UNIT:1

Conceptual framework and context of strategic SHRM

SHRM is an approach of decision making relating to the organizational objectives connecting people rather than employees who are essential to implementing the business strategy of the organization.

At the same time, SHRM sets up a rapport connecting HRM with Strategic management while SHRM aimed to clarify the whole course of action that the organization would like to accomplish its objectives by the concerned people.

Wright (1998) added that as a component of the strategic management, SHRM would consider to handling with all people linked with the business for long-term and integrate inclusive issues of the organizational structure, its culture, managerial effectiveness, performance, resources, as well as changes of management that deals with HR actions applied to support the competitive strategy of the organization.

SHRM as a means and approach of supporting the management of HR connecting with the strategic context of the business while it aimed to endow with an intellect to directing any disorderly environment of the organization towards an ordered and coherent way adopting effectual actions and policies.

Becker and Huselid (2006) explained that the SHRM takes into account those verdicts and course actions to managing the employees of all stages in the way that rooted to the direction of generating sustaining competitive advantage for the organization.

Sheehan (2005) explored that SHRM should make available of guidelines to selecting triumphant action to gaining eventual trial of the authenticity of strategic HRM where HR is considered a strategic issue for overall corporate function and evidence.

To implementing SHRM, it is essential to enlarge the existing strategy of the organization with clear reflection on the HR dimensions and comprehensible guidance for the HR management regarding their responsibility and accountability.

Datta (2007) also mentioned that a great deal of the literature endows with the facts of strategic amalgamation, but it is necessary to address the reasons why strategic incorporation would be advantageous to organizations.

The wider viewpoint of modern business advocates to amplify the input of HR reflections within the strategic planning with an outlook to caring employees as an asset of the organization ensuring their further participation and apprehension through effectual communications, result oriented procedural practices, well aliened training, reward and career expansion opportunities concerned with performance.

Schuler and Jakson (1987) explained the necessity of SHRM arguing that it will provide well-built visionary and captivate leadership at the top of the organisation that dedicated to the exposed missions and values with clear understanding to the business strategies, eager to implementing them effectually, positive focus to the critical success factors, and friendly to working consistent management team.

SHRM: Introduction, Characteristics and Scope of SHRM

Before we try to explain the meaning of strategic HRM, let us first define the terms ‘strategy’ and ‘strategic management’. The term ‘strategy’ is widely used in and presupposes importance. In the words of the Oxford Concise Dictionary, strategy means ‘generalship’. Thus, strategy is associated with the long-term decisions taken at the top of the enterprise. The original literary meaning of strategy is ‘the art and science of directing military forces’.

The term strategy is frequently being used in the present-day corporate world. It envisages thinking ahead to survive and grow in a highly competitive environ¬ment’. Strategy is concerned with determining which option will provide maximum benefits. According to Jauch and Glueck.

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

Characteristics of Strategic Human Resource Management (SHRM)

1. **Recognition of the outside Environment:** Outside environment presents some opportunities and threats to the organization in the form of-

- Laws
- Economic conditions
- Social and demographic change
- Domestic and international political forces
- Technology and so on.

Strategic human resource strategy explicitly recognizes the threats and opportunities in each area and attempts to capitalize on the opportunities while minimizing or deflecting the effect of threats.

2. **The impact of Competition:** The forces of competition in attracting, rewarding, and using employees have a major effect on corporate human resource strategy. Forces play out in local, regional and national labor markets. Labor market dynamics of wage rates, unemployment rates, working conditions, benefits levels minimum wages legislation and competition reputation all have an impact on and are affected by strategic human resource decisions.
3. **Long-Range Focus:** A strategic human resource management should be long-range focus cause this is not easy to change the strategic human resource policy.
4. **Choice and Decision-making focus:** In other words, the strategy has a problem solving or problem preventing focus. Strategy concentrates on the question, "what should the organization do and why?" this action orientation requires that decisions be made and carried out.

5. **Consideration of all Personnel:** A strategic approach to human resources is concerned with all of the firm's employees, not just its hourly or operational personnel. Traditionally, human resource management focuses on hourly employees, with most clerical exempt employees also included.
6. **Integration with the Corporate Strategy:** Human resource strategy adopted by a firm should be integrated with the firm's corporate strategy.

The key idea behind overall strategic mgt is to coordinate all of the company's resources, including human resources; in such a way that everything a company does contribute to carrying out its strategy.

Synergy means the extra benefit or value realized when resources have been combined and coordinated effectively. This concept often referred to as economies of scope, makes the combined whole of the company make valuable than the sum of its parts. It is a true benefit of good strategic management of resources.

Key Features of Strategic Human Resource Management

The key features of SHRM are

There is an explicit linkage between HR policy and practices and overall organizational strategic aims and the organizational environment

- There is some organizing schema linking individual HR interventions so that they are mutually supportive
- Much of the responsibility for the management of human resources is devolved down the line

Approaches of the SHRM

- Attempts to link Human Resource activities with competency based performance measures
- Attempts to link Human Resource activities with business surpluses or profit.

Impact of Globalization on HRM

When a business expands its operation into other countries, the impact of globalization on human resource development and management is significant. Companies need to consider a diverse range of practical adjustments to be able to hire, train, retain and support a workforce that's often spread throughout several countries, which often have varying cultural identities. Human Resources departments must adapt their thinking and practices to include cultural differences, foreign regulations and technological developments.

Impact of Globalization on HRM

1. **Globalization of Human Capital**

Perhaps the greatest resource available to any company is the workforce it acquires and retains. As a company extends its base to a foreign shore, the impact of that globalization on HR procedures will extend to current workers and also to new employees. The HR department will need to increase support of its current staff, as they transfer overseas to new positions. Assistance with visas, work permits, and housing will be required, as well as training in cultural issues and perhaps language acquisition. New local talent must be acquired and developed, as well. A company's ability to move into new markets, will depend on its ability to fill needs with skilled workers. In some situations, local workers may meet the criteria, but in other situations, they may be more looking for skilled and already-trained employees to be transferred to positions in the new overseas location. In this case, the willingness of workers to become mobile could be a key factor to productivity.

2. **Corporate and Cultural Differences**

Another significant impact of globalization on human resource development is the necessity to consider cultural differences, both in and out of the workplace.

Businesses tend to have their own corporate cultures or ways of operating, but there are societal and cultural differences between people as well. Cultural norms within a society affect the workforce and how workers view their jobs, especially in relation to time spent with their family and ideas about employment expectations. Some cultures may also have varying mores about gender roles, particularly concerning the role of women in leadership. While a female in a managerial position is not uncommon in American culture, the same many not hold true elsewhere.

Similarly, a manager brought in from the home office may not be the best person to manage an overseas staff, because they do not understand all the nuances of the local culture and what's considered acceptable business practice. For example, in some countries, the typical work day may be quite different from the traditional 9 to 5 hours. Workers might be accustomed to starting their day earlier in the morning, taking a longer mid-day break for lunch and rest and then returning finishing their work by early evening. A manager who adapts to local culture may find better success among his employees.

3. **Employment and Tax Laws**

Global expansion is also affected by varying tax and labor laws. HR departments need to be prepared to deal with different tax rates, benefit requirements or labor and environmental regulations. These requirements may be in addition to or even in conflict with current corporate policies, so adjustments to maintain compliance with local governments are necessary. HR managers must become experts in issues that not only pertain to their industry, but keep current with issues and government policies within the countries in which their company now operates.

4. **Long-Distance Communication Challenges**

In a small, local business, the HR manager can ask an employee to stop by the HR office to sign a form, discuss an issue with their paycheck or to handle a policy-related issue. When managing employees over great distances and perhaps in several sites spread around the globe, HR departments face a bigger challenge in communicating with their employees. Often, they must rely on technology such as email or conference calling to relay information, thereby eliminating some of the more direct human elements of interaction. Offices are also open during different points in the 24-hour work day, so that even simple issues may take more time to resolve. Although forms and HR management software should be standardized throughout the company, accommodations may have to be made for language differences, as well

Changing Nature of Workforce

Advances in technology, a more demanding workforce and shifts in priorities are combining to change the shape of traditional business and create a revolution in the workplace.

The way we work, the shape of our company structures and the expectations of our employees have all undergone a fundamental shift in the 21^{st} century. With technology as the catalyst, the momentum of this shift is only going to increase.

Give them flexibility

Employees won't just be happy doing one job anymore and looking for vertical progression within that job. Climbing the corporate ladder is a thing of the past. Flexible and flat structures allow employees to work across multiple areas of the business. This not only improves their own skills and keeps them engaged but it adds significant value to the company by building a base of employees who are familiar with different aspects of how the business operates. With this increased understanding the employee is then able to perform at a much higher level.

Use technology to create a better experience

Tech isn't something new to Millennials. They have been raised with technology readily available, especially smart phones which form the hub of the way they communicate, interact and socialise. That's why integrating key business tools onto a mobile platform is absolutely essential for forward thinking businesses. At Quinyx, our mobile app is used by more than 300,000 users each day, who not only use it to see when they are working next but to also see who they are working with and communicate with them through the app. Their familiarity with mobile technology and expectations of being able to complete any task with their smart phone are all met. In making their lives more simple, it then allows them to focus on doing their job.

Put health and wellbeing first

Employers who manage their employee's health and wellbeing successfully will reap the benefits of doing so. This covers everything from nutrition, exercise, mindfulness and even sleep. It also means creating an environment where employees enjoy spending time. Not only does this demonstrate a strong duty of care from the employer but it will also improve employee performance on a purely physical level. For example, an employee who has trouble sleeping won't be able to perform at their optimum.

BP are using fitness trackers as part of an incentive programme to help employees reduce healthcare costs while UK supermarket Tesco's use smart armbands as a working aid in their distribution centres.

Just like advances in sport science are helping coaches and athletes improve their performance through data, companies are now looking at ways they can do the same to optimise their employees performance to gain advantage over their competition.

Understanding the needs of your staff, and how these needs change over time, helps you create a business where employees enjoy work. It's through enjoying work that employees are able to perform to the best of their abilities and deliver results.

Evolution of SHRM

HRM can be seen as part of the wider and longer debate about the nature of management in general and the management of employees in particular. This means that tracing the antecedents of HRM is as elusive an exercise as arriving at its defining characteristics. Certainly there are antecedents in organizational theory, and particularly that of the human relations school, but the nature of HRM has involved important elements of strategic management and business policy, coupled with operations management, which make a simple 'family tree' explanation of HRM's derivation highly improbable.

What can be said is that the origins of HRM lie within employment practices associated with welfare capitalist employers in the United States during the 1930s. Both Jacoby (1997) and Foulkes (1980) argue that this type of employer exhibited an ideological opposition to unionisation and collective relations. As an alternative, welfare capitalists believed the firm, rather than third-party institutions such as the state or trade unions, should provide for the security and welfare of workers. To deter any propensity to unionise, especially once President Roosevelt's New Deal programme commenced after 1933, welfare capitalists often paid efficiency wages, introduced health care coverage, pension plans and provided lay-off pay.

Equally, they conducted regular surveys of employee opinion and sought to secure employee commitment via the promotion of strong centralized corporate cultures and long-term cum permanent employment. Welfare capitalists pioneered individual performance-related pay, profit -sharing schemes and what is now termed team working. This model of employment regulation had a pioneering role in the development in what is now termed HRM but rested on structural features such as stable product markets and the absence of marked business cycles. While the presence of HRM was well established in the American business system before the 1980s, it was only after that period that HRM gained external recognition by academics and practitioners.

There are a number of reasons for its emergence since then, among the most important of which are the major pressures experienced in product markets during the recession of 1980–82, combined with a growing recognition in the USA that trade union influence in collective employment was reaching fewer employees. By the 1980s the US economy was being challenged by overseas competitors, most particularly Japan. Discussion tended to focus on two issues: 'the productivity of the American worker', particularly compared with the Japanese worker, 'and the declining rate of innovation in American industries' (Devanna *et al.*, 1984: 33).

From this sprang a desire to create a work situation free from conflict, in which both employers and employees worked in unity towards the same goal – the success of the organisation (Fombrun, 1984: 17). Beyond these prescriptive arguments and as a wide-ranging critique of institutional approaches to industrial relations analysis, Kaufman (1993) suggests that a preoccupation with pluralist industrial relations within and beyond the period of the New Deal excluded the non-union sector of the US economy for many years.

In summary, welfare capitalist employers (soft HRM) and antiunion employers (hard HRM) are embedded features within the US business system, whereas the New Deal Model was a contingent response to economic crisis in the 1930s. n the UK in the 1980s the business climate also became conducive to changes in the employment relationship. As in the USA, this was partly driven by economic pressure in the form of increased product market competition, the recession in the early part of the decade and the introduction of new technology.

However, a very significant factor in the UK, generally absent from the USA, was the desire of the government to reform and reshape the conventional model of industrial relations, which provided a rationale for the development of more employer-oriented employment policies on the part of management (Beardwell, 1992, 1996). The restructuring of the economy saw a rapid decline in the old industries and a relative rise in the service sector and in new industries based on 'high-tech' products and services, many of which were comparatively free from the established patterns of what was sometimes termed the 'old' industrial relations.

These changes were overseen by a muscular entrepreneurialism promoted by the Thatcher Conservative government in the form of privatisation and anti-union legislation 'which encouraged firms to introduce new labour practices and to re-order their collective bargaining arrangements' (Hendry and Pettigrew, 1990: 19).

The influence of the US 'excellence' literature (e.g. Peters and Waterman, 1982; Kanter, 1984) also associated the success of 'leading edge' companies with the motivation of employees by involved management styles that also responded to market changes. As a consequence, the concepts of employee commitment and 'empowerment' became another strand in the ongoing debate about management practice and HRM. A review of these issues suggests that any discussion of HRM has to come to terms with at least three fundamental problems:

- That HRM is derived from a range of antecedents, the ultimate mix of which is wholly dependent upon the stance of the analyst, and which may be drawn from an eclectic range of sources;
- That HRM is itself a contributory factor in the analysis of the employment relationship, and sets part of the context in which that debate takes place;
- That it is difficult to distinguish where the significance of HRM lies – whether it is in its

supposed transformation of styles of employee management in a specific sense, or whether in a broader sense it is in its capacity to sponsor a wholly redefined relationship between management and employees that overcomes the traditional issues of control and consent at work.

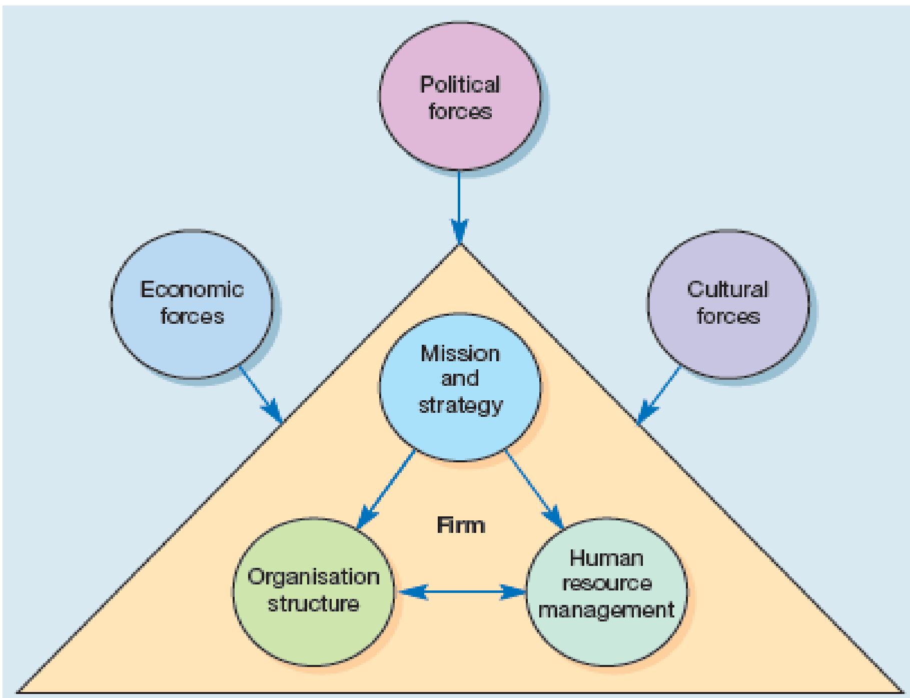
This ambivalence over the definition, components and scope of HRM can be seen when examining some of the main UK and US analyses. An early model of HRM, developed by Fombrun *et al*. (1984), introduced the concept of strategic human resource management by which HRM policies are inextricably linked to the 'formulation and implementation of strategic corporate and/or business objectives'. The model is illustrated in Figure(The matching model of HRM).The matching model emphasises the necessity of 'tight fit' between HR strategy and business strategy.

This in turn has led to a plethora of interpretations by practitioners of how these two strategies are linked. Some offer synergies between human resource planning (manpower planning) and business strategies, with the driving force rooted in the 'product market logic' (Evans and Lorange, 1989)Whatever the process, the result is very much an emphasis on the *unitarist* view of HRM: unitarism assumes that conflict or at least differing views cannot exist within the organisation because the actors – management and employees – are working to the same goal of the organisation's success.

What makes the model particularly attractive for many personnel practitioners is the fact that HRM assumes a more important position in the formulation of organisational policies. The personnel department has often been perceived as an administrative support function with a lowly status. Personnel was now to become very much part of the human resource management of the organisation, and HRM was conceived to be more than personnel and to have peripheries wider than the normal personnel function. In order for HRM to be strategic it had to encompass all the human resource areas of the organisation and be practised by all employees.

In addition, decentralisation and devolvement of responsibility are also seen as very much part of the HRM strategy as it facilitates communication, involvement and commitment of middle management and other employees deeper within the organisation. The effectiveness of organisations thus rested on how the strategy and the structure of the organisation interrelated, a concept rooted in the view of the organisation developed by Chandler (1962) and evolved in the matching model.

The Matching Model of HRM

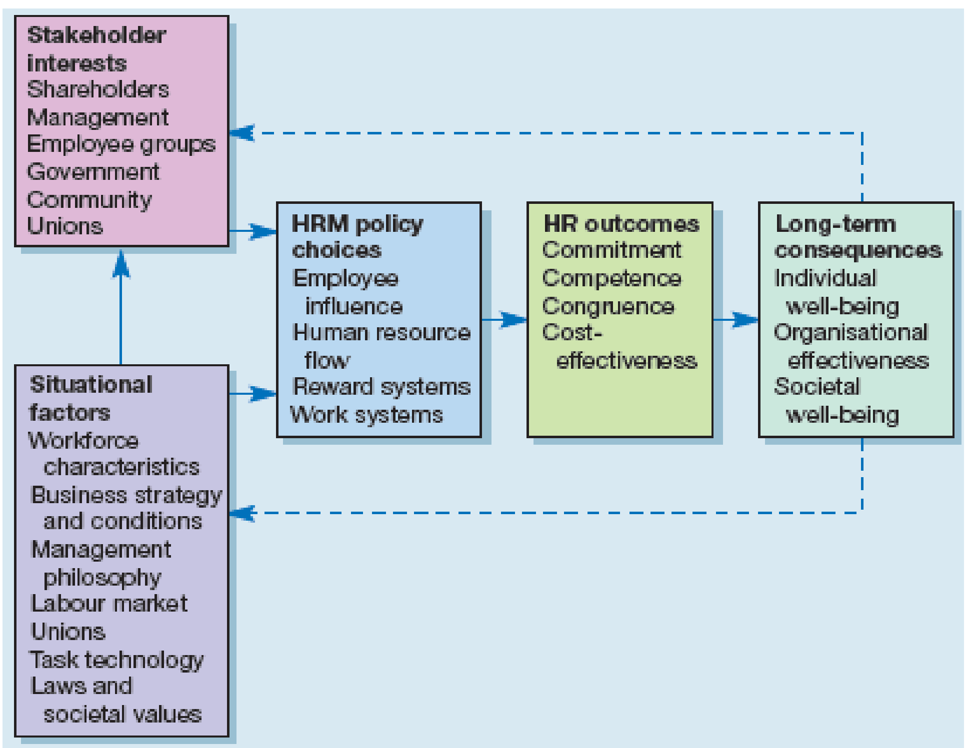


A more flexible model, illustrated in Figure, was developed by Beer *et al*. (1984) at Harvard University. 'The map of HRM territory', as the authors titled their model, recognised that there were a variety of 'stakeholders' in the corporation, which included shareholders, various groups of employees, the government and the community. At once the model recognises the legitimate interests of various groups, and that the creation of HRM strategies would have to recognise these interests and fuse them as much as possible into the human resource strategy and ultimately the business strategy.

This recognition of stakeholders' interests raises a number of important questions for policy-makers in the organisation: The acknowledgement of these various interest groups has made the model much more amenable to 'export', as the recognition of different legal employment structures, managerial styles and cultural differences can be more easily accommodated within it.

This neopluralist model has also been recognised as being useful in the study of comparative HRM (Poole, 1990: 3–5). It is not surprising, therefore, that the Harvard model has found greater favour among academics and commentators in the UK, which has relatively strong union structures and different labour traditions from those in the United States. Nevertheless, some academics have still criticised the model as being too unitarist, while accepting its basic premise (Hendry and Pettigrew, 1990).

The Map of the HRM Territory



The first two main approaches to HRM that emerged in the UK are based on the Harvard model, which is made up of both prescriptive and analytical elements. Among the most perceptive analysts of HRM, Guest has tended to concentrate on the prescriptive components, while Pettigrew and Hendry rest on the analytical aspect (Boxall, 1992). Although using the Harvard model as a basis, both Guest and Pettigrew and Hendry have some criticisms of the model, and derive from it only that which they consider useful (Guest, 1987, 1989a, 1989b, 1990; Hendry and Pettigrew, 1986, 1990).

As we have seen, there are difficulties of definition and model-building in HRM, and this has led British interpreters to take alternative elements in building their own models. Guest is conscious that if a model is to be useful to researchers it must be useful ‘in the field’ of research, and this means that elements of HRM have to be pinned down for comparative measurement. He has therefore developed a set of propositions that he believes are amenable to testing. He also asserts that the combination of these propositions, which include strategic integration, high commitment, high quality and flexibility, creates more effective organisations (Guest, 1987).

Strategic integration is defined as ‘the ability of organisations to integrate HRM issues into their strategic plans, to ensure that the various aspects of HRM cohere and for line managers to incorporate an HRM perspective into their decision making’.

High commitment is defined as being ‘concerned with both behavioural commitment to pursue agreed goals and attitudinal commitment reflected in a strong identification with the enterprise’.

High quality ‘refers to all aspects of managerial behaviour, including management of employees and investment in high-quality employees, which in turn will bear directly on the quality of the goods and services provided’.

Finally, *flexibility* is seen as being ‘primarily concerned with what is sometimes called functional flexibility but also with an adaptable organisational structure with the capacity to manage innovation’ (Guest, 1989b: 42).

The combination of these propositions leads to a linkage between HRM aims, policies and outcomes as shown in Table. Whether there is enough evidence to assess the relevance and efficacy of these HRM relationships will be examined later.

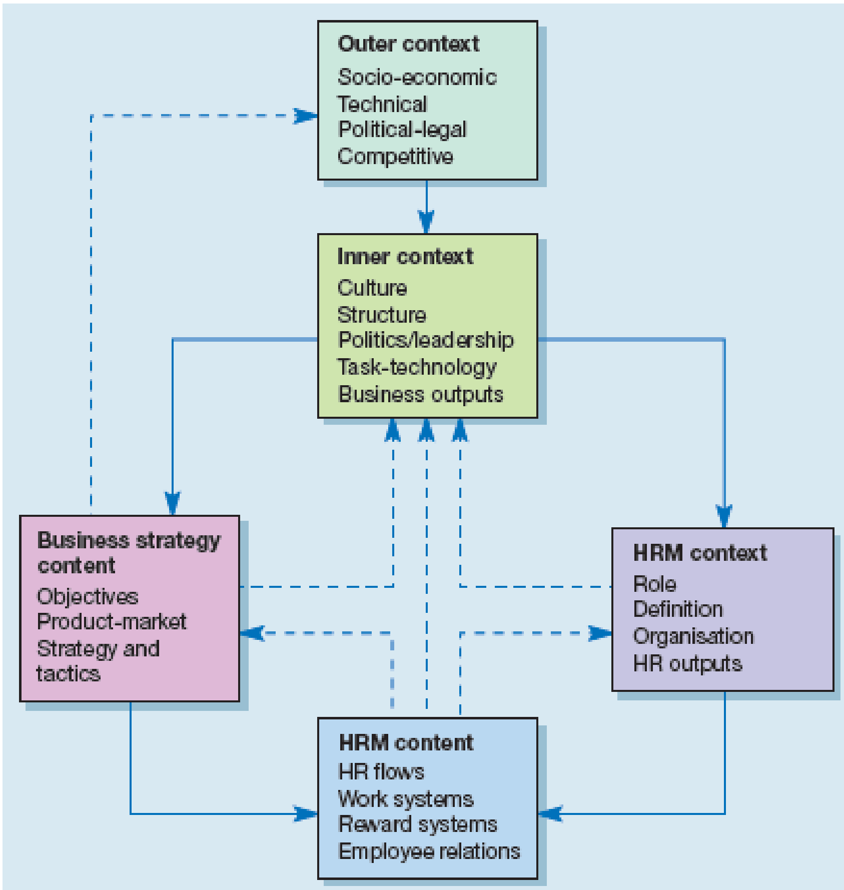
A Human Resource Management Framework

HRM aims	HRM policies	HRM outcomes
For example: • high commitment • quality • flexible working	For example: • selection based on specific criteria using sophisticated tests	For example: • low labour turnover • allegiance to company

Hendry and Pettigrew (1990) have adapted the Harvard model by drawing on its analytical aspects. They see HRM 'as a perspective on employment systems, characterized by their closer alignment with business strategy. This model, illustrated in Figure, attempts a theoretically integrative framework encompassing all styles and modes of HRM and making allowances for the economic, technical and socio-political influences in society on the organisational strategy.

'It also enables one to describe the "preconditions" governing a firm's employment system, along with the consequences of the latter' (Hendry and Pettigrew, 1990: 25). It thus explores 'more fully the implications for employee relations of a variety of approaches to strategic management' (Boxall, 1992).

Model of strategic change and human resource management



Storey studied a number of UK organisations in a series of case studies, and as a result modified still further the approaches of previous writers on HRM (Storey, 1992). Storey had previously identified two types of HRM – 'hard' and 'soft' (Storey, 1989) – the one rooted in the manpower planning approach and the other in the human relations school. He begins his approach by defining four elements that distinguish HRM:

'It is 'human capability and commitment which, in the final analysis, distinguishes successful organisations from the rest'.

1. Because HRM is of strategic importance, it needs to be considered by top management in the formulation of the corporate plan.
2. 'HRM is, therefore, seen to have long-term implications and to be integral to the core performance of the business or public sector organisation. In other words it must be the intimate concern of line managers.'
3. The key levers (the deployment of human resources, evaluation of performance and the rewarding of it, etc.) 'are to be used to seek not merely compliance but commitment'.

Storey (1992) approaches an analysis of HRM by creating an 'ideal type', the purpose of which 'is to simplify by highlighting the essential features in an exaggerated way' (p. 34). This he does by making a classificatory matrix of 27 points of difference between personnel and IR practices and HRM practices. The elements are categorised in a four-part basic outline:

- beliefs and assumptions;
- strategic concepts;
- line management;
- key levers.

This 'ideal type' of HRM model is not essentially an aim in itself but more a tool in enabling sets of approaches to be pinpointed in organisations for research and analytical purposes.

Twenty-seven points of difference

Dimension	Personnel and IR	HRM
Beliefs and assumptions		
1 Contract	Careful delineation of written contracts	Aim to go 'beyond contract'
2 Rules	Importance of devising clear rules/mutuality	'Can-do' outlook; impatience with 'rule'
3 Guide to management action	Procedures	'Business need'
4 Behaviour referent	Norms/custom and practice	Values/mission
5 Managerial task vis-à-vis labour	Monitoring	Nurturing
6 Nature of relations	Pluralist	Unitarist
7 Conflict	Institutionalised	De-emphasised
Strategic aspects		
8 Key relations	Labour management	Customer
9 Initiatives	Piecemeal	Integrated
10 Corporate plan	Marginal to	Central to
11 Speed of decision	Slow	Fast
Line management		
12 Management role	Transactional	Transformational leadership
13 Key managers	Personnel/IR specialists	General/business/line managers
14 Communication	Indirect	Direct
15 Standardisation	High (e.g. 'parity' an issue)	Low (e.g. 'parity' not seen as relevant)
16 Prized management skills	Negotiation	Facilitation

Storey's theoretical model is thus based on conceptions of how organisations have been transformed from predominantly personnel/IR practices to HRM practices. As it is based on the ideal type, there are no organisations that conform to this picture in reality. It is in essence a tool for enabling comparative analysis.

Models of Strategic HRM

The defining feature of HRM is popularly known as models. These models provide analytical framework for studying HRM. They provide characterization of HRM that establishes variables and relationship to be researched. Four most common models are:

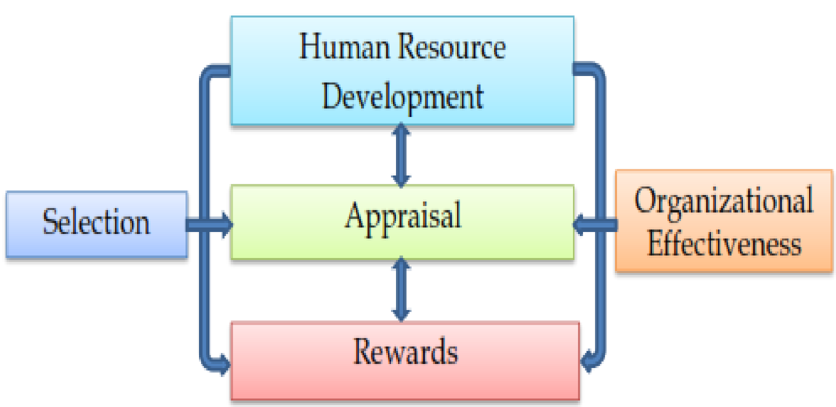
1. The Fombrun Model
2. The Harvard Model
3. The Guest Model and
4. The Warwick Model

All these models serve the following purposes:

- They provide an analytical framework for studying HRM for example, situational factors, stakeholders, strategic choice levels, competence etc.
- They validate certain HRM practices and provide distinctiveness to HRM practices.
- They provide a characterization of HRM that establishes variables and relationship to be researched.
- They help to discover and understand the world for explaining the nature and significance of key HR practices.

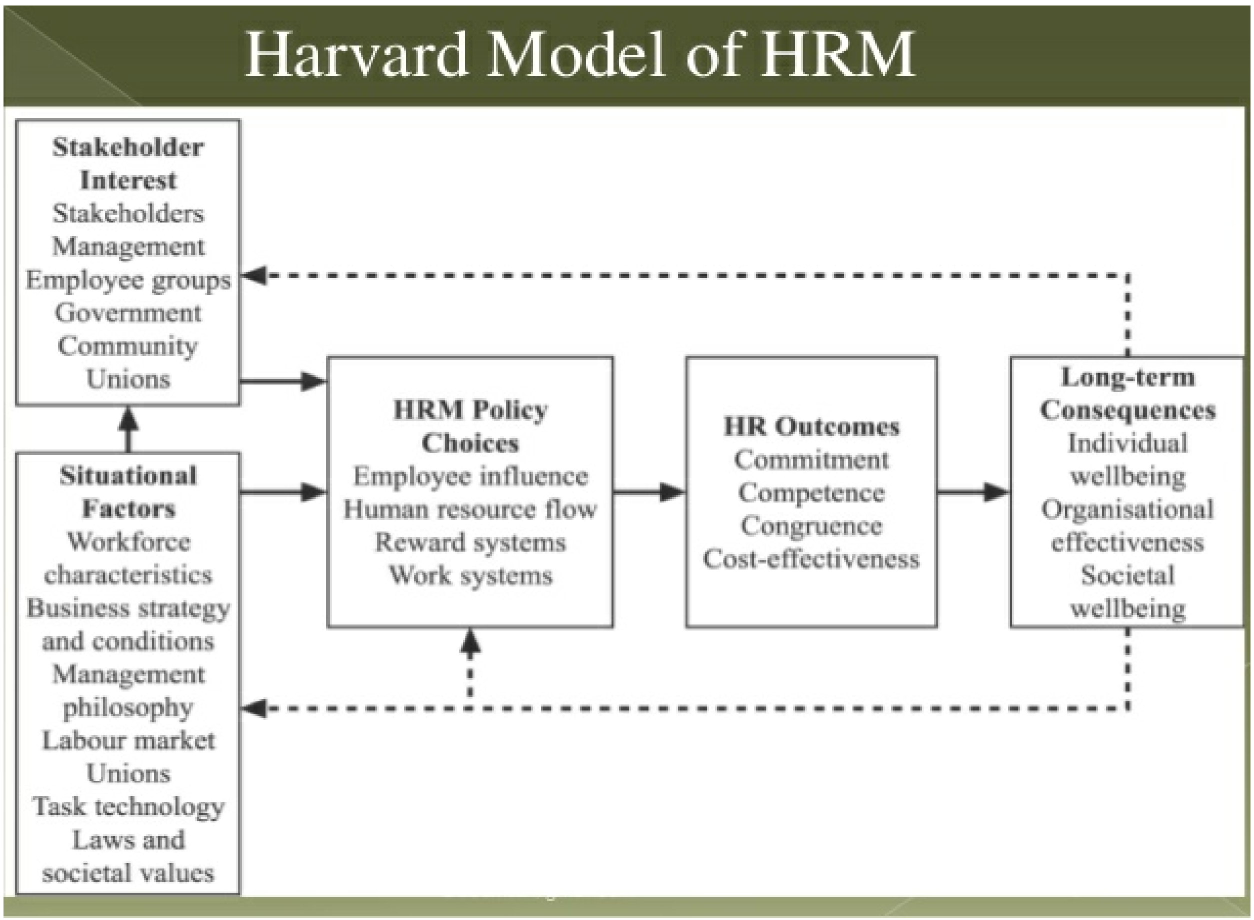
1. THE FOMBRUN MODEL

This is the model of HRM. It emphasizes four functions of management and their interrelatedness¬ Selection, Appraisal, Development and Rewards. This model is incomplete as it focuses on only four functions of HRM and ignores all other environmental and contingency factors. But, this model is simple and can serve as a heuristic framework for explaining the nature and significance of HR activities.



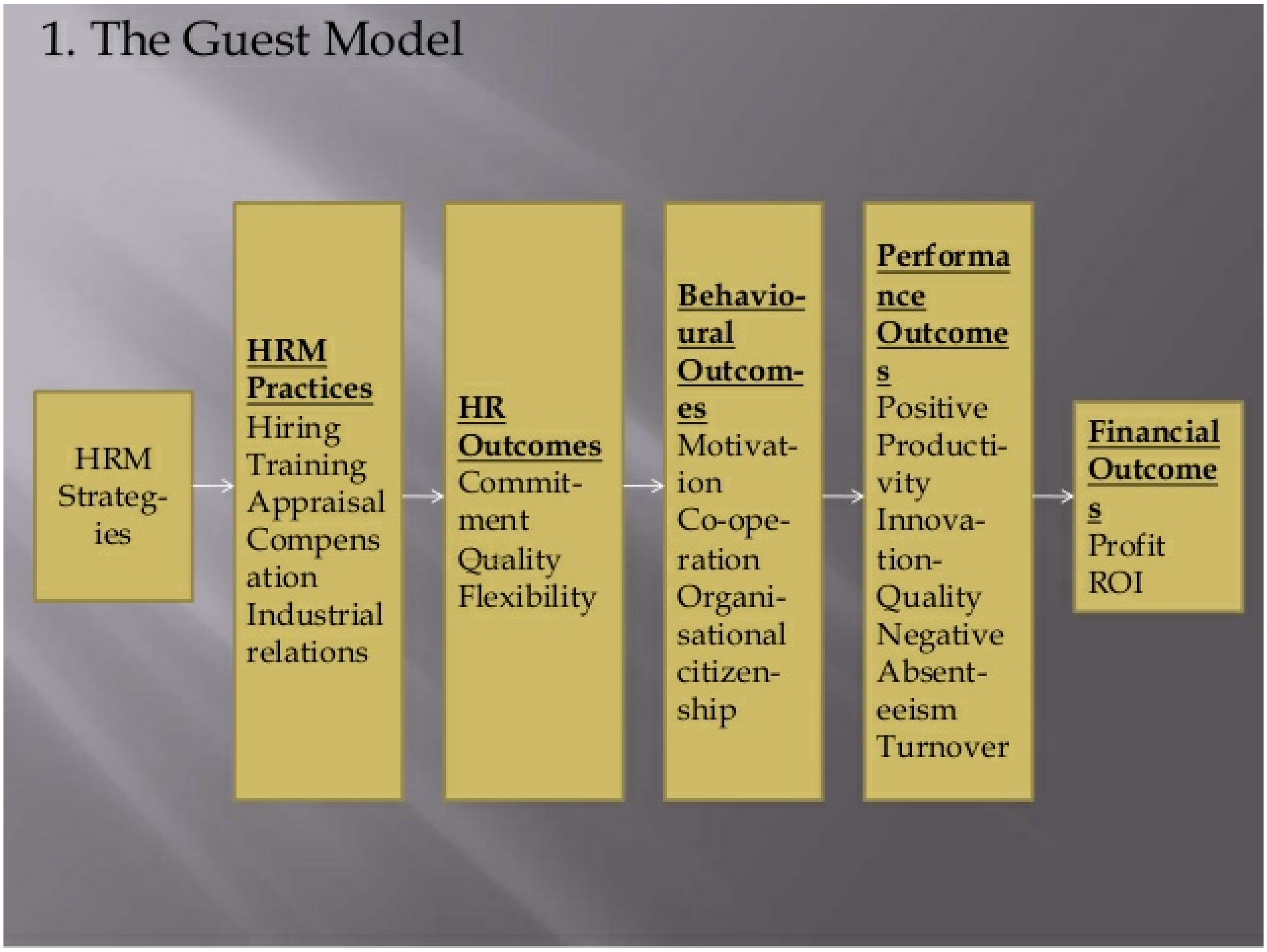
2. THE HARVARD MODEL

This model consists six critical components of HRM namely stake holders interests, situational factors, HRM policy choices, HR out comes, long term consequences and a feedback loop through.



3. THE GUEST MODEL

This model was developed by David Guest in 1997. This model emphasizes on the assumption that HR manager has specific strategies to begin with, which demand certain practices and when executed will result in outcomes. These out comes include behavioral performance related and financial rewards. The model emphasizes the logical sequence of six components : HR strategy, HR practices, HR outcomes, Behavioral outcomes, Performance results and financial consequences.

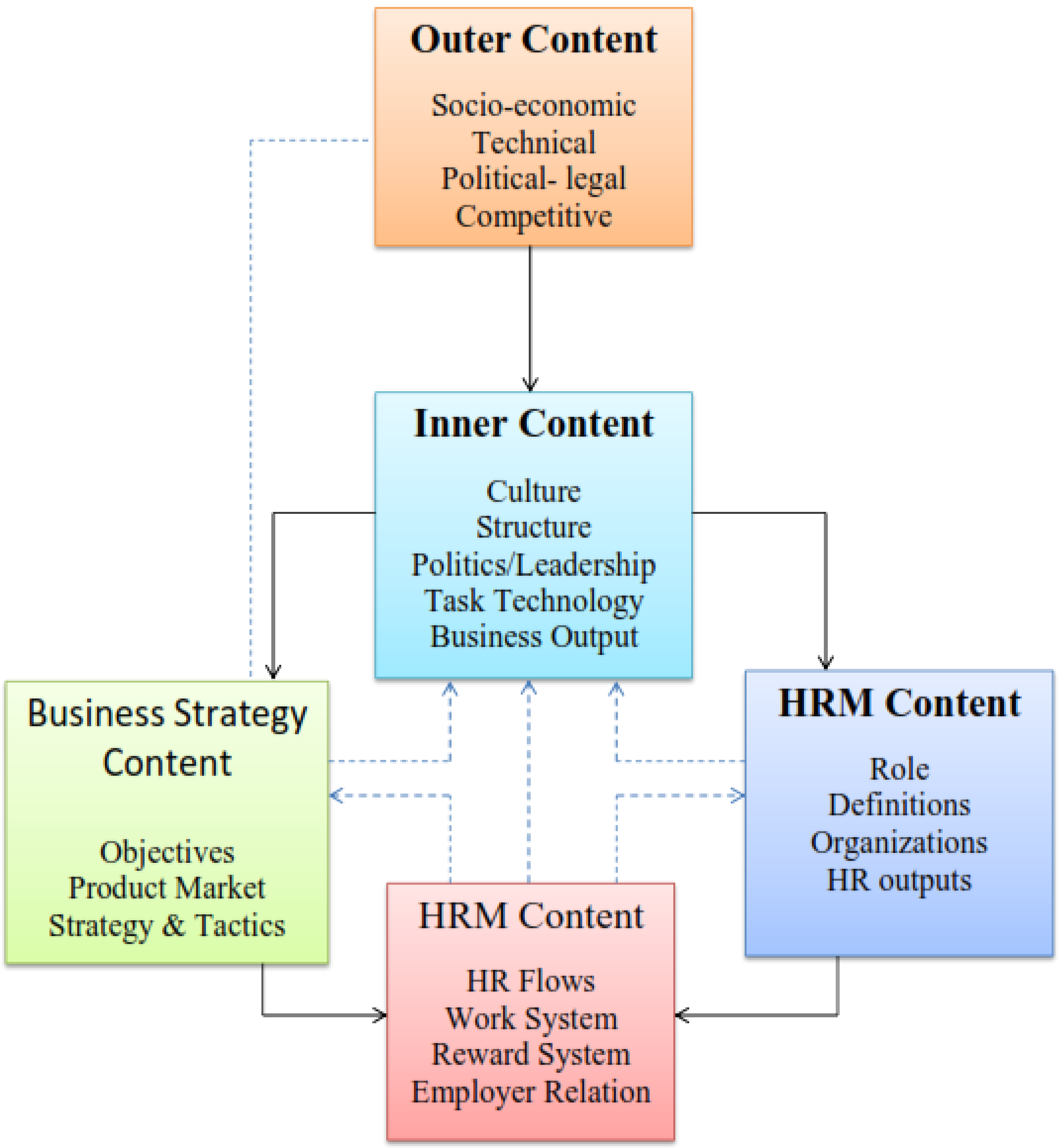


4. **THE WARWICK MODEL**

This model was developed by two researchers, Hendry and Pettigrew of University of Warwick (hence the name Warwick model). Like other human resource management models, the Warwick proposition centers around five elements-

- Outer context (macro environmental forces)
- Inner context (firm specific or micro environmental forces)
- Business strategy content
- HRM context
- HRM content

The strength of this model is that it identifies and classifies important environment influences on HRM. This model takes cognizance of business strategy and HR practices, the external and internal content, in which these activities take place and process by which such changes take place including transactions between changes in both external content and internal content.



THE 5-P'S MODEL OF HRM

- **Philosophy:** Expressed in statements defining business values and culture. It expresses how to treat and value people.
- **Policies:** Expressed as shared values and guidelines. Policies establish guidelines for action on people related business issues and HR programs.
- **Programs:** Articulated as human resource strategy. These coordinate efforts to facilitate change to address major people related business issues.
- **Practices:** For leadership managerial and operational role practices motivate needed role behaviors.

Development and Delivery of HR Strategies

Eight key steps in the Development and delivering a successful HR strategy

1. **Aligning business and HR needs**

The business' goal 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 organization'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 organization 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 organization. This in turn identifies the key components of your HR strategy and the virtuous circle of providing whatever your organization 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 organization performance.

If there is a strong need for the organization to develop its management capability, for instance, should you align your compensation strategy to reinforce this objective? If the organizational structure defines the accountabilities clearly at every level of the organization, 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. **Organizational performance**

Organizational performance is the process by which business goals and objectives are cascaded and managed across and down an organization. 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 organizational development needs.

4. **Organizational design and structure**

Organizational design is the shape, size and structure of the organization required to meet customers' needs. It reflects the management processes that drive the business model and determines organizational 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 organization will be aligned with the business strategy. It should be relatively easy to see whether an organization invests in marketing, sales or manufacturing, for instance, and whether the organization 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 organization 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 organizational competence.

5. **Strategic resourcing**

Achieving clarity throughout the organization's structure is critical in order for resourcing strategies to work well. If the organization 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 organization appears to the recruitment market can either support or undermine the success of a resourcing strategy.

6. **Organization development**

If strategic resourcing is about providing a pipeline for importing external talent, then an organization’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 organization – and all are geared to achieve high levels of organizational 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 organization’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 organization 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 organization with the way it rewards its people, providing the necessary incentives and motivation required for an organization 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 organization’s ability to pay. Typically, the components of an organization’s reward strategy will reflect the particular performance culture of a business.

There is evidence that organizations 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. **Organization culture**

Culture is usually described as the "way we do things round here" – the way the organization acts, reacts and interacts. The trend in the last 10 to 15 years has been to align organizational 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 organization's culture there can be real benefit and competitive advantage through improved service.

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

Challenges in Strategic Human Resource Management

It is important to identify what consequences SHRM has on the performance of business. In other words, as HRM is concerned with the people implications of the company, how can it change the vision of the organizations future and how can it help to fulfill the mission.

The key role of strategic HR management is already known and there are some issues that HR strategy may address:

1. **Structure**

The success of the company depends a lot on whether there is a proper management structure in place.

2. **Team-working**

   By withdrawing old traditional hierarchies a background of creating a team building is created. In a lot of cases, the less layers there are between the workers and director there are, the more harmonized is the working environment. Also the communication between staff is easier and more effective. In addition to that, it could have far-reaching effects on flexibility and performance and to achieving a better coordination of business.

3. **Performance**

   This strategy is based on an analysis of the critical success factors and the performance levels reached in relation to them. The performance can be improved by taking the steps to improve training, development, reorganization, the development of performance management processes, business process re-engineering, etc. A lot of companies have already adopted performance management processes in which the emphasis is on performance improvement and development and not reward. This scheme brings new priorities of involvement, teamwork and self-development.

4. **Quality and customer care**

   The aim of most companies is to achieve the competitive advantage. The competitive advantage is often measured by customer satisfaction and hence loyalty and retention. Innovation and cost reduction is still important but the main focus of attention should be the customers because if they reject the product due to it not meeting their expectations then everything else looses the sense. Therefore the strategy for quality should be built into the business strategy.

   Achieving a complete integration of HR and business strategies is quite complicated. Partly the reason for that is that in the past HR manager in the company was not considered to be a part of a general management team. Furthermore, the personnel advice was not a part of strategic direction. However, in today's modern business HR is indispensable.

Impact of Strategic HRM

Strategic management of human resources represents a transformation that is relatively new in the field of human resource management. An important role of strategic human resource management is about focusing the management in employees as a tool to gain competitive advantage. Now, organizations are made aware that successful human resources policies and practices of appropriate can increase performance in various areas such as productivity, quality and financial performance Advertisements.

Performance management is a planned process in which key elements are different measurement, feedback, positive reinforcement and ongoing dialogue between managers and employees. It has to do with measurement results in the form of performance achieved in comparison with the expectations expressed as objectives. Also, it has to do with the inputs and values. Inputs are the knowledge, skills and behaviors necessary to produce the expected results. Needs are identified by defining these requirements and evaluate the degree to which the expected levels of performance are achieved through effective use of knowledge and skills, appropriate behavior.

Performance management strategy has to do with all the business and not just the managers. So managers are not only responsible for delivering the required performance. Managers should have the confidence to distribute authority and responsibility throughout the organization. In a sense, managers need to collaborate and consider as part of their own people in order to report on achieving the required performance. Managers and their teams are jointly responsible for the results and are both involved in agreeing what they should do and how they should do it. Performance management processes are part of sweeping across the organization. Managers and other employees of the organization should work together to jointly commit to achieving the performance.

Performance management strategy should focus on the development to a continuous and flexible process involving managers and all the organization that operate as a single team. This should determine how they can best work together to achieve the required results. This makes it possible to focus on the planning of future performance and performance improvements existing. HRM Strategy provides the basis for regular dialogue and frequent between managers and other employees about performance needs and further development of the organization. Strategic human resource management may bring a number of benefits to the organization :

- Contributing to the goal accomplishment and the survival of the company,
- Supporting and successfully implementing business strategies of the company,
- Creating and maintaining a competitive advantage for the company,
- Improving the responsiveness and innovation potential of the company,
- Increasing the number of feasible strategic options available to the company,
- Participating in strategic planning and influencing the strategic direction of the company as an equally entitled member of top management
- Improving cooperation between the HRM department and line managers.

SHRM for Competitive Advantage

The resource-based view of the firm (RBV) represents a paradigm shift in SHRM thinking by focusing on the internal resources of the organisation, rather than analyzing performance in terms of the external context. Advocates of the resource-based view of SHRM help us to understand the conditions under which human resources become a scarce, valuable, organisation-specific, difficult-to-imitate resource, in other words key 'strategic assets' (Barney and Wright, 1998; Mueller, 1998; Amit and Shoemaker, 1993; Winter, 1987).

Proponents of the resource-based view of the firm (Penrose, 1959; Wernerfelt, 1984; Amit and Shoemaker, 1993) argue that it is the range and manipulation of an organisation's resources, including human resources, that give an organization its 'uniqueness' and source of sustainable competitive advantage. Their work has resulted in an 'explosion of interest in the Resource-Based perspective' (Boxall and Purcell, 2003: 72), particularly in seeking ways to build and develop 'unique bundles' of human and technical resources that will lead to enhanced organisational performance and sustainable competitive advantage.

Barney (1991, 1995) and Barney and Wright (1998) contribute to the debate on strategic HRM in two important ways. Firstly, by adopting a resource-based view (Barney, 1991; Wernerfelt, 1984), they provide an economic foundation for examining the role of human resource management in gaining sustainable competitive advantage. Secondly, in providing a tool of analysis in the VRIO framework, and by considering the implications for operationalising human resource strategy, they emphasise the role of the HR executive as a strategic partner in developing and sustaining an organisation's competitive advantage.

The resource-based view therefore recognises the HR function (department) as a key 'strategic' player in developing sustainable competitive advantage and an organisation's human resources (employees) as key assets in developing and maintaining sustainable competitive advantage.

The VRIO framework

The resource-based view of SHRM explores the ways in which an organisation's human resources can provide sustainable competitive advantage. This is best explained by the VRIO framework:

- **V**alue
- **R**arity
- **I**nimitability
- **O**rganisation

❖ **Value**

Organisations need to consider how the human resources function can create value; it is quite common in organisations to reduce costs through HR such as the reduction in headcount and the introduction of flexible working practices etc., but it is also important to consider how they might increase revenue. Reicheld (1996) has identified human resources' contribution to the business as *efficiency*, but also as customer selection, customer retention and customer referral, thus highlighting the impact of HR's contribution through enhanced customer service and *customer added value*.

This view is reflected by Thompson (2001), in recognising the paradigm shift from traditional added value through economy and efficiency to ensuring that the potential value of outputs is maximized by ensuring that they fully meet the needs of the customers for whom the product or service is intended. The suggestion of the resource-based view is that if Human Resources wishes to be a 'strategic partner', they need to know which human resources contribute the most to *sustainable competitive advantage* in the business, as some human resources may provide greater leverage for competitive advantage than others.

Hamel and Prahalad (1993) therefore identify that productivity and performance can be improved by gaining the same output from fewer resources (*rightsizing*) and by achieving more output from given resources (*leveraging*). In order to achieve this, Human Resources may ask themselves the following questions:

- On what basis is the firm seeking to distinguish itself from its competitors? Production efficiency? Innovation? Customer service?
- Where in the value chain is the greatest leverage for achieving differentiation?
- Which employees provide the greatest potential to differentiate a firm from its competitors?

This approach has further implications for the role of human resource managers in a firm, as they need to understand the economic consequences of human resource practices and understand where they fit in the value chain. Barney and Wright (1998: 42) suggest that the Human Resources function needs to be able to explore the following questions:

- Who are your internal customers and how well do you know their part of the business?
- Are there organisational policies and practices that make it difficult for your internal clients to be successful?
- What services do you provide? What services should you provide? What services should you not provide?
- How do these services reduce internal customers' costs/increase their revenues?
- Can these services be provided more efficiently by outside vendors?
- Can you provide these services more efficiently?
- Do managers in the HR function understand the economic consequence of their jobs?

The *value* of an organisation's resources is not sufficient alone, however, for *sustainable* competitive advantage, because if other organisations possess the same value, then it will only provide *competitive parity*. Therefore an organisation needs to consider the next stage of the framework: rarity.

- **Rarity**

The HR Executive needs to consider how to develop and exploit rare characteristics of a firm's human resources to gain competitive advantage. Nordstrom is an interesting case, because it operates in a highly competitive retail industry where you would usually expect a lower level of skill and subsequently high labour turnover. Nordstrom, however, focused on individual salespeople as a key source of its competitive advantage. It therefore invested in attracting and retaining young collegeeducated people who desired a career in retailing.

To ensure horizontal integration, it also provided a highly incentive-based compensation system (up to twice the industry average), and it encouraged employees to make a 'heroic effort' to attend to customers' needs. Thus, by investing in its human resources, and ensuring an integrated approach to development and reward, Nordstrom has taken a 'relatively homogeneous labour pool, and exploited the *rare* characteristics to gain a competitive advantage' (Barney and Wright, 1998: 34).

- **Inimitability**

If an organisation's human resources add value and are rare, they can provide competitive advantage in the short term, but if other firms can imitate these characteristics, then over time competitive advantage may be lost and replaced with *competitive parity*. The third element of the VRIO framework requires Human Resources to develop and nurture characteristics that cannot be easily imitated by the organisation's competitors. Barney and Wright (1998) recognise the significance of 'socially complex phenomena' here, such as an organisation's unique history and culture, which can be used to identify nique practices and behaviours which enable organisations to 'leapfrog' their competitors.

Alchian and Demsetz (1972) also identified the contribution of *social complexity* in providing competitive advantage, in their work on the potential *synergy* that results from effective teamwork. They found that this ensured a rare and difficult-to-copy commodity for two reasons: firstly, it provided competitive advantage through its *causal ambiguity*, as the specific source of the competitive advantage was difficult to identify; secondly, through its *social complexity*, as synergy resulted as team members were involved in socially complex relationships that are not transferable across organisations. So characteristics such as trust and good relationships become firm-specific assets that provide value, are rare and are difficult for competitors to copy.

The extract above (Box 2.3) demonstrates the strength of *inimitability*: SW Airlines exemplifies the role that socially complex phenomena, such as culture, can play in gaining competitive advantage. Top management attribute the company's success to its 'personality', a culture of 'fun' and 'trust', that empowers employees to do what it takes to meet the customers' needs. This is reinforced through an extensive selection process, and a culture of trust and empowerment reinforced by the CEO. SW Airlines attributes its strong financial success to its 'personality', which CEO Kelleher believes cannot be imitated by its competitors. So the human resources of SW Airlines serve as a source of sustainable competitive advantage, because they create value, are rare and are virtually impossible to imitate.

- **Organisation**

Finally, to ensure that the HR function can provide *sustainable* competitive advantage, the VRIO framework suggests that organisations need to ensure that they are *organized* so that they can capitalise on the above, adding value, rarity and inimitability. This implies a focus on horizontal integration, or *integrated, coherent systems of HR practices* rather than individual practices, that enable employees to reach their potential (Guest, 1987; Gratton *et al.*, 1999; Wright and Snell, 1991; Wright *et al.*, 1996).

This requires organisations to ensure that their policies and practices in the HR functional areas are coordinated and coherent, and not contradictory. Adopting such a macro-view, however, is relatively new to the field of SHRM, as 'each of the various HRM functions have evolved in isolation, with little coordination across the disciplines' (Wright and McMahan, 1992). Thus there is much best-practice literature focusing on the microperspective, for example on identifying appropriate training systems, or conducting performance appraisals, or designing selection systems.

Although this literature has now evolved and recognised the 'strategic' nature of the functional areas, it has tended to focus on vertical integration at the expense of horizontal integration, thus there is still limited development in the interplay between employee resourcing, employee development, performance, reward and employee relations strategies. This discussion is explored in more detail in the next section: best-practice SHRM.

So, to conclude on the VRIO framework, if there are aspects of human resources that do not provide value, they can only be a source of competitive disadvantage and should be discarded; aspects of the organisation's human resources that provide value and are rare provide competitive parity only; aspects that provide value, are rare but are easily copied provide temporary competitive advantage, but in time are likely to be imitated and then only provide parity.

So to achieve competitive advantage that is sustainable over time, the HR function needs to ensure the organisation's human resources provide value, are rare, are difficult to copy and that there are appropriate HR systems and practices in place to capitalise on this. Mueller (1998), in advocating the resource-based view of SHRM, argues that 'the existing theorising in strategic HRM needs to be complemented by an evolutionary perspective on the creation of human resource competencies'.

He echoes Mintzberg's concerns (1987) that an overly-rationalistic approach to strategy-making tends to focus too much attention on past successes and failures, when what is really needed is a level of strategic thinking that is radically different from the past. He identifies a lack of theoretical and empirical evidence to justify the emphasis on rational, codified policies of HRM, and reflects Bamberger and Phillips (1991) in describing human resource strategy as an 'emergent pattern in a stream of human-resource related decisions occurring over time'.

Thus the strategic planning approach may be viewed by some as a 'metaphor employed by senior management to "legitimise emergent decisions and actions"' (Gioia and Chittipeddi, 1991). Unlike contingency and universalist theorists (Schuler and Jackson, 1987; Miles and Snow, 1978; Kochan and Barocci, 1985; Pfeffer, 1994, 1998; Huselid, 1995), Mueller is more wary of the claimed relationship between strategic HRM and the overall financial performance of an organisation. He recognises that enlightened best-practice HR activities do not automatically translate into competitive superiority but rather require more complex and subtle conditions for human resources to become 'strategic assets'.

He defines these as 'the social architecture' or 'social patterns' within an organisation which build up incrementally over time and are therefore difficult to copy. The focus on 'social architecture' rather than culture is deliberate as it provides an emphasis on developing and changing behaviours rather than values, which are notoriously difficult to change (Ogbonna, 1992). Mueller identifies an organisation's 'social architecture' as a key element in the resource-based view of SHRM, together with an embedded 'persistent strategic intent' on the part of senior management and embedded learning in daily work routines, which enable the development of 'hidden reservoirs' of skills and knowledge, which in turn can be exploited by the organisation as 'strategic assets'. The role of Human Resources is then to channel these behaviours and skills so that the organisation can tap into these hidden reservoirs. This thinking is reflected in the work of Hamel and Prahalad (1993, 1994), discussed below.

Applying the Resource-Based view of SHRM

In adopting a focus on the internal context of the business, HR issues and practices are core to providing sustainable competitive advantage, as they focus on how organizations can define and build core competencies or capabilities which are superior to those of their competitors. One key framework here is the work of Hamel and Prahalad (1993, 1994) and their notion of 'core competencies' in their 'new strategy paradigm'. They argue that 'for most companies, the emphasis on competing in the present, means that too much management energy is devoted to preserving the past and not enough to creating the future'.

Thus it is organisations that focus on identifying and developing their core competencies that are more likely to be able to stay ahead of their competitors. The key point here is not to anticipate the future, but *create* it, by not only focusing on organisational transformation and competing for market share, but also *regenerating strategies* and competing for *opportunity share*. Thus in creating the future, strategy is not only seen as learning, positioning and planning but also forgetting, foresight and strategic architecture, where strategy goes beyond achieving 'fit' and resource allocation to achieving '*stretch*' and *resource 'leverage'*.

The level of both tacit and explicit knowledge within the firm, coupled with the ability of employees to learn, becomes crucial. Indeed, Boxall and Purcell (2003) argue that there is little point in making a distinction between the resource-based view and the knowledge-based view of the firm, as both approaches advocate that it is a firm's ability to learn faster than its competitors that leads to sustainable competitive advantage.Alternatively, Boxall and Purcell present Leonard's (1998) similar analysis based on 'capabilities'.

These are 'knowledge sets' consisting of four dimensions: employee skills and knowledge, technical systems, managerial systems, and values and norms. In this model, employee development and incentive systems become a key driving force in achieving sustainable competitive advantage through core capability. Interestingly, Leonard emphasises the interlocking, systemic nature of these dimensions and warns organisations of the need to build in opportunities for renewal, to avoid stagnation.

Hamel and Prahalad's notion of 'core competency'

When organisations grow through mergers or acquisitions, as they appear increasingly to do (Hubbard, 1999), it has been argued that the resource-based view takes on further significance. When mergers and acquisitions fail, it is often not at the planning stage but at the implementation stage (Hunt *et al.*, 1987) and people and employee issues have been noted as the cause of one-third of such failures in one survey (Marks and Mirvis, 1982). Thus 'human factors' have been identified as crucial to successful mergers and acquisitions.

The work of Hamel and Prahalad (1994) indicated that CEOs and directors of multidivisional firms should be encouraged to identify clusters of 'know-how' in their organisations which 'transcend the artificial divisions of Strategic Business Units' or at least have the potential to do so. Thus the role of Human Resources shifts to a 'strategic' focus on 'managing capability' and 'know-how', and ensuring that organisations retain both tacit and explicit knowledge (Nonaka and Takeuchi, 1995) in order to become more innovative, as organisations move to knowledge-based strategies as opposed to product-based ones.

The resource-based view of SHRM has recognised that both human capital and organizational processes can add value to an organisation; however, they are likely to be more powerful when they mutually reinforce and support one another. The role of Human Resources in ensuring that exceptional value is achieved and in assisting organisations to build competitive advantage lies in their ability to implement an integrated and mutually reinforcing HR system which ensures that talent, once recruited, is developed, rewarded and managed in order to reach their full potential.

This theme of *horizontal integration* or achieving congruence between HR policies and practices is developed further in the next section, best-practice approach to SHRM.

Limitations of the Resource-Based view

The resource-based view is not without its critics, however, particularly in relation to its strong focus on the internal context of the business. Some writers have suggested that the effectiveness of the resource-based view approach is inextricably linked to the external context of the firm (Miller and Shamsie, 1996; Porter, 1991). They have recognized that the resource-based view approach provides more added value when the external environment is less predictable.

Other writers have noted the tendency for advocates of the resource-based view to focus on differences between firms in the same sector, as sources of sustainable competitive advantage. This sometimes ignores the value and significance of common 'base-line' or 'table stake' (Hamel and Prahalad, 1994) characteristics across industries, which account for their legitimacy in that particular industry. Thus in the retail sector, there are strong similarities in how the industry employs a mix of core and peripheral labour, with the periphery tending to be made up of relatively low-skilled employees, who traditionally demonstrate higher rates of employee turnover.

Thus in reality, economic performance and efficiency tend to be delivered through rightsizing, by gaining the same output from fewer and cheaper resources, rather than through leverage, by achieving more output from given resources. The example of B&Q in the UK, employing more mature people as both their core and particularly their peripheral workforce, is a good example of how an organisation can partially differentiate themselves from their competitors, by focusing on adding value through the knowledge and skills of their human resources.

UNIT: 2

Staffing: Concept, Nature and Importance of Staffing

Staffing

The managerial function of staffing involves manning the organization structure through proper and effective selection, appraisal and development of the personnel's to fill the roles assigned to the employers/workforce.

According to Theo Haimann, "Staffing pertains to recruitment, selection, development and compensation of subordinates."

CONCEPTS:

1. **Staffing is an important managerial function-** Staffing function is the most important managerial act along with planning, organizing, directing and controlling. The operations of these four functions depend upon the manpower which is available through staffing function.
2. **Staffing is a pervasive activity-** As staffing function is carried out by all mangers and in all types of concerns where business activities are carried out.
3. **Staffing is a continuous activity-** This is because staffing function continues throughout the life of an organization due to the transfers and promotions that take place.
4. **The basis of staffing function is efficient management of personnel's-** Human resources can be efficiently managed by a system or proper procedure, that is, recruitment, selection, placement, training and development, providing remuneration, etc.
5. **Staffing helps in placing right men at the right job-** It can be done effectively through proper recruitment procedures and then finally selecting the most suitable candidate as per the job requirements.
6. **Staffing is performed by all managers** depending upon the nature of business, size of the company, qualifications and skills of managers, etc. In small companies, the top

management generally performs this function. In medium and small scale enterprise, it is performed especially by the personnel department of that concern.

Staffing function is to be performed continuously. It is equally important in the established organizations and the new organizations. In a new organization, there has to be recruitment, selection and training of personnel. In a running organization, every manager is engaged in various staffing activities. He is to guide and train the workers and also evaluate their performance on a continuous basis.

Nature of Staffing

Staffing is an integral part of human resource management. It facilitates procurement and placement of right people on the right jobs.

The nature of staffing function is discussed below:

(i) People Centred

Staffing is people centred and is relevant in all types of organizations. It is concerned with all categories of personnel from top to bottom of the organization.

(ii) Responsibility of Every Manager

Staffing is a basic function of management. Every manager is continuously engaged in performing the staffing function. He is actively associated with recruitment, selection, training and appraisal of his subordinates. These activities are performed by the chief executive, departmental managers and foremen in relation to their subordinates. Thus, staffing is a pervasive function of management and is performed by the managers at all levels.

It is the duty of every manager to perform the staffing activities such as selection, training, performance appraisal and counseling of employees. In many enterprises. Personnel Department is created to perform these activities.

But it does not mean that the managers at different levels are relieved of the responsibility concerned with staffing. The Personnel Department is established to provide assistance to the managers in performing their staffing function. Thus, every manager has to share the responsibility of staffing.

(iii) Human Skills

Staffing function is concerned with training and development of human resources. Every manager should use human relations skill in providing guidance and training to the subordinates. Human relations skills are also required in performance appraisal, transfer and promotion of subordinates. If the staffing function is performed properly, the human relations in the organization will be cordial.

(iv) Continuous Function

Staffing function is to be performed continuously. It is equally important in the established organizations and the new organizations. In a new organization, there has to be recruitment, selection and training of personnel. In a running organization, every manager is engaged in various staffing activities. He is to guide and train the workers and also evaluate their performance on a continuous basis.

Importance of Staffing

It is most importance for the organization that right kinds of people are employed. They should be given adequate training so that wastage is minimum. They must also be induced to show higher productivity and quality by offering them incentives.

In fact, effective performance of the staff function is necessary to realize the following benefits:

1. **Efficient Performance of Other Functions**

Staffing is the key to the efficient performance of other functions of management. If an organization does not have competent personnel, it can't perform planning, organization and control functions properly.

2. **Effective Use of Technology and Other Resources**

   It is the human factor that is instrumental in the effective utilization of latest technology, capital, material, etc. the management can ensure right kinds of personnel by performing the staffing function.

3. **Optimum Utilization of Human Resources**

   The wage bill of big concerns is quite high. They also spend money on recruitment, selection, training and development of employees. In order to get the optimum output from the personnel, the staffing function should be performed in an efficient manner.

4. **Development of Human Capital**

   The management is required to determine the manpower requirements well in advance. It has also to train and develop the existing personnel for career advancement. This will meet the requirements of the company in future.

5. **Motivation of Human Resources**

   The behaviour of individuals is shaped by many factors such as education level, needs, socio-cultural factors, etc. that is why, the human aspect of organization has become very important. The workers can be motivated through financial and non-financial incentives.

6. **Building Higher Morale**

   Right type of climate should be created for the workers to contribute to the achievement of the organizational objectives. By performing the staffing function effectively, management can show the significance it attaches to the personnel working in the enterprise. This will increase the morale of the employees

Training and Development

At the enterprise level, employee **training and development** are main areas of human resource development. The efficiency of an organisation depends directly on the capability and talent of its personnel, and how motivated they are. Capability of a person depends on his ability to work and the type of training he receives. While his personal capability is evaluated through proper selection procedure, his training is taken care of by the organisation after he has been employed by the organisation. After employee have been selected for various positions in an organisation, training them for those specific tasks to which they have been assigned assumes great importance. It is true in many organisations that before an employee is fitted into a harmonious working relationship with other employees, he is given adequate training. Training is the act of increasing the knowledge and skills of an employee for performing a particular job. The major outcome of training is learning. A trainee learn new habits, refined skills and useful knowledge during the training that helps him improve performance. Training enables an employee to do his present job more efficiently and prepare himself for a higher level job.

Training, Education, Learning and Development

- **Training**

Training is an act of increasing knowledge, skill and attitude of an employee for improving his performance on the job.

Training is concerned with imparting specific skill for doing particular job. For example, a clerk on typing. It is task-oriented activity. It is for job¬ related purpose and short-term.

- **Education**

Education is concerned with increasing general knowledge and understanding of an employee's total environment. Education is directed more towards the future of an individual .It prepares him for future challenges of life, shapes his career and grooms him for social responsibilities.

- **Learning**

Learning is the process of accumulation of knowledge, skills and attitudes by whatever means. Learning is a broad one which includes both training and education. Learning is observable modification of behaviour as a result of some experience. Learning may be through experience, reading, observation, discussions, electronic media including internet, experimentation, facing the new challenges, travel and exploration, etc.

- **Development**

Development has a broader meaning. Its aim is to grow or improve the overall personality of an individual. It is continuous process and is on the initiative from individual. Development is to meet an individual's future needs. Efforts towards development often depend on personal drive and ambition. It helps individuals in the progress towards maturity and actualisation of their potential capacities. Development is whole process by which employee learns, grows, improves his abilities to perform variety of roles within and outside the organisation. He acquires socially desirable attitudes and values.

Difference between Training and Development

Training	**Development**
Short term process.	Long term process.

Knowledge and skills for a specific purpose.	For overall development.
Primary related to technical skills learning.	Related to managerial, behavioral and attitude development.
Training is a reactive process to meet current need.	Development is a reactive to meet future needs.
From management management-external motivation.	From individual himself-internal motivation.
Develops specific job related skills.	Develops total personality.
Training is for non-managerial personnel.	Development is for managerial personnel.

Need for Training

- Employees selected for a job might lack the qualifications required to perform the job In some cases, the past experience , attitudes and behaviour patterns of experienced personnel might not be appropriate to the new organisation. Remedial training should be given to such people to match, the needs of the organisation. New employees need to provided orientation training to make them familiar with the job and the organisation.
- Rapid technological innovations impacting the workplace have made it necessary for people to constantly update their knowledge and skills.

- Training is necessary to preparing employees for higher-level jobs (promotion).
- Existing employees require refresh training so as to keep abreast of the latest development in job operations. In the phase of rapid technological changes , this is an absolute necessity.
- Training is necessary when a person moves from one job to another (transfer).
- Training is necessary to make employees mobile and versatile. They can be placed on various jobs depending on organizational needs.
- Training is needed for employees to gain acceptance from peers.
- Training is needed to make employees more productive and useful in the long run.

Types of Training

Training is required for several purposes. Accordingly, training programmes may be of the following types:

1. Orientation Training

In orientation training, new hires get a first hand view of what the company stands for, how the work is carried out and how to get along with colleagues. In short, they learn the specific ways of doing things in proper manner. When a new employee is from different country and culture, this initial training is important in helping new employees adjust in the company.

2. Job Training

It refers to the training provided with a view to increase the knowledge and skills of an employee for improving performance on-the-Job. Employees may be taught the correct methods of handling equipment and machines used in a job. Such training helps to reduce accidents, waste and inefficiency in the performance of the job.

3. Safety Training

Training provided to minimize accidents and damage to machinery is known as safety training, It involves giving instructions in the use of safety devices and in safety consciousness.

4. Promotional Training

It Involves training of existing employees to enable them to perform higher level jobs .Employees with potential are selected and they are given training before their promotion, so that they do not find it difficult to shoulder the higher responsibilities of the new positions to which they are promoted.

5. Refresher Training

Rapid changes in technology may force companies to go in for this kind of training. When existing techniques become obsolete due to the development of better techniques, employees have to be trained in the use of new methods and techniques. By organizing short-term courses which incorporate the latest developments in a particular field, the company may keep its employees up-to-date and ready to take on emerging challenges. It is conducted at regular intervals by taking the help of outside consultants who specialize in a particular descriptive.

6. Remedial Training

Such training is arranged to overcome the shortcomings in the behavior and performance of old employees. Some of the experienced employees might have picked up appropriate methods and styles of working. Such employees are identified and correct work methods and procedures are taught to them. Remedial training should be conducted by psychological experts.

Steps to Identify Training Needs

All training activities must be related to the specific needs of the organization and the individual employees. A training programme should be launched only after the training needs are assessed clearly and specifically. The effectiveness of a training programme can be judged only with the help of training needs identified in advance. In order to identify training needs, the gap between the existing and required levels of knowledge, skills performance and aptitudes should be specified. The problem areas that can be resolved through training should also be identified.

Training need can be identified through the following types of analysis:

1. Analysis of objectives

This is the study of short term and long term objectives and the strategies followed at various levels to meet these objectives.

ii. Resource utilization

How the various organizational resources (human, physical and financial) are put to use is the main focus of this study. The contributions of various departments are also examined by establishing efficiency indices for each unit. This is done to find out comparative labour costs, whether a unit is undermanned or over-manned.

Iii .Environmental scanning

Here the economic, political, socio cultural and technological environment of the organization is examined.

iv. Organisational climate analysis

The climate of an organization speaks about the attitudes of members towards work, company policies, supervisors, etc. Absenteeism, turnover ratios generally reflect the prevailing employee attitudes. These can be used to find out whether training efforts have improved the overall climate within the company or not.

2. Task or role analysis

it is a systemic and detailed analysts of jobs to identify job contents, the knowledge skills and aptitudes required and the work behaviour. On the part of the job holder, particular attention should be paid to the tasks to be performed, the methods to be used, the way employees have learnt these methods and the performance standards required of employees. Also called operations analysis, the purpose is to decide what should be taught. Questionnaire, interviews human resource records, reports, tests, observation and other methods can be used to collect information about jobs in the organisation.

3. Manpower Analysis

Here the focus is on the individual in a given job. There are three issues to be resolved :

i. It is necessary to decide whether performance of individual is sub-standard and training is required.

ii. Whether the employees is capable of being trained.

iii. Whether poor performers on the job need to be replaced by those who can do the job.

Other options to training such as modifications in the job or processes should be looked into. Personal observation, performance reviews, supervisory reports, diagnostic tests help in collecting the required information and select particular training options that try to improve the performance of individual workers.

Strategic Options of Human Resource Development

Developing your small business's human resources strategies and tactics can seem an especially daunting task. In many smaller organizations, the HR function is handled by the business owner or by a senior manager without the support of a large team of professionals. There are a number of tried and trued human resource development strategies that can enable your business to manage its most valuable resource its people without overwhelming your time or energy.

Recruitment and Hiring

The recruitment and hiring of employees is often seen as one of the necessary evils of running a business. The hiring process can take valuable time away from other important tasks, and training new employees is an intense process. Nonetheless, the recruitment tactic an organization adopts can be of utmost importance in setting its long-term growth and productivity strategy. This is because hiring the right employees for the right jobs makes the business's operations run more smoothly and effectively over time. The key to recruitment is in determining exactly where your business has needs. Do you need a specialist IT person? If so, don't hire someone with expertise in marketing to fill this position. Do you need a generalist who can take on a number of different tasks? Then look for someone who's managed projects or has experience working in a fast-paced environment.

Training

Once you've hired employees, training them to do the work as your business requires it to be done is an important tactic in human resource development. While all organizations ideally want to hire skilled people to fill open positions, almost all employees need some level of on-the-job training. Your business might have particular ways of processing invoices, or it might have its own systems for information technology. These particular policies and procedures have to be communicated to new employees, and current employees have to be periodically retrained on key areas. This is important for any company's long-term strategy of efficiency and growth. Employees who work smartly and on the same page eliminate waste and save the organization money.

Benefits and Compensation

Providing benefits and compensation goes without saying for the HR function. However, there are novel tactics and strategies that your organization can think about initiating to help it attract the very best employees. Offering work-life balance programs such as flexible working hours, paternity leave, work-at-home options and extended holiday time for good performance are all ways to reward your employees above and beyond the traditional model of pay-for-service HR. These innovative strategies help keep your employees engaged and it helps them feel like they are valued by the business.

Evaluation and Professional Development

Evaluating employee performance is a final key strategy for human resource development. Some organizations institute annual evaluation procedures while other businesses only evaluate employees when something seems to be going wrong. However, regular evaluation of your workforce can help to spot areas where additional training is needed or where rewards and benefits can be levied. It also gives the business owner or manager an opportunity to offer professional development programs to its employees. Professional development includes any training or further education plan that isn't normally available to employees as part of their on-site training. Sending employees to conferences or networking events, staff retreats and tuition reimbursement are forms of professional development. They train your employees to sharpen their skills, which they will ultimately use to contribute back into your organization.

SHRM: Definition, Need and Importance

Strategic human resource management or SHRM is a branch of HRM. It emerged from the discipline of human resource management and is a fairly new field. Strategic HRM is defined as "the linking of human resources with strategic goals and objectives in order to improve business performance and develop organizational culture that foster innovation and competitive advantage." SHRM in an organization means "to accept and involve the functions of HR as a strategic partner in formulating and implementing the company's strategies through human resource activities which may involve recruiting, selecting, rewarding and training company personnel. In spite of the similarity in names, HRM and SHRM are two different practices; SHRM is basically a part of the complete HRM process. Besides that SHRM focuses more on long-term objectives rather than the in-house objectives with employees dealt by HRM. In the late 1980's writers started stating strong opinions for a much more strategic approach to managing people than was the standard practice of that time. They clamored for the change of traditional management practices of industrial relations and people to the modern more improved ones.

The center point of SHRM is to address and solve problems that effect management programs centering on people in the long run and more than often globally. We can say that the main goal or objective of SHRM is to increase productivity not only in the employees but in the business overall, it achieves this by focusing on business problems and obstacles outside of the human resources range. SHRM identifies important human resource areas where strategies can be implied for the improvement of productivity and employee motivation. To achieve good results communication between human resource and top management of the organization is of utmost importance as cooperation is not possible without active participation.

KEY FEATURES OF SHRM

The key features of strategic human resource management are given below:

- Some organizing strategies or schemes link individual human resource interventions so that they are 'mutually supportive'

- A great amount of responsibility is transferred down the line for the management of HR
- There is a precise link between overall organization strategy, organization environment, HR policies and practices

DEVELOPMENT IN SHRM

In recent times HRM professionals have been facing challenges with employee participation, performance management, employee reward systems, high commitment work systems and human resource flow because of globalization. Traditional models and techniques have no place in today's business world; also local companies which go global cannot use the same tactics in the global business world. Top managements and HR professionals that are involved in strategic human resource management face a wide range of issues which include some of the following:

- Rapid change in technology
- Introduction of new concepts of general management
- Globalization of market integration
- Increased competition, which may not necessarily be local
- Resultant corporate climates
- Constantly changing ownership

Process of Strategic Management

The strategic management process means defining the organization's strategy. It is also defined as the process by which managers make a choice of a set of strategies for the organization that will enable it to achieve better performance.

Strategic management is a continuous process that appraises the business and industries in which the organization is involved; appraises it's competitors; and fixes goals to meet all the present and future competitor's and then reassesses each strategy.

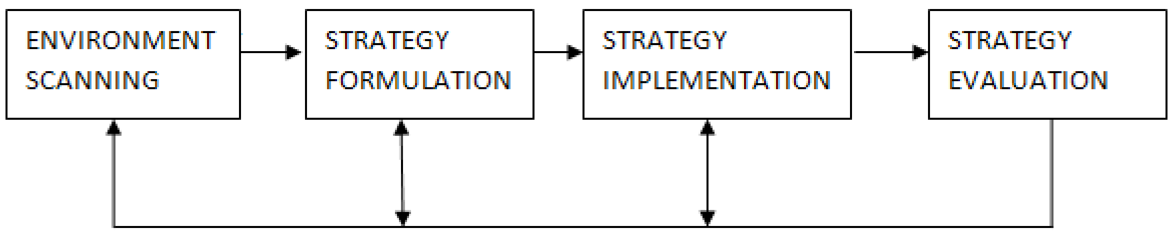
Strategic management process has following four steps:

1. **Environmental Scanning:** Environmental scanning refers to a process of collecting, scrutinizing and providing information for strategic purposes. It helps in analyzing the internal and external factors influencing an organization. After executing the environmental analysis process, management should evaluate it on a continuous basis and strive to improve it.
2. **Strategy Formulation:** Strategy formulation is the process of deciding best course of action for accomplishing organizational objectives and hence achieving organizational purpose. After conducting environment scanning, managers formulate corporate, business and functional strategies.
3. **Strategy Implementation:** Strategy implementation implies making the strategy work as intended or putting the organization's chosen strategy into action. Strategy implementation includes designing the organization's structure, distributing resources, developing decision making process, and managing human resources.

Strategy Evaluation: Strategy evaluation is the final step of strategy management process. The key strategy evaluation activities are: appraising internal and external factors that are the root of present strategies, measuring performance, and taking remedial / corrective actions. Evaluation makes sure that the organizational strategy as well as it's implementation meets the organizational objectives

These components are steps that are carried, in chronological order, when creating a new strategic management plan. Present businesses that have already created a strategic management plan will revert to these steps as per the situation's requirement, so as to make essential changes.

Components of Strategic Management Process



Strategic management is an ongoing process. Therefore, it must be realized that each component interacts with the other components and that this interaction often happens in chorus.

Compensation

Compensation is a systematic approach to providing monetary value to employees in exchange for work performed. Compensation may achieve several purposes assisting in recruitment, job performance, and job satisfaction.

Compensation is a tool used by management for a variety of purposes to further the existence of the company. Compensation may be adjusted according the the business needs, goals, and available resources.

Compensation may be used to:

- Recruit and retain qualified employees.
- Increase or maintain morale/satisfaction.
- Reward and encourage peak performance.
- Achieve internal and external equity.
- Reduce turnover and encourage company loyalty.
- Modify (through negotiations) practices of unions.

Recruitment and retention of qualified employees is a common goal shared by many employers. To some extent, the availability and cost of qualified applicants for open positions is determined by market factors beyond the control of the employer. While an employer may set compensation levels for new hires and advertize those salary ranges, it does so in the context of other employers seeking to hire from the same applicant pool.

Morale and job satisfaction are affected by compensation. Often there is a balance (equity) that must be reached between the monetary value the employer is willing to pay and the sentiments of worth felt be the employee. In an attempt to save money, employers may opt to freeze salaries or salary levels at the expence of satisfaction and morale. Conversely, an employer wishing to reduce employee turnover may seek to increase salaries and salary levels.

Compensation may also be used as a reward for exceptional job performance. Examples of such plans include: bonuses, commissions, stock, profit sharing, gain sharing.

Components of a compensation system

Compensation will be perceived by employees as fair if based on systematic components. Various compensation systems have developed to determine the value of positions. These systems utilize many similar components including job descriptions, salary ranges/structures, and written procedures.

<u>The components of a compensation system include</u>

- Job Descriptions A critical component of both compensation and selection systems, job descriptions define in writing the responsibilities, requirements, functions, duties, location, environment, conditions, and other aspects of jobs. Descriptions may be developed for jobs individually or for entire job families.
- Job Analysis The process of analyzing jobs from which job descriptions are developed. Job analysis techniques include the use of interviews, questionnaires, and observation.
- Job Evaluation A system for comparing jobs for the purpose of determining appropriate compensation levels for individual jobs or job elements. There are four main techniques: Ranking, Classification, Factor Comparison, and Point Method.
- Pay Structures Useful for standardizing compensation practices. Most pay structures include several grades with each grade containing a minimum salary/wage and either step

increments or grade range. Step increments are common with union positions where the pay for each job is pre-determined through collective bargaining.

- Salary Surveys Collections of salary and market data. May include average salaries, inflation indicators, cost of living indicators, salary budget averages. Companies may purchase results of surveys conducted by survey vendors or may conduct their own salary surveys. When purchasing the results of salary surveys conducted by other vendors, note that surveys may be conducted within a specific industry or across industries as well as within one geographical region or across different geographical regions. Know which industry or geographic location the salary results pertain to before comparing the results to your company.
- Policies and Regulations

Types of compensation

Different types of compensation include:

- Base Pay
- Commissions
- Overtime Pay
- Bonuses, Profit Sharing, Merit Pay
- Stock Options
- Travel/Meal/Housing Allowance
- Benefits including: dental, insurance, medical, vacation, leaves, retirement, taxes.

Employee Separation

The termination of employees from membership of the organization is referred as employee separation. The rate at which employees leave the organization is measured by the rate of employee separation.

The Costs of Employee Separation

The employee separation is always resulted in some costs. The intensity of the incurring costs varies on the basis of the decision of the management that either the empty position of separated employee is replaced by a new employee or the position may be eliminated permanently. Following are the costs that are linked with the employee separation.

- Recruitment Costs
- Selection Costs
- Training Costs
- Separation Costs

Benefits of Employee Separation

On one hand there are costs attached with the employee separation, but on the other hand there are some resulting benefits too. Following are some of the Employee Benefits that are associated with the employee separation.

- The labor cost is reduced
- The employees who perform poorly, are replaced
- The innovation is increased in the organization
- The diversity is enhanced in the organization

Types of Employee Separation

There are two main types of employee separations on the basis of the initiation of the employment relationship termination. These two types of employee separations are as follow.

1. **Voluntary Separation**

When an employee terminates the employment relationship, then this form of employee separation is known as voluntary separation. Voluntary separation is further divided into two categories.

- Quits
- Retirements

2. **Involuntary Separation**

When employer of an organization ends the employment relationship with any employee, then this employee separation is called involuntary separation. There may be a number of reasons for involuntary separations like the employee does not fit with the requirements of a particular job or due to economic necessity. Involuntary separation is further divided into the following categories.

- Discharges

- Layoffs
- Rightsizing or downsizing

Practicalities in Measuring SHRM outcomes

UNIT: 3

HR Strategy

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

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

An HR strategy has a set of characteristics:

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

A very useful model here is the standard causal model of HRM, one of the key HR models. This model shows where HR strategy originates from and how it influences HR execution and business performance.

The model shows that the HR strategy is a result of the broader (business) strategy. It shows that HR activities create value when they are aligned with what the organization tries to achieve. When there is alignment (fit) between the two, HR will contribute to the performance of the organization.

The overall business strategy is formulated based on the past and the present. It is a result of what the company has been doing in the past and its current internal capabilities. An often used tool to arrive at this strategy is the SWOT analysis.

In the SWOT analysis, the organization's internal Strength and Weaknesses, and its external Threats and Opportunities are mapped. Strengths include the company's core know-how and know-what. These are its production capacity, existing brand, marketing channels, sales capabilities, R&D expertise, and other human capital factors.

SWOT Analysis

The company's strategy leverages its Strengths to capitalize on the Opportunities in the market. At the same time, it tries to circumvent Threats and minimize the impact of

Weaknesses.

The result of this strategy-setting is the company's value proposition. For example, the value proposition of Walmart, a discount retailer, is "every day low prices". This explains a number of internal HR practices, especially the ones related to worker compensation.

The HR strategy is based on the organizational strategy. The HR strategy touches on all the key areas in HR. These include recruitment, learning & development, performance appraisal, compensation, and succession planning.

An example of an HR strategy is an HR mission statement and HR vision, with concrete, high-level actions about how to execute on this mission and vision

Components of Strategic HRM

No matter the size of a business, the human resource department, even if just one person, is tasked with caring for and managing a company's most important resource – its people. The department's daily workload might include recruiting talent, hiring workers, onboarding new hires, managing payroll and benefits, along with many other personnel tasks. As a means of improving efficiency and streamlining duties, many HR departments utilize human resource management systems (HRMS). These clusters of software solutions allow HR departments to automate routine tasks and free up time for staff members to focus on areas that require more personalized attention.

Serve Core HR Functions

The most basic component of a HRMS serves the core HR needs – such as payroll, benefits and workforce management – made up of activities and processes for managing large numbers of hourly employees. It can involve programs that handle tasks such as:

- Scheduling shifts
- Recording attendance
- Tracking absences and sick days
- Clocking time worked

Some programs can also differentiate between union and non-union workers or employees and freelance workers, and make appropriate payroll calculations based on these distinctions. Benefits and employee contributions can also be easily tracked. All of an employee's vital information is organized in one easy-to-access file that is managed much more efficiently by the HRMS than by manual processes.

Facilitate Talent Management

Other types of programs are designed to help HR departments manage their talent, or the actual employees within the company. This can cover a broad range of tasks including:

- Processes for recruiting new staff
- Onboarding
- Orientation
- Performance management and evaluation
- Training and professional development

In some cases, a system may allow an HR representative to create a job posting online, view incoming applications and track candidates through the hiring process.

Increasingly, orientation materials such as filling out payroll information and other paperwork are being relegated to online applications so HR staff are not required to be physically present to handle some of the basics, freeing them to do other work. Once great employees are on board, other components work to track performance metrics and provide professional development to retain top performers.

Encourage Employee Engagement

Some HR departments may extend their HRMS tools by also utilizing social media and online applications to engage their employees and stimulate interaction within the corporate environment. Through these channels, employees can:

- Collaborate on projects
- Learn more about the corporate brand
- Refer qualified friends for job openings
- Respond to company surveys designed to measure job satisfaction
- Make corporate announcements and policy updates

Meet Compliance Standards

Industries that operate in financial, health, insurance or public sector capacities are required to follow specific regulations and are subject to reporting and compliance standards. An HRMS component specifically designed to keep track of frequently changing regulations allows HR departments to stay on top of the necessary record-keeping and reporting requirements. Automated maintenance informs the HR department when background checks, licenses or continuing educational requirements need to be updated and assures that the company is operating in compliance.

Analyze Corporate HR Trends

Particularly in larger companies, analytics are increasingly important to upper level managers and HR departments. Programs that track the effectiveness of HR initiatives and recruitment methods help key executives pinpoint what works in attracting new talent to the company. They can also compare salary levels within the industry and make adjustments if needed. Data that is compiled from the fluctuating workforce also helps leaders gain a better understanding of turnover trends, such as why employees move on to another company or how to improve worker retention.

Organizational HR Strategies

Organizational strategy is a plan for evolving a business over time. You might want your company to be a leader in “green” technology in five years, or maybe you envision raising sales by 20 percent during the next 24 months. Whatever your plans, you need employees to carry them out and human resources leadership to prepare them for the task.

Profitability

Linking HR strategy to organizational strategy can be profitable. Towers Watson, a company specializing in human capital, reports in the study "Watson Wyatt's 2002 Human Capital Index" that shareholders' total returns were 64 percent over five years under progressive HR practices, compared with total returns of 21 percent under weak HR practices. Using a progressive strategy, HR can identify the skills your business wants employees to have and close existing skill gaps through aggressive recruiting and training.

Obstructions

High turnover, excessive absenteeism, low productivity and overall employee dissatisfaction disrupt your business operations. These obstructions not only raise your operating costs — hiring and retraining replacement staff is especially expensive for small businesses — they also derail organizational strategies. As your chief "employee problem-solver," HR often conducts exit interviews with departing employees to find out why they're leaving and take corrective action, or the company might make managers more responsible for keeping staff on board by tying their pay to retention rates. To raise productivity and retention, HR can recommend such low-cost incentives as flexible work schedules, performance awards or money-saving discounts from retailers.

Staff Buy-in

Organizational strategy has a better chance of succeeding when employees understand and buy in to your plan. HR is the liaison between management and staff. It can influence employees' attitudes and behaviors towards your company and gain their support for your strategic plan. The HR strategy that's focused on developing staff loyalty, for example, can give your organizational strategy the employee support needed to make your company a leader in green technology or increase your product sales.

Workplace Mandates

When HR strategy is linked to organizational strategy, companies have the benefit of HR's expertise on workplace regulations and employment laws. HR is responsible for keeping organizations in compliance with safety regulations, anti-discrimination laws and other state and federal workplace requirements. When your organizational strategy conflicts with workplace mandates, your business could be sued or fined. For instance, plans for a new manufacturing process that significantly raises temperatures on the plant floor could violate Occupational Health and Safety Administration standards.

Functional HR Strategies

Business Management and Strategy

This is sometimes referred to as "the business of business." It involves understanding information from inside the organization, and from external sources such as market trends to align the corporation's human capital with its own needs. People involved in this area develop strategies and actions to best utilize staff and management to meet the corporate response to the information. They analyze data and develop programs that will initiate needed changes, and then evaluate the results.

Workforce Planning and Employment

This area of Functional Human Resource Management deals with staffing. Your Business at Arizona Central includes determining personnel needs as one of the duties of people in this area. Once a need is identified, the manager must not only define the position, but decide where and when to advertise openings. Recruitment involves screening applicants and conducting interviews as well. Sometimes human resource workers will hire directly and other times they simply narrow the applicant field for supervisors. Once staff people are hired, it becomes the responsibility of the human resource department to develop strategies to retain the hiree.

Human Resource Development

This area is important because it benefits both worker and management. Development specialists identify places where skill development is needed. This may be in “soft” areas such as customer service and communications, or in technical skills such as computer or equipment operation. Data indicates that when corporations invest in training staff, the employees are more satisfied, and productivity increases. Development personnel may conduct the trainings themselves or bring in trainers.

Total Rewards or Compensation

This division of Functional Human Resource Management deals with one of the largest expenses of a corporation. It includes direct compensation like wages and bonuses as well as indirect compensation given as benefit packages. Human resource workers in this department work with payroll processing, benefit enrollment and proper handling of insurance claims. Their goal is to meet employee needs at a cost-effective level.

Employee/Labor Relations

Workers in this arena must understand collective bargaining and compliance guidelines. Their goal is to balance corporate and employee needs. This includes morale management such as developing incentive and recognition programs. It also involves the implementation of performance appraisal procedures and routine evaluations.

Risk Management

This area involves working within OSHA guidelines to provide a safe and ergonomic work environment. Professionals in this arena develop safety policies and conduct safety audits of the corporation to assure they are in compliance with state and federal mandates. They also provide safety trainings and assist in accident reporting procedures.

As businesses expand, even go global, there will be increasing demand for professionals working with divergent standards and laws to manage the "human capital" of the corporations. An understanding of Functional Human Resource Management will allow students to select and hone career paths

Strategic HR in Action

The defining features of HRM are popularly known as models. These models provide analytical framework for studying HRM. They provide characterization of HRM that establishes variables and relationship to be researched. Four most common models are :

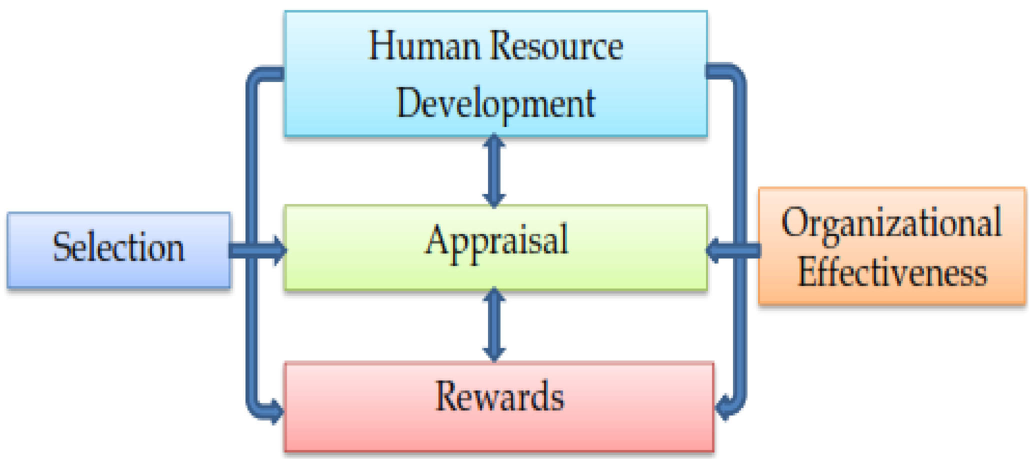
1. The Fombrun Model
2. The Harvard Model
3. The Guest Model and
4. The Warwick Model

All these models serve the following purposes:

- They provide an analytical framework for studying HRM for example, situational factors, stakeholders, strategic choice levels, competence etc.
- They validate certain HRM practices and provide distinctiveness to HRM practices.
- They provide a characterization of HRM that establishes variables and relationship to be researched.
- They help to discover and understand the world for explaining the nature and significance of key HR practices.

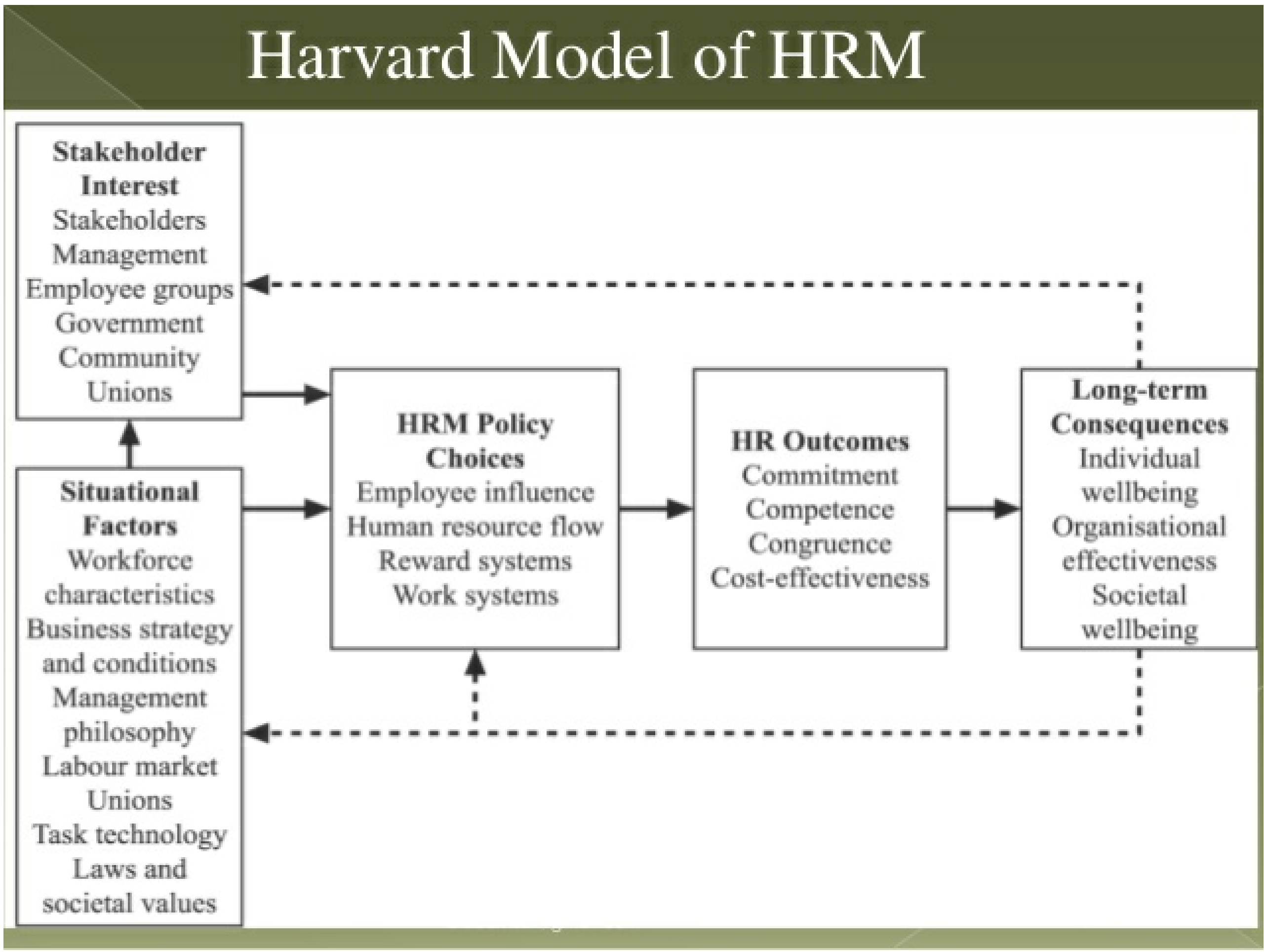
1. THE FOMBRUN MODEL

This is the model of HRM. It emphasizes four functions of management and their interrelatedness¬ Selection, Appraisal, Development and Rewards. This model is incomplete as it focuses on only four functions of HRM and ignore all other environmental and contingency factors. But, this model is simple and can serve as a heuristic framework for explaining the nature and significance of HR activities.



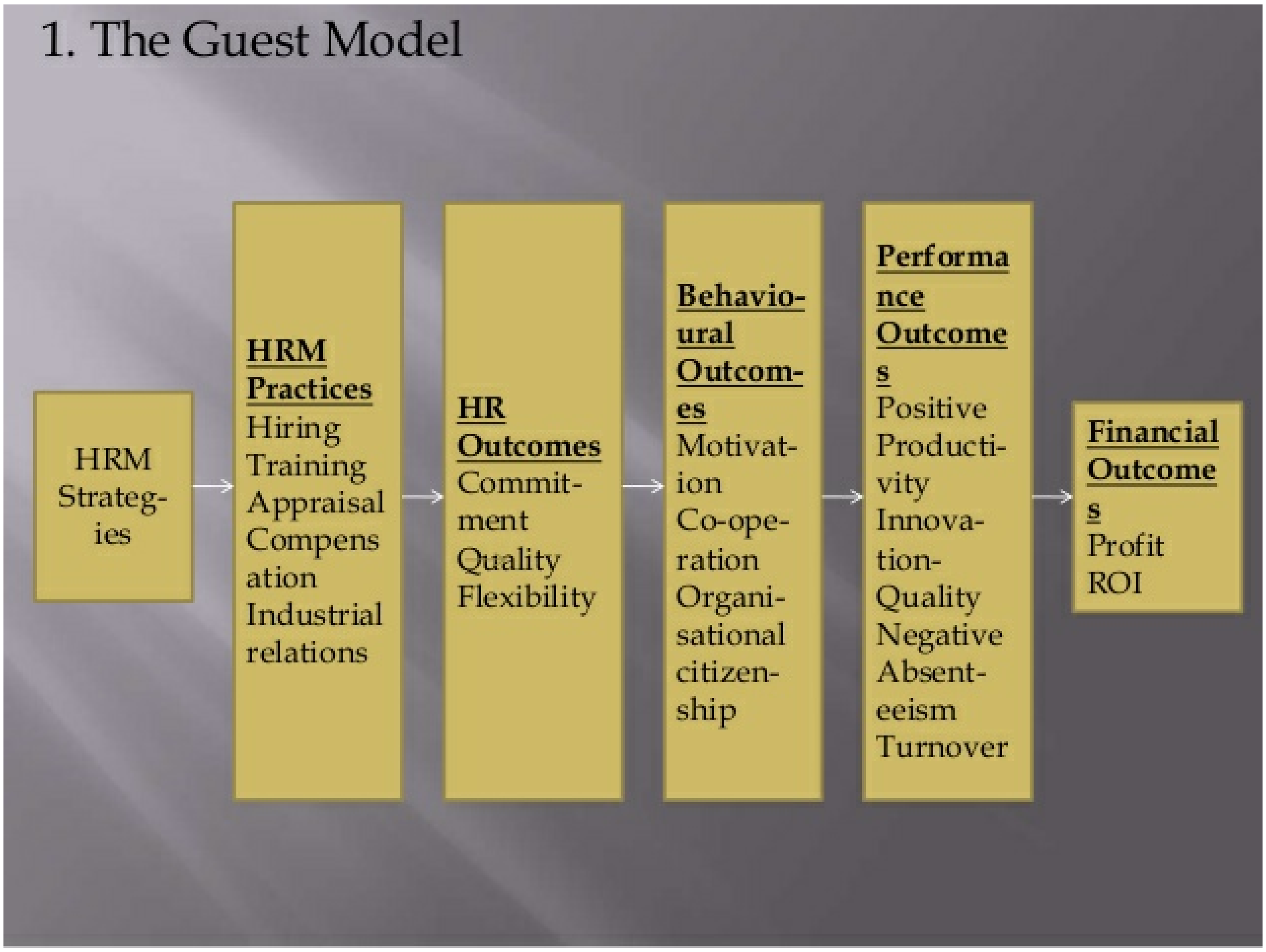
2.**THE HARVARD MODEL**

This model consists six critical components of HRM namely stake holders interests, situational factors, HRM policy choices, HR out comes, long term consequences and a feedback loop through.



3. **THE GUEST MODEL**

This model was developed by David Guest in 1997. This model emphasizes on the assumption that HR manager has specific strategies to begin with, which demand certain practices and when executed will result in outcomes. These out comes include behavioral performance related and financial rewards. The model emphasizes the logical sequence of six components : HR strategy, HR practices, HR outcomes, Behavioral outcomes, Performance results and financial consequences.



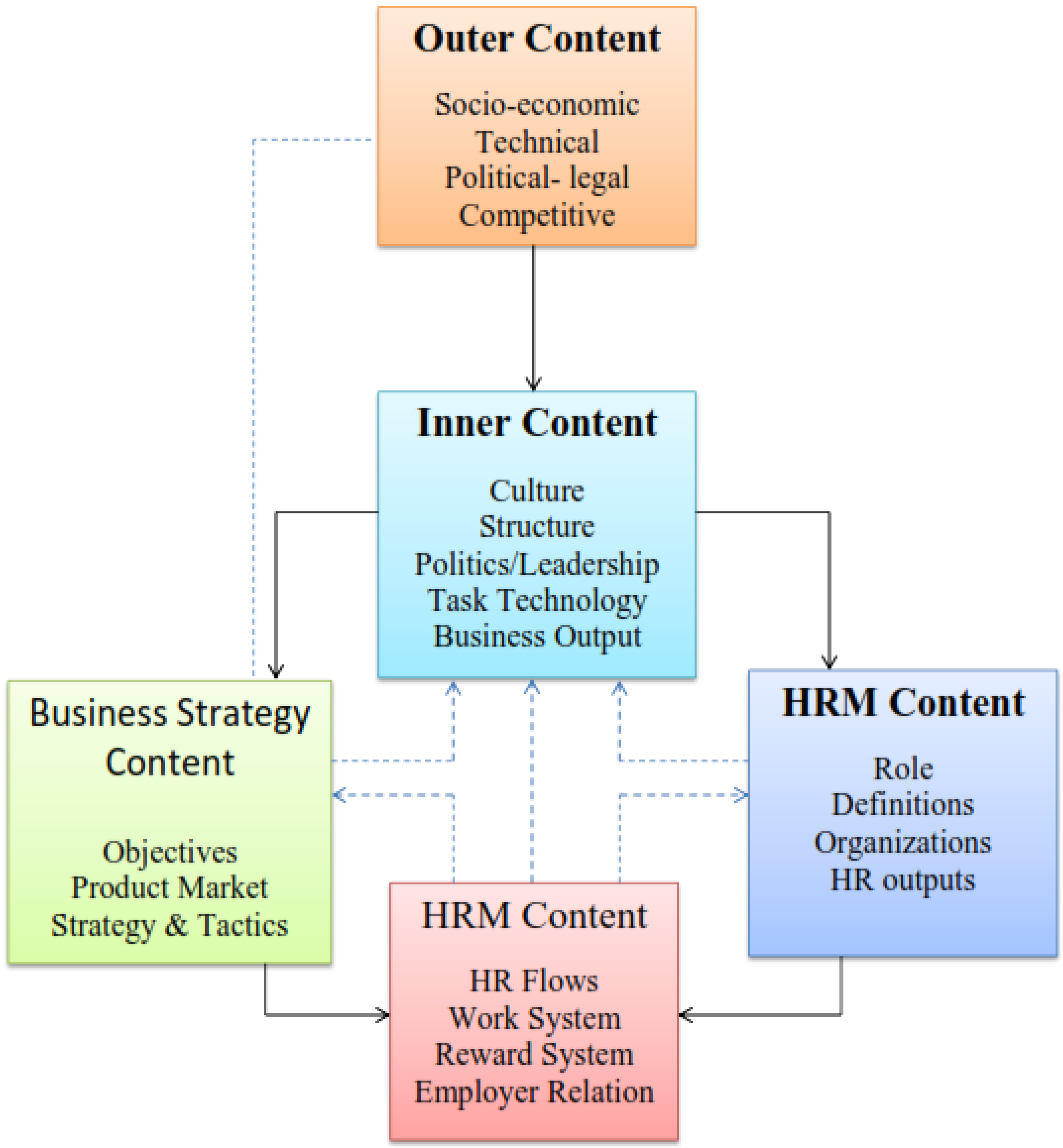
4. **THE WARWICK MODEL**

This model was developed by two researchers, Hendry and Pettigrew of University of Warwick (hence the name Warwick model). Like other human resource management models, the Warwick proposition centers around five elements-

- Outer context (macro environmental forces)
- Inner context (firm specific or micro environmental forces)

- Business strategy content
- HRM context
- HRM content

The strength of this model is that it identifies and classifies important environment influences on HRM. This model takes cognizance of business strategy and HR practices, the external and internal content, in which these activities take place and process by which such changes take place including transactions between changes in both external content and internal content.



THE 5-P'S MODEL OF HRM

- **Philosophy:** Expressed in statements defining business values and culture. It expresses how to treat and value people.
- **Policies:** Expressed as shared values and guidelines. Policies establish guidelines for action on people related business issues and HR programs.
- **Programs:** Articulated as human resource strategy. These coordinate efforts to facilitate

change to address major people related business issues.

- **Practices:** For leadership managerial and operational role practices motivate needed role behaviors

Employee Engagement

Employee Engagement

Employee engagement is not the same as employee satisfaction.

Employee Satisfaction only indicates how happy or content your employees are. It does not address their level of motivation, involvement, or emotional commitment. For some employees, being satisfied means collecting a paycheck while doing as little work as possible.

When organizations focus on how to improve employee satisfaction, changes won't necessarily lead to increased performance. Oftentimes, the conditions that make employees "satisfied" with their jobs are the same conditions that frustrate high performing employees. Top performers embrace change, search out ways to improve, and challenge the status quo. They expect all employees be held accountable for delivering results, whereas low performers avoid accountability, cling to the status quo, and resist change.

Employee engagement goes beyond activities, games, and events. Employee engagement drives performance. Engaged employees look at the whole of the company and understand their purpose, where, and how they fit in. This leads to better decision-making. Organizations with an engaged workforce outperform their competition. They have a higher **earning per share (EPS)** and recover more quickly after recessions and financial setbacks. Engagement is a key differentiator when it comes to growth and innovation. To better understand the needs of your organization, administering an employee engagement survey is key. This is not the same as a satisfaction survey.

Moreover, expectations of employees have changed. Mobile professional careers are much more common than "job for lifers". Retention of top talent is more difficult than before. A company that has an effective employee engagement strategy and a highly engaged workforce is more likely to retain top performers as well as attract new talent. Successful organizations are value-driven with employee-centric cultures.

How is employee engagement measured?

Measure what matters: Employee engagement surveys have been developed specifically to measure the performance, strategic alignment, competency and satisfaction of contributors. Engagement surveys must be statistically validated and benchmarked against other organizations if they are going to provide useful results. Without these things, it is difficult to know what you are measuring and whether the results are good or bad.

Engagement can be accurately measured with short surveys that contain just a few questions, but such short surveys can only provide an indication of whether employees are engaged. They have a hard time explaining why employees are engaged or disengaged because they lack detail. Without sufficient information, an organization cannot develop meaningful activities, training programs, strategies, and initiatives to raise levels of engagement.

In order to get a complete picture of employee engagement, a survey needs to include about 50 to 80 questions that cover a complete range of relevant topics. There should also be open ended questions to further diagnose potential engagement problems in a company.

When should an organization measure employee engagement?

The best time to conduct an employee engagement survey is anytime. The timing of an engagement survey will have an effect on survey results, but it is always a good time to have a better understanding of how engaged your employees are.

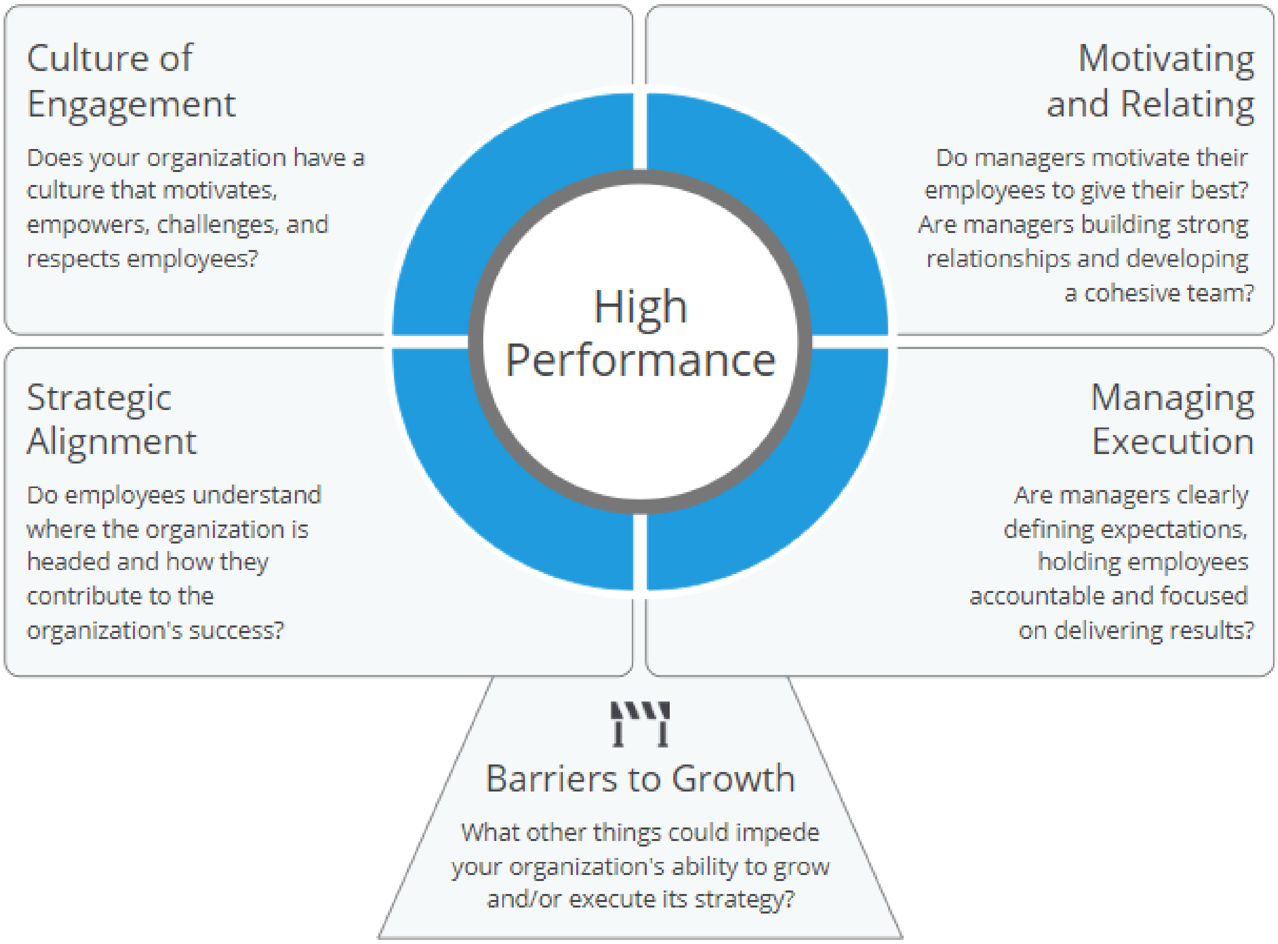
Create a readiness assessment, communicate the reasons for doing the engagement survey, communicate results, and take action on survey results. These actions give meaning to the survey. Otherwise, a survey ends up being more of a waste of time and de-motivator.

Components of employee engagement

There are two primary factors that drive employee engagement. These factors are based on statistical analysis and widely supported by industry research.

Engagement with The Organization measures how engaged employees are with the organization as a whole, and by extension, how they feel about senior management. This factor has to do with confidence in organizational leadership as well as trust, fairness, values, and respect – i.e. how people like to be treated by others, both at work and outside of work.		**Engagement with "My Manager"** is a more specific measure of how employees relate to their direct supervisors. Topics include feeling valued, being treated fairly, receiving feedback and direction, and generally, having a strong working relationship between employee and manager based on mutual respect.

The two **Organization** factors deal with how employees relate to and connect with the organization.	The two **Manager** factors look at whether managers display the essential skills and behaviors needed to be effective.



Beyond the Two Core Engagement Factors

High performance organizations, and highly engaged employees, also excel in these areas:

Strategic Alignment: Do employees have clarity of purpose and direction? Do employees understand how the work they do contributes to the organization's success? Strategic Alignment ensures that employees have clarity of purpose and direction, and that their efforts are focused in the right direction. If those efforts are not focused in the right direction, they could be wasted.

Managing Execution: The most effective managers excel at the people skills, but they also provide clear expectations, hold people accountable, and stay focused on delivering results.

Leader and Manager Competency is measured as part of the employee survey via upward feedback.
For a more complete assessment of manager competency, we recommend using a **360 Degree Feedback Survey**.

Who should be involved in employee engagement initiatives?

Research shows that many organizations struggle to bridge engagement survey results to its financial impact on the organization. It is important to understand **how engagement affects a company's bottom line**.

A high-performing workforce is necessary to remain competitive, even survive. Developing programs to raise levels of employee engagement must be intentional, have meaning, purpose based on survey results.

HR can lead the charge to create an effective employee engagement strategy, but it needs to be embraced by the entire organization. There is a clear gap between the optimism of upper management and what middle managers experience with their teams. To understand the whole-organization picture, it's essential to have an effective, multi-directional communication strategy in the organization. **Effective communication** is one of the most important factors that is most likely to bring company success. Organizations that thrive are able to articulate and communicate what success looks like – as individual employees, teams and departments, and the company as a whole. This increases engagement organization-wide.

Ways of Achieving Employee engagement

Four things are important when we talk about employee engagement; commitment, motivation, loyalty and trust. Their level determines the quality of engagement of an employee. Each one is briefly discussed in the coming paragraphs.

1. **Commitment:** Commitment means the degree to which individuals associate themselves with the job, the responsibilities and the organisational objectives. Engaged employees are those who are fascinated by their work and committed to face every challenge to attain their goals. They are dependable and highly productive and therefore, are accountable for what they do.
2. **Motivation:** Up till recently it was believed that the biggest motivation is achievement. The reverse is also true, which means achievement results in more motivation. If employees put in their 100 percent efforts to take their organisation to the next level, this attained status motivates them more than anything. Proper rewards and recognitions can further motivate them to achieve more and more for their organisation. Motivation and achievement go hand in hand and act as the burning fuels for the success of any organisation.
3. **Loyalty:** Employees who are actively engaged in their work show more loyalty towards the organisation. The best part is that they need less focus and attention of managers to perform their task as they themselves feel accountable for their job responsibilities and results attained. However, it doesn’t take much time for actively engaged employees to turn into disengaged employees if the organisation doesn’t have a well established reward system. Recognition is a basic necessity of individuals to remain steered up towards their job.
4. **Trust:** High levels of employee engagement can be fostered only when trust prevails in the organisation from both the sides. As they share strong emotional bond with the organisation, the latter should also show trust in their abilities. Employees must be given autonomy to perform their tasks their way. They should not be restricted to a specific rules and regulations and therefore, should be motivated to experiment to perform their task in a different and innovative manner.

Phases of Employee Engagement

1. ***Attract***

The first phase of the employee engagement cycle is attracting the best talent from the industry. This phase involves creating a positive impression about the work culture and employee career as a potential employer. It is all about carefully creating an authentic, genuine and crafted image as an employer. This is although an indirect yet the first impression that attracts a big pool of candidates to apply for the job vacancies in an organisation. The first phase is the most important phase of the employee engagement cycle.

Another aspect spreading the reputation of an organisation is its employees. They are not only the employees but also are regarded as internal customers. Their job and career satisfaction speaks about their workplace. Therefore, they should not be taken for granted. Besides attracting the talent from the outside, it is important to keep the existing employees attracted towards the organisation.

2. ***Acquire***

The acquire image involves more than one thing. It includes (1) the way the potential candidates are interacted while advertising a position; (2) keeping the promises that were made while hiring them and (3) providing the new joiners a right kind of work culture.

When an organisation advertises a position, interested candidates apply. The way their applications are created, the reaction of the organisation and the manner in which they are approached speak a lot about the image and work culture of an organisation.

Hiring the best talent not only serves the purpose. During their honeymoon or initial period with the organisation, the company must try to keep all the promises that were made during the selection process.

Besides this, they should feel happy and satisfied when their expectations are tested against the reality. Providing the right kind of culture also plays an important role in keeping them engaged.

The whole idea is to prepare them to perform their best by giving them challenging tasks right from the beginning. It's like developing a habit or culture right from the time they decide to work with the organisation.

3. ***Advance***

Continuous moving the talent is the last but an unending phase. It not only involves promoting the employees to a higher designation along with salary increments but also growing them in other tangible and intangible ways. Job rotation can help them grow in experience, responsibility and belongingness but only when it is done right. Advancing the employees in every aspect, be it monetary or non-monetary, is the key to retain people and develop their overall personality.

The 3 C's of Employee Engagement

Career: When individuals join an organisation, they expect to build a career with it. If the top management and immediate managers spend dedicated time in carving out the careers of its employees, they will feel that they belong to the organisation. They feel engaged when they receive support from the management in growing their careers.

An organisation can provide its employees with opportunities to grow professionally through job rotations, indulging them in significant tasks, challenging assignments and promotions. They should also be given a specific level of authority and autonomy to take their decisions on their own. The organisations prepare an entirely new breed of employees if they genuinely invest in developing the careers of their people.

Competence: Competence is all about the ability to grow. Regular workshops and training sessions must be held in order to help employees acquire a higher level of skills and competencies. The focus should be on developing for marketable skills. Most employees after spending a few months look for competence-boosting opportunities with the organisation so that they can grow and move to the next level of their careers. While the career focuses on the actual growth in terms of designation, wages and perks and authority, competence is the ability to grow utilizing the opportunities.

Care: Sitting at the topmost, care is regarded the finest art of the managers by which they can make employees feel an indispensable part of their organisation. The managers need to be empathetic and sensitive towards people and understand their personal problems. Showing small day-to-day caring gestures towards employees make them feel that they belong to the organisation and organisation belongs to them.

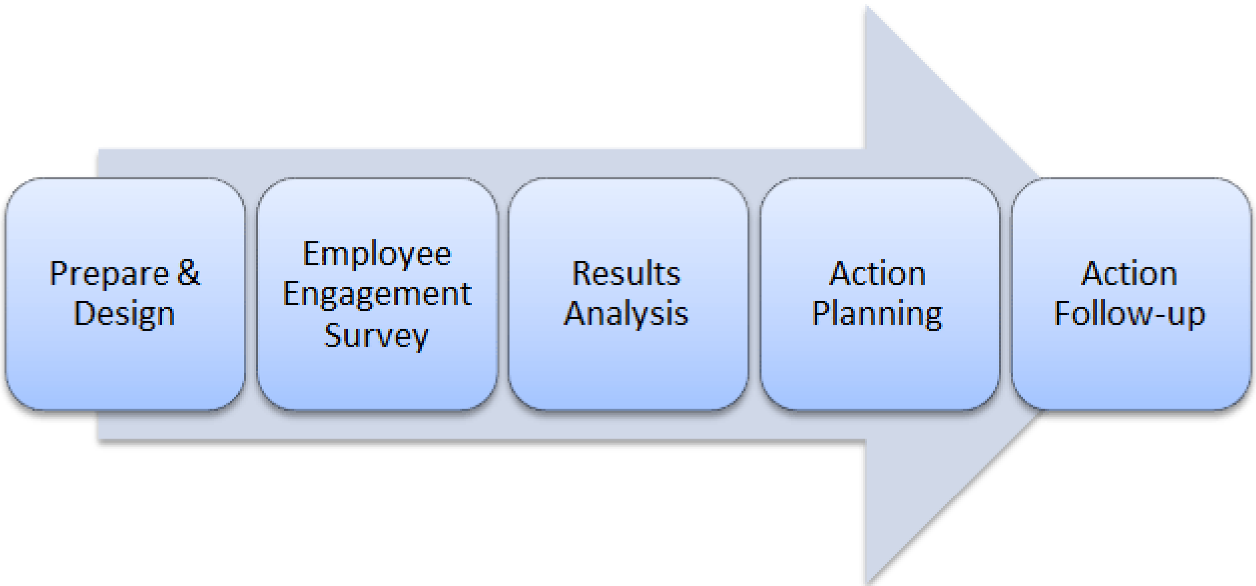
Drivers of Employee engagement

Process and outcomes of employee engagement

This is the hardcore fact that the future business performance and revenues and profitability of an organisation no longer depends upon traditional capital management and investment and portfolio management. But the success of any organisation in this constantly changing world of work depends upon human capital management. The companies who understood this fact long before are the most successful and highly productive organisations of the currents times. Those who have just realised it are still struggling to establish a reputation in the industry.

Since the mantra of success of any organisation is the higher involvement, engagement and dedication of employees towards their jobs and their continuous performance to attain more, it is necessary to keep their spirits high, motivate them to perform their best always and generate a breed of satisfied and dedicated employees. Employee Engagement is not a onetime process that can quickly bring results; rather it is an ending process that will go on till the existence of an organisation.

As it is an established fact that there is a clear link between organisational performance and employee engagement, every organisation seeking sustenance and growth in the ever changing world of work quickly respond to the needs of employees along with designing and implementing a customised process to increase the levels of employee engagement. The following are a few basic steps in this process based on the best industry practices.



1. **Prepare and Design:** The first step in the process is about discovering the specific requirements of your organisation and deciding the priorities. After that a customised design of carrying the whole process can be designed. It is recommended to seek advice of expert management consultant in order to increase the chances of getting it done right at the first attempt.
2. **Employee Engagement Survey:** Design the questions of the employee engagement survey and deploy it with the help of an appropriate media. It can be either in printed form or set online depending upon the comfort level of the employees and your questionnaire evaluation process.
3. **Result Analysis:** It is the most important step in the entire process. It is time when reports are to be analysed to find out what exactly motivates employees to perform their best and what actually disengages them and finally compels them to leave the organisation. The

results and information can then be delivered through presentations.

4. **Action Planning:** 'How to turn the results of the survey in to an action' is a challenging question that organisations need to deal with the utmost care. Coaching of line managers as well as HR professionals is very important in order to tell them how to take appropriate actions to engage employees. They should also be told about do's and don'ts so that they can successfully implement the changes.
5. **Action Follow-up:** Action follow up is necessary in order to find out if the action has been taken in the right direction or not and if it is producing the desired results.

<u>Cost of Disengaged Workforce</u>

The findings of the Gallup Study of 2008 show that while the engaged employees believe they can contribute to company's growth, the disengaged employee believes otherwise, i.e. his job does not contribute to the organization. This belief of the disengaged employee creates a negative spiral that affects his work, co-workers, customers, productivity, and eventually both happiness of employee and company performance. Some effects are illustrated below:

1. **Effect on Work:** The disengaged employee tries to evade work, struggles to meet deadlines and is reluctant to accept additional responsibility.
2. **Effect on Co-Workers:** The negativity of a disengaged employee, demonstrated either through raves and rants or complete withdrawal from participation, affects the team morale. After all who has not heard of the proverb – one bad apple can spoil the whole bunch.
3. **Effect on Customers:** Every employee, whether an organization likes it or not, becomes its ambassador. And a disengaged employee either by actively de-selling the organization, or by complete apathy towards their work, product, process, organization help create disengaged customers.
4. **Effects on Productivity:** Disengaged employees seldom push themselves to meet organizational goals let alone contribute to innovative practices at workplace. Since, they do not believe that their work contributes to the organization; they evade completing tasks thereby affecting team productivity.

5. **Effect on Company Performance:** In the corporate world, time is money and organizations must innovate to stay relevant. A disengaged workforce by virtue of delayed completion of tasks and inability to improvise and innovate cost the company dollars which ultimately affects bottom line. This has been validated by a Gallup Study whose research showed that costs of disengaged workforce in the United States was upwards of $300bn annually.
6. **Effect on Personal Life of Employee:** A disengaged employee is seldom able to shake off the lethargy and perform in the current organization or land a job of preference. This leads to pent up frustration which may ultimately affect his personal and family life.

Benefits of an Engaged Workforce

An engaged workforce form an emotional connect with the organization that helps them

1. Go the Extra Mile to Achieve Individual and Company Success
2. Innovate at Workplace
3. Attract customers and employees
4. Become Evangelists of the company, its product and processes
5. Infuse energy and positivity at workplace.

improving Business performance through strategic HRM

UNIT: 4

Knowledge Management

Knowledge management is the systematic management of an organization's knowledge assets for the purpose of creating value and meeting tactical & strategic requirements; it consists of the initiatives, processes, strategies, and systems that sustain and enhance the storage, assessment, sharing, refinement, and creation of knowledge.

The full scope of **knowledge management (KM)** is not something that is universally accepted. However, before one looks at the differences in the definitions, let's the similarities.

KM is about making the right knowledge available to the right people. It is about making sure that an organization can learn, and that it will be able to retrieve and use its knowledge assets in current applications as they are needed. In the words of Peter Drucker it is "the coordination and exploitation of organizational knowledge resources, in order to create benefit and competitive advantage" (Drucker 1999).

Where the disagreement sometimes occurs is in conjunction with the creation of new knowledge. Wellman (2009) limits the scope of KM to lessons learned and the techniques employed for the management of what is already known. He argues that knowledge creation is often perceived as a separate discipline and generally falls under innovation management.

Bukowitz and Williams (1999) link KM directly to tactical and strategic requirements. Its focus is on the use and enhancement of knowledge based assets to enable the firm to respond to these issues. According to this view, the answer to the question "**what is knowledge management**" would be significantly broader.

A similarly broad definition is presented by Davenport & Prusak (2000), which states that KM "is managing the corporation's knowledge through a systematically and organizationally specified process for acquiring, organizing, sustaining, applying, sharing and renewing both the tacit and explicit knowledge of employees to enhance organizational performance and create value."

Under the initiative referred to as "**act**", the integrated model outlines a series of knowledge management processes. They will be used as headings for the subsections presented here, and can be accessed through the menu on the left. These are:

- Knowledge Discovery & Detection
- Knowledge Organization & Assessment
- Knowledge Sharing
- Knowledge Reuse
- Knowledge Creation
- Knowledge Acquisition

These form the backbone of knowledge management processes as they outline all aspects involved in the actual management of knowledge.

While the knowledge management processes section dealt with the general ways knowledge can be managed, this section tackles long-term knowledge management strategy. Strategic investments represent the company's choices/options so as to enable and enhance the processes outlined earlier (e.g. knowledge sharing) and to offer help define which knowledge is relevant (i.e. in line with strategic objectives) and which is not.

This section is based on the strategic part of the **integrated knowledge management model**, which includes:

- Knowledge management strategic initiatives:
- Invest: Support of existing structures, competencies, knowledge retention mechanisms, culture, external network, and knowledge management systems

- Invest: Implement changes to structures, competencies, knowledge retention mechanisms, culture, external network, and knowledge management systems
- Divest: Remove obsolete knowledge

The articles that follow are based solely on the points under "**invest**". Based on that we arrive at the following headings:

- KM and Organizational Structures
- KM and Organizational Culture
- KM and Knowledge Retention
- KM and Core Competencies
- KM and External Knowledge Network
- KM and Knowledge Management Systems
- Summary: Knowledge Management Best Practices

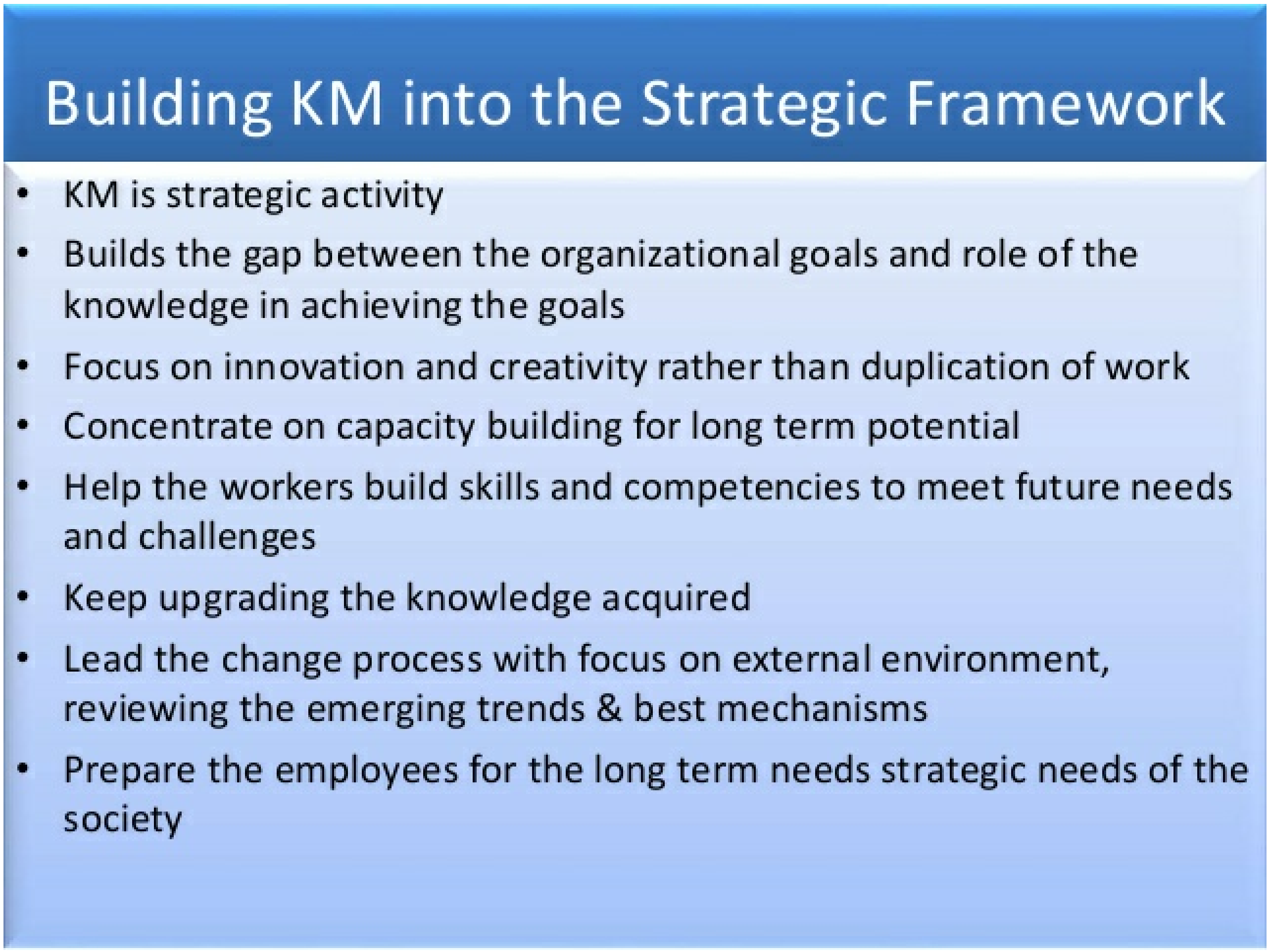
Building Knowledge Management into Strategic framework

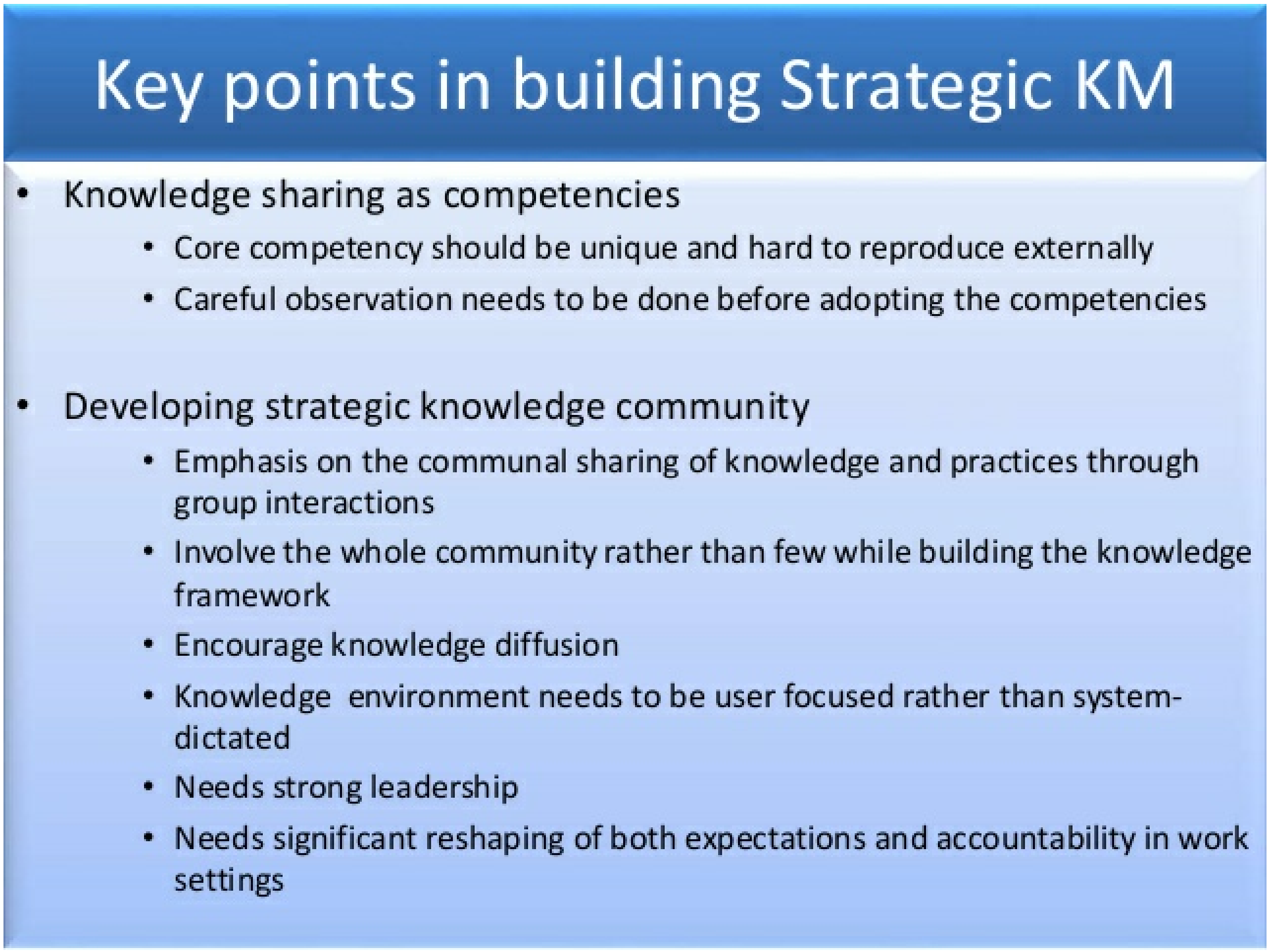
KM strategy is a plan that describes how an organization will manage its information and knowledge better for the benefit of that organization and its stakeholders. A good IKM strategy is closely aligned with the organization's overall strategy and objectives.

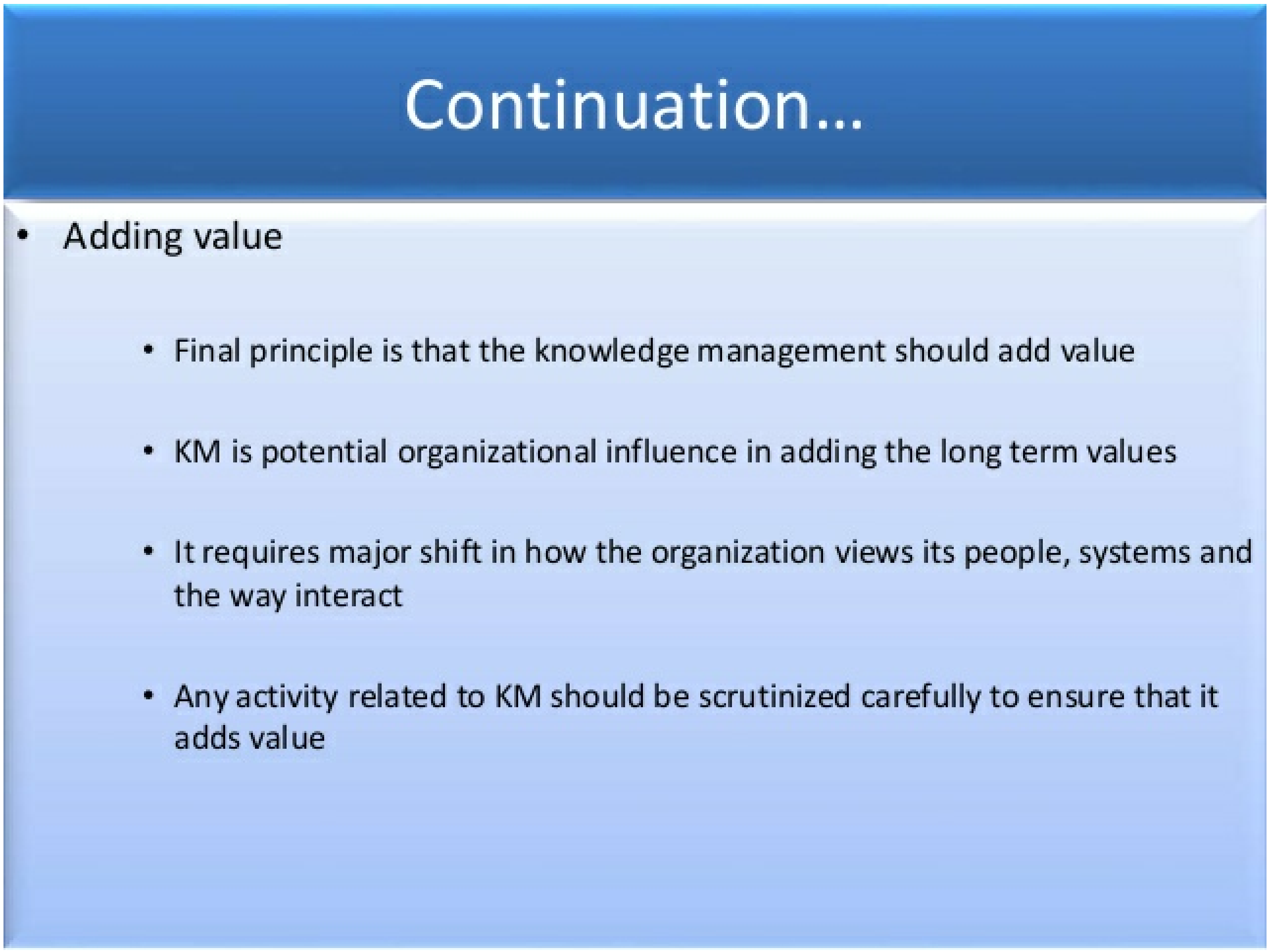
A good, clear KM strategy can help to:

- Increase awareness and understanding of KM in your organisation
- Articulate the business case and identify potential benefits
- Gain senior management commitment
- attract resources for implementation
- Communicate good KM practice
- Give a clear, communicable plan about where you are now, where you want to go, and how to plan to get there
- Give you a basis against which to measure your progress,

There are many ways to approach the development of a KM strategy, as well as many ways of presenting the strategy document itself. There is no 'one size fits all'. Larger organizations will probably need a detailed, formal strategy document whereas for a smaller organization something briefer and less formal might be more appropriate.


Building KM into the Strategic Framework
• KM is strategic activity
• Builds the gap between the organizational goals and role of the knowledge in achieving the goals
• Focus on innovation and creativity rather than duplication of work
• Concentrate on capacity building for long term potential
• Help the workers build skills and competencies to meet future needs and challenges
• Keep upgrading the knowledge acquired
• Lead the change process with focus on external environment, reviewing the emerging trends & best mechanisms
• Prepare the employees for the long term needs strategic needs of the society


Key points in building Strategic KM
• Knowledge sharing as competencies
• Core competency should be unique and hard to reproduce externally
• Careful observation needs to be done before adopting the competencies
• Developing strategic knowledge community
• Emphasis on the communal sharing of knowledge and practices through group interactions
• Involve the whole community rather than few while building the knowledge framework
• Encourage knowledge diffusion
• Knowledge environment needs to be user focused rather than system-dictated
• Needs strong leadership
• Needs significant reshaping of both expectations and accountability in work settings


Continuation...
• Adding value
• Final principle is that the knowledge management should add value
• KM is potential organizational influence in adding the long term values
• It requires major shift in how the organization views its people, systems and the way interact
• Any activity related to KM should be scrutinized carefully to ensure that it adds value

Knowledge Sharing as a Core Competency

The knowledge management definition presented earlier, involved the reuse and creation of relevant knowledge. The word relevant links knowledge management (KM) to the concept of organizational core competencies. Once again, the challenge here is to discuss this subject without diverging too much into related topics that are not directly relevant to KM.

Core competencies: Definitions vary greatly. The term was originally coined by Pralahad and Hamel (1990) who defined it as “the collective learning of the organization, especially how to coordinate different production skills and integrate multiple streams of technologies”. Since then it has been defined in multiple ways, but very generally, core competencies refer to the firm’s primary expertise, which is a source of sustained competitive advantage. Arriving at a more precise definition is not necessary for our purpose here. Suffice it to say, that these are key capabilities, which, from the resource-based perspective of the firm, are the primary drivers of innovation and competitive advantage.

Core competencies thus have a large knowledge component, and managing them is, in the very least, a product of corporate strategy working with KM and innovation management. This simplified model has strategy dictating the overall direction, KM managing the knowledge dynamics, and innovation management turning core competencies into profitable core products. To understand the role of KM let us look at a brief overview of how core competencies are managed:

1. **Identifying and assessing core competencies**

The firm should map out its key competencies, possibly linking them directly to specific core products. Then, an evaluation must take place, assessing what one has vs. what one needs to have (as determined by strategy and the competitive environment). KM is responsible for identifying where the key knowledge is located, including the tacit expertise and knowledge embedded in products, routines, etc, as well as identifying knowledge gaps.

2. **Sustaining core competencies**

Organizational core competencies, like all knowledge assets, have the virtue of improving rather than depreciating through use. Conversely, lack of use will lead to erosion of any skill set. The role of KM here is twofold, on the one hand, it must keep stock of the state of key knowledge assets and, on the other, it must leverage key knowledge assets across the organization.

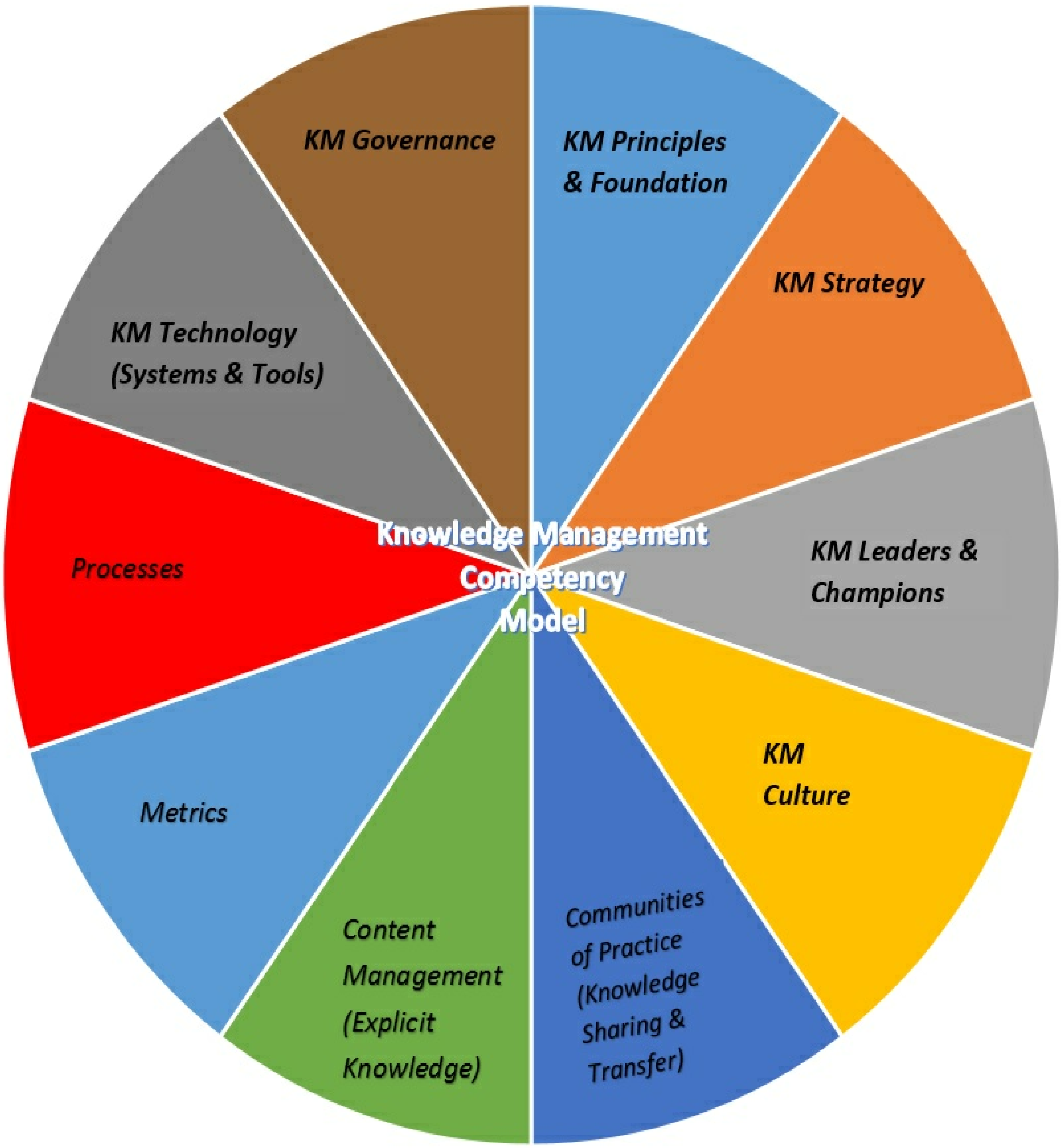
3. **Building core competencies**

Building new core competencies involves interplay between knowledge, practice, coordination, and refinement. Knowledge assets must be built, enhanced, combined, and coordinated in an environment that supports experimentation and improvement. Building core competencies can be a complicated endeavor since sustained competitive advantage is derived from assets that are hard to imitate. From a KM perspective, this implies the build up of specific tacit knowledge and expertise (i.e. uncodified knowledge that is generally more valuable, and inherently more difficult to copy and transfer), often across multiple departments or functions.

4. **Unlearning core competencies**

Organizations have a habit of trying to keep doing what they have always been doing. Unlearning a competency when it is no longer useful is one of the key aspects of a successful firm, and history is riddled with examples of companies that have failed to do so. In the process of unlearning, KM again plays an important role by identifying and managing the firm's knowledge assets in the right direction. This may be done through re-training, restructuring, creating new knowledge flows, external knowledge acquisition, outright removal, etc.

The specific dynamics of the processes of knowledge creation, knowledge acquisition, knowledge sharing, and knowledge reuse, which are central to the management of core competencies, have been discussed earlier. The purpose of this section is to emphasize that KM is not just a collection of individual initiatives. The build up of skills and competencies, involving the coordination of multiple KM disciplines with other organizational functions, must often be managed according to long-term strategic goals and coordinated across the organization.



Strategic Approach to Industrial Relations

The Industrial Relations or IR shows the relationship between the management and the workmen within the industry and the role of a regulatory body to resolve the industrial disputes.

IR is perceived differently by a different group of behavioral practitioners and theorists. Some believed that IR is related to the Class Conflict while some perceived it in terms of Mutual Co-operation and still others perceived it in terms of Competing Interests of various groups. On the basis of these perceptions, there are four popular approaches to Industrial Relations. These are:

1. **Unitary Approach**

The unitary approach is based on the notion that all the members of the organization Viz. Managers, workers, and other staff have a common set of objectives, purposes and interests and, therefore, work in unison towards the accomplishment of shared goals. Here, the conflict is seen as a temporary divergence which is caused due to the poor management or the negligence on the part of the employees to understand and mix with the organizational culture.

The unitary approach is based on the assumption that the overall profitability of the firm could be increased if everyone in the organization has the common interest/purpose and works unanimously towards its completion thereby establishing the harmonious relations. Here the strikes are considered as destructive.

2. **Pluralistic Approach**

The pluralistic approach is just the opposite of unitary approach which is based on the assumption that an organization is an alliance of powerful and divergent sub-groups (management and trade unions), having different competing interests are mediated by the management. The management and the trade unions (association of workers) are the powerful sub-groups that may not agree with certain terms and conditions prevailing in the organization and to resolve those management tries to mediate the interest of both the groups.

During mediation, if the management pays less attention to the needs of the workers then they form unions in order to protect their interest and influence the management decision. The unions so formed helps in balancing the power between the management and employees. Thus, it is based on the notion that the conflict between the management and the employees is inevitable and is viewed as instrumental in the innovation and growth.

3. **Marxist Approach**

The Marxist approach is based on the basic assumption that the conflict is regarded as the product of a capitalist society. This means that conflict arises not just because of the rift between the employee and the employer, but also because of the division in the society between those who owns the means of production (capitalists) and the ones who have only labor to offer. The ultimate objective of the capitalists is to increase the productivity by paying possible minimum wages to the workers due to which the latter feels exploited.

To overcome such situation workers form unions so as to safeguard their interests. These trade unions are considered as a weapon to bring about a revolutionary social change that focuses on improving the overall position of the workers in the capitalist system and not to overthrow. Unlike the pluralist approach, the Marxist believes that the state intervention via legislation and industrial tribunals work in the interest of the management and do not ensure a balance between the competing groups. Thus, according to this approach, the pluralist supports the capitalism, and the unitary approach is anathema.

4. **Human Relations Approach**

The Human relations approach is propounded by Elton Mayo, who is a humanist and believes in the positive nature of the employees. According to him, given human initiatives from management, the employees positively listens and responds properly to them and hence there is no room left for the conflict to arise. But however Marxists and Pluralists did not appreciate too much stress on the positive nature of the workers.

Thus, these approaches to industrial relations must be properly understood by the HR managers as these offers a solid foundation for much of the role of human resource management.

Recruitment Process Outsourcing Head Hunting

Recruitment process outsourcing (RPO) is a form of business process outsourcing (BPO) where an employer transfers all or part of its recruitment processes to an external service provider, according to the **Recruitment Process Outsourcing Association (RPOA)**. An RPO provider can provide its own or may assume the company's staff, technology, methodologies, and reporting. In all cases, RPO differs greatly from providers such as staffing companies and contingent/ retained search providers in that it assumes ownership of the design and management of the recruitment process and the responsibility of results.

Today, the recruiting environment is rather complex. In order to effectively recruit top talent, you need to navigate a tight labor market; become proficient in a set of relevant technologies; and manage and nurture candidates and hiring managers. RPO providers are subject-matter-experts; talent acquisition is their core competency. They know how to navigate the recruiting environment, stay current with the latest recruiting technology and have the resources to scale recruiting capacity to meet hiring demands. RPOs bring people, technology, process, and metrics into a talent acquisition function.

According to RPOA co-founder and Talent Acquisition expert John Younger, "the number one reason companies succeed, struggle, or fail directly correlates with who they hire."

Depending on what an organization is looking for, an RPO solution can bring an array of many benefits including managing hiring fluctuations throughout the year; reducing total recruiting cost and dependency on staffing agencies; improving hiring manager satisfaction; reducing time-to-fill; elevating employment brand; improving candidate experience; simplifying or streamlining the hiring process; and saving time for other duties among other benefits.

Historically, RPO provided high-volume hiring for large organizations at a lower cost compared to other recruiting options. However, RPO has evolved over the last few years to become a flexible strategic talent acquisition solution with additional benefits that can be adopted by small and medium-size organizations as well.

Over the past few years, RPO has been trickling down into the smaller and middle market domain as outsourced recruiting becomes applicable to these markets. As a result, smaller, agile RPOs are rising into the higher ranks of strategic recruiting partners and carving their unique niche in the talent acquisition marketplace.

Unlike other outsourced recruiting models, recruitment process outsourcing is a strategic partnership that brings additional value-added benefits, including:

Analysis and planning. When run effectively, RPO providers work with their clients to understand the business side of recruitment or business goals. They help clients forecast staffing needs and plan the necessary resources to respond to these needs, which help achieve those business goals.

Extensive job marketing. RPO providers market client jobs through job boards, social media, referrals, and networking to drive candidate exposure to jobs and employer brand (a major differentiator from staffing solutions).

Sourcing and engaging talent. In addition to finding talent, RPO providers build up employment brand and recognition; engage future potential talent through talent communities and talent pipelines; and source candidates in advance and with multiple sourcing assessments.

Candidate assessments. RPO providers assess candidates, guide them through the beginning of the recruitment process, and make sure they have the core skills, competencies, and motivators to do the job.

Candidate care. Managing the candidate experience is very important as it reflects on your employer brand. RPO providers help clients take care of the candidates and manage their experience, whether they are being interviewed, hired, or considered for the job.

Three basic types of RPO engagements

RPO is not a one-size-fits-all. RPO offers different engagement models. John Younger, RPO expert, and RPOA co-founder describes the following three main RPO engagement types:

On-Demand RPO: A contract-based engagement with a qualified provider that knows the company, their messaging, their processes and the results they need. The contract specifies a defined number of roles within a defined period of time.

Function-Based RPO: The RPO provider takes a piece of the company's recruiting needs entirely off the company's plate (e.g., the IT department or an entire division of the organization).

Full RPO: When the RPO vendor provides a company's entire internal recruiting function including access to the provider's full breadth of resources.

HR Outsourcing

HR Outsourcing is a process in which the human resource activities of an organization are outsourced so as to focus on the organization`s core competencies. Often HR functions are complex and time consuming that it will create difficulty in managing other important thrust areas. By HR outsourcing, this problem can be avoided which will enhance effectiveness by focussing on what the organization is best at. It will also improve the flexibility of the organization to the rapidly changing business needs. Usually businesses that outsource HR are typically small to midsize firms with number of employees ranging from 25 to 1500.

There are HR outsourcing firms present so as to meet an organization`s HR requirements. Some HR outsourcing firms are generalists, offering a wide variety of services, while others are specialists, focusing on specific areas such as recruitment, payroll etc. Depending on the degree of outsourcing required, we can either outsource the entire HR functions or contract for specific HR functions. Some of the services provided by HR outsourcing firms are:

- **Recruiting, training, and development**
- **Overseeing organizational structure and staffing requirements**
- **Tracking department objectives, goals, and strategies**
- **Employee orientation programs**

Some of the well-known HR outsourcing companies are Viteb, PeopleStrong, Trinet etc.

HR outsourcing has become a popular solution for organizations to remain competitive and cut costs. It also provides skilled professionals who are focused specifically on HR.

Hence, this concludes the definition of HR Outsourcing along with its overview.

HR outsourcing (also known as HRO) is the process of sub-contracting human resources functions to an external supplier.

Reviews of business processes have led many organisations to decide that it makes business sense to sub-contract some or all non-core activities to specialist providers.

HR, as a non-profit centre, is an obvious candidate for outsourcing.

There are many ways in which outsourcing human resources can be done:

- Business process HR outsourcing (also known as BPO), where an external supplier manages discrete HR activities, such as payroll administration or recruitment, or perhaps the whole human resources function.
- Shared service HR outsourcing, where only the transaction or administrative elements of HR's activities are subcontracted to an external supplier. This may include the personal interface with employees.
- Application (and facilities) service HR outsourcing, where external providers look after the technological (and physical) infrastructure to support human resources activities.

Outsourcing human resources or some of its processes to an external provider is a major business decision as, while it may be cost-effective, it introduces new elements of risk, including:

- Loss of control
- Impact on the employer/employee relationship
- Loss of flexibility
- Failure to deliver cost benefits
- Legal or regulatory requirements
- Industrial relations issues

The operation of any HR outsourcing arrangement should be governed by a service level agreement. This will define the required standards of performance by both parties and any penalties for non-compliance. A service level agreement is a crucial document and must be negotiated with great care to mitigate the above risks.

People management plays a crucial role in delivering organisational performance. In today's modern, knowledge economy this is more true than ever before. The decision to outsource human resources is therefore not to be taken lightly.

There are many circumstances in which outsourcing HR services can deliver tangible benefits to the organisation, for example by freeing HR professionals to devote more time to a strategic role supporting organisational performance.

The CIPD identifies a number of strategic drivers for outsourcing HR services:

Advantages and disadvantages of HR outsourcing

Potential benefits of HR outsourcing

- Reduced cost
- Increased efficiency
- Access to improved HR IT systems
- Improved management information (including human capital metrics)
- Access to HR expertise not available internally
- Increased flexibility and speed of response
- Philosophical reasons (for example the organisation is outsourcing a number of its support functions, of which HR is just one part)
- Reduced risk
- To free HR resources to operate more strategically.

Potential pitfalls of HR outsourcing

- Don't outsource what you don't understand. The HR outsource provider will only have to subsequently solve the problem (at a cost) and the provider's solution might not be most suitable from your organisation's perspective
- HR outsourcing does not absolve the organisation of good people management practices nor of overall responsibility for the provision of HR services

- Increasingly, HR outsourcing arrangements are often long term (five to 10 year contracts are not unusual). An understanding of the organisation's current and future business strategy and potential changing business (and hence risk) profile is important before entering into any contractual arrangement. This helps to avoid being tied into unfavourable contractual arrangements
- Loss of local knowledge and processes which instead reside with the outsource provider
- Standardisation of processes in line with outsource provider not organisational preferences

Strategic Decision to Outsourcing

Does strategic outsourcing actually benefit an organization? Or will it backfire in the long run? Here's how outsourcing has impacted organizations in India, and how it can benefit you. by **Soutiman Das Gupta**

What do companies like Hero Honda Motors, Bharti Tele-Ventures Limited, the National Stock Exchange (NSE), HDFC Bank, Sony Entertainment Television, Hyatt Services India Pvt. Ltd, and HPCL have in common?

The common thread running through these large organizations is that all of them have chosen outsourcing as a strategic business decision to garner tangible and intangible benefits in the near and long run.

Indeed, it's difficult to find a successful and growing organization in India, irrespective of size, that does not outsource a certain amount of its IT infrastructure services or management.

Does it work?

Does it make sense for an organization to outsource its IT needs? Most of the CIOs and analysts we spoke to felt that strategic outsourcing helps an organization to save on cost and speed up delivery while focusing on core business needs.

To elaborate on the benefits, let's look at Infrastructure Strategies (IS 2004), the CIO annual survey conducted by Network Magazine to analyze technology investment patterns in the Indian enterprise. The survey, conducted amongst India's top corporates, shows that nearly 54 per cent of the CIOs outsource "to reduce costs".

A similar view is echoed by Michele Caminos, Vice President, Team Manager, IT Services, Asia/Pacific, Gartner. "The most compelling reason why companies get into outsourcing engagements is to save costs," she agrees.

According to Infrastructure Strategies, other impor-tant drivers for strategic IT outsourcing are focus on core competencies, access to special expertise, higher speed of delivery, and access to new technologies.

Focus on the core

Given the pressures of a competitive market, organizations tend to focus on their core activities — activities that link-up directly with the revenues and hence the profitability. In such a scenario, companies tend to outsource their non-core tasks to focus on business decision-making. And IT infrastructure easily lends itself to outsourcing.

Hero Honda Motors is a good example of an organization that uses strategic outsourcing to focus on core competency. "We wanted to outsource all routine (IT maintenance) tasks so that we could concentrate on the main business issues. With the headache of dealing with routine complaints taken away, our staff focuses on user requirements and is able to deliver services to users on time," explains SR Balasubramanian, Vice President – Information Systems, Hero Honda Motors Limited.

The IS 2004 survey reports that 46 per cent of the CIOs who outsource or have plans to do so, consider "focus on core competencies" as the second most important reason to outsource.

"There are definite cost savings in terms of resource management and less manpower costs. As an IT team we can focus more on providing new infrastructure solutions to enable various requirements of our core media business rather than get caught up with the daily maintenance requirements of the existing set-up," explains Aneeta Pankaj, Senior Manager, Information Technology, Sony Entertainment Television (SET) India Private Limited.

Competitive Business Strategy

Outsourcing is best adopted after a careful look at business needs and available options. It is essential that the outsourcing relationship provides strategic business benefits in the future.

"Outsourcing provides a competitive strategy benefit in a number of ways to an organization. It allows ease of management, reduction in cost, lesser manpower, and frees up internal resources," says Pankaj.

"Outsourcing can, and frequently does, provide both long- and short-term benefits to companies that outsource, provided they have a strategic objective for outsourcing. Medium and long-term gains are best realised by selecting a vendor who brings value to your core business, rather than one who can provide you with the lowest prices," explains Sharad Sanghi, Managing Director & CEO, Netmagic Solution Pvt. Ltd.

Business-Related

It's important to understand that outsourcing is a business-related decision and not simply an IT need. The ultimate goal of outsourcing is to bring benefits to the business and subsequently the customer.

Hero Honda's Balasubramanian says, "We believe an outsourcing service provider could better handle our day-to-day management needs than our own team. We've not added numbers to our staffing in spite of increased business activity. Since the outsourcing agency manages the data centre round the clock, our staff has been relieved from working in shifts."

Bharti Tele-Ventures Limited has cut one of the largest outsourcing deals in Asia on the IT infrastructure and network management areas. Dr Jai Menon, Joint President, Enterprise Business, Bharti Tele-Ventures, says that the outsourcing relationship has brought, “unparalleled value to the company for our customers, employees and shareholders.”

“For customers, it brings innovative and streamlined products and services like billing, CRM and data warehousing. For employees, it brings enhanced performance-critical applications like intranet, e-mail and online collaboration. And at an overall level, the strategic alliance provides predictable IT spends, and additional revenue streams to further enhance shareholder value,” he adds.

The changing landscape

In the past, Indian companies were not very keen to outsource their IT needs, primarily because their enterprise IT environments were relatively less complex, easier to manage, and inexpensive to maintain. Besides, few outsourcing service providers offered a number of outsourcing options under one roof.

But now, IT environments in companies have become more complex. There has been growth in terms of volume of business, range of services, number of employees, number of competitors, nationwide locations, and enterprise applications. This calls for more attention to IT as a service to provide strategic business benefits.

To help organizations get optimum value out IT and use it as a strategic tool to further the cause of business, many CIOs think it worth their while to outsource IT infrastructure management.

Innovative options

Indian enterprises today have a variety of outsourcing options from which they can choose the right fit. Outsourcing solution providers offer services that include desktop client management, server management, cable management, firewall management, patch management, software license management, IT audits, backbone and connectivity, website hosting, and IT infrastructure management.

Thus the available services are innovative, significantly more customised, and better aligned with individual customer requirements. An enterprise can pick-and-chose specific services and build a reliable mode of service delivery. A company can outsource basic desktop management needs, or the management of the entire nationwide IT infrastructure if needed.

To introduce more flexibility, many service providers offer clients hire-purchase schemes, infrastructure on-demand, and pay-as-you-use options.

Hyatt Services India Pvt. Ltd has given a three-year contract to a service provider to outsource network monitoring services. Says Harcharan Singh, the company's Director of Information Systems, "The service provider has to upgrade and buy back the existing hardware as per the depreciation cost agreed in the SLA. This clause protects us from technology obsolescence, since technology changes rapidly."

IndusInd bank has entered into an infrastructure-on-demand agreement with IBM India, which includes building an IT infrastructure, implementing server consolidation, and setting up disaster recovery systems. The partnership supports the bank's goal to become totally customer-centric by providing more secure, responsive and efficient service, in line with its renewed focus on retail banking. It allows the bank to scale up operations and pursue aggressive growth plans.

Before you outsource

All things said, outsourcing is a strategic business decision that should be made only if a company sees true business benefits accruing from it. Badly-planned outsourcing could result in erosion of service value and cost escalation, but a well-planned outsourcing decision can help you sleep better at night, knowing that the responsibility of deliverables is in safe hands.

Michele Caminos of Gartner highlights a few steps that can lead you to take a proper decision in this context.

- What type of a service is it? Identify characteristics of service and the respective type.
- What perspective is driving the effort? Identify decision rights (service owner) and input rights (other stakeholders).
- How are other perspectives affected? Identify conflicts and work them out. Check 'killer' factor. Improve solution.
- Check compliance with principles and fit with architecture.
- Who should carry it out? Evaluate different staffing possibilities. Select best from combination.
- Who should participate in the decision? Submit service proposal to specific decision process. Follow it up.

She recommends the following:

- Understand different business perspectives and how they affect sourcing decisions.
- Understand how perspectives must be harnessed to drive sourcing decisions.
- Develop a structured sequence of steps to sourcing decisions.
- Develop evolving governance architecture to support sourcing decisions.
- Develop internal sourcing decision roles.

Human Side of Mergers and Acquisitions

Mergers and acquisitions are a huge business. In 2015 alone, almost $5 trillion dollars were spent on mergers and acquisitions globally. That's trillion with a T, and this figure eclipsed the previous record established in 2007. A number of major deals continue to be in the works, and while it is unclear how the incoming administration will impact these activities; there is every reason to believe that industry consolidation will likely continue.

There are, of course, a number of reasons why M&As are pursued. There are promises of synergies, more efficient operations, new markets, better consumer practices, improved product innovation, stronger strategic fit, and greater shareholder returns. But what looks good on a financial statement may not translate to actual benefits. In fact, according to McKinsey, 70% of mergers fail to achieve their financial objectives; and so for the activity in 2015, $3.5 trillion did not achieve its expected return. And interestingly, the greatest benefit in M&As often goes to the *seller*, not the buyer. This phenomenon is known as *"the winner's curse."*

The reasons for this less than stellar record are complex. It can certainly vary by which strategy of brand integration is embraced: assimilation, federation, confederation or metamorphosis (Bouchikhi and Kimberly, 2012). The most commonly attributed reasons for underperformance are that most companies routinely overestimate the value of synergies and underestimate the impact of one-time costs. These technical factors can restrict the new deal right from the beginning, but there are other considerations. The costs of disruption can also be significant for both customers and employees as illustrated by the following data points:

- The average newly created company will see 2 to 5% of their combined customers disappear (McKinsey, 2004).
- There is a 20% rise in actively disengaged employees after a merger/acquisition (Forbes, 2017)

- It can take three years to return to pre-merger engagement levels (Forbes, 2017).
- It is reasonable to expect that at least 20% of executives will leave during the post-merger period.
- Pritchett indicates that a 15% decline in productivity should be expected from middle management during the implementation period.

These talent and cultural impacts have significant ripple effects, but many companies do not get serious about the human side of bringing organizations together. The landscape is littered with examples of failed efforts to create synergies and integrate cultures: AOL-Time Warner and Compaq-HP to name just two. It is assumed to be more about the balance sheet than the hard work of cultural due diligence, communication and integrating two distinct organizations. But according to Deloitte, at least 30% of the reason for the underperformance of mergers and acquisitions is precisely for these "**soft**" reasons.

Calculating the impact of poorly leveraged HR practices on mergers and acquisitions

1) 70% of M&As fail to achieve their financial objectives (a KPMG study puts the estimate at 83%) and

2) 30% of the reasons that M&As fail is because of "human factors."

Given the $5 trillion M&A activity from 2015, human factors account for about $1 trillion in lost opportunity.

HR levers in 2015 M&As, therefore, represent a 13-figure upside (i.e., $1 trillion has a lot of zeros). This amount is worthy of our consideration; just to put it in context, a trillion dollars could buy:

- Apple and have $250 billion left over.
- College education for 8.3 million people.
- 769 Yankee stadiums.
- Cover the entire state of Delaware with $100 bills.

Fanciful: certainly, but let's not forget that an unrealized investment (from poor M&A human factor integration) is quite real to the people affected. ***"The soft stuff, again, turns out to be the hard stuff."***

Achieving the right balance

There are no simple answers, or one easy formula, to achieving greater success in mergers and acquisitions. So many economic, political, legal, personal and contextual factors pertain, but it is true that if the human-side is ignored or underserved, then success is virtually impossible to achieve. It is important to see M&As as a process, not an event.

People factors need to be addressed throughout all stages, including;

1) Pre-deal analysis

2) Due diligence

3) Integration planning

4) Eventual implementation after the deal is consummated.

HR must be a fearless and continuous advocate to protect and optimize the investment potential of the newly formed organization.

Three stage model of M&A

1. **Strategy**

   Under this phase, M&A Advisors assess the changes pertaining to the acquirer's industry and identify growth opportunities and targets in line with the firm's corporate strategy.

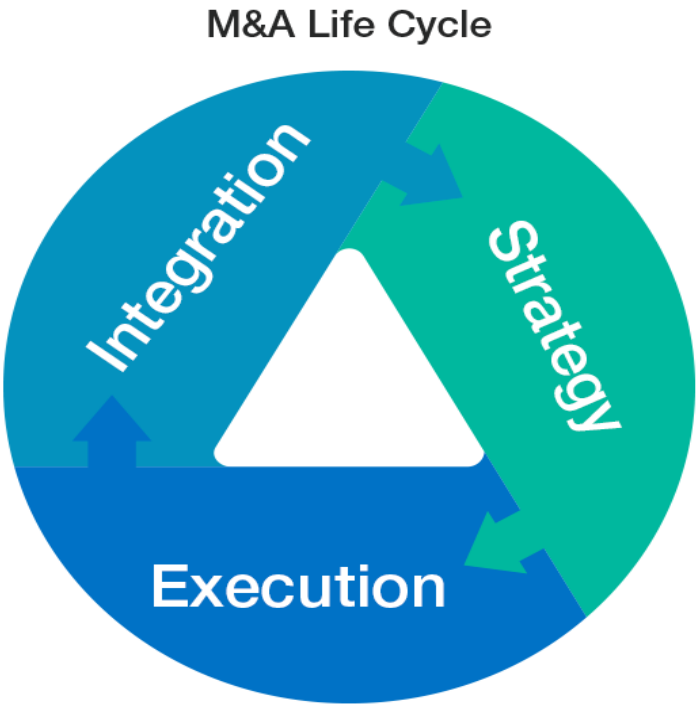
   This encompasses creating a portfolio strategy and an operating model assessment, corporate financing or investment banking and strategic alternatives.

   Besides, this stage also covers target screening, deal structuring, readiness review, synergy analysis and modeling.

2. **Execution**

   During the execution phase, M&A expert advisors in commercial, financial, HR, IT, operational and tax aspects provide insight into the transition and financing options. The execution phase combines experience and knowledge to bring closure to the complex process.

   This stage covers, plan structuring, financial advisory, negotiation support, due diligence, preliminary price allocation, tax structuring and more.



3. **Integration**

In the final phase, integration or separation will present the acquirer with a set of challenges including costs, timelines and business disruptions, among others. This phase spans integration or separation planning support, developing the sales purchase agreement, financial agreement advisory, finalizing valuation and purchase price, completion statement advisory.

Post-deal closure, M&A advisors organize Day 1 Readiness Transition Service Agreement, synergy support, human capital integration, tax integration and restructuring. Technology M&A Advisors assure of a hassle-free process all throughout the integration phase including end-state planning.

HR Dimension to Knowledge Management

UNIT: 5

Global human resource Management: Selection, Development

Due to increased **globalization** and easy mobility and communications between countries, companies operate at international level. Major task for organizations which operate across international boundaries is to manage the dissimilar stresses of the drive for integration and differentiation. In broader sense, International human resource management process has same activities as in Domestic HRM such as planning and staffing however domestic HRM is operated in one nation And IHRM activities are involved in different countries. International Human Resource Management is a branch of management studies that examines the design and effects of organizational human resource practices in cross-cultural contexts. It occupies an exciting position in the interstices of international business, human resource management and organizational behaviour, scholarships. Theoretical studied explained that International HRM is the interplay between three dimensions: HR activities, the types of people being employed in the organisation and the different countries that an organisation is operating in (Dowling, 1999). Complexities caused by these last two variables, are what differentiates international HRM from domestic HRM, as the HR activities themselves are relatively similar.

Concept of International Human Resource Management

Broadly defined, International human resource management is the study and application of all human resource management activities as they impact the process of managing human resources in enterprises in the global environment. IHRM can be explained as "The set of distinct activities, functions and processes that are directed at attracting, developing and maintaining an MNC's human resources. It is the aggregate of the various HRM systems used to manage people in the MNC, both at home and overseas" (Taylor, Beechler et al.

1996). An international organization or firm is one in which operations take place in subsidiaries overseas, which rely on the business expertise or manufacturing capacity of the parent company. Such companies or organizations bring with them their own management attitudes and business styles.

Human resource managers of such organizations cannot afford to ignore the international influences on their work. International human resource management play significant role in providing solution to global business issues. Theorists explained that International HR management denotes to an extension of HR that relates to having people working abroad. These can be either expatriate staff, those who are recruited from or work within their own home countries (locally recruited staff), or even third country nationals (individuals from neither the ‘parent’ nor ‘home’ country, but rather a third country. The kinds of organizations in which this is the case can range from those with a small office or subsidiary based abroad, to major multinational corporations, international public-sector organizations, or international NGOs (charities) with sites all over the world. It can also encompass an organization working in a joint partnership with another organization overseas. Alternatively it could be a home based organization with overseas offices or a company with selected departments which are offshore. The differences between IHRM and HRM is that IHRM is being unpredictable and influenced more by external factors, requiring more functions, having continuously changing perspectives, requiring more intervention in employees’ personal lives, and being more risky.

Major functions of International Human Resource Management

In International human resource management, there are five functional areas that include recruitment and selection, development and training, performance evaluation, remuneration and labor relations. In the first function of IHRM, Recruitment and selection, company employs new qualified candidates for international operations. Selection requires choosing from this pool the candidate whose qualifications most closely match the job requirements. Staffing is a complex function of international human resource management. In an global firms, the managing and staffing approach strongly affects the type of employee the company prefers. In a company with an ethnocentric approach, parent country nationals usually staff important positions at headquarters and subsidiaries. In recruitment and selection methods, firms consider both headquarters' practices and those widespread in the countries of its subsidiaries. Local culture also have great impact on recruitment and selection practices, and in some countries, local laws require a specific approach. In choosing the suitable candidate, it is needed to make balance between internal corporate consistency and sensitivity to local labor practices.

Another significant function of IHRM is Development and training which is aimed to offer sufficient training to personnel in a company and enable them to fulfil their goals, as well as show better performance and growth with their work. At global level, human resource development experts must have responsibility for training and development of employees located in subsidiaries around the world, specialized training to prepare expatriates for assignments abroad, and lastly development of a special group of worldwide minded managers. International human resource development programs may be done in two ways such as centralized and decentralized. In a centralized approach, training originates at the headquarters and corporate trainers travel to subsidiaries, often adapting to local situations. This fits the ethnocentric model. A geocentric approach is also centralized, and trainers could be sent from various positions in either the headquarters or subsidiaries to any other location in the company. In a decentralized approach, training is given locally, following a polycentric model. When training is decentralized, the cultural backgrounds of the trainers and trainees are usually similar. Local people develop training materials and techniques for use in their own area. It is important that trainer must be qualified.

Performance evaluation is the effective function of international human resource management. In companies, the performance evaluation is regularly performed for administration or development intentions. Usually, administration conduct evaluation when there is doubt of performance of candidate and there is a need of performance evaluation on work conditions of employees, promotions, rewards and/or layoffs. In multinational companies, performance appraisals are usually done annually and use a standardized evaluation form. Performance evaluation is complex task for International HR managers because the organization must evaluate employees from different countries working in different subsidiaries. Performance evaluation depends on the organization's overall human resource management strategy.

Remuneration and benefits is other functional approach of IHRM. Remuneration of employees plays an important role in hiring new employees because pay is the major source of people to live in the world. To develop an international system of compensation and benefits, firms have two primary concerns. The first is comparability. A good compensation system disperses salaries to employees that are internally equivalent and competitive within the marketplace. The international organization must also consider the salaries of people who may transfer from other locations. The second major concern is cost. Organizations struggle to reduce all expenses, and payroll is one of the largest.

Lastly, the labor relations function of IHRM which describes the role of management and workers in the workplace. In many countries, the government regulates labor relations practices.

Laurent (1986) recommends that international approach to human resource management would require numerous steps, Firstly, an explicit recognition by the parent organization that its own peculiar ways of managing human resources reflect some of the assumptions and values of its home culture. Secondly, an clear recognition by the parent organization that its peculiar ways are neither universally better nor worse than others, but are different and likely to exhibit strengths and weaknesses, particularly abroad. Next step is unambiguous recognition by the parent organization that its foreign subsidiaries may have other preferred ways of managing people that are neither intrinsically better nor worse, but could possibly be more effective locally. Next step is preparedness from headquarters not only to acknowledge cultural differences, but also to take action in order to make them discussable and therefore useable. Last step is developing genuine belief by all parties that more creative and effective ways of managing people could be developed as a result of cross-cultural learning.

Some people consider international HRM is similar to expatriate management. But IHRM has more importance and it includes more activities as compared to just the management of expatriates. It involves the international management of people. Although International HR managers assume the same activities as their domestically-based colleagues, the scope and intricacy of these tasks will depend on the extent of internationalisation of the organisation. Moving in global economy, organisations have to amend their traditional ways of managing people. The human factor is progressively more acknowledged as critical to organizational success. Theorists, Bohlander and Snell commented that "In the past, observers feared that machines might one day eliminate the need for people at work". Actually, just the opposite has been occurring. People are more important than earlier time.

In fast-growing economies, it is easy to access money and technology than good people. Competitive advantage belongs to companies that know how to attract, select, deploy, and develop talent. In multinational companies, major objective of HRM function is to make certain that the most effective use is made of its human resources. To accomplish this, HR professionals undertake a range of activities around sourcing, development, reward and performance management, HR planning, employee involvement and communications. If the organisation has a strategic HR function, these activities will support and inform organisational strategy. HR professionals are also used extensively in organisational change and development initiatives. For international organisations, these HR activities need to be co-ordinated across both the home country and different national subsidiaries and to take into account the needs of both parent country nationals (PCNs), host country nationals (HCNs) and third country nationals (TCNs).

Model of IHRM

The role of the IHR manager will differ and it depends on the international orientation of the organisation. It is critical that managers must be able to interpret international organisational strategy and develop IHR policies and practices which support that focus. As a strategic partner, the IHR manager should equally advise senior management of any mismatch between stated organisation internationalisation goals and actual IHR practice.

In order to enhance the competitive advantage of firm, the IHR professionals must focus on their international competencies and learn about the basics of global business.

International Human Resource Management

Strategies of International Human Resource Management

To respond major challenges in business, International HR executives are forced to formulate strategies and practices that will make their organizations successful. At the macro level, strategic global HRM is used to ensure that the organization overarching values, objectives and goals are supportedby the HR policies, procedures and practices (Brewster & Suutari, 2015). At the meso level, HR executives are mainly concerned to deal with issues relating to unions in the host country. At the micro level, HR executives are attempting to foster a global mindset among the workforce through developing HR competencies and business-related.

While implementing an IHR strategy, management team must ascertain the current and intended nature of international operations in the organisation (multi-domestic, international, global or transnational. Mangers should determine the extent to which HR policies and practices should be standardised or localised in accordance with overall organisational strategy. They must assess the extent to which local cultural, social, political, economic and legal factors will impinge on any attempts to apply standard HR policies if integration is a key factor in organisational strategy and ensure a computerised database of global human resources is used if integration is desired. In formulation of IHRM strategy, it is recommended to work with the senior management team to identify the competencies required to achieve global organisational objectives and also work with national HR and line managers to formulate IHR policies and practices in the key areas of sourcing, development and reward which will embed a transnational mindset in the organisation.

Major issues/ challenges of international Human Resource Management

A crucial challenge for all international organisations is the need to achieve target in relation to the competing demands of global integration and co-ordination versus local responsiveness, the "global versus local" debate. Main challenges in IHRM include high failure rates of expatriation and repatriation, Deployment, getting the right mix of skills in the organization regardless of geographical location, Knowledge and innovation dissemination and managing critical knowledge and speed of information flow, Talent identification and development and identify capable people who are able to f unction effectively, Barriers to women in IHRM, International ethics, language (e.g spoken, written, body). Other challenges are Different labor laws, Different political climate, and different stage of technological advancement, different values and attitudes e.g. time, achievement risk taking, Roles of religion e.g. sacred objects, prayer, taboos, holidays, etc, Educational level attained, Social organizations e.g. social institutions, authority structures, interest groups, status systems.

Major issues for IHRM include the variety of international organizational models that exist, the extent to which HRM policy and practice should vary in different countries, the problem of managing people in different cultures and environments, the approaches used to select, deploy, develop and reward expatriates who could be nationals of the parent company or 'third-country nationals' (TCNs), nationals of countries other than the parent company who work abroad in subsidiaries of that organization. Cultural and environmental diversity is main problems in international HRM. Haley stated that in culture where people are emphasized, it is the quality of international relationships which is important. In cultures where ideologies are emphasized, sharing common beliefs is more important than group membership. Hofstede (1980) emphasizes that there are a number of cultural dimensions that affect international operations. Sparrow and Hiltrop (1997) recognize various HR areas that may be affected by national culture such as decisions on what makes an effective manager, giving face-to-face feedback, readiness to accept international assignments, pay systems and different concepts of social justice, approaches to organizational structuring and strategic dynamics.

These cultural differences mentioned gave the saying 'think globally and act locally'. This means that an international balancing act is essential, which leads to the important assumption given by Bartlett and Ghoshal (1991) that denotes ‘Balancing the needs of co-ordination, control and autonomy and maintaining the appropriate balance are critical to the success of the multinational company.’

Ulrich (1998) proposed that to accomplish this balancing act, there are six capabilities that enable firms to integrate and concentrate international activities and also separate and adopt local activities that include being able to determine core activities and non-core activities, achieving consistency while allowing flexibility, building global brand equity while honouring local customs, obtaining leverage (bigger is better) while achieving focus (smaller is better, sharing learning and creating new knowledge andengendering a global perspective while ensuring local accountability.

Other problems are managing international assignments, employee and family adjustment, selecting the right person for international task, culture and communication barrier. Challenges of IHRM are clarifying taxation issues, coordinating foreign currencies, exchange rates, compensation plans, working directly with the families of employees, more involvement in employees personal life, facility etc, Different HR systems for different geographic locations, More complex external constituencies, foreign Governments, political and religious groups, heightened exposure to risks such as health, terrorism, legal issues, human and financial consequences of mistakes.

Laurent (1986) stated that “in order to build, maintain and develop the corporate identity, multinational organizations need to strive for consistency in their ways of managing people on a worldwide basis. Yet, and in order to be effective locally, they also need to adapt those ways to the specific cultural requirements of different societies. While the global nature of business may call for increased consistency, the variety of cultural environments may be calling for differentiation.”

From a business perspective, forces for global integration include operational requirements, strategic co-ordination and multinational customers. In contrast, forces for local responsiveness include highly diverse consumer requirements, tailored distribution channels and broader social and political constraints to market entry. From an HR perspective, there are many factors constraining the use of standardised HR practices including differing national business systems, labour laws, national HR practice, education systems and national cultural norms. Organisations still want to implement standardised HR systems internationally. Their option depends on their stage of internationalisation and international mindset. Major barriers to effective global HRM are variations, perception, of HR, Attitude and actions of headquarters towards, HR, resistance to change, cultural differences in learning and teaching styles.

To summarize, International human resource management has important role in a company to survive in global business. International HRM scrutinizes the way in which international organisations manage their human resources across these different national contexts It is a Procuring, Allocating, and Effectively utilizing human resources in a multinational corporation, while balancing the integration and differentiation of HR activities in foreign locations. HR managers have to sort out problems with globalisation and internationalisation due to dissimilar cultures, different policies or procedures, language and legislation. The International HRM assists in organizational remodel as it plays a role of innovator. International human resource management professionals have not only begun to frame their research in terms of organization theories, they are also increasingly using the international context to extend existing theories.

Difference between global HRM Vs Domestic HRM

1.Increased functional activities

In order to manage human resources across countries, the functional activities of human resource departments increase multi-¬fold. These activities include managing expatriation, cross-country relocation, international taxation, trans-national labour legislation, etc.

2. **Functional heterogeneity**

Since an MNE operates in diverse business environments with wide variations in government policies, culture, and regulatory environments, it has to carry out a variety of HRM functions, such as recruitment and selection, performance evaluation, managing compensation, and training and development, with considerable heterogeneity.

Satisfying various stakeholders, such as the employers, business partners, and the host country governments with effective human resource management in cross-country settings is indeed a challenging task.

3. **Increased involvement in employees' personal lives**

Managing expatriates involves relocating their entire families across countries: this is an important factor in ensuring employees' satisfaction as satisfied employees are crucial to effective output.

Relocating includes preparing not only the employees but their entire families, including spouse and children, to develop an understanding and appreciation for cross-cultural environment and equip them for potential cultural shock.

Further, issues such as education of children, meaningful engagement/employment for the spouse, accommodation, and transport become highly significant for employees, not only in the capacity to influence the decision to take up an overseas assignment but also in determining the employees' level of satisfaction and job performance.

4. **Enhanced risks**

Since human resource activities involve relocation of employees and their families across a country, which requires substantially higher costs in terms of their travel, training, and relocation expenses, the consequences of under- performance of expatriates or their premature return from international assignments is much higher compared to domestic assignment.

Therefore, an MNE has to develop and implement its international HRM strategies effectively so as to minimize such risks. Besides, the risks of employees' and their families' safety in terms of health and life increases multi-fold in trans-national assignments due to changes in climatic conditions, epidemic, war, terrorism, and incidence of riots and robbery.

5. **Increased influence of external environment**

Like all other activities in international business, managing human resources is also influenced by external environment. The diversity of cultural, regulatory, financial, and political environments requires considerable adaptations in a firm's HRM strategy.

International managers have to take into account the cultural differences in values, expectations, behaviours, negotiation, and communication styles of international workforce while designing organizations and recruiting, selecting, training, motivating, compensating, evaluating, and controlling of employees.

Strategic HR Issues in Global Assignments

Operating human resources across geographic and cultural boundaries can often prove difficult for small-business owners and managers. Nonetheless, with the widespread use of technology, the ability to communicate with anyone around the world and access to new and varied markets, international HR issues are important to grasp.

Compliance and International HRM Issues

As businesses begin to expand into the global marketplace or as they hire employees from diverse geographic and cultural backgrounds, they may have to adapt to new labor laws and tax liabilities. Doing business in Europe, for example, will require the business to pay value added tax. Hiring employees who are non-naturalized US citizens might require HR to apply for work visas and report economic data to the federal government. Compliance with international law can be an issue for the under-educated business owner or HR manager, because these laws tend to be complex and sometimes difficult to implement. Keeping well -informed of the legal requirements for the business's operations can help alleviate some of this complexity and lessen the chances of landing in legal trouble.

Scope of Human Resource Management

With an increasing number of businesses operating on an international scale, the impact of globalization on hr can be tricky to navigate. Globalization means various laws, cultures and norms have to be taken into consideration when onboarding and crafting HR regulations. Some countries are more forward thinking where gender is concerned than others, and this distinction can lead to misunderstandings or worse, the loss of key personnel. It really would not be that hard to have a male manager handle the day-to-day operations in an area where female managers are frowned upon, just in case. Understanding the mechanism that makes each culture tick and implementing as little or as much needed so create balance is something to strive for.

Cultural Diversity and Global HR Issues

A salient issue in international HR is understanding and maintaining cultural diversity. Working with people from different locations or from different cultural backgrounds mean adapting the business's work style to new ideas, new ways of communicating and unfamiliar social practices. If you hire an employee from England, for example, the employee might have different ideas about how to manage employees or on how to run technology processes based on her experiences back home. Being open to new work styles and cultural differences is the hallmark of cultural diversity in HR.

Benefits and Compensation

Benefits and compensation are the backbone of any HR strategy, but in international HR, benefits and compensation are even more important in focusing on the work-life balance of employees. The idea behind work-life balance is to provide employees with programs and initiatives that improve both their personal and professional lives. This is considered part of international HR, because many multinational companies have already implemented programs such as flexible working time, paternity leave, extended holidays and on-site childcare. In fact, many nations around the world, including much of Europe, mandate these programs by law. Implementing them on the local scale is one of the challenges and, ultimately, rewards of international HR.

Training and Development

Related to the idea of benefits and compensation in international HR are training and professional development programs. Training programs typically encompass in-house seminars and meetings designed to give employees on-the-job knowledge of skills that are important to doing business globally. HR might offer language classes, for example. Professional development encompasses the "extra" training that HR provides to its employees, such as allowing them to attend networking events and conferences, global training seminars and other specific competency-based programs. Professional development helps employees to hone their skills in global marketing, international business development and finance trends.

Expatriation and Repatriation

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).

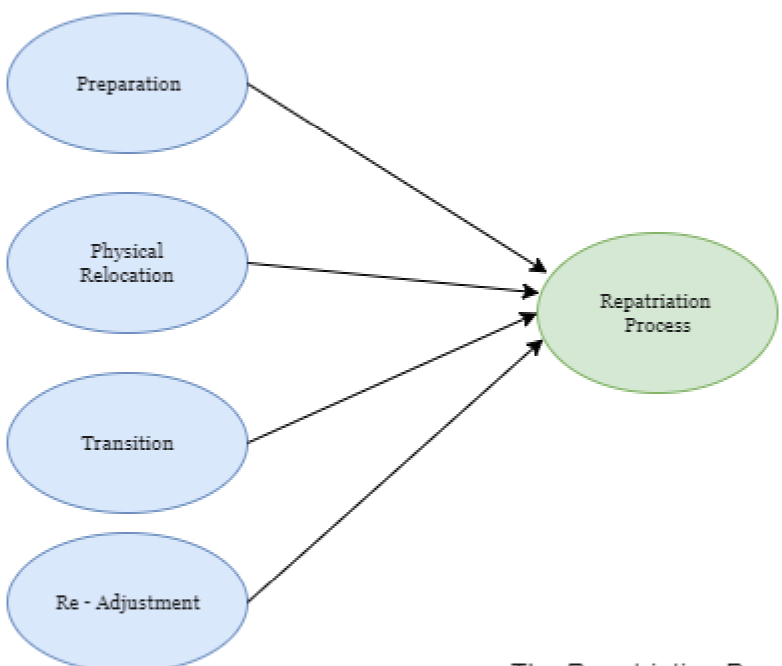
A firm's employees who are transferred out of their home base into some other area of the firm's international operations are referred to as expatriates. The practice of global mobility of a company's workforce helps in building competitive advantages. All expatriate employees are entitled to receive 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 human 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 frequency in which case they form part of the MNC's international cadre of managers. Even with such managers, repatriation is essential, particularly at retirement.



The Repatriation Process

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. Personalized relocation reduces the amount of uncertainly stress, and disruptions experienced by the repatriate and family.

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 uncertainly 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.

Challenging of re-entry: Repatriation poses certain problems more intense than those encountered at expatriation. Infact, assignee views expatriation as sort of reward for impressed performance but repatriation is perceived as the end of a honeymoon on his or her career. Challenging of re-entry relate to the individual assignee as well as the MNC

Individual perspective: Challenges from the assignee perspective include personal and professional. From a personal perspective, the assignee experience reverse culture shock. The returnee expects that the country would remain the same when he or she had left. But after repatriation the assignee finds that things are not the same. Political, economic, social and cultural climate has changed. Moreover, the returnees themselves are not same old individuals. The stay abroad has brought changes in their perception, attitudes, habits and practices. These changes have created high expectations about the home country, but the hopes do not match with reality. They exhibit fussiness about everything and this separates expatriates from home country citizens. It Is not be assignee alone facing the adjusting problem. Even the spouse has the same problem. Children too find re-entry difficult. Coming back to school, attempting to regain acceptance into peer groups and being out-of-touch with current slang, sports, and fashion do cause problems.

Lowered social status, deleted spendable income, housing problem, problem of children's school difficulty of club membership and the like add to re-entrant's problems.

Professional disappointments add to the returnee's woes. The repartee feels that his or her skills acquired while on foreign service are no more in use. The repatriate is of the opinion that job at the home is lacking in organization is unfairly ignoring the global competence acquired by the returnee. Worst, organizations may not guarantee jobs to the returnee. Often, due to poor career planning, repatriates are placed in a holding pattern- being assigned jobs that are available, without regard to the individual's abilities, capabilities and needs. Many returnees companies that, upon returns they are offered a limited member of career choices and are rarely considered for promotions-which make them feel that they have removed from the main stream of corporate advancement.

Challenges from organization Perspective: As is too well known majority of the returnees consider quitting the organization. Considering the investment made on training, position, maintaining the assignee while on assignment, his or her quitting will adversely effect the MNC 's bottom line. Often loss of the multinational becomes gain for a rival. When an experienced assignee quits and joins a rival organization the latter tends to gain competitive advantage. In addition, high withdrawals by returnees may after the company's ability to hire bright individuals in future.

Building a Multicultural Organization

A multicultural organization is one that has a workforce which includes people from diverse backgrounds across all departments, and which offers them equal opportunity for input and advancement within the company.

A multicultural organization also possesses an absence of discrimination or prejudice towards people of based on their race, religion, ethnicity, gender, age, sexual orientation, or physical limitation. In a multicultural organization, skill, talent, and performance are the criteria for meritocratic advancement.

A multicultural organization recognizes that the contributions of its employees include perspectives based on culture, gender, and other unique characteristics.

Few companies in our times want to make their products or services available only to one narrow slice of the population. A multicultural workforce helps them create products that meet the needs and expectations of a broader population.

An emphasis on diversity also may attract a better talent pool. In a survey by Glassdoor.com, fully 67% of job-seekers said that a diverse workforce was an important factor in their decision to accept or reject a job offer.

Moreover, a multicultural workforce is seen as essential for any business considering going global. "As national politics and discourse seem to grow more inward-looking and divisive across America and Europe, successful businesses must continue to think inclusively and globally," notes a blog for Hult International Business School. "Embracing cultural diversity in the workplace is an important first step for businesses that want to be competitive on an international scale."

Building a Multicultural Organization

1. Make multicultural management a strategic focus. Value the contributions of employees from all parts of your company and from different cultural backgrounds. To establish a welcoming and supportive work environment, senior management should set the tone by making it clear to managers and employees that the company will not tolerate insensitive comments or discrimination of any kind.
2. Use focus groups, surveys and one-on-one discussions to determine how effectively employees and managers can function in a multicultural setting.
3. Develop strategic and operational plans to correct the identified gaps. For example, if the middle and top management ranks do not have sufficient experience in managing multicultural teams, consider making changes to your in-house leadership development programs. Global companies should not be importing managers from their headquarters to fill overseas management positions, except on a transitional basis.
4. Foster an environment of multicultural understanding. This includes respecting and accommodating the cultural differences in your company. For example, a development team in India may need certain days off during the year for religious celebrations. Publish tips on your internal website that employees can use as references for planning purposes.
5. Create opportunities for culturally diverse groups to work together. For example, if you have one partnership with a manufacturing company in Mexico and another with a product design facility in Europe, bring key employees from these companies together in process improvement teams or new product development groups.
6. Implement cultural diversity training programs. In addition to discussing myths and stereotypes that can prevent multicultural groups from working together effectively, the training programs should increase your employees' ability to understand cultural differences and communicate effectively across these differences.

7. Train your employees to look for nonverbal communication signals when working in a multicultural environment. For example, silence could indicate agreement in some cultures and disagreement or disapproval in others. Self-promotion may be acceptable and even expected in North America, but not necessarily in certain parts of Asia. You may have to set aside funds for translation facilities, especially when negotiating agreements or collaborating on development projects.
8. Recognize differences in decision-making processes. For example, the chief executive officer of a family-held company in India may sign a partnership agreement, but the actual approval might involve several family members. When it comes to negotiations, executives from some cultures may prefer working on the specifics, while others may prefer to work on a broad framework and fill in the details later.

Multinational Corporations

Multinational Corporations or Multinational Companies are corporate organizations that operate in more than one country other than home country. Multinational Companies (MNCs) have their central head office in the home country and secondary offices, facilities, factories, industries, and other such assets in other countries.

These companies operate worldwide and hence also known as global enterprises. The activities are controlled and operated by the parent company worldwide. Products and services of MNCs are sold around various countries which require global management.

Features of a Multinational Company

1. **High Turnover and Many Assets**

   MNCs operate on a global scale. Which means they have huge assets in almost all countries in which they operate. Their turnovers can also be incomprehensibly large.

2. **Control**

MNCs have unity of control. So while they have many branches in many countries, the main control will remain with the head office in its country of origin. The business operations in the host country have their own management and offices, but the ultimate control will still remain at the head office.

3. **Technological Advantages**

   As we saw earlier, an MNC has at its disposal huge amounts of wealth and investments. This allows them to use the best technology available to boost their products and their company. Most companies also invest huge money in their Research & Development Department to invent and discover new technological marvels.

4. **Management by Professionals**

   An MNC is run by very competent and capable individuals. They have suitable managers to take care of their business operations, technology, finances, expansion etc. And they are also able to attract the top talent to their corporations due to their resources and their reputations.

5. **Aggressive Marketing**

   MNCs can spend a lot of their money on marketing, advertising, and promotional activities. They target an international audience, so effective marketing becomes necessary. Aggressive marketing allows them to capture the market and sell their products globally.

Merits of a Multinational Companies in a Host Country

- One of the main advantages to the host country is that MNCs boost theireconomic growth. They bring with them huge investments and capital. And then through subsidiaries, joint ventures, branches, factories they promote rapid industrial growth. In fact, MNCs are known as the messengers of progress.
- A multinational corporation helps the technological growth of the country as well. They

bring new innovationsand technological advancements to the host country. They help modernize the industry in developing countries.

- MNCs also reduce the host countries dependence on imports. Imports reduce while exports from the country see a rise.
- All MNCs have enormous capitaland resources at their disposal. A good portion of such resources is invested in R&D. This can be very beneficial to the host countries where they set up their R&D facilities.
- Multinational corporations also promote maximum utilization of the country’s resources. This, in turn, leads to economic development.

Merits of Multinational Companies in the Home Country

- MNCs make their home countries (country of origin) very rich by their revenues. The corporation will collect fees, royalties, profits, charges from all their host countries and bring them back to the home country. This huge inflow of foreign exchange is very beneficial to the home country.
- MNCs provide a means of co-operation between developed countries and developing or underdeveloped countries. This allows both to benefit from the partnership.
- And these multinational corporations also help promote bilateral trade relations between countries. This is beneficial to both the countries and the global market and economy.

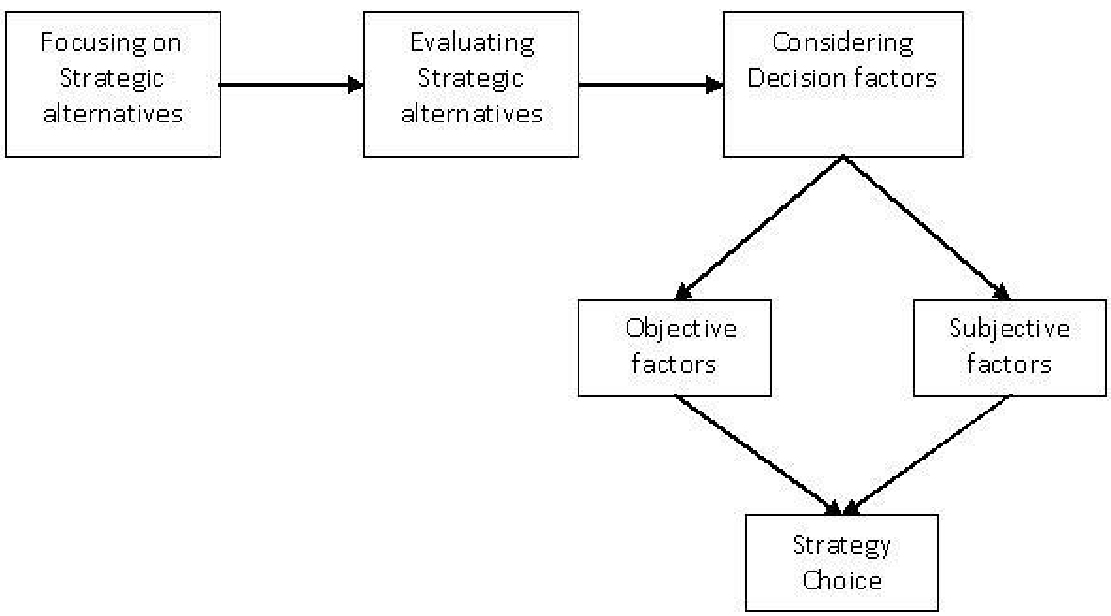
Strategic Choice

Strategic choice is a systemic theory of strategy. This theory is built on a notion of interaction in which organizations adapt to their environment in a self-regulating, negative-feedback (cybernetic) manner so as to achieve their goals. The dynamics, or pattern of movement over time, are those of movement to states of stable equilibrium. Prediction is not seen as problematic. The analysis is primarily at the macro level of the organization in which cause and effect are related to each other in a linear manner. Micro-diversity receives little attention and interaction is assumed to be uniform and harmonious.

Importance of Strategic Choices

Whether a business succeeds or fails depends in large measure on the strategic choices made by the owner. Spending large amounts of time and money introducing a product that turns out to have a very limited market is an example of a bad strategic choice. Anticipating a change in consumer tastes and introducing a service to take advantage of that change before competitors do is an example of a good strategic choice. The development of business strategy takes into account that all companies must cope with limited resources to some extent. The most successful companies can allocate scarce resources to the projects that have the greatest positive impact on revenue growth or improvements in productivity and efficiency that can increase profit margins.

Strategic Choice Process



(I) Focusing on strategic alternatives: It involves identification of all alternatives. The strategist examines what the organization wants to achieve (desired performance) and what it has really achieved (actual performance). The gap between the two positions constitutes the background for various alternatives and diagnosis. This is gap analysis. The gap between what is desired and what is achieved widens as the time passes if no strategy is adopted

(II) Evaluating strategic alternatives: The next step is to assess the pros and cons of various alternatives and their suitability. The tools which may be used are portfolio analysis, GE business screen and corporate Parenting.

(iii) Considering decision factors:

(a) Objective factors:-

- Environmental factor
- Volatility of environment
- Input supply from environment
- Powerful stakeholders
- Organizational factors
- Organization's mission
- Strategic intent
- Business definition
- Strengths and weaknesses

(b) Subjective factors:-

- Strategies adopted in the previous period
- Personal preferences of decision- makers
- Management's attitude toward risk
- Pressure from stakeholder
- Pressure from corporate culture
- Needs and desires of key managers

Leadership Meaning and Types of Leaders

Leadership

“Leadership is the quality of behavior of individuals whereby they guide people or their activities in organizing efforts” — Chester I. Barnard

“Leadership is the ability of a superior to induce subordinates to work with confidence and I zeal” — Koontz and ‘Donnell

“Leadership is the process by which an executive imaginatively directs, guides and influences the work of others in attaining specified goals.” — Theo Haimann

Leadership may be defined as a position of power held by an individual in a group, which provides him with an opportunity to exercise interpersonal influence on the group members for mobilizing and directing their efforts towards certain goals. The leader is at the Centre of group’s power structure, keeps the group together, infuses life into it, moves it towards its goals and maintains its momentum.

For example, a leader of national or international standing commands widespread influence over a large number of people while the influence of the leader of a small work group in an organization is very limited. Both are leaders in their own right and fulfill our definition of leadership.

Leadership is an influential process. The leader is in a position to shape, regulate, control and change the attitudes, behaviour and performance of his group members. The latter are supposed to comply with the former’s desires and directives and partially suspend their own judgment and discretion. There exists a particular relationship between the leader and his group members which is characterized by interpersonal and social interaction.

Nature of Leadership

(i) Leadership derives from power and is similar to, yet distinct from, management. In fact, "leadership" and "management" are different. There can be leaders of completely unorganized groups, but there can be managers only of organized groups. Thus it can be said that a manager is necessarily a leader but a leader may not be a manager.

(ii) Leadership is essential for managing. The ability to lead effectively is one of the keys to being an effective manager because she/he has to combine resources and lead a group to achieve objectives.

(iii) Leadership and motivation are closely interconnected. By understanding motivation, one can appreciate better what people want and why they act as they do. A leader can encourage or dampen workers motivation by creating a favorable or unfavorable working environment in the organization.

(iv) The essence of leadership is followership. In other words, it is the willingness of people to follow a person that makes that person a leader. Moreover, people tend to follow those whom they see as providing a means of achieving their desires, needs and wants.

(v) Leadership involves an unequal distribution of power between leaders and group members. Group members are not powerless; they can shape group activities in some ways. Still, the leader will usually have more power than the group members.

(vi) Leaders can influence the followers' behavior in some ways. In fact, leaders can influence workers either to do ill or well for the company. The leader must be able to empower and motivate the followers to the cause.

(vii) The leader must co-exist with the subordinates or followers and must have the clear idea about their demands and ambitions. This creates loyalty and trust in subordinates for their leader.

(viii) Leadership is to be concerned about values. Followers learn ethics and values from their leaders. Leaders are the real teachers of ethics, and they can reinforce ideas. It is very important for leaders to make positive statements of ethics if they are not hypocritical.

(ix) Leading is a very demanding job for both physically and psychologically. The leader must have the strength, power, and ability to meet the bodily requirements; zeal, energy, and patience to meet the mental requirements for leading.

TYPES OF LEADER

1. Managerial Leader

A managerial leader is the least effective of the five types of leaders. They have the least influence. People only follow them because they have to. They are not in the position to serve others. Their desire is to be served by others because they are in the position. They see others as tools to use to complete the objective for the day. They prefer to make decisions. Their weakness is character development.

Here's a brief review of characteristics:

- Character is weak.
- Desire is "to be served" rather than "to serve."
- They have a scarcity mindset.
- Competency can range from undeveloped to highly developed.
- Focus is on managing (directing/controlling) people and processes.
- Values the position more than the people.
- Strength comes from power, control, formal authority, and personal results.

2. Relational Leader

A relational leader builds relationships in order to influence others. People want to follow them because of who they are, not what they know. They develop mutual respect with others and work well with them. Although people want to follow them, they have not developed specialized knowledge. Their weakness is not making the necessary sacrifices to develop their competency.

Here’s a brief review of characteristics:

- Character is strong.
- Desire is to serve.
- They have an abundance mindset.
- Competency is undeveloped and generalized.
- Focus is on leading (influencing/releasing) people.
- Values people more than the position.
- Strength comes from relationships and moral authority.

3. Motivational Leader

A motivational leader seeks mutual benefit for themselves, others, and the organization. People want to follow them because of who they are and what they know. They influence others from the outside. They are process focused. They are trusted and deliver results for themselves, their families, their team, their organization, their customers, their suppliers, and their community. Their weakness is not making the necessary sacrifices to reproduce other motivational leaders.

Here’s a brief review of characteristics:

- Character is strong.
- Desire is to serve.
- They have an abundance mindset.
- Competency is developed and specialized.
- Focus is on leading (influencing/releasing) people, managing the processes, and getting results.
- Values people more than the position.
- Strength comes from relationships, moral authority, and team results.

4. Inspirational Leader

An inspirational leader inspires managerial and relational leaders to become motivational leaders. Their focus is on growing themselves in order to inspire others to grow. They influence others on the inside. They are people-focused not process-focused. They focus heavily on character development. True inspirational leaders are followed because of how much they care and who they are on the inside. They are inspired by the growth of those following them.

Here's a brief review of characteristics:

- Character is stronger.
- Desire is to serve and develop others.
- They have an abundance mindset.
- Competency is highly developed and specialized.
- Focus is on leading (influencing/releasing) people and developing motivational leaders.
- Values people more than the position.
- Strength comes from relationships, moral authority, and the growth of others.

5. Transformational Leader

A transformational leader's passion and purpose is to transform others. They are the most influential of the five types of leaders and are highly respected. Their reputation precedes them. They are well known for developing leaders. Their influence touches people in all industries and across multiple generations. They have influenced many leaders for many years. Their influence is continuously being transferred through many other leaders at many different times in multiple locations.

Here's a brief review of characteristics:

- Character is strongest.
- Desire is to serve and to develop others.

- They have an abundance mindset.
- Competency is highly developed and specialized.
- Focus is on leading (influencing/releasing) people and developing motivational and inspirational leaders.
- Values people more than the position.
- Strength comes from relationships, moral authority, growth of others, and the respect they have earned.

Strategic Issues in International Assignment

Also referred to as a secondment or transfer, an assignment might be internal (to a different role abroad with the same employer) or to an external employer. A key characteristic of an international assignment is that an employee from one legal entity and country ('home' country) temporarily performs services in another country ('host' country).

Potential Assignment Structures

There are a number of different ways in which assignments can be structured and documented. Which approach is appropriate will depend on a range of issues including employment law, tax, pension, social security and regulatory implications as well as the expectations of employees. Five frequently used assignment structures are:

- The employee continues to be employed solely by the home employer;
- The contract with the home employer is suspended and the employee enters into a local employment contract with the host employer for the assignment;
- The contract with the home employer is terminated with a promise of re-employment at the end of the assignment. In the meantime, the employee enters into a local employment contract with the host employer;
- The contract with the home employer is suspended and the employee enters into a contract with an international assignment company (IAC) within the employer group; or

- The contract with the home employer is suspended and the employee enters into a contract with both an IAC and the host country employer

When deciding on the best structure for the circumstances, some questions to consider are:

- Do the host country's laws require employment by a local entity, ruling out sole employment by the home employer?
- Where there is no contract of employment in place with the host employer, could local laws presume that the host is the de facto employer?
- If the home contract is "suspended", is the home employer prepared to accept the legal uncertainty, in employment law terms, that this status brings?
- In a dual contract structure, who will bear the greatest risk of being liable for employment claims – host, home (or the IAC)?
- Will the employee accept the termination of his/her home contract?
- What is the impact on pension and benefit schemes, social security and tax?

Are there key terms in the home contract that require special consideration and protection, for example, restrictive covenants and confidentiality?

Which national law applies, when and to what? Which courts would have jurisdiction in the event of a dispute?

Who pays for, and manages, the employee during the assignment and will the employee return to the home country?

Looking forward

It is inevitable that documenting assignments will become a smoother process as employers become more familiar with the issues involved. However, the range of significant personal, legal and financial implications will mean that a degree of tailoring will always be necessary, in order to avoid negative repercussions.