Strategic Human Resource Management in manufacturing sector- case analysis-

Deepak Fertilizers and Petrochemicals Ltd.

RESEARCH WORK BY: Shambhavi.P.Sharma
RESEARCH GUIDE: Dr. Pratibha Joshi
ABSTRACT

Strategic HRM in manufacturing Sector - Case analysis: Deepak Fertilisers and Petrochemicals Ltd.

Background: Why was the research undertaken?

Human resource management today has changed many faces. In the globally integrated, tightly regulated and increasingly competitive capital market, one critical success factor stands out for an organization to sustain the competition above all others: people. The strategic role of HR focuses on aligning HR strategies and practices with business strategy with the deliverable of strategy execution.

The field of strategic Human resource management in India was relatively infant when the research was taken up in 2002. Over the last one decade the HR function in Indian Organizations have gradually transformed from the traditional HRD functions to Strategic Human resource management. The scope of HR has slowly shifted from, “Internal customer perspective” to “internal client perspective”. To cope up with the global changes and competition the business model of Indian Industries started changing. This was when the HR department of the Indian industries started implementing strategic HRM tools like Balanced scorecard, PCMM, competency based processes etc.

Strategic Human resource management being a very broad field, could be studied only through studying the impact of implementing the strategic HRM tools like the balanced scorecard based performance management system. Hence the sample industry was selected on the basis of the strategic HRM tools which it implemented. This research was undertaken to study the impact of strategic HRM in improving employee performance of Deepak Fertilizers and Petrochemicals.
Researches worldwide have proved that good HR practices and policies influence business growth and development. This has been further validated through the analysis of literature. In this study an attempt has been made to understand the impact of SHRM over the performance of the employees at DFPCL. DFPCL has been selected as a sample for study because the organization had a traditional HR process initially. The management of DFPCL took the decision to implement SHRM processes in the year 2004. Hence the researcher could provide with a pre-implementation and post implementation comparison to study the impact of implementing SHRM processes and how it aligns HR processes with Organization’s strategy.

Chapter wise description:

Chapter 1 of this research covers the review of literature on strategic HRM, the conceptual analysis and the various approaches used to evaluate the HR function. It also provides the distinction between Human resource management and Strategic Human resource management.

Chapter 2 explains the research methodology. It provides the sequence of the steps for the research and how it has been undertaken. It covers the definitions of various terms used in the research, research design, objectives, hypothesis, sources of data collection, limitations of the study and the method of analysis and conclusions. This chapter also explains the two methods of research in brief namely the balanced score card and the HRD audit.

Chapter 3 covers the brief background, business concerns, general observations and current HR processes at Deepak fertilizers and Petrochemicals. This chapter also touches upon the various HR subsystems along with their definitions namely career systems, work planning, developmental systems, HRD culture and systems. It also reflects the current stage of each of these HR subsystems in DFPCL. The current stage also highlights the improvement in the HR practices over the years in the organization.
and the alignment of these HR practices to the organizational strategy after the implementation of SHRM processes.

**Chapter 4 and 5:** Data analysis chapter has been divided into two parts. Analysis of data collected by External agencies covered in chapter 4 and analysis of data collected internally by survey conducted by the HR Department covered in Chapter 5. The data analysis was conducted with the purpose of understanding the impact of various OD interventions conducted at DFPCL and the employee satisfaction over the existing HR processes. The data analysis through personal interviews and questionnaire, interviews with the senior management team and the observations made by the researcher emphasizes the role of SHRM in improving the employee performance at DFPCL. Chapter 5 also gives a comparative analysis of all the surveys conducted by DFPCL with the HR audit.

**Chapter 6** gives the findings and recommendations of the research into two parts. The finding and recommendation from the HRD audit conducted by the researcher and the findings from the implementation of the Balanced Scorecard. Areas of recommendations which are common in both the tools have been highlighted at the end of this chapter. It also provides the comparison of the various HR surveys and OD interventions conducted in Deepak Fertilizers from 1997 to 2006.

**HRM and Strategic HRM:**

HRM consists of various HR/OD practices commonly grouped into sub disciplines like recruitment and selection, training and development, Performance management system and rewards and recognitions generally reflecting on the identifiable functions of HR department in an organization.

Strategic HRM is the process of linking the HR function of an organization with the strategic objective of the organization to improve performance. It is the macro-organizational approach to viewing the role and function of HRM in the organization.
It entails the linking of HRM practices with the strategic management process of the organization. It also emphasizes the co-ordination among the various HRM practices.

**Background - DFPCL:**

The Deepak Group of industries was founded in 1970 with three lines of business namely Industrial Chemicals, Explosives and Fertilizers. As a result of the employee feedback received from the 2002 Organization restructuring survey and the dissatisfaction of 90% of employees on the Performance Management process, the management of Deepak fertilizers hired Hewitt Associates for building up the Performance Management process through the Balanced Scorecard method to sustain its expansion and diversification process. The company undertook a major Organization Development Intervention to enhance its HR processes and align it with the Organizational goals. New Strategic HR subsystems were implemented like the balanced scorecard based Performance Management system, new compensation framework after role consolidations and appropriate job loading, Competency based developmental framework for internal capability building and the Organization restructuring following the supply chain mechanism was implemented.

**Objectives:**

1. To study various SHRM processes in DFPCL
2. To compare the outcome of various SHRM interventions in DFPCL
3. To study the impact of the implementation of strategic human processes of DFPCL in improving employee performance.

**Hypothesis:**

The hypothesis of the research on strategic HRM states that:

1. Implementation of strategic HRM processes in Deepak Fertilizers and Petrochemicals has positive impact on the HR processes of this organization.
2. Implementing Strategic HRM processes in DFPCL results in improvement of employee performance.

Scope:
For the purpose of this study DFPCL was chosen for case study. Various SHRM practices and processes covering all the full time employees of DFPCL were included in the research project. Blue collared employees were not a part of the survey. The initiatives covered were external surveys conducted by external agencies at DFPCL and the internal survey conducted by HR department of DFPCL during the period of 2001 to 2006.

Methodology:
The case study method was used for this research. It is a descriptive research which includes surveys and fact finding enquiries of different kinds, the major purpose of this research being the description of the state of affairs as it exists at present. In this study Ex post facto research method has been used. It is also Qualitative in nature i.e. phenomena relating to or involving quality or kind as it aims to discover the underlying motives of human behavior. Through such research we can analyze the various factors which motivate people to behave in a particular manner or which make people like or dislike a particular thing.

Data analysis was done through the following sources namely:
1. The Two surveys conducted by external agencies at DFPCL:
   - Focus group report conducted by Hewitt - 2004.
2. Two surveys conducted by the management of DFPCL:
   - Post OD interventions feedback-2005.
   - PMS Survey feedback-2006.
3. Data collected by the researcher while implementing the HRD audit using the HRD audit tools and the HRD audit instruments, focus group meetings, interviews and observation of HR records.

4. Data collected by analyzing the implementation of the Balanced score card and other SHRM processes at DFPCL.

A comparative analysis of all the surveys has also been presented to analyze and evaluate the relative improvement in the various HR subsystems at DFPCL over the years.

The tools used for research:

1. The HRD Audit tool.
2. The Balanced scorecard framework.

HRD Audit: The HRD Audit method has been used in this research to understand the impact of strategic HR interventions at DFPCL and the linkage if any to improve employee’s performance. The audit questionnaire and the Post ODI feedback questionnaire have been used to assess the effectiveness of the various ODI Interventions and HRD practices at DFPCL. Using the method of HRD audit each HR subsystem like training and development, rewards and recognition, performance management etc has been analyzed. It has been analyzed to assess the impact of strategic HR on the HR process.

The Balanced Scorecard is one of the tools used by DFPCL to implement SHRM in the performance management process. It is a tool that translates strategies into measures that can be understood, communicated and acted upon. It is a system of financial and nonfinancial measure that reflects a balance between leading and lagging indicators of performance. The success of the implementation of the BSC is compared by gauging the scorecard results with the targets that were previously defined.
The findings and recommendations:

Overall the study provides the actual picture of how the HRD function at DFPCL has gradually matured over the years through the various SHRM initiatives and commitment from the Top Management. It also gives a detailed analysis of various HR subsystems and the improvements in these HR subsystems after the implementation of SHRM tools. The study also provides a comprehensive benchmark along with the available records (from 1997) on various ODI interventions. These ODI interventions and the SHRM process implementation has created the HR structure which forms the HR architecture conducive to high performance work place.

Findings from the implementation of the balanced score card:

Implementing the SHRM processes has been able to impact the performance of DFPCL in the following ways:

1. Building organizational capability
2. Improving employee performance management
3. Positively impact the sales and profits
4. Improving the operational excellence.
5. Improving the employee satisfaction level.
7. Improving the employee competency levels- i.e. individual capability building.

Findings and recommendations from the HRD audit process:

The maturity scores of the various HR subsystems have been evaluated through the HRD audit method. The following findings and recommendations regarding the HR subsystems were presented to the management of DFPCL:

- **The HRD FUNCTION:** The HRD department had good support from all the levels of management and has made a positive impact for improving the performance of the company. Employees of DFPCL have recognized and acknowledged the efforts put in by the HR team and the various initiatives
taken by them for continuous Organization Development Initiatives and building a ‘High performance Organization’. So also there has been a good engagement of the line managers and HODs in employee development initiatives in the last two years. The objective being to create an HR manager within every function who is the, ‘HR Champion’ or representative for his /her department.

- **Manpower Planning and Recruitment:** Effective career planning and chalking out well laid career path for employee growth and retention is a grey area which had been pointed out earlier in 1997 during the Employee Opinion survey. Since the number of recruitments in the organization is average the current recruitment methods of DFPCL have been rated satisfactory.

- **Role analysis and role efficacy:** In terms of role analysis, goal setting and role clarity there seems to be a good satisfaction in terms of expectations out of the individual role. This may be a result of the role profiling exercise conducted in contrast to the opinion expressed during People speak’ conducted by Hewitt (2004) during which employees had expressed hat there is no clarity of expectations of the role holder. Role efficacy is also rated as satisfactory.

- **Performance Management System:** The Balanced scorecard based PMS system has proved to be more transparent and fair mechanism of employee evaluation. BSC contributed towards creating vibrancy and improving performance standards. Since the process is relatively new there is a lot of scope for improvement in the monitoring mechanism, linking of interdepartmental KRA, distribution of weightages and drawing the thin line between accountability and responsibility. It is recommended that the Performance feedback mechanism be implemented at the earliest.

- **The salary anomalies:** of Assistant Managers and Executives required corrections. The employees in this band were not satisfied with the salary revision process.

- **The new designations:** that were implemented after the restructuring process were not liked by the employees and they prefer the older designations. The new designations did not suit the requirements of a manufacturing firm and employees find it more suitable to an IT industry.
• **Developmental systems:** The current training policies, procedures and system as well as the opportunities to learn and develop have been rated very well in contrast to the feedback received just one and half year back during the ‘People speak’ in which the employees had expressed that there is no formal training programs and no learning sessions to develop competencies and skill gaps.

• Since the business of DFPCL was on a growth mode employee learning and growth could be developed through a well designed mentoring model since interpersonal relationships was an area of strength at DFPCL. It was recommended that seniors need to spend dedicated time and efforts for the growth and development of their executives.

A good employee induction system can be the key tool for employee engagement and retention. Although the induction training process has been rated satisfactory more participation from the top management may increase the overall response towards the induction process. So also the senior management members could spend time to explain the norms and values of the company to the new inductees.

• **Knowledge management:** sessions were needed to be implemented strongly in order to prevent the loss of knowledge during attrition at senior levels. Employees also feel the need for systematic documentation of processes.

• **Competency based developmental framework:** The efforts in terms of employee development through competency mapping was acknowledged by employees. The gaps between the current capabilities of people, systems and procedures and what would be required to achieve breakthrough performance could be closed by further investing in re-skilling employees, enhancing IT systems and aligning organizational procedures and systems.

• **OD Initiatives:** like Small Group Activities, Employee suggestion schemes, team building interventions, creativity forums, and role based interventions, cross functional teams and workgroups needs to be looked at and developed. These initiatives can prove to be a good ‘employee engagement tool’ taking into
account the increase in the attrition rates over the past few years. These initiatives need to be sustained for a long term basis.

- **Job rotation**: Job rotation plans were negligible or absent at the moment and effective policies need to be emphasized and developed to promote growth opportunities amongst employees and prevent stagnation of roles.

- **Periodic surveys /employee development initiatives**: Although the HR team feels that the results of periodic surveys / feedback survey are regularly communicated to the top management, the general feeling among employees is that either the results of such feedback exercise is not communicated to the top management or... that not many significant changes had taken place even after the results are communicated. The effectiveness of conducting these surveys was not felt by the employees.

- **Customer Orientation**: received average rating. More emphasis was required to be given to this point and so also the requirements of customers should be considered in improving production services. Although employees show high quality consciousness the emphasis on quality as policy needed to be communicated clearly to all employees to improve customer orientation.

- **Information**: The flow of information on various aspects like changes in the environment (internal and external factors) within the organization looks satisfactory. But vital information on performance of the competitors and market perceptions, performance of various products of the company needs to be improved otherwise these may be a **major area of concern** due to the criticality of such information. So also internal information about transfers, posting and other personnel/ structural changes needs to be communicated to the employees well in time so that they are not in for sudden shocks!

- **Open door policy/ communication flow**: Opportunities and mechanisms for employees at all levels to meet top management and express their views and feelings should be created at various forums/occasions to develop a feeling of, ‘we are being heard’ or ‘we are important’. Driving change initiatives across the organization at various levels and speaking the same language for communication may need to be looked at.
• **Communication:** Communication bottlenecks need to be minimized, which would reduce distorted versions of management communications. A more formal and direct method of communication needs to be introduced preferably by the top management.

• **Delegation Process:** An issue of delegation and empowerment needs to be looked at and more autonomy needs to be introduced in the delegation process. Delegation of authority along with accountability is very important.

• **Values:** Openness to feedback is high and people accept ideas and suggestions. However when it comes to trying out those ideas or creative suggestions the acceptance by seniors is average. In terms of problem solving and decision making, more confidence needs to be created to take risk and initiatives. ‘Walk the talk’ or practicing what has been talked about is also important.

**To conclude:**

*On the basis of these findings the researcher would like to conclude that the implementation of SHRM in DFPCL had positive impact on the HR processes of DFPCL. It has also enabled the employee performance of DFPCL positively. Strategic HR practices also has positive impact in improving the performance of DFPCL indicated by the year on year revenue and growth figures. The HRM processes at DFPCL has gradually matured from the traditional HR to strategic HR process over a span of 5 years due to the changes in the nature of business of the organization and with the support from the top management.*

*Analysis of research in SHRM indicates that good Strategic HRM practices contribute towards organisational effectiveness. Aligning employee performance with corporate strategy and goals can be defined as the key to improve employee performance and hence the organization’s performance. This is the centrality of Strategic Human Resource Management process. These evidences are sufficient to indicate that good people management and Strategic HR practices matter*
organizational effectiveness and extend to create and organizational brand which in turn can lend competitive advantage to the organization if other things are equal.

Dr. PRATIBHA JOSHI
Research Guide
Smt. Hiraben Mannavati Institute of Management & Research for Women
Karvenagar, Pune-411 052.