many candidates do you need to reach out to close a position? These are just some questions that you could look at resolving through analytics.

2. Reduce attrition

HR Analytics here will go a long way in identifying what are the factors contributing to attrition and what remedial measures can be taken to avoid it in the future.

3. Improve employee experience

Employee experience is the sum of experiences that an employee feels throughout their journey. It is imperative for managers and HR reps to meet with employees regularly to understand what factors are affecting employee experiences in positive and negative ways

4. Make your workforce productive

Productivity levels will always go up and down and there are a host of factors affecting that. This ranges from office infrastructure, work environment, managers and team-mates, and job satisfaction among other things. Gathering data on what's affecting productivity will certain arm you with data to take corrective actions.

5. Gain employee trust

When you bring about changes to processes to make them better and introduce new ones, your employees take notice. They know their feedback is valued and the management team will act on it. This is crucial to build and maintain employee trust, a critical element to high employee engagement, employee success, and employee retention percentages.

6. Improve your talent processes

Talent processes are not only about pre-hiring, hiring or annual performance reviews, but they are also much more than that. HR should always be monitoring their talent processes, identify challenges and bottlenecks if any, and then work on them. It's ideal to meet with employees, however, we understand this may not always be possible or feasible. Conducting employee surveys is a good idea, get their feedback and inputs and work on them, let them know they are being heard. Employee surveys don't always have to only be exit surveys, do it to see what they feel about employee benefits, how employee experience is at your organization, what changes they would like to see for improving it, etc.

PREDICTIVE HR ANALYTICS

Predictive Analytics analyzes historical data in order to forecast the future. The differentiator is the way data is used.In standard HR analytics, data is collected and analyzed to report on what is working and what needs improvement. In predictive analytics, data is also collected but is used to make future predictions about employees or HR initiatives. This can include anything from predicting which candidates would be more successful in the organization, to who is at risk of quitting within a year.

How does it work?

Advanced statistical techniques are used to create algorithmic models capable of identifying trends and future behaviors. These future trends can describe possible risks or opportunities that organizations can leverage in long-term decision-making.

Example :Let's take a look at how predictive analytics can be used on turnover With predictive analytics, an algorithm can be devised to predict the likelihood of employees quitting within a given timeframe. Being able to flag which employees are at risk enables organizations to step in with preventative measures and avoid the cost of losing productivity and the cost of re-hiring.

4.6.4 EMPLOYEE SURVEY

An employee survey is defined as a type of survey questionnaire to obtain opinions and reviews and evaluate employee mood and morale, a degree of engagement, and also monitor employee achievements. Generally, employee surveys are used by HR and Management members of an organization and are kept anonymous to motivate the workforce to comment on their good and bad experiences without any hesitation.

Employee surveys are integral employee feedback mediums to get perspective on factors such as work culture, direct managers, and elements that motivate or demotivate employees at the workplace

EMPLOYEE SATISFACTION SURVEY

Also known as employee morale survey, this survey is used to gather opinions that the management and HR can use to build a positive environment for the employees. This can be done by understanding multiple employee perspectives, such as:

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1. Assessment of the human resource department

2. Contentment in regards to the salary and other perks

3. Overall job satisfaction

4. Reasons to stay or leave the job

5. Assessment of company policies

These surveys include questions that are crucial for the growth of an organization, such as employee loyalty, aspects of the organization that motivate them, and the scope of growth or training opportunities. The employee satisfaction survey is best used to get a thorough idea of what makes an employee stay or get retained by an organization's management.

EMPLOYEE ENGAGEMENT SURVEY

Employee Engagement Surveys are designed to measure and assess how motivated and engaged your employees are to perform their best at work each day. From these surveys, you can gain insight into employees' thoughts and attitudes towards their work and the overall environment. You can also locate any areas that may be holding your employees back from performing at their best. This employee engagement survey is implemented when an organization intends to monitor factors that contribute to its workforce performance. The survey questions can give the management a peek into an employee's perspective on changes in the organization, their motivation to be productive, how closely do they relate to the work culture and mission, etc. These parameters are measured using employee engagement survey:

1. Employee skillset

2. Employee understanding of assigned tasks

3. Relationship with direct and indirect managers/supervisors

4. Inter-department relationship management

5. The frequency of circumstances for employees to flourish

Employee engagement surveys are transforming from real-time feedback systems to even more proactive surveys aided by Artificial Intelligence. The system will use intelligent Nudges to help

organizations in developing rules, hints, tips and suggestions to build a more employee-oriented workplace.

Components of an Employee Engagement Survey

1. Communication:

2. Leadership:

3. Compensation and Benefits

4. Employee Recognition:

5. Workplace Wellness

6. Personal and Professional Development

7. Work Environment:

8. Work-life Balance:

Importance of Employee Engagement Surveys

- Surveys make sure that employee engagement is the **top priority** in your organization. They are the best way to make sure that employees are in an <u>emotionally secure</u> work environment.

- Can be the most definitive way to **gauge various company concerns** such as <u>Employee Health</u>, Employee Absenteeism, <u>Employee Turnover</u>, <u>Employee productivity</u> etc.

- Employee engagement surveys are the best way to **track improvement** within the organization and **benchmark employee engagement** within the industry.

- They make employees feel heard, cared for and looked after, that can lead to improved **employee satisfaction** and boost **employee morale**.

- Conducting Survey is the only way to **quantify or measure employee engagement** efforts of the organization.

- It nurtures a culture of **continuous employee feedback**.

- Employee engagement surveys are the cornerstone of cultivating a company culture that focuses on employee autonomy, employee satisfaction and loyalty.

4,7 HR MANAGEMENT AND TECHNOLOGY: HRIS

HR technology can be defined as any technology that is used to attract, hire, retain, and maintain human resources, support HR administration, and optimize HRM. This technology can used in different types of human resource information systems (HRIS) and by various stakeholders, such as managers, employees, and HR professionals. This technology can be accessed in different ways. There is no doubt that technology has made it easier and faster to gather, collate, and deliver information and communicate with employees. More importantly, it has the potential to reduce the administrative burden on the HR department so it is better able to focus on more meaningful HR activities, such as providing managers with the expertise they need to make more effective HRrelated decisions. Research has indicated that companies who effectively use technology to manage their HR functions will have a significant advantage over those that do not.

Human resources information systems (HRIS) can be defined as integrated systems used to gather, store, and analyze information regarding an organization's human resources. Using HRIS technology can help HR automate and simplify tasks, reduce administration and record keeping, and provide management with HR-related information when required. These systems provide a repository for information/data to be stored and maintained, and they possess varying degrees of reporting capability. However, for the data to be useful, they need to be transformed into information that is meaningful to managers. This is the challenge facing HR departments today and what will ultimately determine whether HR is able to deliver strategic HR services

RELATIONSHIP OF HRM TO HRIS

HRIS is the composite of databases, computer applications, and hardware and software necessary to collect, record, store, manage, deliver, manipulate, and present data for human resources. It is important to note that the term "systems" does not just refer to hardware and software. Systems also include the people, policies, procedures, and data required to manage the HR function. In reality, computer technology is not the key to being successful at managing human resource information, but what it does do well is provide a powerful tool for "operationalizing" the information—making it easier to obtain and disseminate and ensuring that it is specific to the organization's HR policies

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and practices. A sound HRIS must allow for the assimilation and integration of HR policies and procedures with an organization's computer hardware and its software applications. For example, a simple business rule (e.g., promotions are not to exceed 8 percent of salary) could easily be programmed into the system, and errors could be flagged when they occur.

FUNCTIONS OF AN HRIS

These data can be used to create information that will serve different purposes for many different stakeholders

1. Create and maintain employee records

2. Ensure legal compliance

3. Enable managers to forecast and plan future HR requirements

4. Provide information to managers and HR so they can manage knowledge and manage talent (career and succession planning)

5. Provide information to enable HR plans and activities to align more effectively with the organization's strategic plan

6. Assist managers with decision making by providing relevant data so they can make more effective and informed decisions

Key Functions of an HRIS
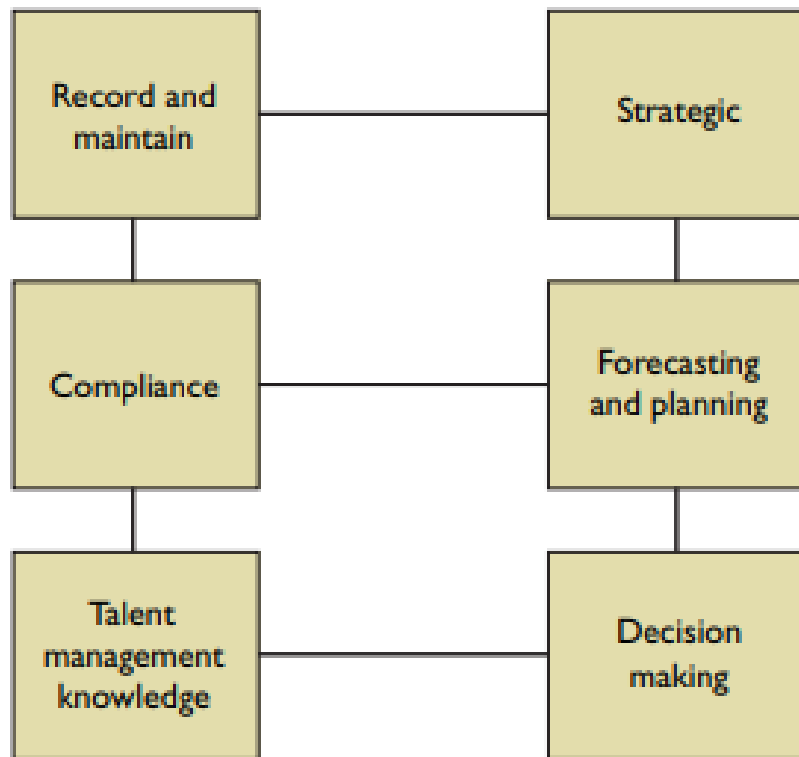
1. Create and Maintain Employee Records

The data being entered create an employee record and this record is maintained throughout employment. In most organizations the HRIS administrator is responsible for creating (entering the information into the system) and maintaining these records. Accuracy and timeliness are critical.

2. Compliance

Data entered into the HRIS can be used to help the organization comply with government regulations in an accurate and timely fashion. Ensuring data integrity and accuracy is very important and a key responsibility of the HR professional.

3. HR Planning and Forecasting

Information from the recruitment, training and development, and administrative subsystems, such as number of open positions, types of positions, employee skills and competencies, job rates (salaries), retirement eligibility, and employee turnover rates, can be used to help

managers develop long-range staffing plans and provide valuable information to HR professionals.

4.   Talent Management/Knowledge Management

The data that are entered into the system, such as skills, competencies, jobs held, training, and employee development interests, can be used to help managers provide development opportunities for their employees, ensure that the appropriate employees are offered positions that will enhance their skills, provide the appropriate training for employees so they can advance in the organization, and highlight an employee's interests and development paths. This information will help HR professionals to provide more targeted advice and counsel to managers and help HR to work more effectively with employees and managers to create a development plan that meets organizational and employee needs.

5.   Strategic Alignment

Information from the system can help organizations align HR activities more effectively with their strategic plan. For example, if the organization's plan was to enter into a new market and it required a certain number of certain types of employees (say, five accountants), the data from the system can tell management whether it has these employees, and if not, when they are expected to be hired.

6.   Enhancing Decision Making

The ability to extract data from the HRIS and use these data not just to create information but also to improve the quality of management decisions has become increasingly important. HRIS can access a data warehouse, or central repository for all the data collected by an organization's business systems.

Some of the most commonly requested reports from the HRIS include

• Basic information, such as name, address, phone number

• Compensation reports, such as salary history

• Performance evaluations

• Leaves of absence, paid or unpaid

• Number of jobs held and position titles

• Number of vacation days taken and number outstanding

• Types of training taken and skills acquired

SELECTING AND IMPLEMENTING HRIS

1. Adoption Phase

Adoption Phase In this phase, organizations typically engage in a needs analysis to determine what type of system they will purchase. A needs analysis helps the organization decide on what the system should be capable of doing and what the technical specifications will be, and helps the organization develop an information policy about how the information should be managed with respect to storage and access. There are several main areas to be considered in the needs analysis: company background, management considerations, technical considerations, HR considerations, and pricing.

Once the needs analysis is complete, companies then send out a request for proposal (RFP) to vendors, schedule demonstrations of the various systems, and ultimately choose one that most closely aligns with their needs analysis, budgets, and management requirements. At this point, the adoption phase is complete, and the organization will move on to the implementation phase.

2. Implementation Phase

In this phase, the company selects a project team. This team typically comprises outside consultants who have the knowledge and expertise on the technical side and also expertise in change management to help the organization with the implementation. In addition to the outside consultants, there is typically a senior project manager who leads the team, subject matter experts from HR and payroll, as well as management from the various functional areas across the organization. After all, these managers will be using the system and it is important for them to ensure that the system is implemented effectively and that their requirements are clearly understood.
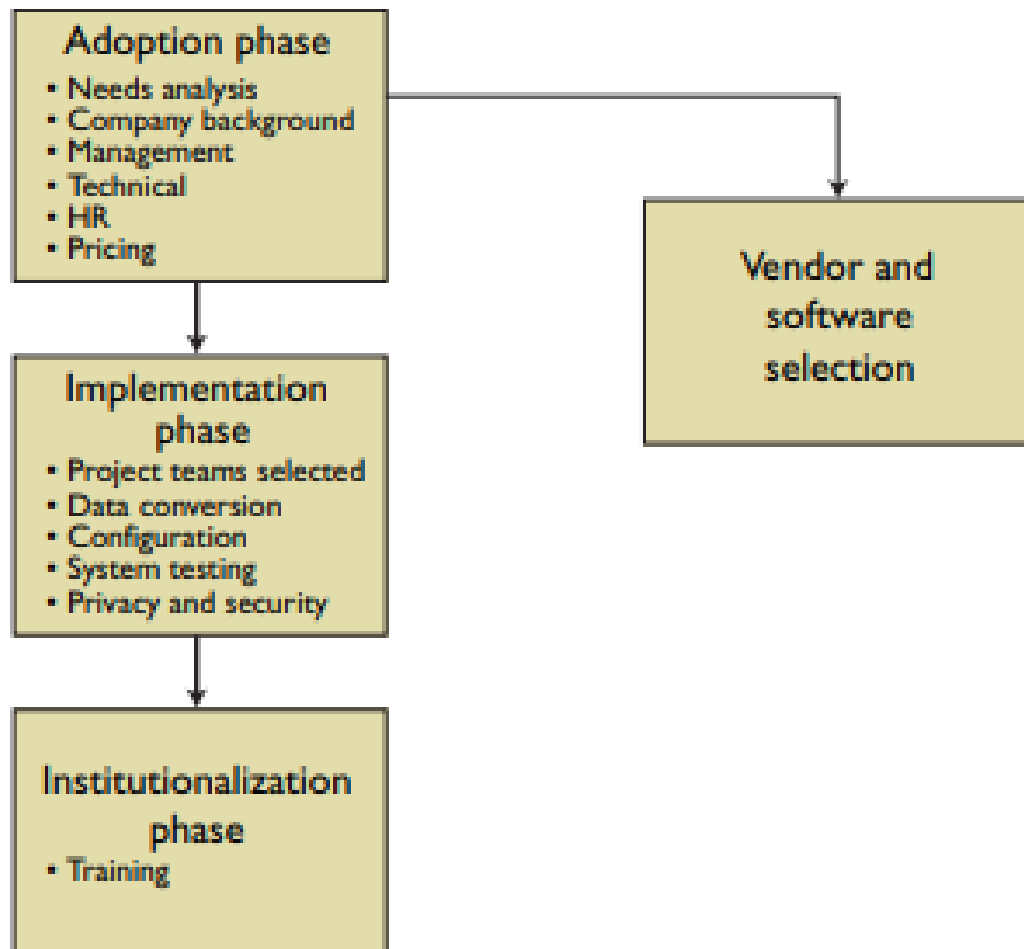
A final, critical piece of HRIS security is making sure that system users clearly understand and adhere to the company confidentiality and code of ethics policies. All users need to understand that they must not share passwords, post them in view of others, or compromise them in any way.

3.Institutionalization Phase

The final step in implementing an HRIS is to train the users on the system. The organization's goal is for the stakeholders to use the system and reap the benefits identified through the needs analysis. However, many difficulties can arise with the implementation of a new system. As with any change, people need to become comfortable. People typically have difficulties in transitioning to an HRIS and the organization can experience inertia. Employees need to be trained but even after training they may not feel fully competent and might not use the system. With any new system, stakeholders typically underestimate the complexity of the system. HR may have difficulty with the change as well.

Very recently, a popular extension of HRIS technology has been self-service for employees and managers in order to automate workflow. With these technological developments, the typical activities that HR used to carry out are no longer required and, as a result, HR staff may feel disenfranchised. A recent survey examined the impact of technology on the number of HR staff and found that the implementation of HR technology does not necessary mean a reduction in HR staff and that, in fact, the number of HR staff increased or remained the same. One technological development that has impacted HR and the delivery of service has been Web-based self-service applications.

Three-Step HRIS Implementation Process

Adoption phase
- Needs analysis
- Company background
- Management
- Technical
- HR
- Pricing

Vendor and software selection

Implementation phase
- Project teams selected
- Data conversion
- Configuration
- System testing
- Privacy and security

Institutionalization phase
- Training

4.8 USAGES AND IMPLICATIONS OF SOCIAL MEDIA TECHNOLOGIES

Social media as a digital platform has had a tremendous impact on how we communicate and maintain dialogue with friends, family and colleagues. The advent of social media sites like Facebook, Twitter, Instagram and others have presented to us a democratic platform where everyone has an opinion and an equal chance of being heard. Social media, in the way it is structured, allows people to share their life events, their opinions on matters of political or social significance and their feelings. The hallmark of this medium is in the two-way, instant communication that it offers vis-à-vis other traditional media channels like television print, where the communication is only one-way.

Because of these very benefits of the digital platform, it has become a rudimentary practice for every organization to have a social media presence for marketing or for corporate HR engagement. In any organization, HR is the function that deals with all the employees related matters like payroll, recruitments, employee engagement, learning and skill development, work environment etc. It is also the responsibility of the HR function to communicate and generate conversations about various HR practises such as talent acquisition, leadership, employee communication as well as attracting future employees. Social Media as a tool helps them do just that.Through social media, conversations have changed both internally and externally in organizations. There is a need to create an engaging two-way dialogue between the company and the employees. HR uses social media to create this dialogue.

- **Employee Communication.** Before social media, employers communicated to their employee using in person meetings, email, memos, and interoffice mail. Changes in policy or corporate restructures were communicated the same way. There was control, predictability, and a flow to the communications as well as change. Enter social media. Employers must now communicate changes to their organization making the assumption that by telling one, you are telling all. A single tweet or Facebook update serves as public notice to any type of corporate change throwing a wrinkle in the corporate communicate process.

- **The Voice of the Employee**. Before social media, companies could rely on break room suggestion boxes, employee hotlines, and closed room meetings as a way for employees to raise and express concerns. Through social media, blogs, and online forums employees can now share their experiences and suggestions good as well as bad. Like consumers companies have little control except to monitor, address the change, and continue to communicate.

- **Employer Branding**. Even during a recession, employees have choices. In the past, employers communicate their job openings using one-way conversation tools like the newspaper, job boards, or career fairs. HR and Recruiting teams are now seen as an extension of their PR and Marketing departments except their target audience using social media is candidates not consumers.

- **Employee Engagement** Internal networking through social media can enable faster and less hierarchical information sharing . So act as a powerful way of building employee engagement.

- **Facilitates Training** Social networking creates a more open and less hierarchical form of learning. It can react to the changing environment and disseminate new learning quickly and effectively at low cost. It is more motivating and interesting for employees.

Social media changes HR, forcing them to consider technology and the online conversation in everything they do. Online social platforms are where the conversations HR and senior executives can no longer afford to ignore. Social media changes business. Social media changes HR. Social media is engagement. Social media changes everything.

UNIT – V - STRATEGIC HUMAN RESOURCE MANAGEMENT – SBAA7019

5. TRENDS AND ISSUES IN SHRM

5.1 CHALLENGES IN HR

1. Business Environment

Globalization and increased competition

- Managing a global workforce.
- Ensuring availability of employees who have the skills for global assignments.
- Focusing increasingly on employee productivity to ensure competitiveness.
- Ensuring legal compliance when conducting business abroad.

Mergers and Acquisitions

- Managing employee insecurity.
- Ensuring continued employee productivity.
- Developing HR initiatives to manage employee morale.

Downsizing Managing organizational relationship with survivors

- Managing morale and commitment of survivors
- Providing outplacement services or relocation for employees who lose jobs.
- Providing personal and family counseling to employees who lose their jobs.

2. Changing Nature of Work

Industry and Occupational shifts

- Managing workforce with flexible working patterns.
- Focusing on competencies during hiring process.
- Designing incentive based compensation.
- Developing proactive employee development programmes.

Technological Advancements

- Managing a virtual workforce.
- Managing employee alienation.
- Developing training modules and conducting programmes to provide employees with required skills.

- Retraining current employees to mange obsolescence.

- Providing work-life balance initiatives.

Outsourcing

- Manage employee concerns about losing jobs due to outsourcing.

- Managing employee morale and productivity.

Flexible Work Arrangements

- Managing the loss of organizational control over work.

- Developing programmes for motivating the flexible workforce.

- Developing ways of ensuring commitment of the flexible workforce to the firm**.**

3. Demographic, Societal, and Workforce Trends

Workforce Diversity and Work force Competition

- Devising customized HR strategies for hiring, retaining, and motivating employees belonging to different generations.

- Developing life-style driven perks for the new generation employees.

- Developing work-life balance programmes.

- Workforce Availability Ensuring the availability of skilled talent to fulfill organizational needs.

Ageing population and workforce

- Finding replacement for retirees.

- Managing the demand-supply gap for qualified managerial talent due to a large retiring workforce.

- Developing mentoring programmes to ensure the skills of experienced mangers are passed on to new managers.

- Obsolescence training and retaining of older employees.

- Managing retirement policies.

- Conducting programmes to retain experienced employees.

Educated and knowledge workforce

- Ensuring the continued supply of trained manpower.

- Training new hires.

- Partnering with universities and developing academic initiatives to meet projected shortage of skilled manpower.

- Training employees in computer skills, communication skills, and customer handling skills.

- Emphasizing re-training and development activities.

Women in workforce

- Strategizing to attract and retain educated and skilled women workers.

- Conducting programmes for women who opt for career breaks.

- Providing facilities such as crèches, flexible working hours, etc.

- Changing family structures

- Developing work-life balance programmes.

Global Workforce

- Developing diversity training programmes.

- Developing HR initiatives directed to workforce diversity.

- Identifying and training expatriate managers for overseas assignments.

- Developing equitable pay plans for individuals working in different countries.

Contingent

- Developing systems to motivate the temporary workforce and elicit flexibility commitment from them

- Helping the temporary employees to quickly adapt to the organization to reach their full potential

4. Changing Nature of Employment Relationship

- Offering challenging jobs to employees.

- Managing rewards for enhancing employee performance.

- Providing opportunities for enhancing skills through training, development and educational programmes.

- Developing programmes for employee commitment.
- Understanding value differences across different employee groups and customizing HR programmes
-

5.2 HOW HR ADDS VALUE TO THE FIRM

The Ulrich & Brockbank HR Value Proposition
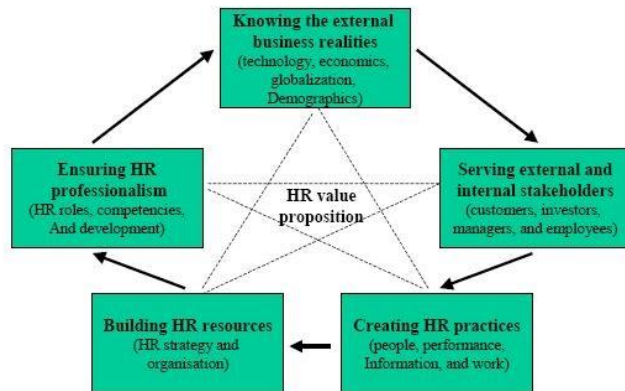
External business realities

HR actions inside a firm must reflect and influence business realities in the outside world. HR professionals should be able to cogently discuss these external realities – the technology, regulatory and economic factors, and demographics of the global business environment – and connect them to their day-to-day work. Knowing business realities makes it possible to put HR practices in context, tie them to competitive challenges, and relate them to concerns facing line managers. These contextual factors offer the rationale for why a transformation should occur. Everyone in your HR function should be conversant with both the realities of the external world and how HR actions will help your firm compete in this changing context.

Stakeholders

The receivers of HR work –the investors, customers, line managers, and employees – define its value more than the givers. HR is successful if and when its stakeholders perceive value from it. Delivering what matters most to stakeholders focuses on the deliverables (outcomes of HR) rather than on the do-able (activities of HR). The deliverables of HR involve investor intangibles, customer share, organization capabilities, or individual abilities.

HR practices

 HR practices institutionalize beliefs and values and make them real to all stakeholders. For example, the way you hire, train, or pay people or the way you organize work sends messages to employees about what matters most. By creating practices around people, performance management, information, and workflows, you shape an organization's identity and personality. These HR practices deliver value to internal and external stakeholders when they are appropriately aligned with your organization goals. They also ensure that the organization outlives any individual leader. They become cultural pillars for your organization.

HR resources

 HR function needs a strategy and structure that will deliver value. The strategy will help you focus attention on key factors and respond appropriately to business realities; the structure will organize HR resources in ways that govern how HR work is done. The strategy and structure of your HR department will ensure that HR resources are deployed where they add the most value.

HR professionalism

 Each HR professional in your organization must learn to play a role and master competencies to deliver value. Roles represent what people do; competencies define how they do it. HR functions are only as good as the people who inhabit them, so having clear roles and distinct competencies ensures that they will deliver they value they intend.

5.2.1 HR'S ROLE IN CREATING VALUE

The value created by the HR function is frequently questioned by line managers. This reflects how many human resources functions are perceived to be out of step with the needs of business. Research suggests, time and again, that organizational change fails as often as it succeeds. Even where change projects do succeed, delivery of value is rarely as easy as it appeared, at the outset. Why? Too often, emphasizing the business and economic rationale of a project obscures the fact that value, in all of its forms, is actually created by the application of human talent.

But, amidst unprecedented uncertainty, deriving value from human talent is harder than ever. This has placed an increasing responsibility on HR function's to source the scarce human talent which can create the highest value for organizations. HR functions are also required to identify

and sustain diverse talent pools which will maximize value creation in rapidly changing market environments.

So how are human resources professionals able to enhance the value creation process?

- There is no single best way - a 'silver bullet' - of doing things as far as organizational success and productivity is concerned;
- HR organization, processes and technology need to be integrated and aligned with business strategy to maximize their impact as value creating opportunities;
- Engaged employees create more value for the organization; and
- There are many legitimate HR metrics which can measure the contribution that HR makes to value creation in a business.

There is no one single 'best way' of doing things as far as organizational success and productivity is concerned. What works well for one organization could lead to spectacular failure for another. The key to maximizing value from HR is aligning HR strategy and programmes to an organization's business strategy.

5.3 ALIGNMENT OF HR STRATEGIES

Integrating and aligning HR processes with business strategy

Business strategies and drivers should be analysed for their effect on HR and people practices. Different business drivers will suggest different approaches to HR strategy and organizational design. At the micro level, most companies have a business strategy with elements that are completely unique to their own circumstances. When studying business strategies, however, most observers agree that these thousands of discrete strategies can be classified into three or four categories. Michael Porter used the term 'generic strategies' to refer to alternative strategic positions in an industry. He suggested that companies could compete in one of three ways:

- Cost leadership - being the low-cost producer;
- Differentiation - having a unique product or service; or
- Focus - concentrating special services or products on a specific market niche.

Porter contends that competitive advantage comes from setting up value creating activities to deliver on a company's particular kind of strategy. This allows the company to erect barriers to entry. Michael Treacy and Fred Wiersema studied successful companies in different sectors and

came to similar conclusions as Porter. They suggest that customers look for one of three sources of value or strategic styles from a company:

- Operational excellence - low-cost, reliable and easy to use products or services;
- Product leadership - leading edge products; or
- Customer intimacy - highly customized solutions and services.

Applying Treacy and Wiersema's concepts of strategic styles to an organization's people requirements we can see how these different strategic styles demand different competencies from employees and thus, different strategies from HR.

Table 2.7 Implications of strategic style for HR management

Strategic style	Work environment	Employee competencies	Lead HR systems
operational excellence	Stable, measurable cost - conscious, team-based continuous improvement.	Process control, teamwork analysis, financial / operational understanding and attention to detail.	Strategic sourcing, HR process improvement, compensation based on highly measurable results.
Product leadership	Experimental learning focused technical, informal, fast-paced, resource rich, speed to market.	Lifelong learning, information-sharing. creativity, breakthrough thinking.	Fluid organization, emphasis on training and development, relatively undifferentiated rewards.
Customer intimacy	Values-driven, dynamic, informal, collegial. service-oriental.	Relationship-building, listening, initiative, collaboration, rapid problem solving.	Selection for fit with values, consistent leadership, balanced emphasis between short -term and long term rewards

5.4 IMPACT ON BUSINESS PERFORMANCE

Engage Employees to create value

Measuring the connection between employee behaviours and business performance is often difficult. Traditional measures of employee satisfaction and commitment fail to link strongly with developments in business results and often leave the HR professional as a poor cousin when business metrics are used to monitor business performance.

One powerful HR measure which does enable the HR professional to link employee behaviours with business performance is a metric called employee engagement. Using a specialist employee survey tool it is possible to measure the employee behaviours which impact on business performance and identify the key drivers of business performance improvement within a business. Employee engagement:

- Differs by company;
- Impacted by at least 19 different drivers in six broad categories;
- Not every driver applies to every person;
- Does impact financial results; and
- Measured and managed effectively.

Fig 5.1 Employee engagement models

Measuring degrees of employee engagement provides data which enables actions to be taken at the point of business performance. So for example what employee engagement measures might do is help an HR professional to look at all the elements that make up the employment experience and identify which of those elements within the experience motivate employees to stay and which motivate employees to go above and beyond the simple requirements of their job.

Employee engagement measures can also help HR professionals to look at which areas of activity have a greater influence on retention. Engagement measures can also help explain the difference between top performing units and units which perform less well and thus determine how value can be improved across the business.

Measuring degrees of engagement in staff can help line managers to focus on the areas which will produce the greatest improvement in business performance. If engaged employees and non-engaged employees are compared there are clear differences. Research has shown that engaged sales employees tend to stay longer with organizations, for instance, and tend to be responsible for larger amounts of sales, thus increasing profits per employee and revenues across a business.

5.5 HR METRICS

Using HR metrics to measure value

A lack of early or sufficient consideration of measures such as employee engagement in business restructuring, denies access to a crucial insights which impact on value. Determining the real business drivers for an organization is often the first and crucial link in defining the HR people and practices which have the greatest impact on value. In the last decade, on the back of increased use of IT solutions, more and more HR teams now have their own process controls and performance metrics. A recent research study found that more than 80% of the companies contacted used some kind of HR measurement system. Of those with measures in place, 44% used balanced scorecards as their organizing framework. Many companies have adapted this approach. In their work with HR departments they have found that the balanced scorecard approach is well suited to HR departments that are keen to take the first step in showing the value they add to a business.

The balanced approach to HR measurement answers how HR is adding value from four different perspectives:

- What is our return on our investment in people?
- Is our service delivery effective and efficient?
- Are our human assets aligned with future needs? And
- Are we serving the needs of our customers?

Purpose of HR measurement

Among those companies in our study that are already using HR measurement, their primary purposes in doing so are to:

- Build a common language among HR professionals for communicating HR strategy and results;
- Be proactive in identifying workforce trends and offering solutions; and
- Strengthen relationships with the lines of business.

The combination of a robust HR measurement system and HRMS framework allows today's HR leaders to make decisions that are grounded in fact and to evaluate the outcome of business investment. It also offers a means to translate ideas about business strategy into behaviours and actions that support the company's future direction by creating culture and implementing talent management practices. The companies which adopt HR measures of value realise substantial financial performance advantages over companies with less employee-focused employment strategies.

Measures such as employee engagement deliver a much closer picture of the link between the people in a business and the overall business performance. An HR function which is able to prioritise its investments in financial human and infrastructure resources and link these investments to improved business performance .HR performance metrics are measuring value creation within businesses.

More sophisticated HR functions are using these metrics inside and outside of the function to broaden the scope of business management so HR leaders are now using robust data to measure the impact of investments. For HR professionals the challenge is not so much how quickly they

can embrace and deploy these value drivers but more whether they can retain ownership of them before other disciplines claim them for their own.

5.6 GLOBAL BUSINESS STRATEGY

The nature of a global business strategy is primarily guided by the extent of integration and/or local responsiveness required by the firm to manage its worldwide operations. Integration is defined as the extent to which the subsidiaries and the headquarters develop a unified whole and can thus provide the MNE with a variety of competitive advantages such as economies of scale (being able to utilize all of the firm's global resources), improved quality, and standardization. Local responsiveness is defined as the extent to which subsidiaries respond to local differences, which involves the modification of products or services in order to fully meet local customer needs, respond to local competition and culture, remain compliant with various government regulations, more readily attract local employees, and penetrate local business networks.

The duality of culture – its pervasiveness yet its uniqueness – impacts on global business strategy. Pressure to be locally responsive, including HR practices, arise from consumer tastes and preferences, differences in infrastructure and the national business system imposed by the host government. The integration–responsiveness grid is made up of four typologies – global, multi domestic, international, and transnational, which show the dual pressure for cost efficiency and responsiveness.

a) Global strategy - focus is on increasing profit margins through cost efficiencies arising from economies of scale and economies of location .

b) Multi domestic strategy – focus is on maximizing local responsiveness

c) International strategy – focus is on the global diffusion of the company's distinctive competencies

d) Transnational strategy – the focus is on rationalizing and integrating resources to achieve superior cost-efficiencies from economies of scale and economies of location, while at the same time, being sensitive and capable of responding to local needs, and by sharing

5.6.1 IHRM STRATEGY

The creation and implementation of IHR practices that help achieve an MNE's international vision and objectives and involve the strategic management of the HR function and department.

A. IHRM strategy formulation

For IHRM, the central trade-off pits pressures for centralization against the need for decentralization.

1. Centralization (integration) vs. Localization (differentiation)

a. Centralization is very similar to the notion of integration and refers to the concentration of authority and decision making toward the top (HQs) of an organization.

b. Decentralization is similar to the notion of local responsiveness and defined as the dispersion of authority and decision making to operating units throughout the organization.

2. Convergence—the use of parent-company policies and procedures throughout a firm's global operations.

3. Divergence—cultural and institutional differences play a role in the manner in which seemingly universal techniques and procedures (globally applied) are implemented (in varying ways) within differing countries.

5.6.2 IHRM STRATEGIES AND MNE BUSINESS STRATEGIES

The overall effectiveness of an IHRM strategy is contingent on the context in which it is used. An IHRM strategy's effect on organizational effectiveness is always dependent on how well the IHRM strategy fits with and supports a MNE's business strategy.

1. Autonomous IHRM strategy—low degree of global integration and high degree of local responsiveness. Each subsidiary has the freedom to develop and implement its own IHRM policies and practices that support local rules and conditions.

2. Receptive IHRM strategy—high degree of global integration and a low degree of local responsiveness. Each subsidiary is tightly connected with headquarters with very little freedom to adapt to the local conditions.

3. Active IHRM strategy—high degree of global integration and a high degree of local responsiveness. A MNE with this type of IHRM strategy is more likely have a transition HR function with considerably more control over HR decision making than autonomous IHRM strategy but less than in a receptive IHRM strategy.

5.6.3 EXPATRIATION STRATEGIES

Benefits

Reiche & Harzing summarize the success criteria of an international assignment in terms of individual benefits and organizational benefits.

Individual Benefits:

In short-term assignments, the carrying out of tasks

- The development of skills
- Learning and knowledge
- Adaptation and a greater degree of work satisfaction

In long-term assignments, these are continuous development

- Attractive future assignments
- Development of contacts with key people
- Possibilities of promotion
- Broadening of responsibility.

Organizational Benefits:

In short-term assignments, the achievement of fulfilling organizational tasks and the attaining of the organization's key aims (control, coordination, knowledge transfer) stand out.

 In the case of long-term assignments

- Retaining of repatriated workers
- Use of new experience and experience transfer
- Stimulus among colleagues in favor of international mobility

Expatriation failures

Yet, not all international assignments turn out to be successful. The majority of studies on expatriation equate "failure" with a premature return. That is to say, if the expatriate remains abroad for the established time period of the assignment, it is considered that the experience has been successful. Among the main problems which explain the failure of expatriates few are listed below

• Family: Many of the failures of expatriates are related to family problems; that is, the inability of the family to adapt to the new cultural environment. Many firms do not foresee and do not anticipate the issues related to the candidate's family. In general, these questions could be taken into account in the initial recruitment process and candidate selection through interviews (at least with the partner of the candidate), in which the firm could gather information for instance about the couple's work state and/or the need for specific training (language).

• Blocking the Professional Career: At the beginning of the international assignment, the expatriates are excited about the experience and the new destination. Nevertheless, as time passes, they feel that the headquarters has forgotten about them and think that their professional career has been blocked, while they note how colleagues who remained at the headquarters continue being promoted in the organization.

• Lack of Transcultural Training Prior to Leaving: Few multinational firms offer any type of training concerning cultural diversity and those that do only offer short, simple courses that do not cover the employee's needs. This is a problem because employees need to know how to deal with the new culture and to develop their capacity for cultural sensitivity.

• Excess of Technical Qualifications: Normally firms select highly qualified staff for international assignments - employees with a profile of very high performance in the firm and who have an impressive work record. However, the consideration of these qualities in the candidates for international assignments has led to many failures, given that the firm has given more importance to these qualifications than to other skills, such as cultural sensitivity or the capacity for cultural adaptation.

• Culture Shock: The lack of adaptation to the cultural environment of the host-country. Instead of learning to work in the new culture, the expatriate tries to impose his/her values or those of the headquarters on the local employees. This factor is called lack of "cultural intelligence" or

incapacity to relate to people of different cultures. Firms can help employees avoid culture shock by selecting candidates with a greater cultural sensibility and who speak the local language.

• Use of the Assignment to Avoid Conflicts: In many firms, expatriations are used as a means of getting rid of managers who have problems in the headquarters. By sending these employees abroad, the firm assumes the risk of the failure of international assignments, given that the selection of the candidate has not been made in relation to the qualities and skills required, but in response to the need to solve an internal conflict in the headquarters.

Irrespective of the motive or circumstances which have caused the failure of the international experience, the costs that the firm assumes are worth considering.

5.6.4 REPATRIATION STRATEGIES

Repatriation Failures

An international assignment does not finish when the expatriate returns to his/her home-country. Rather, it is then that a last phase, called repatriation, begins. Expatriation and repatriation are not separate processes: expatriation is the beginning and repatriation the end of the same process. For a manager tasked with expanding the company internationally, repartiation is an aspect that should not be forgottenDespite the huge benefits that an international assignment can bring both for the firm and for the worker, there are problems associated with the return of the expatriate to the headquarters after an international assignment:

• Impossibility of Transmitting Skills Learnt: In many organizations, the information and skills which the expatriate has learnt in the international assignment are unappreciated by the colleagues and supervisors in the headquarters. Nonetheless, this has of late been changing.

• Loss of Status: When the expatriate returns to the headquarters, he/she often suffers from a loss of privileges, prestige, power, independence and authority.

• Poor Planning of the Return to the Headquarters: The uncertainty of the repatriation. The employees frequently do not know what their post is going to be in the headquarters or what options there will be for professional growth.

• Reverse Culture Shock: As the time the worker spends abroad increases, his/her adaptation to the home country after repatriation will become more difficult, given that he/she will have, to a greater extent, adopted the host country's cultural values.

Measures to Overcome

• Necessary Integration of the Selection, the Performance Management and the Repatriation System: election for the international mission must be part of a wider career development plan. The performance of the expatriate has to be measured based on the competences desired for his/her development during the international assignment and, then, the repatriate can also return with a greater knowledge of what his/her career plan will be after repatriation.

• Certain Departures after Repatriation are Operable: The relocation in the company is difficult and many receive a job which means a loss of the privileges and rights that they had. An explanation of this is the lack of strategic integration of the international assignment, and another is that, in reality, some multinationals do not want or do not need all the expatriates to return.

• Different International Assignments Require Different Repatriation Strategies

◦ Technical Assignments: For the repatriation strategy to be successful, the firms will have to take into account the extent to which they need the technical skills of the repatriated employee once the international mission has been completed. In many firms, these are required throughout the organization, therefore they are in high demand, although not necessarily in the headquarters. That is, the experts may see themselves in the situation of stringing together different international destinations. For example, a manager that had just landed in the country as the CEO of a company in Tokyo but, a few years ago, had moved to London where he/she was setting up home. In other organizations, this "experience" is only necessary for a specific period of time, so once the project is finished, the contract with the firm also ends and this is how it must be set out.

◦ Development of High Potential Assignments: This type of assignment is often made up of a series of very structured experiences. Therefore, the repatriate's subsequent assignment tends to be clearly understood well before the culmination of the period abroad. In this case, the repatriation is simple and predetermined by the rotations set out in the manager development program.

◦ Strategic or Executive Assignments: The repatriation in these cases tends to be well thought out and is part of the organization's general planning. The repatriates tend to be in the know that they are being prepared for a given post. An important issue will be to ensure the use of the skills developed during the international mission. The repatriates should be endowed with a sufficient level of autonomy and freedom, as if these profiles leave after the repatriation, this will be highly harmful for the firm.

◦ Functional or Tactical Assignment: These are profiles more inclined to leave and the strategy of repatriation should primarily be based on determining whether the skills acquired are necessary in the company. If they are, they have to be recognized and rewarded and their use has to be made possible, considering all this as an investment in human capital. On the other hand, if the skills are not necessary, the expatriate has to be informed as soon as possible. This is also the case when the company's intention is to replace this international post stringing together new recruitments.

• Individual Career Motivations Differ: As occurs in the case of other professional profiles in high demand, on occasions not even the best program of repatriation will be able to prevent the employee leaving. International experience is currently a very valuable asset that substantially increases employability. Some workers will opt for other employment alternatives, either for reasons which have to do with the post, or for economic reasons, and they will not perceive leaving as a negative career move. Retaining repatriated staff is a real challenge in these cases, where some considerations take on special relevance, such as recognition, stimulus, praise, professional growth opportunities, remuneration, corporate communication, flexibility and stock options.

Briefly, and to sum up, with respect to the repatriation phase, a repatriation is successful given three conditions: that the repatriate obtains an appropriate job on his/her return, that the difficulties of cultural re-adaptation are minimal, and that there is little or no intention of leaving

5.7 FORMULATION OF A GLOBAL HUMAN RESOURCES STRATEGY

Creating an effective global work force means knowing when to use "expats," when to hire "locals" and how to create that new class of employees -- the "glopats." The strategy demands global H.R. leadership with standard systems but local adaptation. Implementing these ideas can

be broken down into 10 steps. By taking these steps, a company should be able to put into place an effective global human resources program within three to four years.

1. Break all the "local national" glass ceilings: The first, and perhaps most fundamental, step toward building a global H.R. program is to end all favoritism toward managers who are nationals of the country in which the company is based. Identify the right person Expatriate or local national suitable for the assignment.

2. Trace your lifeline

Based on your company's business strategy, identify the activities that are essential to achieving success around the world and specify the positions that hold responsibility for performing them. These positions represent the "lifeline" of your company. It is important to understand what people need to develop as executives.

3. Build a global database to know who and where your talent is

The main tool of a global H.R. policy has to be a global database simply because multinational companies now have many more strategic posts scattered around the globe and must monitor the career development of many more managers. For overseas assignments, H.R. directors correctly consider such soft skills and cultural adaptability to be as important as functional skills. The fact that overseas appointments are often made based largely on functional skills is one reason so many of them fail.

4. Construct a mobility pyramid

Evaluate your managers in terms of their willingness to move to new locations as well as their ability and experience. This will encourage many more managers to opt for overseas assignments and open the thinking of line and H.R. managers to different ways to use available in-house talent.

THE MOBILITY PYRAMID

Glopats:
Frequently on the move tackling short- or medium-term assignments.

Globals:
Move around the world on medium-term assignments.

Regionals:
Accept short-, medium-, and long-term assignments within a geographic region and/or at a regional headquarters.

Mobile local nationals:
Functional experts and general managers prepared for cross-border task-force memberships, short-term projects and training assignments abroad.

Rooted local nationals:
Functional experts and general managers tied to their home base.

Managers can move up and down a mobility pyramid at various stages of their career, often depending on their family and other commitments. Young single people or divorced managers, for example, may be able and eager to sign up for the glopat role but want to drop to a lower level of the pyramid if they wish to start or restart a family life. Or seasoned senior managers may feel ready to rise above the regional level only when their children enter college.

5. Identify your leadership capital

Build a database of your company's mix of managerial skills by persuading people to describe the information in their c.v.'s, their management talents and their potential on standard personal-profile templates. Jump-start the process by having your senior managers and those in the lifeline posts complete the forms first. Add others worldwide with the potential to move up. Include functional specialists who show general management potential.

6. Assess your bench strength and skills gap

Ask each executive to compare his or her skills and characteristics with the ideal requirements defined for the executive's current post and preferred next post. Invite each to propose ways to close any personal skills gaps -- for example, through in-house training, mentoring, outside courses or participation in cross-border task forces.Compare the skills detailed in the personal

assessments with those required by your business strategy. This information should form the basis for your management development and training programs and show whether you have time to prepare internal candidates for new job descriptions.

7. Recruit regularly

Search for new recruits in every important local market as regularly as you do in the headquarters country. Develop a reputation as "the company to join" among graduates of the best universities, as Citibank has in India, for example.

8. Advertise your posts internally

Run your own global labor market. Routine internal advertising has many advantages in that it:

- Allows a competitive internal job market to function across nationalities, genders and other categories.
- Shows ambitious people they can make their future in the company.
- Makes it harder for bosses to hide their leading lights.
- Attracts high-fiyers who may be ready to jump ship.
- Helps to break down business-unit and divisional baronies.
- Reduces inbreeding by transferring managers across businesses and divisions.
- Gives the rest of the company first pick of talent made redundant in another part of the world.
- Solidifies company culture.
- Is consistent with giving employees responsibility to manage their own careers.

9. Institute succession planning

Every manager in a lifeline job should be required to nominate up to three candidates who could take over that post in the next week, in three months or within a year, and their bosses should sign off on the nominations. This should go a long way toward solving succession questions, but it will not resolve them completely.

10. Challenge and retain your talent

Global networks that transfer knowledge and good practices run on people-to-people contact and continuity. Executive continuity also cuts down on turnover, recruitment and opportunity costs. As international competition for talent intensifies, therefore, it becomes increasingly important for companies to retain their good managers. Monetary incentives are not sufficient: the package must include challenge, personal growth and job satisfaction. A policy should be adopted that invites employees to grow with the company, in every market

5.8 FUTURE OF SHRM

Forecasting Future Trends in SHRM

- **Stepped-up competition for talent.** As labor market conditions have improved and as the need for skilled and educated workers rises around the world, organizations are finding it more difficult to compete for the best employees. This is placing greater importance on building a strong employer brand. In addition, the factors that go into building a strong employer brand are multiplying. Issues like corporate social responsibility, employee safety and security and civility in the workplace are an important part of the conversation around building a great place to work. The competition for talent is also continuing to influence everything from compensation and benefits strategies to immigration policies and global relocation of operations.

- **Technology:** The ongoing influence of new developments in technology. There is growing importance of big data creating the opportunity—and pressure—to produce data-driven evidence of the success of HR interventions. The use of big data in HR processes was also cited, such as more targeted staffing and improved HR metrics. Technology's ability to support a virtual workforce raised issues with employee management and teambuilding. Security issues in relation to technology were also frequently raised within the different contexts .

- **A rising sense of insecurity:** Related to the security issues involving technology, many panels mentioned threats to security—whether they involved data breaches of employee data or actual threats to employee well-being through workplace violence or political or social instability in countries where organizations do business and have staff.

- **The continuing impact of the economy:** Although many aspects of the economy have improved across the globe, many organizations still feel a strain on budgets. These budgetary limitations will continue to have an influence on hiring and HR strategies. In addition, increased globalization, market interdependence and other factors such political unrest and partisanship in countries around the world continue to make economic uncertainty the "new normal."

- **Demographic changes**: As in previous years, several panels included in their trends lists demographic issues such as the aging workforce, more generations working together, the changing nature of the family and parental roles, and the globalization of the workforce,

bringing with it increased diversity of cultures and languages. These trends are expected to continue to affect many aspects of employment and HR practices.

- **Evidence based HR** : A growing demand for evidence-based, data-driven HR practice. Business leaders are increasingly demanding that HR professionals, like their colleagues in other functional areas, use metrics and in-depth data analysis to both make decisions and demonstrate the return on investment of key HR expenditures. Customers are also growing more demanding in their expectations of organizations' ability to demonstrate follow-through on service promises or key commitments. For example, the CSR trends suggest that it is no longer enough for an organization to publicly commit to CSR initiatives; instead, it will need to be able to demonstrate that its promises have made a real impact.

- **Global issues** Globalization formed a backdrop for many of the trends different panels—in addition to the Global Panel—mentioned. These included issues such as global labor law, international political developments, changes in the global economy, and security issues stemming from conflicts or security weaknesses and vulnerabilities in areas around the world.

- **Growing complexity of government legislation** Many panels mentioned the need for HR professionals to ensure compliance with a wide array of global, federal and state laws.

- **Doing More With Less**

As an HR professional today, you are expected to play a more strategic role than ever before and develop better and better HR processes, but at the same time, you're being asked to reduce headcounts. The new workforce differentiation mentioned above will probably require a variety of new HR approaches—all with fewer people on your team to help design, develop and deliver them.

These challenges highlight the complexity inherent in managing people, a complexity that requires deep expertise to both understand the problems and develop coherent responses. New challenges will only increase the value of strategic HR experts and the importance of HR in every organization's success.