

**MBA 4th Semester Lecture Notes**  
**Subject – Strategic HRM**  
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**Module -1**

## STRATEGIC HRM

### Traditional Vs Strategic HRM

- Traditional human resources management reacts to employees, when workers make requests or cause problems, HR steps in and takes care of it. Strategic HR involves planning. A strategic HR department looks ahead and heads off problems. These HR pros also look at the company's needs for the future and develop strategies to meet them.

**For example** Traditional HR departments focus on managing labor relations, solving employees' problems and generally keeping the staff happy. Strategic HR has plans for helping the organization - recruiting more workers, developing talent and training employees in company standards and principles.

### Scope of Responsibilities

Traditional HR has a narrow focus on issues like basic personnel management and labor relations. Their goal is to take care of employees and keep them happy and satisfied. The HR team doesn't educate workers about responsibilities or how things are done. That's something they assume employees will pick up on the job or from their managers.

Strategic HR departments have a much broader mission:

- Employee recruitment
- Training and developing employees
- Drafting an employee handbook that tells them what's allowed, what's expected, and the disciplinary process for when employees fall short
- Finding ways to steer employees so the company can meet its productivity and profit goals

### Human Resource Forecasting

Traditional HR focuses on current employees. Strategic HR thinks about what a company will need in the future. How many more staff will they need to hire? What skills or education will they need them to have? Then HR draws up a strategic plan to meet the future needs.

Strategic HR's mission doesn't end there. The department works actively to recruit individuals who can provide the skills the company needs, and then recommends which of them would make the best hire. Strategic HR also works to develop and promote talent among the existing workforce.

### Heading Off Problems

It's tempting to ignore potential problems until they happen, but it's a mistake, particularly with people. Traditional HR steps in when employees have discipline problems or stir up trouble. It does nothing to prevent the problems from developing.

Strategic HR is proactive rather than reactive. If a company wants a zero-tolerance policy on sexual harassment or discrimination, traditional HR would make that known when an employee crossed the line. Strategic HR lets employees know from the start what behavior is unacceptable. The employee can save the company money on lawsuits and complaints.

## Constant Updating in Strategic HR

Traditional HR sees itself doing the same thing, year in and year out, with the same tools. Only the faces of the employees change.

Strategic HR tries to stay on top of the game. They keep track of new ideas in the field and new technology that can make it easier to manage employees. They also watch the industry for innovative methods that the competition might use to motivate employees better.

### Typology of HR activities:

- **Employment Security:** If a company can guarantee its employees employment, employees become more loyal and committed to the company; in turn, the company can expect better performance.
- **Selective Choice:** It is necessary to select the right person in accordance with the requirements of the job.
- **Attractive Remuneration:** Attractive remuneration attracts good employees. **Bonuses:** This feature involves awarding employees with bonuses depending on their job performance.
- **Employee Stock Ownership:** If a company gives employees a chance to own company's shares, employees would become interested in the company's long-term prosperity.
- **Information Sharing:** To ensure high performance, it is necessary for employees to have all the necessary information.
- **Participation and Delegation of Powers:** Decentralization and delegation of powers help to increase satisfaction and performance.
- **Self-Managed Teams:** Principles of self-management increase job performance.
- **Education and Skill Development:** A company should support education and skill development of its employees and at the same time carry out necessary structural changes for proper deployment of staff.
- **Acquisition and Use of Multiple Skills:** This feature allows for higher performance of employees.
- **Recruitment from Internal Resources:** Creating an internal labor market (ILM) helps to strengthen solidarity and increases confidence.

## Best Fit Approach Vs Best Practice Approach

The 'best fit' approach to strategic human resource management (HRM) explores the close relationship between strategic management and HRM by considering the influence and nature of vertical integration.

This 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.

The 'best practice' highlights the relationship between 'sets' of good HR practices and organizational performance, mostly defined in terms of employee commitment and satisfaction. These sets of best practice can take many forms: some have advocated a universal set of practices that would enhance the performance of all organization they were applied to. A key element of best-practice is horizontal integration.

The relationship between performance and human resources management can be linked to two approaches which are the "best practice" and "best fit". An organization takes advantages of both approaches to carry out their human resources activities. Best practice proponents believe that human resources activities should be carried out following a set of HRM practice which is capable with improving any organizational performance irrespective of the location and size of the organization.

### Characteristics of best practice

- Employee development
- Promotion and other incentive as a reward for employee performance
- Career progression
- Fair appraisal exercise
- Structured communication system
- A well-structured recruitment process
- A friendly working environment (Removal of Status Differences)
- High Commitment Management System

Both theories aim to achieve high performance in organisations. Sparrow and Hiltrop (1994) claim that these models could be classified as 'matching models' because of their common aim is to match the human resources strategy with that of the corporation.

## INVESTMENT PERSPECTIVES OF HR

### An Investment Perspective of Human Resource Management

The importance of adopting an investment perspective of Human Resource Management

Human Resource is one of the most important resources in an organization. The success or failure of an organization largely depends on how human resource is used to utilize other resources available to the organization. As a result, the focus of human resource management has shifted towards increasing the return on investment by maximizing the productivity of human resource (Mohamed, 2013). Therefore, evaluating the quality, costs and benefits of HR are very crucial to organizations much like any other capital investment.

Since human resource is a crucial resource in organization, according to Geer (2003), human resource practitioners and management scholars have promoted the concept of adopting an investment perspective in human resource. It involves developing policies and programmes in human resources in order to increase its value to the organization and to the market, just like other asset in the organization.

The notion of viewing human resource as human asset, and adopting an investment perspective enable the organization to invest in people in order to earn the best return from them (Mello, 2005).

When an organization views human resource as an investment, rather than a variable cost, it has to consider costs, risks and return when making human resource decisions. The organization has to consider the suitability of the candidates to the jobs, and to train them much like servicing machineries. The opportunity cost of releasing the employees for training has to be considered along with the cost of conducting such trainings when comparing the return from those trainings such as potential increase in loyalty and motivation.

Adopting an investment perspective allows the management to consider the risk of investment in human resource and to devise strategies to avoid those risks as well. Even though, human resource cannot be duplicated or imitated by the competitors as easily as other assets such as technology and facilities, the employees themselves have their freewill to move to competing companies (Mello, 2005).

Once an organization has developed a competitive advantage in human resource, the competitors may try to attract those competent employees. The competitor might even be at a better position to offer a higher pay, as they do not have to spend on training and development. Therefore, organizations have to develop their human resource management policies and strategies in such a way to retain the employees and to transfer the knowledge from employee to employee within the organization. Moreover, viewing human resource management from an investment perspective allows organizations to be more proactive and protect their own the knowledge as they are being created.

Adopting an investment perspective in human resource management allows organizations to make human resource decisions after considering its costs and benefits. It also helps to develop strategic plans to minimize the risk and motivate the employees to stay in the organization long enough to maximize the return on investment. This requires valuing its employees, making

decisions on compensation, advancement opportunities and retention strategies as well as how much to be invested in each area for each employee.

## **INTRODUCTION**

The human element is often the most important element of performance. Thus, appropriate resources and investments must be committed by any organization to facilitate systems for attracting, motivating and managing human resources. Adopting a strategic view of HR involves considering employees as "human assets," and developing appropriate policies and procedures to manage them as valuable investments.

## **2. SOURCES OF EMPLOYEE VALUE:**

1. Technical Knowledge
2. Ability to Learn and Grow
3. Decision Making Capabilities
4. Motivation
5. Commitment
6. Team Work

## **ADOPTING AN INVESTMENT PERSPECTIVE**

1. Characterizing employees as human assets implies the strategic management of human resources should include considering HR from an investment perspective.
2. Cost/Benefit basis analysis may be used to evaluate HR programs, such as training and development.
3. Investment perspective toward human assets facilitates their becoming a competitive advantage as most other resources/assets can be cloned, copied or imitated by competitors.
4. A strategic approach to HR, however, does not always involve a human relations approach to employee relations, as noted in the Managing Employees at United Parcel Service example
5. Investments in employees must be undertaken in tandem with strategies to retain employees long enough to realize an acceptable return on investments in employees. This requires valuation of the employee as an asset, which can be difficult to do.

## **HUMAN RESOURCES INVESTMENT CONSIDERATIONS**

- Management values.
- Risk and return on HR investment.
- Economic rationale for investment in training.
- Utility theory.
- Outsourcing.

## **An Investment Prospective of Human Resource Management**

- HRM practitioners & Scholars have long advocated that HR should be viewed from investment prospective.
- Current practices indicate employees as valuable investment but still some organizations view employees as variable cost and there is little recognition about employees training & development, recruitment & replacement cost.
- Investment only in physical resources does not give organizations a competitive edge as systems, processes can be duplicated, cloned or reversed engineered.

- Sustainable edge / advantage drives from the level of skills of employees, their knowledge and capabilities.
- Management scholar Edward Lawler described investment in Human Resources as:
  - "to be competitive - organizations in many industries must have highly skilled and knowledgeable workforce. They must also have a relatively stable labour force since employee turnover works directly against obtaining the kind of coordination and organizational learning that leads to fast response and high quality products and services."
  - Due to forecast of shifts in skills need from manual to cerebral (intellectual) , investment for enhancing employees knowledge & skills become more important.

## **INVESTMENT IN TRAINING & DEVELOPMENT**

- **Investment in employability.**
  - (Training, internship, higher level exposure, learning environment, multi- skilling & growth opportunities etc. which makes employees more employable,
- **Investment in training.**
  - For future strategies and competitive advantage investment in employees training and development to enhance skills to face rapid technological changes,
- On job training.
- Investment in management development.
- Prevention of skills obsolescence.
- Reduction in career plateauing. (stagnation)

### **Investment practices for improved retention:**

- Organizational culture emphasizing interpersonal relationship values
- Effective selection procedures.
- Compensation and benefits.
- Job enrichment and job satisfaction.
- Practices providing work life balance.
- Organizational direction creating confidence in the future.
- Retention of technical employees.
- Other practices in facilitating retention.

### **Investment in job secure workforce:**

- Employment security / job guarantee.
- Recognition of the cost of downsizing and lay-offs.
- Avoiding business cycle-based lay-offs.
- Alternatives to lay offs.
  - Redeployment.
  - Curtailment of sub contracts.
  - Reassignment of work to company employees.
  - Pay cuts
  - Paid / unpaid leaves.
- Ethical implications of employment practices
- Non traditional investment approaches.
  - Investment in disabled employees
  - Investment in employee health.

- Countercyclical hiring -keeping highly technical / skilled for future use when company will have normal operations- blatta business.

## **Investments in Training and Development: The Role Of Investment In Training and Development Of Human Resource:**

Most people have worked for a company that has offered some type of training and development for their employees. From in-office classes to specialty workshops to college hours, it all adds up as an investment in your business, as well as your employees. With current economic conditions, some businesses are making the decision to steer away from developing their most important asset, their employees, because they don't see the need for it any longer, or they are simply trying to cut costs.

While I can understand the need to cut costs in business, the training and development of your employees is not a good place to start. Why? Consider this: companies that invest in their employees have happier workers that are more confident in their positions and tend to be more loyal to their managers and company overall. I don't mean that you have to go out and spend thousands of dollars on every employee you have. I don't mean that you need to spend countless hours each year in meetings and parties and such with employees. What I do mean is that strategic spending on training and development should be treated as an investment in order for your business to run better, faster, and smoother, and with happier people.

### **Attracting Better Employees**

Companies that offer good paying jobs with room for advancement will always garner a massive amount of interest in their open positions. But, in the hunt for top talent, anything you can do to establish your company as a great place to work is going to pay dividends. One way is to offer employee training and development. This will enable employees to excel in your business as well as their chosen field. This can be as simple as offering in-office training for better pay, advancement opportunities, or bonuses.

Those businesses out there that offer on the job training and development for their workers see more motivated candidates for their open positions. Knowing that there is room for advancement *and* room to improve themselves is going to be a big draw for potential employees. Having that opportunity there in front of them also gives them the chance to become more engaged in their position, the company, and generally be a happier person at work.

### **Benefits of Training and Development**

So what types of benefits are you going to see in your business if you start to invest more in your employees? There is a long list of benefits that you will enjoy from this simple action, and here are a few of my favorites:

- **Motivation:** As I mentioned previously, motivation goes way up when people know that they can move up in a company. They want to perform better and show that they are ready to learn new things to gain better positions in your business.

- **New Technologies:** Offering training in a new technology that pertains to your field is key in keeping your business current, competitive, and on top of the latest market trends. It will ensure that you and your employees know how to run with the rest of the pack and stay competitive in the business world.

- **Lower Turnover:** When employees know that their company cares about their career, and is willing to offer training and opportunities to improve themselves and advance, they tend to stick around a bit longer. This means less hiring and firing for you, and more time doing business and making money.

- **Lower Risks:** Offering specific training in the workplace, such as sexual harassment prevention, can mean less risk for you when hiring new employees, and keeping the old ones. This has the potential to allow your business to run more smoothly, with less hiccups or problems in the long run for you.

- **Satisfaction:** Along with lower turnover and increased motivation, when employees are trained well they become happier, more confident, and have higher overall satisfaction doing their jobs. If you can enable all of your employees to feel this way, you have just created a great working environment, and your employees are more likely to stay with you, and not be on the lookout for another job.

- **Image:** Your business image means a lot to you, but, it also matters a great deal to your employees as well. When your employees are trained and feel that they can continue to grow with you, it gives your business a better image in their eyes and everyone else's. You'll find that your business will become known as one that cares about its employees and ensures that they are not only happy in their job, but, happy overall in their life as well. Sure, some of these sound a bit corny, but they are all true. You will quickly find that by making the investment in your employees will translate into so much more for you and your business.

### **Training Costs**

One of the best things about training your employees is that it doesn't have to cost you much at all. You can offer in-office training on a multitude of topics that relate to the workplace (such as sexual harassment and safety), and those that relate to upgrading skills (such as computer training). No matter what you offer, make sure that it all pertains to either your business, your field, or growing your employees.

Offering online training can also be a huge help, and you can even do this extremely cheap by creating your own training website for your employees. There are thousands of great articles on how to create a website for training your employees out there and you can even do it without much web design background at all. By offering everything online, employees can easily do this when they have time or during a set time at work thus improving themselves and their performance.

### **Why You Need To Invest In Employee Training**

When things get financially tight in business, often employee training is the first thing to go. However, this is not necessarily a sound strategic move for a leading organization forging the way in a competitive industry.

At **PulseLearning**, we've started by exploring a big question: **Why invest in employee training during economically challenging times?** The short answer is because training and developing your employees could be critical to the future success of your organization.

In the past, employees were rated on the **3 R's: Reading, writing, and arithmetic.** These skills are no longer enough for success in today's unstable business environment that is continuously responding to technological advancement and a rapidly changing social and economic landscape. For employees to be efficient, productive and adaptable, new skills are required, such as:

- Critical thinking and problem solving.
- Communication.
- Collaboration.
- Creativity and innovation.

Your employees are your biggest asset since they get the required work done so your organization can meet its business objectives. Effective training designed specifically for your

organization can provide your employees with essential next-generation skills while bringing with it a host of business benefits.

**Here we outline some critical reasons why you need to invest in employee training:**

**1. Support succession planning.**

Providing ongoing employee training and development supports succession planning by increasing the availability of experienced and capable employees to assume senior roles as they become available. Increasing your talent pool reduces the inherent risk of employees perceived as "irreplaceable" leaving the organization. Areas of training that support succession planning include leadership, strategic decision making, effective people management, and role-specific skills.

**2. Increase employee value.**

Effective training can be used to "up-skill" or "multi-skill" your employees. Up-skilling involves extending an employee's knowledge of an existing skill, providing more experts within a subject area. Multi-skilling is the process of training employees in new or related work areas to increase their usability within the organization. Employees with diverse skill sets can perform a variety of tasks and transition more easily into other roles within the organization.

**3. Reduce attrition rates.**

Investing in the development of your employees can reduce attrition rates. Well-planned training can provide career pathways for employees making retention within the organization rather than seeing them seeking next-level opportunities elsewhere. Another positive is a reduction in recruitment costs.

**4. Enhance operational efficiency.**

Training your employees can increase their efficiency and productivity in completing their daily work tasks. Training can also help your organization achieve greater consistency in process adherence, making it easier to project outcomes and meet organizational goals and targets.

**5. Exceed industry standards.**

Training your employees in industry-standard best practices could also assist you in building your reputation, giving your competitors a run for their money! Many businesses operate in saturated markets, so often it's the small things that will set your business apart from the rest.

**Other benefits of training**

Despite the initial monetary costs, staff training pays back your investment. Here are just some of the reasons to take on development initiatives:

- Training helps your business run better. Trained employees will be better equipped to handle customer inquiries, make a sale or use computer systems.
- Training is a recruiting tool. Today's young workers want more than a pay cheque. They are geared toward seeking employment that allows them to learn new skills. You are more likely to attract and keep good employees if you can offer development opportunities.
- Training promotes job satisfaction. Nurturing employees to develop more rounded skill sets will help them contribute to the company. The more engaged and involved they are in working for your success, the better your rewards.
- Training is a retention tool, instilling loyalty and commitment from good workers. Staff looking for the next challenge will be more likely to stay if you offer ways for them to learn and

grow while at your company. Don't give them a reason to move on by letting them stagnate once they've mastered initial tasks.

- Training is essential for knowledge transfer. It's very important to share knowledge among your staff. If only one person has special skills, you'll have a tough time recouping their knowledge if they suddenly leave the company. Spread knowledge around — it's like diversifying your investments.
- Training gives seasonal workers a reason to return. Let seasonal employees know there are more ways than one to contribute. Instead of hiring someone new, offer them a chance to learn new skills and benefit from their experience.

## **INVESTMENT PRACTICES IN IMPROVED RETENTION**

### **10 Ways to Improve Employee Retention**

Is your employee retention at an all-time high? Can't seem to scare employees off if you try?

Congratulations. But, if you're one of the many businesses that sees high employee turnover as a problem, you may wonder what you can do to retain your most valued workers.

In an increasingly competitive business world, top talent is in high demand. If you aren't making your top workers happy, another company may come along to steal them away. Here are ten tips that will help you make sure your employees are around for many years.

#### **Create the Right Culture**

Finding employees who will feel a strong bond with your company starts with creating an environment that attracts those employees. Your company culture should match the type of employee you want to employ, whether you opt for a by-the-book, strict workplace or a more casual, laid-back atmosphere.

#### **Hire the Right Employees**

As you're screening candidates, pay close attention to signs that you may have a job-hopper. While there's nothing wrong with someone switching jobs if it provides career advancement, look for someone who is interested in growing with your company rather than getting experience to take somewhere else.

#### **Offer Training**

Businesses expect their professionals to arrive fully trained and certified. Yet too many aren't willing to invest in helping them maintain those credentials. Whether you send employees to a learning center or you provide membership to one of the many e-learning sites available, when you take your employees' education seriously, they see it as an investment in their career.

#### **Provide Guidance**

Your employees should be fully aware of their job duties and how they're doing in performing them. You can accomplish this by first having a job plan in place and providing regular feedback on an employee's performance. If an employee feels confused about his role in your organization, he's more likely to feel disgruntled and begin searching for something else.

#### **Pay Well**

As difficult as it is to pay competitive salaries when funds are low and budgets are tight, calculate the cost to replace employees. It can cost as much as 30 percent to 50 percent of an entry-level employee's annual salary just to replace him. Employees often find they can enjoy a

10 to 20 percent salary increase by simply moving from one company to the next, which makes jumping ship attractive.

### **Don't Punish Competence**

Managers often spend much of their time on employees who are struggling, leaving the talented ones completely neglected. Over time, this can lead to resentment as star employees start to feel unnoticed and unsupported. Managers must make an effort to let top performers know their hard work isn't going unnoticed.

### **Be More Flexible**

Workers have expressed a preference for flexible working conditions. If you expect your best employee to answer his phone when a client calls at seven o'clock on a Friday night, you should also understand when that employee comes in late one morning or needs to take off early.

### **Offer Benefits**

Small businesses often struggle to compete with larger corporations in providing benefits. While you don't have to beat big business in the healthcare options you offer, you can offer things they won't get elsewhere, such as the ability to work from home, more flexible vacation offerings, and performance bonuses.

### **Provide Unique Perks**

Another way businesses can compete without breaking the budget is through offering perks they can't get elsewhere. Silicon Valley has become notorious for its free meals and nap pods, but you can increase retention by coming up with creative perks. Use your connections to get free VIP tickets to special events or special discounts at local retailers.

### **Don't Take Yourself Too Seriously**

As much work as you try make your company attractive to talented people, the truth is employees might be leaving because of their bosses. In fact, research has shown people tend to quit their bosses, not companies. If you can cultivate an environment where employees feel rewarded and gratified, you'll already be ahead of a great deal of other bosses out there.

## **JOB SECURE WORKFORCE**

### **JOB SECURITY**

**Job Security** is an assurance that an individual will keep his or her **job** without the risk of becoming unemployed. S/he will have continuity in employment and it may be from the terms of a contract of employment, collective bargaining agreement, or labor legislation that prevents arbitrary termination.

Assurance (or lack of it) that an employee has about the continuity of gainful employment for his or her work life. Job security usually arises from the terms of the contract of employment, collective bargaining agreement, or labor legislation that prevents arbitrary termination, layoffs, and lockouts. It may also be affected by general economic conditions.

#### ***Employee job Security***

Employers must not overlook the importance of offering employees long-term job security, as this allows employees to feel secure in their work and makes them more willing to contribute more time and effort to their companies.

With greater job security, employees would be more eager to think of novel ideas for enhancing the competitiveness of their companies in their field and in society.

Ultimately, this is beneficial to the companies and would greatly improve overall performance.

Thus, offering long-term job security for employees could be viewed by companies as a means to motivate workers and increase productivity. It is in fact more important than salary alone.

Salaries can always be increased when contracts are negotiated and renewed at the end of every contracted period. Although some may argue that a high salary could motivate employees to work harder and put in extra hours, as well as compensating them for their efforts during office hours, pay alone is no guarantee of satisfaction or fulfillment. Even employees on a high salary might not truly contribute much to a business they don't feel part of. Jobseekers are more concerned about the availability of, and being able to secure, long-term employment than just a satisfactory income.

### **HUMAN RESOURCE INVESTMENT CONSIDERATIONS**

Several factors will be considered in the discussion of strategic human resource investment decisions. As noted earlier, these will include management's values, views of risk, the economic rationale for investment in training, utility theory, and alternatives to human resource investments. Investments in training are covered in this section because they are fundamental to the formation of human capital. Firms also invest in many other human resource practices with the expectation that there will be impacts on performance and financial returns.

# Non Traditional Investment Approaches

## 1) Investment in Disabled employees

There can be two types of disabled employees

**1. Disabled – while employed:** i.e. the person was fit and sound during the start of employment relationship, however, during the tenure of his/her service he turned disable, which can be either:

- **On-the-job:** This is during the work hours while working at premises.
- **Off-the-job:** This is not at work premises, but surely after the start of employment relationship.

**2. Disabled – prior to employment:** Here the employer is well aware of the disability yet employ the person for the job.

### 1. Disabled – While Employed

There can be short- and long-term disability (STD and LTD). While dealing with such a case the employer must follow the following procedure.

The Interactive Process, whereby through an informal open discussion with the disabled employee, the precise job related limitation imposed by the employee's disability are being realized and how those limitations could be overcome with a reasonable accommodation. Even if the department's ability to accommodate the employee's disability seems doubtful, the department must still conduct a good-faith interactive process.

There are four levels of possible accommodation:

1. **Job Accommodation:** Modification of job duties, job environment and/or work schedule.
2. **Modified Work:** Lateral transfer into an existing position for which employee is qualified.
3. **Transferable Skills:** Transfer to "demoted" position or position of lesser terms/conditions ("last resort accommodation").
4. **Alternate Work:** However, consideration should be given to his present salary and the distance of the new work place from his residence.

Consider the preference of the individual to be accommodated and select and implement the accommodation that is most appropriate for both the employee and the employer. The employer should not accommodate the employee in case:

1. The disabled employee cannot perform the essential functions of the job; and that no reasonable accommodation exists.
2. The person would create an imminent and substantial danger to him/her self or to others by performing the job; and there is no way to remove or reduce the danger.

In such a scenario employer may use medical separation and also appoint a rehabilitation counselor for the disabled employee.

### 2. Disabled – Prior to Employment

There could be any form of disability namely

1. Mental health
2. Physical Disability
3. Learning Disability

which the employer is aware of prior to employment. But still considers their employment as a part of social responsibility, alongside trusting their capability to perform the task fit for them.

The trend of employing disabled as well as keeping provisions for employees disabled after employment is gaining momentum which can be due to:

- Realization of social responsibility by employers.
- Government intervention
- Trade benefit schemes, tax benefits etc.

## Reasons for this change

Disability Confident employers will have access to a wider talent pool. Technological developments and increasing use of flexible working mean that organisations are able to create enabling environments where more disabled people can contribute to business success.

## Engaging with Potential Employees (Disabled)

- Attracting talented disabled candidates can be problematic. Experience of leading employers suggests that multiple (project based) recruitment tends to attract more disabled candidates than single-post advertising.
- Employer needs to build a brand which symbolize welcome and fair treatment.
- Consider offering work experience and internship opportunities to disabled people.
- Sector based initiatives can help to change people's views of working in a particular industry.

Considering high staff turnover and an acute shortage of skilled workforce, qualified technical people who are disabled can be good alternative. Unfortunately when it comes to recruitment, employers tend to look the other way if the job candidate is a person with disability.

But still the percentage of disabled employees is very low. Most employers are reluctant to employ the disabled because of concerns regarding safety regulations, the need to modify premises such as installing ramps, disabled-friendly toilets and extra medical costs.

## 2) Investment in Employee Health

It's widely recognised that many long-term health problems – including a significant increase in the risk of heart disease, diabetes, obesity, certain cancers, depression and muscle and joint problems – are associated with sedentary work and lifestyles.

Yet despite this, many employers still remain slow to make the connection between extended periods of sitting and the corresponding effect on the health and performance of the organisation.

There is good reason to be concerned about the impact of this sedentary working culture on the health and wellness of workforces. A major Lancet study of over one million adults found that sitting for at least eight hours a day could increase the risk of premature death by up to 60 per

cent. It also suggested that sedentary lifestyles now pose a greater threat to public health and cause more deaths than obesity.

Clearly the onus is now on employers to acknowledge the role that sedentary work styles and work practices have on health, and take bold actions to protect future enterprise productivity and performance.

### **Immediate action**

For employers looking for immediate change that does not require policy setting, there are several simple and inexpensive steps that can be taken to reap immediate results.

These steps mainly hinge around adopting a 'movement mindset' throughout the day, i.e., short bursts of vigorous activity that do not interrupt a work day, but also reduce sedentary time. Encourage employees to:

- Walk more at work: hold a walking meeting, park the car further away from the office, take the stairs rather than the lift, take the long route to the bathroom.
- Keep movements going throughout the day by rotating postures at the office or by using a sit-stand desk. Standing is like walking: it increases energy, burns extra calories, tones muscles, improves posture, increases blood flow and ramps up metabolism.
- Use an app that tracks sitting time, or set a timer for every 30-45 minutes as a reminder to stand up and stretch, clear their work area, file, etc.
- Stand up to make phone calls. This can often result in a better outcome on the call as standing can lead to better decision making in this authoritative stance!
- Avoid sitting on long commutes – try standing on the bus or train.
- Collaborate more with the extended team by having more face-to-face conversations and less email.
- Consider which of their daily activities could be completed standing up: reading reports, proofreading, catching up on email.

As an HR team, there are many ways to get the culture literally 'moving' in a new direction, long before a sit-stand option is deployed for the workstation. Consider tall tables or counters around the office where people can manage quick standing tasks easily. Or hold lunch and learn sessions to help people to understand their associated risks.

By educating employees on the importance of moving and making changes to increase opportunities for moving, a business takes a strong step towards more buy-in from employees, and potentially smoother adoption of sit-stand workstations, when the business is ready to invest.



## **Planning and Implementing Strategy HR Policies.**

In the past, human resource management (HRM) was called the personnel department. In the past, the personnel department hired people and dealt with the hiring paperwork and processes. More recently, however, the personnel department has divided into human resource management and human resource development, as these functions have evolved over the century. HRM is not only crucial to an organization's success, but it should be part of the overall company's strategic plan, because so many businesses today depend on people to earn profits. Strategic planning plays an important role in how productive the organization is.

Most people agree that the following duties normally fall under HRM. Each of these aspects has its own part within the overall strategic plan of the organization:

1. **Staffing.** Staffing includes the development of a strategic plan to determine how many people you might need to hire. Based on the strategic plan, HRM then performs the hiring process to recruit and select the right people for the right jobs.
2. **Basic workplace policies.** Development of policies to help reach the strategic plan's goals is the job of HRM. After the policies have been developed, communication of these policies on safety, security, scheduling, vacation times, and flextime schedules should be developed by the HR department. Of course, the HR managers work closely with supervisors in organizations to develop these policies.
3. **Compensation and benefits.** In addition to paychecks, health benefits, and other perks are usually the responsibility of an HR manager.
4. **Retention.** Assessment of employees and strategizing on how to retain the best employees is a task that HR managers oversee, but other managers in the organization will also provide input.
5. **Training and development.** Helping new employees develop skills needed for their jobs and helping current employees grow their skills are also tasks for which the HRM department is responsible. Determination of training needs and development and implementation of training programs are important tasks in any organization. Succession planning includes handling the departure of managers and making current employees ready to take on managerial roles when a manager does leave.
6. **Regulatory issues and worker safety.** Keeping up to date on new regulations relating to employment, health care, and other issues is generally a responsibility that falls on the HRM department.

## **Strategy Implementation**

**strategy implementation involves two sets of activities:**

1. **Developing and implementing strategic plans for functional units, and**
2. **Reviewing, revising, and refocusing for the future**

### **• Developing and Implementing Strategic Plans for Functional Units**

Corporate and business-level plans provide the context within which plans are created for various functional activities, including marketing, human resources, research and development, manufacturing, finance, and so on. The development of specific HR plans occurs after HR has interpreted the meaning of each prior phase of strategy formulation. In this section we focus on crafting and implementing HR plans. **Developing and Implementing**



HR Plans The HR implications of corporate and business plans are crystallized through the process of developing and implementing HR plans. The HR plans provide a blueprint to follow in order to fulfill the primary responsibilities of the HR function, which are:

- 1) Ensuring that the organization has the appropriate number of people at the appropriate time and with an understanding of the vision, mission, values and strategy of the firm, and with an awareness and ability to pursue multiple opportunities in the firm;
- 2) Ensuring that these people have the appropriate competencies to perform the jobs and roles in the organization;
- 3) Ensuring that these people are performing their jobs and roles with the behaviors consistent with the organization and appropriate to the strategic business objectives; and
- 4) Ensuring that these people are performing at the desired level of day-to-day productivity; are being attracted to the organization in sufficient numbers; and are willing to stay with the organization.

- **Review, Revise and Refocus**

The next activity of strategic management is reviewing the consequences of the strategy formulation and implementation process, evaluating the reactions of relevant stakeholders and deciding upon corrective actions or establishing new courses of action should the situation warrant (Kaplan & Norton, 1996; Marquardt, 1997). Reviewing and evaluating require clear criteria against which to compare results. These criteria should reflect the results the firm hopes to achieve. The objective is not simply to evaluate whether plans have been carried out on schedule and within budget. Much more important is whether the actions taken have achieved the desired results. A complete review and evaluation consider all major stakeholders. Even if not formerly included in the evaluation processes, their voices are likely to be heard one way or the other.

## **Module - 2**

### **Aligning HR Systems with Business Strategy**

A business strategy is a future-oriented plan for creating and maximizing competitive advantages to accomplish the organization's mission. To successfully execute that strategy, each function within the business needs to align its departmental strategy with the overall business strategy.

After all, each function has distinct areas of responsibility - finance and accounting, sales and marketing, operations, HR, information technology and production. But aligning individual departmental strategies with the overall business strategy helps the business plan to be executed efficiently.

The HR function, more than other functions, is involved in and affects the operation and execution of all the other business functions. This is identified most readily in HR's enterprise-wide staffing responsibility, but extends to the entire life-cycle of employment. The HR function intersects and affects the other business functions in the following areas:

- Talent acquisition;
- Performance management;
- Training and development;
- Employee retention and engagement;
- Employment law compliance;
- Compensation and benefits; and
- Safety and security.

Therefore, properly aligning the HR strategy with the organization's business strategy is critical to achieving the organization's mission.

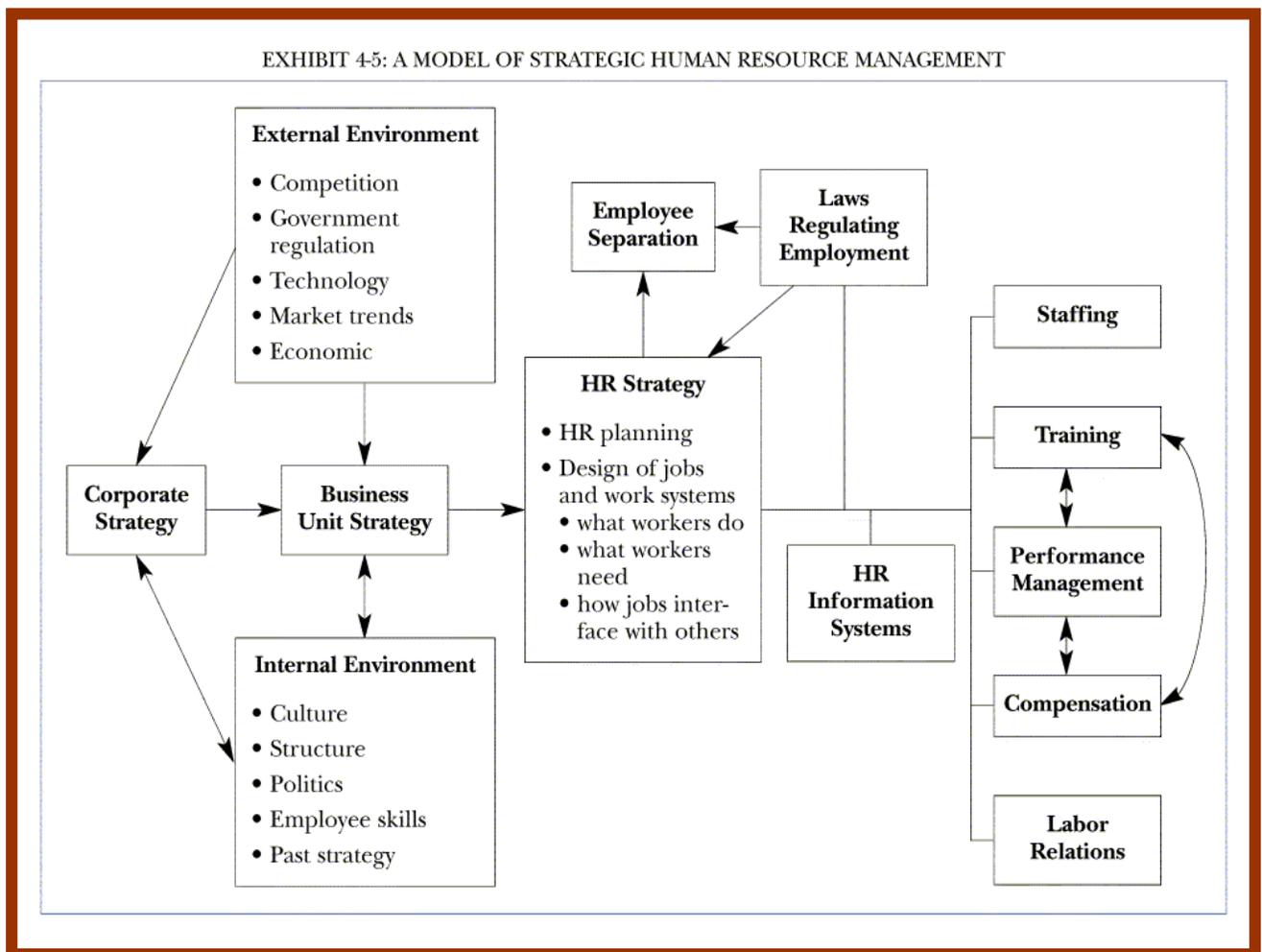
Alignment is the connection of strategy and execution through communication. Aligning strategies requires HR to:

- Understand the business strategy;
- Assess current conditions;
- Plan and implement the HR strategy; and
- Measure and evaluate results and adjust as needed.

Communication within the HR department and with leaders of the other business functions is key to accomplishing the following steps.

### HR's take home points:

1. HR must be included in setting the business strategy, and its objectives embedded within it
2. Practitioners have to understand HR's role in the business and where it can deliver benefit
3. An HR strategy model that compliments business objectives is needed
4. Action plans and measurement are needed to turn strategy into outcomes



### **The universalistic perspective**

The universalistic perspective is the simplest approach to the analysis of human resource management strategies. It starts, in all its explanations and prescriptions, from the premise of the existence of a linear relationship between variables that can be extended to the entire population. Researchers can, therefore, identify best human resource management practices are characterized by:

- (1) having demonstrated capacity to improve organizational performance and
- (2) having to be generalizable.

Regarding the level of analysis, universalistic models have focused mainly on a subfunctional point of view, analysing how certain isolated HR policies are linked to organizational performance. In other cases, they analyse more than one best practice, defining what have been called high performance work systems. Nevertheless, we can observe that, contrary to the other approaches that will be described below, the universalistic perspective does not study either the synergic interdependence or the integration of practices, and the contribution of these practices to performance is analysed only from an additive point of view. As a result, this view implicitly denies that the different elements that build the system could be combined in different patterns of practices that could be equally efficient for the organization.

### **The contingency perspective**

The contingent model introduces a different starting assumption in relation to what the relationship between variables means. Contrary to the linearity argued by the universalists, they propose a model based on interactivity, bringing to the HRM. The relationship between the dependent and the independent variable will no longer be stable, and it will vary depending on other third variables, named contingency variables. Those factors moderate the link between human resource management and performance and, therefore, deny the existence of best practices that could lead to superior performance under any circumstance. Contingency research does not differ from the universalistic work in terms of level of analysis. Also, in this case we can observe contributions analyzing both single functional areas and groups of practice. But, again, when systems are proposed, neither the internal synergic mechanisms nor the integration of practices is considered.

### **The configurational perspective**

The configurational perspective contributes to the explanation of SHRM with a useful insight about the internal aspects of the function, by means of the analysis of the synergic integration of the elements that build it. In this sense, the HRM system is defined as a multidimensional set of elements that can be combined in different ways to obtain an infinite number of possible configurations. From among them, researchers can extract management patterns that represent different ideal possibilities for managing human resources. Thus, the system must not only be consistent with the environmental and organizational conditions, but also internally coherent. It is important to notice that these configurational patterns, rather than empirically observable phenomena, are ideal types in the same way as those proposed by sociological theory

## **The contextual perspective**

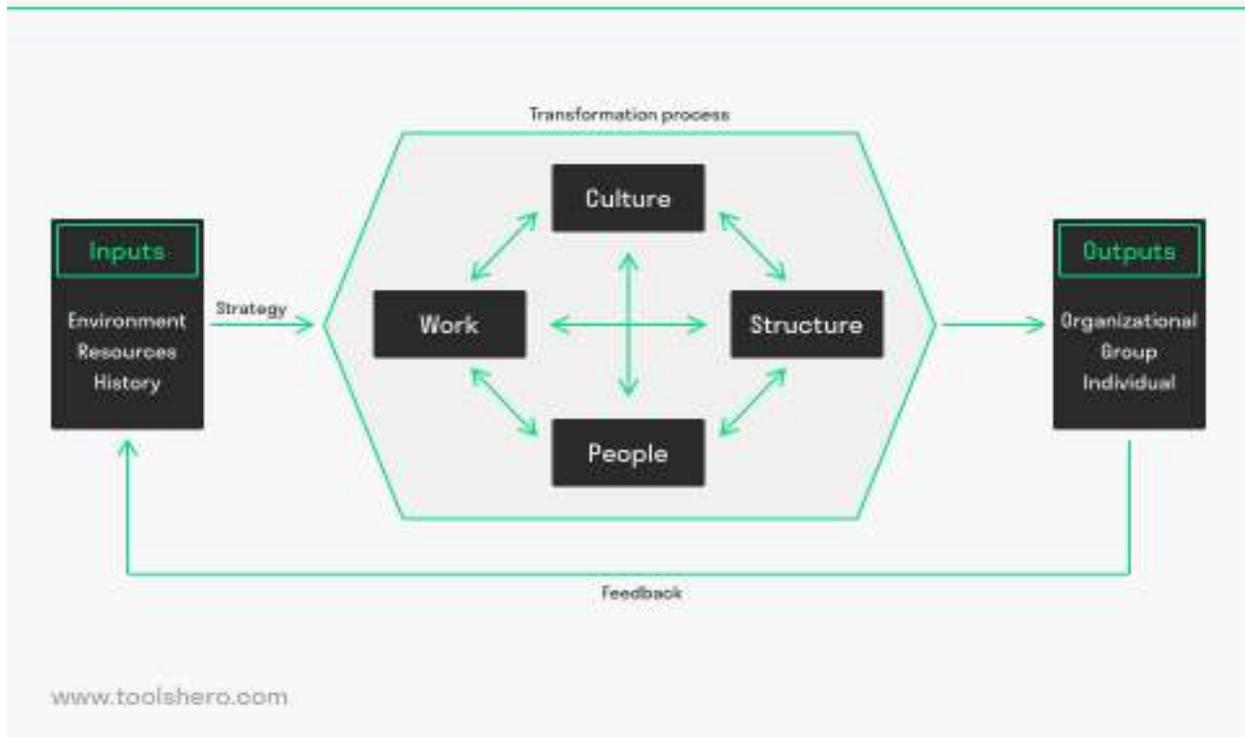
The contextual perspective proposes an important shift in the point of view of the analysis of SHRM. Unlike the previous approaches, it introduces a descriptive and global explanation through a broader model, applicable to different environments encompassing the particularities of all geographical and industrial contexts. This group of argues that it is necessary to expand the concept of SHRM so as to offer a complex explanation, not only of its internal working and how it can reinforce the achievement of business goals.

## **DESIGNING CONGRUENT HR SYSTEM**

The Congruence Model was developed in the early 1980s by organizational theorists [David A. Nadler and Michael L. Tushman](#). It's a powerful tool for identifying the root causes of performance issues. It can also be used as a starting point for identifying how you might fix them.

The Nadler-Tushman Congruence Model is a diagnostic tool for organisations that evaluates how well the various elements within these organisations work together. The result is the identification of performance gaps. These gaps have to be closed in order to improve the organisation's productivity and profitability. The gaps are identified because the Nadler-Tushman congruence model looks at the way the company processes information and input from both internal and external sources. Furthermore, it analyses communication structures to make them process the information as effectively as possible.

The Nadler-Tushman Congruence Model is based on four elements. These elements are work, people, structure, and culture. According to this model, then, an organisation's performance is the result of the way these elements work together. The model provides a step-by-step plan with six steps. This step-by-step plan, further explained in this article, can be used to identify a performance gap. This allows you to compare the current situation with the desired situation and forms an important first step in developing a concrete strategy in order to close the performance gap. The goal and result of this model is to realign company activities so that everyone strives for the same goals.



## The Organization As an Interacting Whole

As can be seen from the image, an organization in fact consists of four elements that work together in order to process input into output. This process is referred to as the transformation process: natural resources, components or other means are processed and turned into something new. This includes the financial means, used to purchase all the other means. This transformation process takes place continuously within the organization. The organization's environment is not as stable. Organizations are exposed to countless threats and opportunities and need to use their means in such a way as to achieve maximum profitability. Threats and opportunities can be identified using the SWOT model.

The finished products or services are then delivered to the external market. The market's reaction is important to the organization, which will always consider and process it in the form of feedback. The transformation process itself, which can be made more efficient using the Nadler-Tushman Congruence Model, consists of the following four elements.

## Work

Work refers to the tasks carried out by employees. It's important that the result of these tasks are aimed at the company objectives. It should be apparent which skills or knowledge are required for tasks and company activities, and these should be present to a sufficient degree within the organisation.

## People

People are an important part of the organisation and the congruence within it, and form an important part of the Nadler-Tushman Congruence Model. A company aimed at innovation is looking for pioneering, fast-thinking people. A sales company is mostly focused on finding sales talent. It should be known of employees which skills and knowledge they possess, whether they have experience, and what education they have followed. It should also be known how they would like to be individually rewarded and compensated for their work. For motivated staff, it's also important that they should be able to develop potential within themselves.

## Structure

Although aligning the work from the first of the four elements is important, aligning the organizational structure is even more important. Structure is the third component of the Nadler-Tushman Congruence Model. It creates consistency between what an organisation wants and what it does. A company that responds to new market developments needs a flexible corporate structure that is able to quickly adjust to the changing market. A company chain with outlets in various regions would benefit more from a hierarchical structure with regional managers.

## Culture

The corporate culture consists of values and norms, behavioural patterns and rules, both written and unwritten. The corporate culture also has great influence on the way it supports and stimulates the corporate results. Sometimes, an organisation's culture needs to change before the organisation is able to adjust to a new business focus. A relaxed, informal corporate culture may work well for a startup, but will need to become somewhat more mechanical upon growth. There are also organisations where the focus is on employees and their well-being. This happens in altruistic organisations.

## Step-by-step plan for organisational congruence

We may derive several steps from the Nadler-Tushman congruence model, which can be gone through in order to achieve congruence and improved performance in the organisation.

The first step of the Nadler-Tushman Congruence Model will not need to be gone through by every user. Reasons for carrying out such a process may vary. Sometimes a performance gap is suspected and the organisation wants to run an analysis in order to be sure. When there is no suspicion of incongruence, the step-by-step plan may still be gone through in order to improve any inefficiencies.



## **1. Identify symptoms**

Collect data that show possible failings in the organisation's functioning. These may be disappointing results, undesirable behaviour on the part of employees, or something else. Make sure all symptoms are noted down.

## **2. Note down input**

Investigate the exact means used in the organisation. Consider the organisation's environment in the assessment as well, and note down important aspects relating to financial input, human resources, and history.

## **3. Identify output**

Then, identify what the organisation is producing as its output on various levels. Investigate individual, departmental, and organisational performance. In the next step, compare the performances achieved to the desired performances.

## **4. Identify problems**

Assessing and comparing performance, one may find various causes for problems. In this step of the Nadler-Tushman Congruence Model, use the root cause analysis to identify the causes. It's important to compare the results achieved to the desired results, as well as selecting areas where the difference is substantial. For each problem, the consequences it brings should be noted down. This means direct costs, indirect costs, and opportunity costs.

## **5. Describe company elements**

In this step of the Nadler-Tushman Congruence Model, the four elements explained above are described. Make sure the descriptions are clear, concrete, and focused on the element's core functions. If needed, use corporate models like the Business Model Canvas.

## **6. Assess congruence**

Assess the relative congruence between the various elements of the company. Think of how information streams flow, what the communication structure looks like, who has been invested with which powers, and which people are responsible.

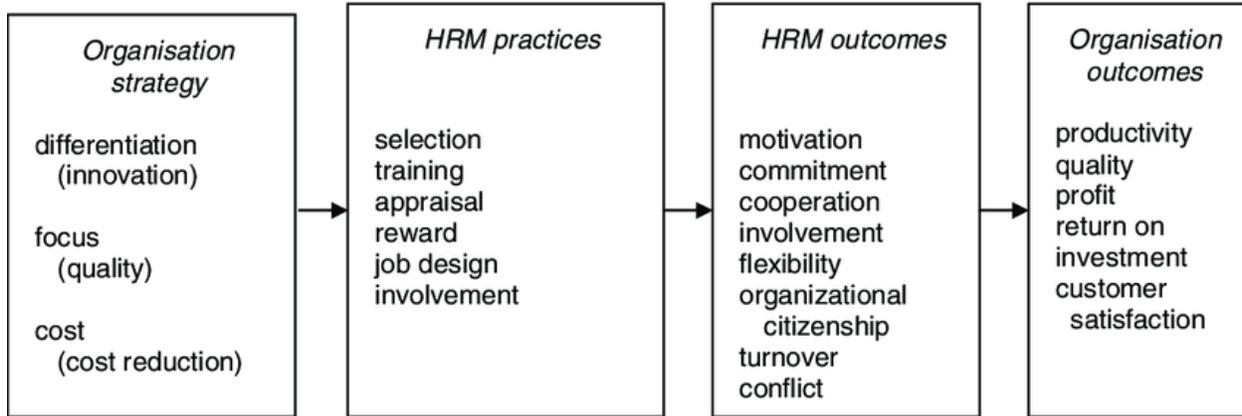
Carefully consider the various ways in which the elements interact. Tasks and people, people and cultures, structure and culture, they all relate to one another and may provide useful insights into the manner and degree of efficiency of working.

## **7. Make action plan**

Note down how the problems from step 4 of the Nadler-Tushman Congruence Model may be anticipated and how problems should be dealt with in the future. By linking the problems to output and finding out

what's causing the discongruence, the exact cause may be traced. Then, use Business Process Re-engineering (BPR) in order to reshape the processes.

### LINKING HRM PRACTICES TO ORGANISATIONAL OUTCOMES:



### HR STRATEGY FORMULATION:

These are eight key steps in the quest towards delivering a successful HR strategy.

#### 1. Aligning business and HR needs

The business' goals – that is its strategic imperatives – sit at the heart of any HR strategy and in order to align business and HR needs one key question must to be answered, “Can your organisation’s internal capability deliver its business goals?”

This is where HR receives most criticism. The function is frequently accused of failing to fully understand its business, goals and strategy for achieving these goals, and its business model and how it delivers to its customers. For those who already understand the demands of their business, it is easy to identify where the business has strong core competencies and where the business is weakest.

Sometimes these weaknesses are related to essential systems or processes, but more often – and significantly for HR – these weaknesses relate to the quality of the workforce, its motivation and ability to deliver organisation performance. Taking steps to understand your business and where it has competitive advantage is an essential first step towards determining the key HR interventions that form the basis of an HR strategy.

#### 2. Developing your HR strategy

Deeper knowledge and understanding of your business goals and business model can identify potential threats and opportunities in the quantity and quality of human resource required by your organisation. This in turn identifies the key components of your HR strategy and the virtuous circle of providing whatever your organisation needs for success.

It is also critical that the HR team has a high level of expertise in aligning major HR interventions and their relevance to business performance. This calls for expert HR thinking and identifies the requisite interventions and, equally important, how they fit together to leverage organisation performance.

If there is a strong need for the organisation to develop its management capability, for instance, should you align your compensation strategy to reinforce this objective? If the organisational structure defines the accountabilities clearly at every level of the organisation, is your HR team selecting and developing against them? This is joined-up HR at work.

Another concern for HR is when it should make strategic interventions. Easy, it either follows your business cycle, or is triggered by other key events such as a merger, an acquisition or a change in business direction.

### **3. Organisational performance**

Organisational performance is the process by which business goals and objectives are cascaded and managed across and down an organisation. It provides a link and rationale for all other HR activity and, in addition, the greatest opportunity to directly impact business success, enhancing HR's reputation and contribution.

HR needs to create and install a robust performance management process that sets out performance objectives for all levels of staff within a business. This is an opportunity to develop line managers' skills in being able to disseminate and set stretch targets for their business.

A critical part of this process is a robust performance review process, which gives people feedback about what has been achieved – what people have done well and not so well.

The third element is a personal development review process where individual strengths and weaknesses are identified for the purposes of assessing and meeting organisational development needs.

### **4. Organisational design and structure**

Organisational design is the shape, size and structure of the organisation required to meet customers' needs. It reflects the management processes that drive the business model and determines organisational agility and flexibility. These processes can be a source of competitive advantage or sources of frustration, unnecessarily absorbing time, cost and resources.

Decisions affecting the shape, size and cost of the organisation will be aligned with the business strategy. It should be relatively easy to see whether an organisation invests in marketing, sales or manufacturing, for instance, and whether the organisation is maximising its work flow capability.

As people experts, the role of HR is to add value to the structure and operation of the business. Structural weaknesses offer an opportunity to revamp any part of the organisation by identifying and making appropriate changes, reductions in size or cost; or improvements to the quality of the operation.

Conversely, structural strengths are a signal to the HR team to reinforce organisational competence.

### **5. Strategic resourcing**

Achieving clarity throughout the organisation's structure is critical in order for resourcing strategies to work well. If the organisation is transparent about its key roles and accountabilities, this will define the skills and knowledge required to undertake the work and determine strategic resourcing requirements.

Deciding on your resourcing strategy means identifying a number of critical components. These range from the processes needed to determine resourcing needs, the processes to attract the right people and the processes for assessing and selecting the right people. HR has a strong traditional involvement in all of

the above. In addition, it is essential to ensure each stage of the resourcing activity is aligned and in direct response to the strategic imperatives.

Another important component determining the effectiveness of any resourcing strategy is the need to create a ‘recruitment brand’ – how the image (or brand) of the organisation appears to the recruitment market can either support or undermine the success of a resourcing strategy.

## **6. Organisation development**

If strategic resourcing is about providing a pipeline for importing external talent, then an organisation’s development strategy is the way in which the HR team decides what changes and improvements need to be made to the current workforce.

Usually these responses work at three levels – the individual, team and organisation – and all are geared to achieve high levels of organisational performance. It requires a close examination of the strategic imperatives and clarity about the capabilities to execute it.

Development responses will aim to increase business skills, the application of business skills (sometimes called competencies) and the behavioural elements – all of which contribute to an organisation’s effective performance. It is important at an individual level, particularly for senior people, that they feel their development needs are agreed and that they are provided with the skills to do their jobs.

At a team level, it defines individuals’ ability to work with others flexibly and align individual and team skills and activity to business goals – all of which ensure that the organisation is equipped to deliver its goals.

## **7. Compensation and benefits**

Often called reward strategy, the purpose of compensation and benefits systems is to align the performance of the organisation with the way it rewards its people, providing the necessary incentives and motivation required for an organisation to deliver its goals.

Its components are a combination of base pay, bonuses, profit sharing, share options, and a range of appropriate benefits, usually based on market or competitor norms and the organisation’s ability to pay. Typically, the components of an organisation’s reward strategy will reflect the particular performance culture of a business.

There is evidence that organisations see compensation as a strategic management lever and are increasingly experimenting with new practices – team bonuses, for example, aimed at improving team performance or skills/behaviour payments to upskill the workforce or reinforce culture or behaviour change. A company’s reward policy in particular benefits from clarity about which other elements of the HR strategy it aims to support.

## **8. Organisation culture**

Culture is usually described as the “way we do things round here” – the way the organisation acts, reacts and interacts. The trend in the last 10 to 15 years has been to align organisational behaviour more strongly with customers’ needs, creating customer-facing units and customer-sensitive behaviours. This has been as a direct result of the increased competition around product, quality, prices and packaging. In re-aligning an organisation’s culture there can be real benefit and competitive advantage through improved service.

HR teams which are closely involved with the organisation's cultural ambitions can lead these initiatives through their knowledge of organisation psychology such as describing new behaviours and work styles; and through their skills in organisational development and being able to provide development solutions to deliver the improvements.

Production of the HR strategy

The eight components described here form a generic model of the most commonly used elements of HR strategies. It is important to select those that are most relevant to any particular organisation.

When the key elements are decided, there are a number of simple questions that the HR team should be asking itself as each element of the strategy is considered in turn:

START – What are we not doing yet, that the business needs from us?

STOP – What should we stop doing because it does not add value?

CONTINUE – What are we already doing that supports the business plan?

### **HR STRATEGY IN WORKFORCE UTILIZATION:**

- **Workforce Engagement**
- **Talent Management**
- **Job Analysis**
- **Policy Making**
- **Cross Training**
- **Provide Flexibility**
- **Teamwork Management**

### **STRATEGIC PERFORMANCE MANAGEMENT:**

Strategic performance management is defined as: the process where steering of the organization takes place through the systematic definition of mission, strategy and objectives of the organization, making these measurable through critical success factors and key performance indicators, in order to be able to take corrective actions to keep the organization on track

The strategic performance management process consists of various sub-processes: strategy development, budgeting/target setting, forecasting, performance measurement, performance review and incentive compensation. These integrated sub-processes create the performance driven behavior of employees that is needed to become and stay world-class.

- **Strategic development**

The strategy development process results in clear strategic objectives and action plans for measurable performance improvement. These are based on a thorough understanding of the key value drivers that are

aimed at achieving a competitive advantage. Business issues that drive organizations to improve the strategy development process are the lack of focus of the strategic plans and the low quality of the strategic targets. The strategy development process often focuses too much on meticulously calculating future financial results instead of planning for value creation. Strategic plans tend to look inward, resulting in unrealistic long-term views that do not take environmental developments into account and that focus insufficiently on competitive advantage and true differentiation.

- **Budgeting/target setting**

The budget/target setting process results in clear operational action plans for improving the key value drivers, for committing resources, and for setting financial targets for the coming year. Business issues that drive organizations to improve the budgeting/target setting process are the low reliability of the budget data and the too high level of detail of the budget. Because of the volatility of the business environment and the organization itself and the early start of the budgeting process in the year, the targets in the budget tend to be out of date the moment it is set. In addition, the budget tends to be detailed with too many parameters on all management levels, and therefore takes too much time to prepare.

- **Forecasting**

During the forecasting process organizational members execute the activities that have to lead to the desired results. Regular forecasts are made to predict whether the organization is still on track or whether corrective and/or predictive actions are needed to solve current or predicted problems.

- **Performance measurement**

The performance measurement process collects, processes (including consolidation), and distributes data and to allow an effective execution of the other sub-processes. The information is represented in the form of critical success factors (CSFs) performance indicators (KPIs). A business issue that drives organizations to improve the performance measurement process is the low quality of management information and management reports. Often management information does not fully satisfy management's needs and does not stimulate proactive behavior because the reports lack non-financial information, are not sufficiently exception-based, do not include corrective and preventive actions, and are incomplete because data collection is very time consuming.

- **Performance review**

The performance review process periodically reviews actual performance, targets, and forecasts in order to ensure that timely preventive and corrective action is taken to keep the company on track. Business issues that drive organizations to improve the performance review process are the low quality of forecasts and bad timing of performance reviews. The added value of forecasts is relatively low because their accuracy is often insufficient, they are usually too financially oriented, they do not provide enough explanatory information about future issues, and it takes too much time to prepare them. Performance review meetings generally take place on a regular basis rather than as an exception when there really is a problem. As a result the performance reviews take up too much time when there are no problems in the organization and when there are real performances issues and problems the reviews are either not held or held too late.

- **Incentive compensation**

This process links strategic and operational actions for key value drivers, in a balanced way with compensation and benefits policies. The main business issue that drives organizations to improve the incentive compensation sub-process is that this process is not sufficiently aligned with the other sub-processes; therefore it does not reward the right performance-driven behavior of organizational members.

## **HR STRATEGY FOR TRAINING AND DEVELOPMENT**

### **Analyze Your Needs**

The first step in putting together a training strategy is to look at the needs of your business. What are the types of skills, knowledge, and expertise that the employees of a successful company in your industry need to have? What are your company's business goals and strategies? What knowledge, skills, and abilities do employees need to achieve those strategies?

### **Identify Skill Gaps**

Next, take a look at the gaps that may exist between needed knowledge, skills, and abilities, and employee competencies. Which of the critical skills you identified do employees have? Which are they lacking? This analysis can be done on both an individual employee basis and companywide.

### **Prioritize**

Ideally, your training program will imbue your employees with all the skills needed to make your company a strong competitor in your industry. But, in reality, you are going to be faced with finite resources—time and money—and there are likely some skills that are more important than others. Your prioritization should, again, be based on your company's strategic initiatives as well as potential bottom-line impact (related to reducing costs or increasing revenue) and impacts on risk.

### **Plan and Deliver the Training**

The final step in developing a training function is execution. The best strategy will be useless if it isn't executed properly, so it's important to spend sufficient time dedicated to execution once the strategy is crafted.

Training is a key element to a successful company; a formal training function can benefit most. Keep in mind, though, that "some training" is not, necessarily, better than no training. Poor training can have significant negative consequences, so it is essential that adequate thought and planning go into the development of a training strategy.

## Module -3

### International and Comparative Human Resource Management

International and comparative human resource management (HRM) are related but distinct areas of enquiry. Comparative HRM is largely concerned with questions about why and to what extent there are differences in HR practices across countries. International HRM is more focused on issues associated with the management of employees across national borders in multinational corporations (MNCs). IHRM has therefore been interested in questions about the extent to which multinational companies reproduce similar sets of HR practices across their subsidiaries.

#### Difference between international and comparative HRM

The growth in international trade and globalization has encouraged firms to expand their operations worldwide, which has resulted in the emergence of new markets such as China, India, South East Asia and Latin America. This trend has also been accompanied by an increased level of competition amongst firms at both national and international level. The challenge of managing a workforce worldwide with different cross-cultural skills, competencies and demographic characteristics means that managers can no longer rely on traditional HRM models developed for Anglo-Saxon countries. Many firms underestimate the complexities involved in international operations, and there is some evidence to suggest that business failures in the international arena may often be linked to poor management of human resources (Desatnick & Bennett, 1978). Western academics and practitioners have thus moved from traditional international HRM issues to the area of comparative HRM. In order to maximize cross-national management capabilities, there is need to understand how employees in different national settings respond to similar concepts within their particular functions. This essay has been structured as follows. In the next section, I will examine the difference between international and comparative HRM. I will then look at the way comparative HRM assist academics and practitioners appreciate the differences in the strategies and processes in MNCs. A conclusion is then presented.

- International HRM has been defined as HRM issues, functions, policies and practices that result from the strategic activities of MNEs (Scullion, 1995). IHRM deals principally with issues and problems associated with the globalisation of capitalism. It involves the same elements as domestic HRM but is more complex to manage, in terms of the diversity of national contexts and types of workers. The emphasis is on the MNCs' ability to attract, develop and deploy talented employees in a multinational setting and to get them to work effectively despite differences in culture, language and locations. International HRM tends to mitigate the impact of national culture and national employment practice against corporate culture and practices.
- Comparative HRM, on the other hand, is a systematic method of investigation that seeks to explain the patterns and variations encountered in cross-national HRM rather than simply describe HRM institutions and practices in different societies. According to comparative HRM literature, different national business systems arise from differences in specific historical, cultural and institutional heritage in certain countries. Comparative differences occur due to decisive historical events such as the process of industrialisation

or due to the legacy of pre-modern forms of social organisation. Hofstede's (1980) adopted the 'culturalist' perspective where he argued that national business styles emerge due to ingrained cultural attitudes and mental schemas. He described culture under five dimensions which are power distance, individualism, masculinity, uncertainty avoidance and long-term orientation. Other researchers claim that HR management practices differ between nations due to the presence of specifically national institutions such as education, banking services or state/legal support.

## Global Human Resource Management

### Meaning

Global human resource management, sometimes referred to as global HRM, is an umbrella term that includes all aspects of an organization's HR, payroll, and talent management processes operating on a global scale. As technological innovations make it easier for organizations to conduct business across the world, global expansion has become an increasing reality. Likewise, it's essential for these multinational organizations to have the right HRM software in place that's capable of serving employees working around the globe.

### Definition

The process of employing, developing and rewarding people in international or global organization. An organization in which operations takes place subsidiaries overseas, or manages its business internationally.

It combines knowledge of business, culture, history and social practice to help companies find their niches in the international community.

### Differences and Similarity between HRM and GHRM

## II. CORE ACTIVITIES



## **HUMAN RESOURCE MANAGEMENT**

### III. DIFFERENCES/SIMILARITIES



#### Differences between International and domestic HRM

The practice of HRM in the international context is different from its domestic counterpart in a number of ways. This includes the IHR department in a multinational firm

- (1) Being responsible for a greater number of activities, such as the management of international assignees that includes such things as foreign taxes and work visas and detailed assistance with family relocations to foreign locales;
- (2) Having to expand its areas of expertise to include a much broader perspective, including knowledge of foreign countries and their employment laws;
- (3) Having to get much more closely involved – than is ever necessary in a purely domestic situation – with employees' (and their families') lives as the firm moves employees from country to country;
- (4) Being involved with a greatly expanded and constantly changing mix of employees, adding considerable complexity to the IHR management task;
- (5) Having to cope with more external influences, such as having to deal with issues stemming from multiple cultures and countries; and, as a result,

(6) Having to face much greater exposure to problems and difficulties, and, thus, exposure to much greater potential liabilities for making mistakes in HR decisions

### **Geert Hofstede's Cultural Dimensions Theory**

- **Power Distance:** the inequality among the people of a nation.
- **Individualism:** the moral stance, political philosophy, ideology or social outlook that emphasizes the moral worth of the individual.
- **Masculinity/Femininity:** the degree to which “masculine” values prevail over “feminine” values.
- **Uncertainty Avoidance:** reflects the extent to which members attempt to cope with anxiety by minimizing uncertainty.
- **Long Term orientation:** stands for fostering of virtues oriented towards future rewards through perseverance and thrift.

### **Evaluation of HR functions in International context**

#### **Balanced scorecards and HR scorecards**

One direct way in which the effectiveness of both domestically based and international HR functions is assessed is through the balanced scorecard approach. HR lies at the heart of the method. Whilst the financial, internal and customer perspectives identify where the business stands now and where it needs to be in the future, learning and growth identify how it will get there. As we have seen throughout this book, a critical task for both HR and line managers in global organizations is the need to create an organizational infrastructure that empowers people to give their best. Developing people to be able to meet the challenges of the future is also a critical imperative. The discipline of a balanced scorecard approach also reinforces more sophisticated approaches to performance management, which helps align HR outcomes with strategic objectives. An alternative to the use of balanced scorecards is the adoption of high-level performance promises. This was seen, for example, in Diageo. A similar system based on a balanced scorecard approach exists within Ford of Europe.

#### **The global role of the IHR professional**

In order to enhance the competitive advantage of global firms, their human resource professionals (managers and staff) need to focus on developing their own international

competencies. At the same time, the IHRM function needs to shift from an administrative orientation to one that places primary attention on the processes of internationalization, so that it can help reconcile the types of organizational paradoxes described above that are inherent in the activities of global firms. This not only creates new demands on how specific HR activities are performed but also sets a new agenda for HR professionals and their global roles.

First, HR professionals need to learn about the fundamentals of global business. They cannot assume a global strategic role without understanding global strategy. Second, a solid knowledge of strategy must be complemented by the globalization of their individual professional expertises. This rests primarily on the acceptance and understanding of the cultural relativity of many HR practices. And that in turn is complemented by an understanding of how their firms' principal global competitors plan and execute their global HR strategies, what tools and methods they use to build their organizational competencies, and what implications for competitiveness arise from their actions.

This understanding of global strategy, cultural differences, and HR capabilities requires a thorough globalization of the HR function by developing a cadre of HR professionals with international perspective, knowledge, and experience. Presently, however, the number of HR executives with multicountry experience or who are on an international promotion and development track is quite limited, even in the largest of MNEs.

The lack of international experience among US HR professionals is not surprising, but this must change if IHRM is to be recognized as a strategic partner in the management of global firms. Global firms will need not only to set up regional HR positions and assign global responsibilities to corporate HR managers but also to select, develop, and motivate IHR professionals with very much the same intensity and approach that is currently used for global executives in other areas of management.

Firms that have successfully globalized their human resource activities share several important characteristics:

- The global HR role has the strong support of top management in terms of high expectations about the contributions the IHRM function can make to the formulation and implementation of effective global strategies and the readiness of the IHRM function to step up to its responsibilities.
- The expectations and support of top management for the IHRM role are usually derived from a longstanding commitment to dedicate management energy and resources to human resource issues as a reflection of a people-oriented corporate culture.
- Cultural diversity (including national diversity) is encouraged as a natural way of life.
- Ambiguity as a way of dealing with the many paradoxes imbedded in global HR issues is also accepted as normal. Not much is seen or accepted as “black or white.”
- The final condition for a successful implementation of IHRM strategies is the competence and credibility of the IHRM staff. To earn that credibility, IHR managers must accept the risk and responsibility for putting forward policies and practices that make a difference in the achievement of corporate global strategies.

## Strategic IHRM

In an ideal world, a firm conducting international business will be actively engaged in strategic planning and strategic management. The firm will regularly perform an environmental analysis or scan (of its external threats and opportunities and its organizational strengths and weaknesses) and from that analysis develop its global strategies which are then implemented for global success. Still in this ideal world, all components of the firm will be closely integrated into that planning and will be involved with similar strategic planning within their own areas of responsibility.



*Figure 2.1* Basic elements of the strategic management process

Strategic management, in general, is the array of competitive moves and business approaches that managers employ in running a company and that are derived from the firm's vision and objectives. In crafting a strategic course, management is saying that "among all the paths and actions we could choose, we have decided to go in this direction and rely on these particular ways of doing business." A strategy signals an organization's commitment to specific markets, competitive approaches, and ways of operating. A company's strategy is thus the "game plan" its management has for positioning the firm in its chosen market arena, for investing money and people in the development of particular business capabilities, for developing sustainable competitive advantage, for pleasing its customers, and, thus, for achieving superior business performance. These strategies are developed in either or both of two ways: proactively, as a forward-looking plan to deal with anticipated market forces, or reactively, as a response to what the firm is experiencing in the marketplace. In most firms, strategies that are developed stem from a combination of these forces.

Among all the things managers do, nothing affects a company's ultimate success or failure more fundamentally than how well its management team charts the company's long-term direction, develops competitively effective strategic moves and business approaches, and implements what needs to be done internally to produce good day-in/day-out strategy execution. Indeed, good strategy and good strategy execution are the most trustworthy signs of good management.

There are various strategies or stages to understanding international business strategy are interrelated. Just as firms differ in their stages of international development, so too do they differ in terms of the structures they adopt in their international operations. The specific international strategy chosen or developed influences the choice and design of organizational structure.

Coping with the complexities of the design of global enterprises turns out to be one of the most difficult areas in which IHRM can make a strategic contribution to a firm's international business strategy. Thus, this section includes some of the issues related to international organizational structure.

## **Internationalization**

At this stage, a firm makes the initial decision to “go international.” In the beginning, this choice will probably involve only export to foreign customers in one country, or import of one or a few products, again probably from only one supplier or one country. The international business activity at this level will have very little impact on the overall business and will not receive much management attention. In recent years, this level of strategic involvement has extended beyond concerns for finding new markets or cheap raw materials to licensing and subcontracting of manufacturing and sourcing of manufacturing inputs, in order to meet rising cost pressures caused by increased global competition. The HR impact will be fairly limited, with the firm relying on a few key managers and technical experts to negotiate overseas linkages and to transfer technology, if necessary, to a licensee or subcontractor.

## **Multi-country/multi-domestic/ Multinational**

At this level of international strategy, a firm decides to establish subsidiaries in multiple countries, with these subsidiaries typically operating independently within each country, independently of operations in other countries, and often fairly independent, even, of the parent-company headquarters. This is referred to as a “multi-domestic” or “multi-country” strategy.

As independent as subsidiaries often become, in this strategy the organization’s operations in a number of countries may reach such size and importance that there is increased need for integration with corporate headquarters. The firm may develop global product divisions that provide global coordination of finance, HRM, marketing, and research and development. Or the MNE may organize into major country subsidiaries with regional headquarters to coordinate operations on a regional basis. Nevertheless, at this level of international strategy, the MNE will have significant operations (assembly, manufacturing, service centers, R&D, branch offices) in many countries and may well reach the condition where half or more of its sales and employment is in foreign countries.

The HR department’s role at this stage becomes even more complex and difficult. Now HRM must not only provide services – such as relocation, compensation, and benefits for often

hundreds of employees (international assignees) working in foreign (to them) locations – but it must also coordinate the HRM activities and practices of the many subsidiaries, seeking both consistency with the culture and policies of the parent company and accommodation of local values and practices. In addition, training for international assignees (from the parent company or from foreign locales), local nationals, and parent-company employees to handle foreign assignments and interaction with foreign counterparts will increase dramatically.

### **The global firm**

In recent years, many MNEs have reached the state of internationalization where their operations are becoming blind to national borders. Even though most businesses still organize on a regional basis and adaptation to local customer preferences may still be necessary, products and services are increasingly designed for and marketed to customers all over the world. This is particularly true for industrial products, that is, for products sold from business to business, such as computer chips. The best technology and innovative ideas are sought everywhere and applied to markets throughout the world. Products and services are created where costs are the lowest, quality is the highest, and time to delivery is the shortest, and delivered wherever demand is sufficient. And resources (money, material and parts, insurance, even people) are sought from wherever the best quality for cost can be found.

These firms are increasingly referred to as “global.” Reaching this stage of development is not merely a matter of company size or experience in internationalization. Sometimes it is a reflection of the nature of the pressures of the particular industry, but often, it reflects a purposeful, strategic, decision to “go global.”

The experiences of global MNEs suggest that running a global company is an order of magnitude more complicated than managing a multinational or international firm. The global corporation looks at the whole world as one market. It manufactures, conducts research, raises capital, and buys supplies wherever it can do the job best. It keeps in touch with technology and market trends all around the world. National boundaries and regulations tend to be irrelevant, or a mere hindrance. Corporate headquarters might be anywhere.

At this level of development, the role of the HR department must again shift. Employees are hired everywhere in the world, wherever the necessary skills, training, and experience can be found. Worldwide policies are developed and implemented for many aspects of HR responsibility, possibly based on practices followed in numerous places around the world. Management promotions will require international experience and managers and executives will be developed from all major countries or regions of operation. At the same time, increased sophistication in locating certain HRM practices will become even more important, as the firm tries to be a global enterprise.

### **The transnational firm**

A decade ago, Bartlett and Ghoshal suggested that many firms were evolving into a new form of international business, that they termed “transnational.” In the sense that the transnational firm has a global focus, it is similar to the global firm, described in the previous section. But it differs from the global firm in that, rather than developing global products and services, the transnational works hard to localize, to be seen, not as a global firm, but as a local firm, albeit one that draws upon global expertise, technology, and resources.

### **Sustainable Competitive Advantages:**

#### **Definition:**

Sustainable competitive advantages are company assets, attributes, or abilities that are difficult to duplicate or exceed; and provide a superior or favorable long term position over competitors.

### **Sustainable Global Competitive Advantages:**

Competitive advantage is increasingly found in knowing how to do things, rather than in having special access to resources and markets, knowledge and intellectual capital have become both the primary bases of core competencies and the key to superior performance. In recent years, the development of “hypercompetition” and shortened product lifecycles has reduced the degree to which much special knowledge can provide companies with sustained competitive advantage.

Shrinking logistical and communication costs, along with new organizational designs, have enabled multinational corporations (MNCs) to function as truly global companies. Global companies introduce their newest products worldwide and effectively share knowledge across country units. Fueling hypercompetition, many industries now have several MNCs competing against each other on a worldwide basis, rather than a few local companies and only one MNC competing in each market. New product innovation has become the key to competing successfully. MNCs use their deep pockets to fund research and development (R&D), and they reverse engineer each other's products and turn to consultants to learn about best practices in their industry. Companies develop or acquire new knowledge so rapidly that having special knowledge is no longer a basis for sustainable competitive advantage. To provide sustained competitive advantage, one needs knowledge that is difficult for outsiders to copy as well as the ability to rapidly develop new knowledge.

### **Example**

In a graphic demonstration of the transient value of much knowledge, Michael Tushman began his courses at Columbia Business School by asking what the following list of products had in common: watches, cars, cameras, color TVs, hand tools, radial tires, industrial robots, machine tools, electric motors, financial services, food processors, microwave ovens, stereo equipment, athletic equipment, computer chips, optical equipment, medical equipment, and consulting services. The answer: each of these industries was initially dominated by a company with specialized knowledge, but that company rapidly lost its lead as other companies acquired the knowledge required to compete.

## **Expatriation and Repatriation Management in Global HRM**

### **Expatriation**

An expatriate is an employee who has left his native land and is working and temporarily residing in a foreign country. An expatriate can also be a citizen who has relinquished citizenship in their home country to become the citizen of another country. The term originates from the Latin words, ex (out of) and patria (fatherland).

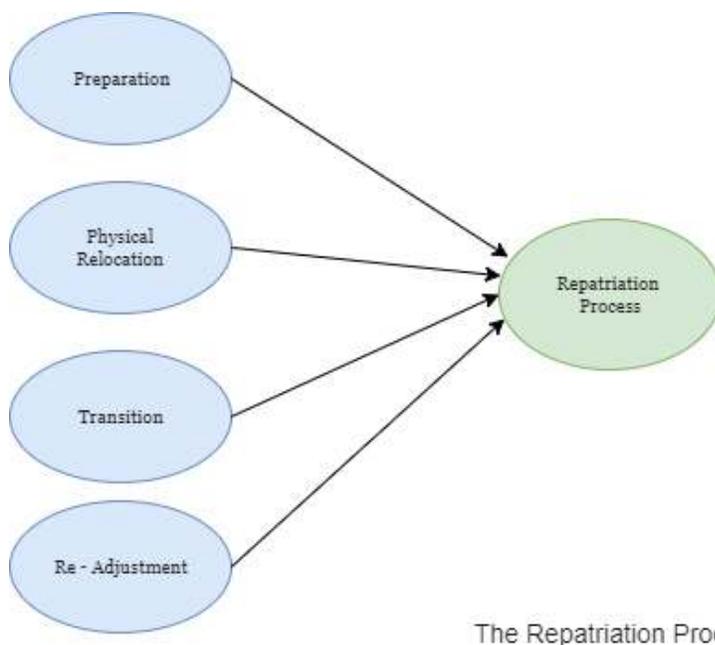
A firm's employees who are transferred out of their home base into some other area of the firm's international operations are referred to as expatriates. The practice of global mobility of a company's workforce helps in building competitive advantages. All expatriate employees are entitled to receive an expatriate premium while working in a foreign country. This includes monetary benefits and non-monetary incentives like housing and education.

When the initiative for expatriation comes from individuals rather than employers, it is called self-initiated expatriation (SIE). An illustration of this is the fact that some Asian Companies have recently hired a number of Western managers.

Dubai is a country where the population is composed predominantly of expatriates from countries like India, Pakistan, Bangladesh and Philippines, with only 20% of the population made up of citizens. Most popular expatriate destinations are Spain, followed by Germany and Britain.

## Repatriation

Before elaboration on the stages in the repatriation process, it is useful to understand that on completion of the overseas assignment, the MNC brings the expatriate back to the home country, although not all foreign assignments end with a transfer to home- rather the expatriate is re-assigned to another international assignment. Some employees are made to travel around the globe frequently in which case they form part of the MNC's international cadre of managers. Even with such managers, repatriation is essential, particularly at retirement.



- Preparation involves developing plans for the future and gathering information about the new position. The firm may provide a checklist of items to be considered before the return to the home(e.g. closer of bank accounts and settling bills) or a through preparation of the employee and his or her family for the transfer to home.
- Physical relocation refers to saying good bye to colleagues and friends, and traveling to the next posting, usually the home country.

- Transition means setting into temporary accommodation, where necessary , making arrangement for housing and schooling, and carrying out other administrative tasks such as renewing driving license, and opening bank account.
- Readjusting involves coping with reverse culture shock and career demands. Of all the steps in the repatriation process, re-adjusting is the most difficult one. The re-entry adjusting is a tough task because of multiple factors. First there is anxiety experienced when he or she returns home, the apprehensive being accentuated by the uncertainty about the placement in the firm, career prospects and a sense of isolation, feeling of devaluing the international experience, coping with new role demands and probable loss of status and pay.

MNC respond to the repatriation problem in several ways. Many firms have formal repatriation programs. Some companies assign the expatriate to a mentor, popularly called as the godfather. The mentor is usually in a more senior position than the expatriate and knows him or her personally. The purpose behind the use of a mentor is to remove the sense of alienation through the provision of information (e.g. workplace changes) on a regularly basis, so that expatriate is better prepared for the conditions he or she is likely to face upon re-entry. The mentor should also ensure that expatriate is not sidelined when important decisions are made regarding positions and promotions.