CHAPTER II

HR ACTIVITIES AND HRM STRATEGY LINKED TO THE CORPORATE STRATEGY

2.1 INTRODUCTION - HRM

The HR activities and HRM Strategies linked to the overall Corporate Strategy is discussed with reference to the empirical studies:

HRM deals with the planning, organization, directing, controlling of the procurement, development, compensation, integration and maintenance of people, for the purpose of contributing to organizational, individual and societal goals. HRM involves people, acquiring their services, developing their skills, motivating them to high levels of performance, and ensuring that they continue to maintain their commitment to the organization which are essential to achieve organizational objectives. Getting and keeping good people is critical to the success of every organization, whether profit or non-profit, public or private. The success of an organization depends upon the
coordination of competent managers and workers towards an ultimate goal. HRM consists of mainly four functions -

- acquisition
- development
- motivation
- maintenance

of human resources. In simple words, these four functions mainly include getting people, preparing them, activating them, and keeping them. Planning is essential for acquisition functions. Here the various HR requirements are determined and acquired. This includes the estimation of demand and supply of labour. Acquisition mainly depends with the recruitment, selection and socialization of employees. Development involves employee training, management and career development. The employee-training, emphasizes skill development and the changing attitude among the workers. The management development is primarily concerned with knowledge acquisition and the enhancement of the executive's conceptual abilities. The career development is the continual effort to match long-term individual and organizational needs. The organization recognizes that individuals are unique and that motivation techniques must reflect the needs of each
individual. The **motivation** function includes, job satisfaction, performance appraisal, behavioural and structural techniques for stimulating worker performance, linking rewards of performance, compensation and benefits administration, and how to handle the problems of employees. The **maintenance** function attempts to stimulate performance, and it is concerned with providing the working conditions that are necessary to maintain their commitment to the organization.

### 2.2 DEFINITIONS

**Bratton and Gold** defines HRM as:

"... a strategic approach to managing employment relations which emphasizes that leveraging people's capabilities is critical to achieving sustained competitive advantage, this being achieved through a distinctive set of integrated employment policies, programs and practices"[28](#). The success of the organization depends on the efficiency of the personnel who put their best effort for an efficient performance of their job.

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According to Deyner, "Materials, machines and even offices themselves can be replaced and any risks involved can be insured against but a good loyal team of workers cannot be replaced so easily"\(^{29}\). An efficient and effective use of people at work is essential to attain the objectives of an enterprise. The term personnel management is a part of the general management with the objectives of ensuring that every employee makes his fullest contribution to the achievement of the objectives of business. In the words of Dale Yoder, "Personnel management effectively describes the processes of planning and directing the application, development and utilization of human resource in employment"\(^{30}\).

**Prof. E.F.L. Brech** defines the term 'Personnel Management' in the following words - "Personnel Management is that part of management progress which is primarily concerned with the human constitution of an organization"\(^{31}\).

**The Indian Institute of Personnel Management** observes that, "Personnel Management aims to achieve both efficiency and justice, neither of which can be pursued successfully without the other. It seeks to bring

\(^{29}\) Deyner D, Journal of Human Resource Management, 15(2) pp. 331-345

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together and develop into an effective organization. The men and women who make up an enterprise enables to make their best contributions to the success both as an individual and as an member of a working group. It seeks to provide fair terms and conditions of employment and satisfying work to all those employed”

2.3 HRM – Functions

According to Ashit .K. Sarkar, a paper presented by two young HR students of Management Development Institute (MDI), Gurgaon highlights the four stages of growth and evolution process of the human resource management (HRM) functions as follows:

2.3.1 The reactive function

The main purpose is seen as maintenance of industrial harmony and avoiding disruption through strikes, etc., and where near monopoly situation which assures growth, the integrations between the HR and operative managers would be minimal.

2.3.2 The independent HRM function

The functions are recognized as an independent entity. It sets up industrial systems and procedures for operating managers, but is not fully responsible for the monitoring or correcting problems in the system.

2.3.3 The supportive HRM function

This has its own direction with a distinct status within the organization and actively contributes to the efforts of other functions in producing results. Organizations that require a product or technology changes rapidly in a competitive scenario, generally needs such HR involvement with high demands for qualified and competent manpower. The HR's understanding or involvement in total business perspective remains limited or inadequate, even with higher functional participation.

2.3.4 The integrative HRM function

This is a stage where the competitive success of the organization involves HRM significantly in an integrated manner and demands such capabilities from the HR specialists. Their role shifts from facilitator to a functional peer with competencies in other functions and are recognized as an equal partner by the others. The typical HRM in this case is geared to
contribute, to organizational objectives of profitability and customer satisfaction, and is seen as a vehicle for implementation of quality processes. The department has a responsibility for monitoring employee satisfaction since it is seen as surrogate to customer satisfaction.

There is more need for strategic HRM today, rather than the traditional ways of managing the human resources and there is also a need to understand its implications. The traditional HRM is seen to be both physically and psychologically separated from the "real work" in an organization as a typical "separate" department. The strategic HRM on the other hand, represents much close and involves linkage between strategic management and human relations. The strategic HRM concept interconnects the business strategies for implementing corporate strategy. A strategic approach to human resource management must culminate in the implementation of the policies and practices designed to enable, support and engender behaviours that are consistent with organization's strategic intent. This demands achievement of a good fit between HR and the business strategies. However one of the issues that often exists and need to be corrected is the identification of the stages of HRM that is best needed for the results in any organization and the actual situation that exists.
2.4 Designing the HRM system

The HRM system has the following components:

2.4.1 Performance Appraisal of Employees - It is used to

- Understand the problems of the subordinates and try to sort them out
- Find out the strengths and weaknesses of the subordinates and help the subordinates to realize them
- Assist the subordinates to become aware of their positive contributions
- Motivate the subordinates to accept more responsibilities and challenges
- Encourage subordinates to acquire new capabilities
- Utilize the talents of subordinates

2.4.2 Capabilities, Appraisal and Developments

In most of the organizations, the potential of every employee is assessed periodically. Such assessment is used for development planning as well as for placement. When the company is growing continuously it may be expanding in scale, diversifying in operations, introducing technological
changes, or entering new markets. A developed organization has to continually review its structure and systems, creating new roles and assigning new responsibilities. The talents to perform new roles and responsibilities must continually be developed among employees. The ideal way to assess a person's potential would be to try the person on each job for which his potential is being assessed.

2.4.3 Improving the performance capabilities

People have to recognize their strengths and avoid situations in which their weakness could create problems. Supervisors in HRM system have the responsibility for ongoing observation and feedback to subordinates about their strengths and their weaknesses, as well as guidance in improving performance capabilities.

2.4.4 Career Planning of Employees

Employees would want to know the possibilities for their own growth and career opportunities in an organization. Managers and supervisors have information about the growth plans of the company, it is their responsibility to transmit information to their subordinates and assist them in planning their careers within the organization.
2.4.5 Training of Employees

Training is an essential element in the performance appraisal and career development. Employees generally are trained on the job or through special in-house training programs. An outside training may be utilized to enhance, update, or develop specific skills of the employees as well as managers. Those who attend the in-house or outside training programs can submit proposals concerning any changes they would like to suggest on the basis of their new knowledge. The training received by employees is thus, utilized by the organization.

2.4.6 Organization Development (OD)

To ascertain the psychological health of the organization, periodic employee surveys are conducted. Efforts are made to improve organizational health through various means in order to maintain psychological climate that is conducive to productivity. The management experts suggest in solving the problems such as absenteeism, low production, inter-personnel conflict, or resistance to change. These experts also revitalize various systems within the organization to improve their functioning.
2.4.7 Sufficient Reward for Performance

The performance and behaviour of an employee should always be rewarded by the organization. Proper rewards not only recognize and motivate employees but also communicate the organization's values to the employees. The innovations and use of capabilities are always rewarded in order to encourage the acquisition and application of positive attitude and skills. The reward includes certificate of appreciation, newsletter announcements, increase in salary, bonuses, special privileges and desired training.

2.4.8 Quality of Work Life

The quality of work life programs focus on the environment within the organization and include - basic physical concerns such as heating and air conditioning, lighting and safety precautions; additional physical amenities such as food and beverage facilities, recreation and psychological and motivational factors such as flexible work hours, freedom to suggest changes or improvements, challenging work, and varying degree to autonomy. HRM mainly focus on employee needs and meeting them to the
extent feasible. Job-enrichment programs, educational subsidies, recreational activities, health and medical benefits, and the like generate a sense of belonging that benefits the organization in the long run.

2.5 Storing of Human Resource Information

The various types of information about the employees should be stored in a central human resource data bank (usually by means of computers). This includes all basic information about each employees, training programs attended, performance records, potential appraisal, accomplishments etc.,. The data will be utilized whenever there is a need to identify employees for consideration for special projects, additional training, or higher-level-jobs.

2.6 Managerial and Operative functions of HRM

The managerial functions includes - Planning, organizing, motivating and controlling. These general functions are performed by all managers including personnel managers. Therefore, it may be said that general management and personnel management are one and the same. The Operative functions are of routine in nature. They include Procurement, Development, Compensation, Integration and Maintenance of the personnel of the Organization.
2.7 Principles of HRM

The following are the widely accepted principles of HRM

2.7.1 Individual development

Developing the personality of each individual after recognizing, their ability and to make use of such ability in an effective manner. Maximum individual satisfaction should be provided, to the employees.

2.7.2 Proper selection

A scientific system of selection has to be designed, that ensures the selection of the right type of persons for various jobs for this purpose. Workers should be selected after careful weighing of the requirement of the jobs on one hand and assessment and evaluation of the abilities and aptitudes of men on the other. This will avoid the wastage of resources and increase the productivity of employees.

2.7.3 Improvement of employee morale

High morale is indispensable for the effectiveness and efficiency of the organization. It promotes cooperative attitude among the workers and makes them committed to the organization.
2.7.4 Effective communication

An effective communication will coordinate the efforts of various employees and the management. It provides freedom to both parties – management and workers.

2.7.5 Dignity of labour

The services of an employee should be duly recognized, so that his ego must be satisfied. Some non-monetary incentives should be provided along with monetary incentives.

2.7.6 Team work

The employees should feel their joint responsibility. They must feel that their work as a team would accomplish the goals of the organization. In this context, employees should be educated so that they extend cooperation to the organization.

2.7.7 Principles of fair compensation

The workers should get fair compensation for their work. This is necessary to maintain better industrial relations and to increase the workers
efficiency. Performance appraisal should be the basis for the wage determination.

2.7.8 Principles of participation

The employees should be given a due participation in the management of the enterprise, so that they may realize that they are partners in the prosperity of the organization and their interest and the interest of the management are the same.

2.7.9 Proper utilization of human resources

The Management has to utilize the available human resources in the best manner possible, so as to achieve the organization objectives effectively.

2.8 Evolution and Growth:

The concept of HRM emerged in the mid 1980's against the background of the works of famous writers on management, like Pascale and Athos (1981) and Peters and Waterman (1982) produced lists of the attributes that they claimed characterized successful companies became the
background for the concept of HRM that emerges in the mid 1980's. The human resource wheel which was developed by the American Society for Training and Development (ASTD) highlights the different functions of HRM leading to quality of work life, productivity and readiness for change.

![Human Resource Wheel](image)

**Fig 2.1** Human Resource Wheel

**Source**: ASTD 1983 The T&D helps to develop

The **T&D** (Training & Development) helps to develop the key competencies which enables individuals to perform current and future jobs. **O&D** (Organization & Development) focus assures healthy inter and intra-personal relationships and help group to initiate and manage change.

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Organization/ **Job Design** focus defines how tasks, authority and systems will be integrated across organization units and individual jobs.

The **HRP** (Human Resource Planning) focus determines the organization's major HR needs, strategies and philosophies. Selection and staffing helps in matching people and their career needs and capabilities with jobs and career paths. **Personnel research and information systems** assures a personnel information base.

**Compensation/ Benefits** focus assures compensation benefit fairness and consistency. **Employee assistance** focus provides counseling to individual employees, for personal problem-solving. **Union-labour** relations focus assures healthy union/ organization relationships.

One of the first overt statement of the HRM concept was made by the Michigan School (**Fomburn et al; 1984**)\(^{35}\). They explained the human resource cycle that consists of four generic process functions. They are:

1. **Selection** - Matching available human resource to jobs
2. **Appraisal** - Performance management
3. **Rewards** - Short and long-term achievements must be rewarded

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\(^{35}\) **Fomburn et al.** (1984) 'Historical Evolution of Strategic Human Resource Management'

www.mgv.mim.edu.my/mmr/9906/990603.htm
4. Development - Developing high quality employees

They suggest that, the HR functions should be linked to the line organizations, by providing the business with good databases, and ensuring that senior managers give HR issues as much importance as they give to other functions.

\[ \rightarrow \text{Rewards} \]
\[ \downarrow \text{Performance} \]
\[ \text{Selection} \quad \text{Performance Management} \]
\[ \uparrow \text{Development} \]

**FIG 2.2 Source:** The Human Resource Cycle . Fomburn et al. (1984)

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2.8.1 The Harvard Framework

The Harvard Framework of HRM was developed by **Beer et al. (1984)**. This framework is based on the belief that the problems of historical personnel management can only be solved when general managers develop a viewpoint of how they wish to see employees involved in, developed by the enterprise and of what HRM policies and practices may achieve those goals.
Without either a central philosophy or a strategic vision, which can be provided by the general managers, HRM is likely to remain a set of independent activities, each guided by its own practices and traditions.

2.8.2 The Harvard school suggested that HRM has two characteristic features:

2.8.2.1 Line managers accept more responsibility for ensuring alignment of competitive strategy and personnel policies;

2.8.2.2 The personnel function has the mission of setting policies that govern how personnel activities are developed and implemented in ways that make them more mutually re-enforcing.

The human resource of an organization represents, its largest investment. In fact government report shows that approximately 73 per cent of national income is used to compensate its employees. In addition to wage and salaries, an organization often make sizable investment in their human resource by way of recruiting, hiring and training people to fulfill its need for well-trained and experienced staff. Human resource management is a modern term for what has traditionally been referred to as personnel administration or personnel management.
2.9 HRM is most relevant in today's context due to the following compulsions:

2.9.1 Change management

Terms such as 'Learning Organization', 'Managing Organizational Change', 'Change Agents' and the like are being increasingly encountered. It is now an accepted fact that any organization can survive in today's socio-economic environment only if it is proactive to environmental changes. Advances in information technology too are facing organization to change their very way of thinking.

2.9.2 Competence

It is often said, "Give a man a job that he excels at and he would not have to work". In the organizational context, it may not be always feasible to allocate tasks to individuals, at which each one excels, but competence of individuals for specific tasks through well-designed training programs can be ensured. It is equally important to consider the interests of the individual. It is much easier to train people in tasks that are closer to their inherent liking. But many managers do not realize the importance of this aspect.
Without the required competence, the employee would either shrink from the assigned tasks or would do bad job.

2.9.3 Commitment

The extent to which the employees are committed to their work and organization has a significant bearing on an organization's performance. Commitment levels can be assessed in a number of ways. One can make use of informal interviews and questionnaires, statistics on absenteeism, grievance and voluntary separations. Transparency in organizational functioning, employee's perception of various HRM policies, channels of communication, and role models played by superiors strongly influence employee commitment.

2.9.4 Motivation

Employee's willingness to work and the desire to constantly improve his performance is another aspect of human behaviour. People want to contribute to meaningful goals, particularly, those they have helped in setting. Most people can exercise creativity, self-direction, self-control and their present job demands.
In the 50's there was a strong belief that the employees were recruited not to question 'why' but only 'to do-and die'. In the 60's terms like manpower, staff and personnel came to be used and instead of controlling employees, it became more and more acceptable to manage personnel as studies revealed that productivity of the workers could be improved if they were organized for the work. And in late 70's, people realized that beyond a point, productivity depended on people. Also, workers started demanding whatever they expected from the employers over and above salaries. 'Personnel' came to be called as "human resources". Sharing the global thinking, Indian managers and behavioural scientists accepted and introduced such theories, models, socio-comparison processes, socio-technical system, job enrichment, managerial grid, participative management, empowerment, quality of work life, total quality management.

Experts observed that there were some strategic challenges of current times as accelerating rates of change in all aspects of business-increasing competition, globalization of business, technological changing work culture, resource constraints, transition from industrial to information society, unstable market owing to economic conditions, increasing demands by
corporate stake-holders, and a complex psychological environment. Hierarchy, status, authority, responsibility and accountability are structural concepts. But in the Indian context, emotions, feelings, empathetic perceptions, impressions and the affective components have influenced people more than anything else. In a work environment, people do not like to be treated as puppets blamed, belittled or bossed. On the other hand, managers feel they should 'think' and let workers 'do'. The idea is that boss is always right still persists. The boss-subordinate relationship creates stressful situations, hampering the environment conducive to human resource management. The subordinate expect that the boss should have integrity, higher performance skill, commitment, guidance and leadership qualities, support and patronizing tendencies, accessibility, wider vision, sense of empowerment and credibility. On the other hand the boss expects his subordinate should have a commitment to job, integrity, competence, reliability and job involvement.

HRM basically refers to a balanced interaction between the boss and the subordinate. However, a healthy corporate philosophy ensuring uniform policies at all levels of an organization is necessary for good HRM. The Indian organizations are experiencing some transitions and changes. The workforce of the 50's and 60's have retired.
The middle level is at the top with the hangover of all the possible middle-class values. The new generation of MBA 's are pouring into industrial organizations. Young executives in their mid-30's are heading HRD/HRM divisions in big companies. Moreover, due to the unprecedented advancement in information-technology, there is growing needs to understand and manage transition, and give a direction to this change process.

In order to achieve an effective HRM strategy, we have to integrate HRM with Human Resource Development (HRD), Industrial Relations (IR) and organization development (OD). The HRM strategies in India in the 21st century has to focus on better individual-organization interface and greater emphasis on organizational effectiveness than on personal success.

2.11 HRM-Challenges

Changes in socio-economic and political conditions are bound to bring about changes in the environment within organizations. The HR managers of today may find themselves obsolete because of the rapidly changing business environment, and therefore they should constantly update their knowledge and skills by looking at the organization's needs and objectives.
Some of the important challenges are as follows:

2.11.1 Vision penetration

Evolving the right vision is an entrepreneurial or top management function, but its utility immensely id it percolates, and is understood and accepted down the line. Vision not only provides the fuel and direction to business strategy, but also helps managers evaluate management practices and makes decisions. Penetration of vision shall therefore become an important, integral part of man-management in future.

2.11.2 Internal environment

Creating an environment, which is responsive to external changes, providing satisfaction to the members of the organization, and sustaining it through culture, useful traditions, practices, and even systems will become another important dimension of managing managerial personnel.

2.11.3 Change in industrial relations

The practice of IR has undergone sea change. Development of workers may need simpler and appropriate inputs' but both the workers and managers must be managed and developed by the same set of assumptions and HRM philosophy of the company.
2.11.4 Building organizational capabilities

The paradigm of managing managers would include not only assisting them to acquire new skills and knowledge and to evaluate environmental changes to evolve business strategies, but also to live in a psychological state of readiness to continually change.

2.11.5 Job Design and Organizational Design

In designing organizations, uncritical acceptance to foreign concepts like quality circles, TQM etc. Organizational structure and design will primarily be based on (i) task approach, i.e. understanding of the intricacies of technology jobs and functions to be performed to achieve organizational tasks and (ii) people approach, which takes cognizance of their strength, aspirations and relations to work.

Changing psycho-social system – In the traditional bureaucratic model, the organizations were designed to perform technical functions with strict compartmentalization of work functions. But in the future, human participation will be required not only in the technical functions, but also in establishing the democratic humanistic system.
2.11.6 Technological advances

In the wake of technological advances new jobs will be created and many old jobs will become redundant. Unemployment resulting from modernization could be liquidated by properly assessing manpower needs and training of redundant employees in alternate skills.

2.11.7 Computerized information system

It will play a revolutionary role in managerial decision making. It will also have an increasing impact in coordination and at strategic levels.

2.11.8 Changes in legal environment

To meet with the increasing changes in the legal environment, necessary adjustments will have to be made so that greater utilization of human resources can be achieved.

2.11.9 Management of human relations

The new generation workforce, comprise of educated and conscious workers will ask for higher degree of participation and avenues for self-fulfillment. It is rather difficult to motivate many of the new generation
workers than their predecessors. This is partly due to the change in their value system and higher levels of professional competency.

2.12 HRP-Corporate level

The Contemporary approach to Human Resource Planning (HRP)

Human Resource Planning is a management process. Effective human resource planning is a process of analyzing an organization's human resource needs under changing conditions and developing activities necessary to satisfy these needs. The contemporary approach to HRP establishes a link between the broad range of external and organizational factors on the one hand, and specific personnel programs on the other.

The effectiveness of HRP largely depends on how well the existing manpower is utilized and future needs are met. Benefits associated with effective HRP include the identification of sources of manpower which are likely to provide sufficient number of employees having the appropriate levels of knowledge skills, and work attitudes, the development of a system for providing a suitable worker-job-fit, and the capability of integrating important elements of manpower planning into the overall corporate planning system in the organization. HRP rests on two notions-integration and analysis. The contemporary approach also features a strong link between
individual goals and plans and those of the organization. Historically programs have been designed to meet organizational needs. But in the years ahead it will be increasingly important to balance organizational needs with the needs of the employees and society at a large. Employee career interest, relocation preferences and development plans should be taken into account in forecasting. Societal pressures for disclosure of company policies and practices for hiring of minorities, more flexible work schedule, and other new programs will also be evaluated. In future, what is considered good for individuals should prove to be good for the company also. In many business, personnel costs rank near the top among all costs. Hence interest in improved forecasting and control of staff extends into all ranks particularly professional and managerial. The common approach to the problem of staffing is the planning and budgeting process, involving participation by successive levels of management. To improve the objectivity of staffing plans, companies are also including HRP at an earlier stage in the planning cycle. Human resource needs must be considered in the context of long range strategic planning. In many cases, improves control on staffing is being achieved through closer attention to the actual nature of the work. In many cases, improves control on staffing is being achieved through closer attention to the actual nature of the work.
In an effort to manage the 'work' as well as the 'people', companies attach high priority to the studies of work activities. Companies are now providing computer generated analysis of personnel competency, movement and projected requirement in large complex organizations. Large-scale modeling is relied upon to assure optimal staffing to meet planned organizational objectives.

2.13 Strategic planning

Entrepreneurs and business managers are often so preoccupied with immediate issues that they lose sight of their ultimate objectives. That's why a business review or preparation of a strategic plan is a virtual necessity. This may not be a recipe for success, but without it a business is much more likely to fail. A sound plan should:

- Serve as a framework for decisions or for securing support/approval.
- Provide a basis for more detailed planning.
- Explain the business to others in order to inform, motivate & involve.
- Assist benchmarking & performance monitoring.
- Stimulate change and become building block for next plan.
2.14 Link between Human resource planning (HRP) and strategic planning

Companies commonly prepare annual forecasts of staffing needs as a base for external recruitment, promotions and annual training program planning. But this one year planning horizon fails to consider long range business plan and needs, such as new facilities, new products, retrenchment, and expansion. Effective human resource planning involves long-range career development and long-range planning for utilization of human resources in an organization.

2.14.1 Benefits anticipated from long-range human resource planning includes the following:

- An improves understanding of the human resources implication of business strategies.
- Recruiting experiences talents well in advance of needs, both from campus and from market.
- Improved planning of assignments and other employee developmental actions such as lateral movements to permit long-range broadening of managerial perspective.
• Improves analysis and control of personnel related costs, by providing more objective criteria concerning payrolls, turnover, relocation, training and other costs.

2.14.2 The capacity of an organization to achieve its strategic objectives is enhanced by human resource in three fundamental ways

• Cost economics
• Capacity to operate efficiently and
• Capacity to undertake new enterprises and changed operations.

These factors serve as the basic elements comprising the approaches that are commonly used to bridging the planning processes.

2.15 Strategic HRM

Strategy is basically the creation of missions, setting of organizational objectives with full consideration of external and internal forces, formulation of specific policies to achieve objectives, and the assurance of implementation of the policies with a view to making it certain that the purpose and objectives of the organization are accomplished.
FIG 2.3 How HR will create Value for the business

Source: Human Resource Management – Biswajeet Pattanayak

HRM comprises program relating to the individuals in the organization. Human resource practices should be linked to business objectives and corporate strategy. HR should continuously be aligned with
the corporate strategy. Such an alignment must be in the interest of the organization.

According to Ulrich and Lake 1990\textsuperscript{36}, the strategic framework aims to leverage or align HR practices to build crucial capabilities that enable an organization to achieve its goals. Strategic human resource management is very important in achieving organizational goals. Business objectives are to be achieved by people working in the organization. If the people are not competent and rightly motivated, in spite of the best business strategy the organizational performance would be elusive.

HR is considered as a supportive function in the organization. But due emphasis should be given that the HR professionals become a part of the team who formulates the business or corporate strategy. This further calls for the linkage between the human resource functions and the long-term corporate objectives.

\textsuperscript{36} Ulrich D and D. Lake (1990), 'Organizational Capabilities' – John Wiley and Sons – New York
2.16 The evolution of strategic management

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Table :2.1 The evolution of strategic management

Source: Grant (2002 Table 1.2, p.22)
2.17 A comparison between traditional and Strategic HR

Strategic HR, focuses on business goals of the organization, which is a radical shift from the traditional HR objectives. A traditional approach to HR was basically managing human resources by specialists in line with the rules and acts of the organization and laws of the land. A strategic approach places the responsibility for managing people mostly on the line managers who basically manage their people at work. The main aim of the strategic HR is to function as a business partner in aligning the HR activities with the business strategy of the organization. Strategic HRM encompasses all those activities affecting the behaviour of the individuals in their efforts to formulate and implement the strategic needs of the business (Schuler, 1992)\(^{37}\).

The strategic HRM needs to be implemented in the organization through all the HR system and sub-systems. All the HR activities requires to be strategize to be aligned with the organizational strategy. The virtual function in strategic HRM is strategic staffing and strategic HRD which will help the organization to recruit competent need based people and also

develop and equip the existing people with the skills needed to enhance their efficiency. Strategic staffing emphasizes on strategic recruitment and selection function of the organization. This is critical because ultimately the results will be delivered by the people. The staffing pattern and the process need to be developed by the HR professionals keeping in view the requirement to fulfill the business strategy. Competency is getting redundant with the rapid changes in technology. Organization finds it difficult to afford to conduct training and development activities just as ritualistic function to develop people. This function needs to be strategized with business goals. The formulation of the training needs must be done keeping in view the future competencies and the present skills available in the organization. **Watson (1999)** highlighted that strategic HRD involves introducing, eliminating, modifying, directing and guiding processes and responsibilities in such a way that all individuals and teams are equipped with the skills, knowledge and competencies they require to undertake current and future tasks required by the organization. The other functions of HRM like performance management, compensation management, reward system are also needed to be strategized.
The role of HR is strategy formulation

The overall corporate or organizational strategy for the financial drive includes the human resource strategy. A company first decides what competitive advantage it needs to achieve, and then formulates the strategic business plan. Once the strategic plans are formulated, more specific strategies for each functional areas like marketing, finance, operations/production and human resource are drawn. The formulation of corporate strategy interacts with the formulation of functional strategy. Human resource integrally affects the overall strategy of the company, and therefore the overall corporate strategy should incorporate human resource considerations.

The HR strategy should drive the activities towards the corporate strategic goal adding sustainable value to increase the stake holder's wealth. The foundation of a strategic HR role is the three dimensions of the 'value chain' represented by the firm's HR architecture: the function, the system and employee behaviour.
The HR function
HR professionals with strategic competencies

The HR system
High-performance strategically aligned policies and practices

Employee behaviour
Strategically focused competencies, motivation and associated behaviours

FIG:2.4 HR's Strategic Architecture


The value chains of firms differ, reflecting their strategies and success rates at implementation. Gaining and sustaining competitive advantage depends on understanding not only a firm's value chain but also how the firms, fits in the overall value system of the industry. Linking the HR influences with organizational performance demands focus on all the three dimensions. The term, HR architecture broadly describes the continuum from the HR professionals within the HR function, to the system of HR related policies and practices, through competencies, motivations and other related behaviours of the firm's employees (Becker & Huselid, 1998). The paradigm shift is required from traditional HR functions to strategic HR functions. It is an accepted fact that HR systems need re-engineering. Cosmode reported in October 1998 that approximately 60% of the HR costs,

Boston HBS Press, Chapter 7 pp 155-181
activities and people are devoted to administration: record keeping, compliance and paper shuffling. Another 30% are devoted to HR service deliver - recruiting, training, counseling, succession planning, performance management and the like. Only 10% are devoted to strategic planning i.e. compensation, executive development and manpower planning. The value added by each layer of the pyramid is inverse to its cost.

![Diagram showing costs and value added]

**FIG: 2.5** HR Costs and Value Added

**Source:** Re-engineering Human Resources, Cos net, Vol.3 (4), October 1998

Re-engineering would start at the bottom cell of the pyramid, i.e. in administration, where the opportunities are highest (high cost and lowest
value added). Hence HR re-engineering requires to eliminate the administrative function by outsourcing to automate and to free resources for higher value added function like services delivery or strategic planning. Mark Huselid, Susan Jackson & Randle Schuler (1997)\textsuperscript{39} pointed out that human resource management effectiveness has two essential dimensions. The first is the technical HRM that includes the delivery of HR basis such as recruiting, compensation and benefits. The second is the strategic HRM, that involves delivering those services in a way that directly supports the implementation of the firms strategy. They further stated that most of the HR managers were very proficient in the delivery of traditional or technical HRM activities but did not perform well in delivering strategic HRM capabilities. The traditional oriented HR functions by the HR managers are not going to add value in realizing the business goals of the organization unless it is being strategized to re-engineer the functions. A new facet of competencies needs to be learned by the HR managers, which will help them to play the role of a strategic partner in adding substantial value in realizing the overall strategy of the business. The competencies that the HR managers need to develop, which has tremendous impact on the performance of the firm, is basically the business and strategic competencies. The HR system

should be developed keeping in view the organization's strategy, which will
drive the HR functions to have impact on the organization's strategy. The
model of 'high performance work systems' (HPWS) (Becker, Huselid &
Ulrich, 2001)\(^{40}\) advocates that each element of the HR system is designed to
maximize the overall quality of human capital, an HPWS helps in the
following manner:

- links its selection and promotion decisions to
  validate competency models;
- develops strategies that provide timely and
effective support for the skills demanded by the
  firm's strategy implementation; and
- enacts compensation and performance
  management policies that attract, retain and
  motivate high performance employees.

In order to create value, HR system should emphasize, support and
reinforce a high performance workforce. Organization today, needs to
change themselves through HR initiatives by being more innovative,
creative and by re-orienting themselves towards people based systems that

\(^{40}\) Becker Huselid & Ulrich (2001) ‘Competencies for HR Professional in HR Scorecards’ Boston :HBS
Press pp.131-154
focus on empowerment and performance orientation, which will remove the individual limitation and improve the motivation that in turn will recognize the hidden talents. This will lead to a new work ethos that will appreciate people performance.

In today's intensely competitive and globalized marketplace, maintaining a competitive advantage by becoming a low cost leader or a differentiator, puts a heavy premium on having a highly committed or competent workforce. Competitive advantage lies not just in differentiating a product or service or in becoming the low cost leader but in also being able to tap the companies special skills or core competencies and rapidly respond to customer needs and competitor's moves. In other words competitive advantage lies in management's ability to consolidate corporate-wide technologies and production skills into competencies that empower individual business to adapt quickly to changing opportunities. In a growing number of organization human resources are now viewed as a source of competitive advantage. There is a greater recognition that distinctive competencies are obtained through highly developed employee skills, distinctive organizational culture, managed processes and system. This is in contrast to the traditional emphasis on transferable resources such as equipment. Increasingly it is being recognized that competitive advantage
can be obtained with a high quality workforce that enables organization to compete on the basis of market responsiveness, product and service quality, differentiated products and technological innovation. Strategic human resource management has been defined as “linking of human resource strategic goals and objectives in order to improve business performance and develop organizational culture that foster innovation and flexibility”. Strategic HR means accepting the HR functions as a strategic partner in the formulation of company's strategies as well as in the implementation of those strategies through HR activities such as recruiting, selecting, training and rewarding personnel. Whereas strategic HR recognizes HR's partnership role in the strategizing process, the term HR strategies refers to the specific HR course of action the company plans to pursue to achieve it's aims. HR management can play a role in environmental scanning i.e. identifying and analyzing external opportunities and threats that may be crucial to the company's success. Similarly HR management is in a unique position to supply competitive intelligence that may be useful in the strategic planning process. HR also participates in the strategy formulation process by supplying information regarding the company's internal strengths and weaknesses. The strengths and weaknesses of a company's human resource can have a determining effect on the viability of the firm's strategic options.
Translating business strategies into HR practice helps a business in three ways.

- the business can adapt to change because the time from the conception to the execution of a strategy is shortened
- the business can better meet customer demands because its customer service strategies have been translated into specific policies and practices
- the business can achieve financial performance through its more effective execution of strategy.

2.19 Challenges faced by HR

Changes in socio-economic and political conditions are bound to bring about changes in the environment within the organizations. The personnel managers today may find themselves obsolete because of the rapidly changing business environment, and therefore they should constantly update their knowledge and skill.

2.20 HRM Strategy

The formulation of HRM strategy includes the following steps:
2.20.1 Make HRM strategy

The business strategy, objectives and requirements are the key business processes to formulate an integrated HRM strategy by setting objectives, establishing current capabilities, negotiating appropriate budgets for realistic implementation of the plan and setting HR policies.

- Set objective activity – Interpreting business strategy and objectives and requirements of other key business processes to HRM requirements and objectives.

- Establish current capability activity – Establishes the current HR capability within the business and its key processes to meet the set objectives.

- Plan activity – Develops a plan, including budgets, which defines courses of action the business is going to adopt to build upon its current capabilities and develop its HR in line with the stated objectives and requirements.

- Negotiate budget activity – Uses requirements of the plan to negotiate for financial resources which will lead to successful implementation of HRM strategy.
• Set HR policies activity – Sets up types of compensation, staffing methods, appraisal methods, form of training and development, and working condition for relevant strategic needs.

2.20.2 Implement HRM strategy sub processes

Implements the HR strategy by controlling HR planning, monitoring, utilizing, recruiting, assessing and selecting the right people in order to develop, train and educate them. This is performed by managing HR performance through review and appraisal and results in redeployment of the HR:

• Control HR – To make sure that HR are planned, correctly applied and monitored in accordance with the objectives and requirements of the organization.

• Recruit Activity – Concerned with bringing in HR positions in line with its HR requirements from internal or external sources.

• Train, educate, and develop – Activity is concerned with upgrading existing people capabilities within the business in line with its HR objectivities.

• Manage HR performance – Activity is concerned with setting targets for individuals, monitoring progress against the targets and identifying
necessary training, education and development needs as well as
deciding reward and discipline action.

- Manage redeployment – This activity, having identified a deficiency
  in a job position which cannot be rectified through training, education
  or development, is concerned with redeployment of the current job
  holder within or without the organization.

- Negotiating for working conditions – Activity concerns requirement
  of people and capacity of business. It is related to HR policies and HR
  plan (people and conditions).

2.20.3 Monitor impact on business results

This sub-process monitors the impact of the HRM processes on
business performance through monitoring its contribution to the business
strategy and objectivities and other key business processes:

- Monitor impact on business strategy

- Monitor impact on people satisfaction

- Monitor impact on manage processes

- Monitor impact on operate process

- Monitor impact on support process
2.21 HR in IT

Innovations are continuous process for HR professional working in and for IT organization. The way aspirations and ambitions are in the increasing state among the IT professionals, new ideas translating to initiate are essential to make people happy at work.

2.22 HR in IT organization

The change of information technology is faster than any other processes in the organization. This demands tomorrow's knowledge for today's practice. As people are integral part of the whole system, the selection of the best talent, developing and retaining them for a longer period is very crucial. One of the major hurdles the HR department needs to cross, is the changing technological environment. The IT sector thrives on new technology. The employees must be fully aware with the fact that the introduction of a new technology, requires them to update their skills and keep in touch with the new developments. It is also very important to stay ahead of the competition and help develop new technology. Companies are investing huge resources in the new technology and communication infrastructure to avail competitive advantage. A shared culture needs to be developed, where the employees learn to embrace the change amicably.
Thus the HR professionals need to work with the technical staff and help the employees cope with the change.

The major human resource functions in IT organization are basically the 3B's- buying talents, borrowing talents and building talents. Quantitative people with embedded interests are the key to success for information technology companies. Buying talents are basically recruitment of employees, which is the primary activity that accounts for the maximum time spent by the HR staff because of the high manpower turnover in this kind of organizations. The large IT companies have separate sourcing departments either as a part of or independent of the HR department. Line managers are closely involved in selection of staff in coordination with the HR department. Line managers are closely involved in selection of staff in coordination with the HR department. It has been observed that the smaller companies use recruitment consultants and informal sources more than the larger companies who prefer to advertise themselves or use employee referrals. According to a survey conducted by Business Today, in India the Information Technology companies are looking mainly for people from premier institutions such as the Indian Institute of Technology (IIT) or from the Indian Institute of Management (IIM) or people who have obtained a postgraduate diploma in computer applications (MCA's). The number of
people who fit this criterion forms a very small part of the entire Indian population. There is a shortage of adequately qualified workforce in the IT sector. This makes the formulation of recruitment strategies by the HR department even more cumbersome.

According to a comprehensive “2002 IT industry HR Assessment”, conducted by the global management consulting and outsourcing firm, Hewitt Associates which was collected using the Hewitt People Practice Inventory (PPI)-a questionnaire designed to analyze HR practices and policies governing recruiting/ hiring/ orientation, development and learning, the work environment, rewards and recognition, health and well-being, time/ work/ life and HR information systems (data management and administration)\(^4\). An exhaustive employee compensation benefit questionnaire was also developed to review the entire gamut of related HR practices in the IT industry in detail. The information collected through the questionnaire were then analyzed to asses norms, trends and standard market practices. The Hewitt review found that in a minority of the IT companies, new hires came as a result of internal referrals. Additionally, a formal

\(^4\) [www.thevault.com/companies/company_main.jsp?co_page=10&product_id=833]
development learning needs analysis system found to be in place among the most high-tech firms.

A large proportion of the IT industry in India reportedly provides formal career path and development processes for their employees. According to Nishahe Suri, Hewitt Business Head for Measurement Practice (India and Middle East), “The Hewitt review found that, the overall management philosophy of high-tech organizations emphasize attracting, retaining and motivating the best available talent”\(^{42}\). As a result, the management teams are generally open, accessible, and support the career development of their employees. This was further supported by, and reflected in, particular practices and policies with regard to orientation, the work environment, reward and recognition, and health and well being. A significant majority of the organization studies offer their employees a flexible compensation package, despite the administrative work involved. Such a structure gives employees the option of maximizing their tax-advantage to suit the demands of their individual lifestyles. Information technology industries are different in terms of its focus and processes. All though these organizations are largely technology driven, simultaneously

\(^{42}\) www.qaiindia.com/Misc/nasscom.htm
people are in the core to develop and drive the technology. Human resource functions are basically perceived and accepted as support service but in IT sector, it is great business enabler.

2.23 HR Business Process Outsourcing : Creating A Strategic BPO Model

In today’s corporation, the HR personnel are expected to deliver quality in recruitment and training. They are expected to design and implement reward systems and organizational structures, handle employee relations and communications. The HR people have to take up the role of being both employee champions as well as business partners. They must be a corporate ‘safe house’ for individual people problems in an era of upheaval and downsizing. Global business is marked by an ever growing need for innovation, quality and speed, and the ability to keep up with rapid change and high levels of uncertainty, and it is critical that the organizations should be prepared for anything.

In the 1980s and 1990s, technology, finance and marketing were considered central in providing lasting business success. But in today’s business environment these factors are simply the price of admission to the competitive arena, and the one and only differentiating factor that offers substantial advantage is a well trained workforce, which is versatile and able
to adapt easily to the rapidly evolving competitive environment. The human effort is increasingly important in business, as it plays a key role in enabling business success. HR strategy, process and practices can have a significant positive impact on the organizational performance. The effectiveness of HR in the global environment is not just dealing in paper work and employee problems, but also adding value in shaping a flexible, capable workforce, engaging employee with the organization, recruiting and retaining the best employees, providing ongoing, targeted learning, measuring and managing HR performance, and above all, making sure that HR is synchronized with the organizational strategy. HR needs to play a more of a strategic role in the global organizations.

The new organizational models that are largely enabled by the evolving technology, supports the various new options in HR for meeting challenges and fulfilling multiple roles that senior executives expect HR to take on.

The HR groups can now take advantage of

2.23.1 Web enablement of human resource information system

The use of web is now regarded as the norm of delivering HR transactional services, which has effect on liberating both the HR profession and the workforce. The employees are able to access a wide range of
services that have traditionally been housed in the files and manuals of HR. The self-service portals and applications help employees manage their own human resource activities, such as changing reward packages, testing training career options. This also gives them empowerment, and helps them to eliminate delay and errors from HR processes and offloads a significant amount of HR transactional and administrative work from HR professional to employees.

2.23.2 Data integration and business intelligence

The new technology in today's business environment makes it possible to integrate data in order to give HR an accurate, up-to-date, complete set of employee information, complying with the legal and regulatory requirements. These information can provide a foundation for integrating the management of hiring, learning, compensation, employee performance, career development and internal mobility, and ensuring that the workforce has the knowledge, resources and agility which is required by the company.

2.23.3 Outsourcing

HR outsourcing has evolved into business process outsourcing (BPO) that encompasses a whole range of end-to-end processes. A strategically
oriented HR group can draw on a number of technologies and organizational approaches to support both the business and the workforce.

In a global environment, HR professionals will need to have a clear handle on business objectives, solid professionalism in creating strategies that help the organization achieve sustained performance and the ability to demonstrate that HR can really provide valuable, people-oriented input to organizational strategy-and play a key role in enabling and motivating the workforce to execute that strategy. Strategic outsourcing is a growing answer to make the leap from HR transactions to HR strategy. It provides transaction processing and services that liberate HR professionals and enable them to focus on a strategic path. Within the next few years, strategic thinkers will rely heavily on integrated business process outsourcing to transform HR. They will use BPO to align HR and business strategies, re-engineer and manage all administrative transactions, and free HR staff to meet business needs. And they will profit from integrated tools and technologies for sound decision making and better employee services. As more organizations are learning, that people are one of the few sources of sustainable competitive advantage, leaders have taken the concept of partnered with outsourcers not just to re-engineer support processes, but also to transform entire enterprise. The HR executives, who employs business
process outsourcing as a strategic weapon, will liberate and empower their HR organizations and handle the real job. The right sourcing partner provides capabilities that can meet the increasing demands on HR, and guarantee a fixed-cost structure and quickly deliver a broad range of competencies and expertise. HR outsourcing provides an integrated, comprehensive solution, and is advantageous to the company, employees, shareholders, and the customers.

The company gains cost-effective HR operations that attract, develop and retain its human capital assets. The integrated BPO reaps cost-effective administrative services that improve employee productivity and satisfaction. HR staffs are freed to perform strategic work and support line managers in effectively managing human capital.

To conclude, an attempt has been made in this chapter to analyse the HR activities and HRM strategy linked to the overall corporate strategy. In the current era, to what extent, the burden of HR department can be reduced by using BPO methods, is to be probed. Accordingly, before taking up the investigation, the researcher wanted to discuss the origin and growth of BPO as an HRM strategy to monitor the overall corporate functions. The next chapter provides an overview of BPO.