STRATEGIC HUMAN RESOURCE MANAGEMENT

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MODULE 1: UNDERSTANDING STRATEGIC HRM

STRATEGIC MANAGEMENT

Strategic management is the process of formulating, implementing and evaluating business strategies to achieve organisational objectives. Cunningham has defined strategic management as a manner by which organizations plan to deal with the various aspects of management like problem perception, divergent thinking, substantial resources, decisions making, innovations, taking risks and facing uncertainty.

MEANING OF SHRM

The best way to understand strategic human resources management is by comparing it to human resource management. Human resource management (HRM) focuses on recruiting and hiring the best employees and providing them with the compensation, benefits, training, and development they need to be successful within an organization. However, strategic human resource management takes these responsibilities one step further by aligning them with the goals of other departments and overall organizational goals. HR departments that practice strategic management also ensure that all of their objectives are aligned with the mission, vision, values, and goals of the organization of which they are a part.

So, SHRM is an approach to HRM that has the goal of using people most wisely with respect to the strategic needs of the organization. It is a process that involves the use of overarching approaches to the development of HR strategies, which are integrated vertically with the business strategy and horizontally with one another.

Strategic human resource management is the practice of attracting, developing, rewarding, and retaining employees for the benefit of both the employees as individuals and the organization as a whole. HR departments that practice strategic human resource management do not work independently within a silo; they interact with other departments within an organization in order to understand their goals and then create strategies that align with those objectives, as well as those of the organization. As a result, the goals of a human resource department reflect and support the goals of the rest of the organization. Strategic HRM is seen as a partner in organizational success, as opposed to a necessity for legal compliance or compensation. Strategic HRM utilizes the talent and opportunity within the human resources department to make other departments stronger and more effective.

Strategic human resource management refers to adopting a specific plan in regard to human resources, and revamping human resource policies and practices, and developing employee competencies to cope with the special or challenging situations.

SHRM is essential in both large as well as in small companies. In small companies, it can be a simple process as owner or manager takes very little time every day to observe, assist and assess employees and provide regular reviews. Large companies can have a whole department in charge of human resource and development.

DEFINITION OF STRATEGIC HUMAN RESOURCE MANAGEMENT

Strategic human resource management means formulating and executing human resource policies and practices that produce the employees' competencies and behaviour, that companies need to achieve its target games, says **Gary Dessler.**

In the words of **David A. De Cenzo and Stephen P. Robbins**, "Strategic human resource management creates a clear connection between the goals of the organisation and the activities of the people who work there. All employees should see the link between their daily tasks and achievement of a purpose or goal."

Upon facing certain new and special situations, a company may demand the formulation of a strategic plan appropriate for ensuring desired contributions from employees. For example, a company may be in urgent need of computerizing its various departments, which calls for immediate recruitment of persons conversant with handling of computers.

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

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

HOW SHRM DIFFERS FROM HRM

In the last two decades there has been an increasing awareness that HR functions were like an island up to itself with softer people-centered values far away from the hard world of real business. In order to justify its own existence HR functions had to be seen as more intimately connected with the strategy and day to day running of the business side of the enterprise. Many writers in the late 1980s, started clamoring for a more strategic approach to the management of people than the standard practices of traditional management of people or industrial relations models.

Strategic human resource management focuses on human resource programs with long-term objectives. Instead of focusing on internal human resource issues, the focus is on addressing and solving problems that effect people management programs in the long run and often globally. Therefore the primary goal of strategic human resources is to increase employee productivity by focusing on business obstacles that occur outside of human resources. The primary actions of a strategic human resource manager are to identify key HR areas where strategies can be implemented in the long run to improve the overall employee motivation and productivity. Communication between HR and top management of the company is vital as without active participation no cooperation is possible.

As per **Pravin Durai,** though Strategic human resource management is an off shoot of human resource management, it is emerging as an important and independent field of interest for the human resource Interest. **The Following differences between SHRM and HRM have been elaborated by the author:**

Strategic Human Resource Management	Human Resource Management
SHRM is based entirely on a soft HRM approach that views employees as precious resources.	HRM is mainly based on hard HRM approach that views employees as important tools of production and headcount resources.
SHRM focuses on business level outcomes.	HRM focuses on HR level outcomes.
SHRM is proactive in nature and sets the trend in the market.	HRM is reactive in nature and follows the trends in the market.

SHRM operate at higher levels of Management.	HRM operates at relatively lower level of organization
Understanding the operational dimensions of organization is basic necessity of SHRM.	Understanding the operational aspects of organization are not is not a priority area of HRM.
In SHRM, business strategies and HR strategies effectively supplement each other in their formulation.	HRM merely accomplished the HR goals and targets set by business strategy.
Gaining competitive advantage out of Human Resources is the basis of SHRM.	Managing employees is the primary aim of HRM

Strategic Human Resource Management (SHRM) – Concept

In today's intensely competitive world, competitive advantage lies not just in differentiating a product or service or in becoming a low cost leader, but in also being able to capture company's special skills or core competencies, as well as rapidly responding to customer's needs and competitor's moves.

The concept of SHRM was developed in 1984. This term was first coined by Fombrun, Tichy and Devanna. They suggested that HR systems and organizational structures should be managed in such a way that is congruent with organizational strategy. SHRM is the result of two major radical shifts, first the shift from old Personnel Administration to Human Resource management.

This change is based on the belief that people are an important asset in organizations that can be managed systematically by coordinating the shape and the substance of several traditional policies and practices. Second major shift is the reorientation of generic strategic models to the modern concept of SHRM. This reorientation is based on the philosophy that in addition to coordinating HR policies and practices with each other, this also needed to be coordinated with the needs of the organization.

Major impetus in the field of SHRM came in the mid-1990s when Huselid (1995) published his landmark study demonstrating statistically significant relationship between HRM practices and corporate performance. Also in the same year, MacDuffies industry focused study illustrated how particular bundles of HR practices when aligned with an organizational logic lead to plant level performance.

Thus, all over the world HR practitioners have realized that in addition to personal and developmental aspects, there is urgent need to use strategic management concept too. This reorientation of generic strategic models to internal aspects of the organizations became a focal point for strategic HRM.

An important aspect of SHRM is employee development. This is possible when the company has employed effective recruitment and selection technique. Human beings are the most important asset of an organization. Motivated human resource can help the organization to achieve unimaginable heights of success. So, it is necessary to invest in the development of the employees.

SHRM is essential in both large as well as in small companies. In small companies, it can be a simple process as owner or manager takes very little time every day to observe, assist and assess employees and provide regular reviews. Large companies can have a whole department in charge of human resource and development.

IMPORTANCE OF STRATEGIC HRM

For many decades such responsibilities as selection, training, and compensation were considered basic functions of the area historically referred to as personnel management. These functions were performed without much regard for, how they are related to each other. From this narrow view we have seen the emergence of what is now known as human resources management.

Personnel management performs the basic functions of selection, training, compensation, etc., in the management of an organization's personnel.

Strategic management of human resource, as it is currently perceived, represents the extension rather than the rejection of the traditional requirements for managing personnel effectively. An understanding of human behavior and skill in applying that understanding are still required.

Also required are knowledge and understanding of the various personnel functions performed in managing human resources, as well as the ability to perform those functions in accordance with organizational objectives. An awareness of existing economic, social, and legal constraints upon the performance of these functions is also essential.

Strategic management of human resource extension of the traditional requirements of personnel management, which recognizes the dynamic interaction of personnel functions with each other and with the strategic and planning objectives of the organization.

Strategic management of human resource, as it is practiced today, recognizes the dynamic interaction of personnel functions with each other and with the objectives of the organization. Most important, it recognizes that HR planning must be coordinated closely with the organizations strategic and related planning functions. As a result, efforts in HRM are being directed toward providing more support for the achievement of the organization’s goals, whether it is a profit, not for profit, or governmental organization.

When a human resource department strategically develops its plans for recruitment, training, and compensation based on the goals of the organization, it is ensuring a greater chance of organizational success. Let's think about this approach in relation to a basketball team, where Player A is the strategic HR department and Players B through E are the other departments within the organization. The whole team wants to win the ball game, and they all may be phenomenal players on their own, but one great player doesn't always win the game. If you've watched a lot of sports, you understand that five great players won't win the game if each one of those five great players is focused on being winning individually.

That's not how a basketball team wins, and it's not how an organization wins either. A team wins when its members support each other and work together for a common goal. Player A, our strategic HR department, must work with players B, C, D and E, our different organizational departments. They must run plays that they have planned out beforehand, assist when necessary to help another player get the basket, and compensate for the weaknesses of one in order to create a stronger team as a whole. When a team works together to reach that common goal, only then can they be truly successful.

You could also look at strategic HRM as the team captain or coach, as his or her responsibilities are a little bit different from those of the other players. Human resources departments are charged with analyzing the changes that need to occur with each 'player' or department and assisting them in strengthening any weaknesses. Strategic human resource management then is the process of using HR techniques, like training, recruitment, compensation, and employee relations to create a stronger organization, one employee at a time.

Strategic HRM, therefore, is concerned with the following:

1. Analyze the opportunities and threats existing in the external environment.
2. Provides a clear business strategy and vision for the future.
3. Formulate strategies that will match the organization's (internal) strengths and weaknesses with environmental (external) threats and opportunities. In other words, make a SWOT analysis of organization.
4. Supplies competitive intelligence that may be useful in the strategic planning process.
5. Plays vital role in recruiting, retaining and motivating manpower.
6. Ensures that people development issues are addressed systematically.
7. Meets the expectations of the customers effectively.
8. Ensures high productivity.
9. Ensures business surplus through competency.
10. Implement the strategies so formulated.
11. Evaluate and control activities to ensure that organization's objectives are duly achieved.

BENEFITS OF STRATEGIC HRM:

The strategic HR framework aims to leverage and / or align HR practices to build critical capabilities that enable an organisation to achieve its goals. Strategic management offers both financial and non-financial benefits to an organization which practices it.

Fred R. David' has listed the following benefits that strategic management brings for an organization:

1. Allows identification, prioritization and exploitation of opportunities.

2. Provides an objective view of management problems.

3. Represents a framework for improved co-ordination and control of activities.

4. Minimizes the effects of adverse conditions and changes.

5. Allows major decisions to better support established objectives.

6. Allows more effective allocation of time and resources to identified opportunities.

7. Allows fewer resources and lesser time to be devoted to correcting erroneous or adhoc decisions.

8. Creates a framework for internal communication among personnel.

9. Helps to integrate the behaviors of individuals into a total effort.

10. Provides a basis for the clarification of individual responsibilities.

11. Gives encouragement to forward thinking.

12. Provides a co-operative, integrated and enthusiastic approach to tackling problems and opportunities.

13. Encourages a favourable attitude towards change.

14. Gives a degree of discipline and formality to the management of a business.

Few companies are truly dedicated to improving their HR practices for better business performance. As we've touched upon, it requires letting HR out of its silo and away from purely administrative operations.

Here are three top companies that demonstrate exemplary strategic human resource management.

Google

Google being Google, it's no surprise that their approach to HR broke away from tradition.

We all know about the tons of employee perks and amazing "Googlified" facilities that set a new trend in office design. But Google's strategic approach to human resources goes beyond that. Like with most tech companies they're obsessed with data, and the HR function is no exception.

In 2006, co-founders Sergey Brin and Larry Page decided to take an empirical approach to HR founded on feedback and employee data. A manifestation of this is Project Oxygen, an ongoing study into management practices that identifies and measures key management behaviors and helps nurture them.

It all gets quite technical, but essentially Google hired some smart people to undertake in-depth statistical analysis into what their employees consider to be good managers. They discovered eight common behaviors exhibited by the top-performing managers and then trained the rest in them.

As a result, Google saw an overall improvement in people management and team metrics such as turnover, satisfaction, and performance over time.

So there you go, collecting data from your employees and using it to improve the employee experience does work. It’s no accident that Google employees are some of the most productive in the world.

Cisco

True to their industry, CISCO developed their own HRM technology to guide strategy and better serve the needs of the business.

The CISCO Talent Cloud is essentially an internal CRM that gives managers transparency into the skills and experiences of the company’s 70,000+ employees. Further, it gives employees themselves the tools and insights they need to take the initiative and advance their careers (sounds like an internal LinkedIn!).

This approach allows managers to put together the best team needed to complete a particular project, and employees the opportunity to learn by working on a project that helps them meet a particular goal.

Senior managers can also access real-time intelligence on team performance, how they produce results, execute priorities, and levels of engagement.

Cisco calls this a ‘one-size-fits-one’ employee experience and it seems to be working. CISCO is ranked number one in Fortune’s Best 100 Companies To Work For and is able to attract top talent to help meet business goals.

Hilton Worldwide Holdings

Anyone who’s stayed at a Hilton Hotel will likely have enjoyed the experience. Of course, their standards are no fluke and require a large and diverse workforce to maintain. Hilton is regularly recognized as one of the best global companies to work for—quite a feat for a service industry company.

The secret to Hilton’s success, on both fronts, is in no small part down to a highly strategic approach to managing their company culture. Culture is important because it represents how people work together in the day-to-day and on projects.

Knowing this, Hilton’s approach was to introduce a method of quantitative analysis to maintaining its culture. One is ‘the balanced scorecard’ and the other is ‘the team member survey’.

The balanced scorecard seeks to closely intertwine corporate vision, strategy, and goals with team member performance. It constantly tracks KPIs such as revenue maximization, customer loyalty, employee satisfaction, skills training, and diversity. Employees and teams are able to see how their roles and performance impacts the company, and findings and best practices are regularly shared across the company.

The team member survey compliments the balanced scorecard. It’s conducted globally once a year and measures factors such as morale, leadership effectiveness, pride, and development. You can probably easily gather the purpose and efficacy of this!

By carefully managing culture in such a way, Hilton employees at all levels are highly motivated to contribute to the company’s mission. Something to ponder as you take five in one of the lobbies!

ROLE OF HRM IN STRATEGIC MANAGEMENT:

We have already mentioned that strategic business plan is formulated to achieve competitive advantage. From this specific strategy for each functional area viz., marketing, finance, production operations and human resources need to be drawn in alignment with strategic business plan to carry out the organisational plan.

In other words, the formulation of organisational strategy is integrative with the formulation of functional strategies. Here, human resource strategy assumes more importance because it provides human resources for other functional areas also.

Lengnick Hall in this respect argue in 'Strategic Human Resource Management' that reciprocal interdependence between an organization's business strategy and human resource strategy underlines the proposed approaches to the strategic management of human resources.

This suggests that we must recognize that human resources integrally affect the overall strategy of an organization. With this in mind, we are now discussing the integrative role played by human resources in the strategic management of an organization.

APPROACHES TO STRATEGIC HRM

- **The resource-based approach:** This approach is to develop strategic capability – achieving strategic fit between resources and opportunities and obtaining added value from the effective deployment of resources. A resource-based approach will address methods of increasing the firm's strategic capability by the development of managers and other staff who can think and plan strategically and who understand the key strategic issues.

- **High-performance management:** It aims to make an impact on the performance of the firm through its people in such areas as productivity, quality, and levels of customer service, growth, and profits and, ultimately, the delivery of increased shareholder value. High-performance management practices include rigorous recruitment and selection procedures, extensive and relevant training and management development activities, incentive pay systems and performance management processes.

- **High-commitment management:** 'A form of management which is aimed at eliciting a commitment so that behaviour is primarily self-regulated rather than controlled by sanctions and pressures external to the individual, and relations within the organization are based on high levels of trust.'

- **High-involvement management:** This approach involves treating employees as partners in the enterprise whose interests are respected and who have a voice on matters that concern them. It is concerned with communication and involvement. The aim is to create a climate in which a continuing dialogue between managers and the members of their teams takes place in order to define expectations and share information on the organization's mission, values and objectives.

- **Universalistic Approach**: to Strategic HRM is the process of transforming traditional HR practices into a limited set of "correct" HR procedures and policies. There is no single best way to manage human resources and strategy. The set of HR practices include: a) High levels of employment security, b) Selective hiring practices, c) A focus on teams and decentralized decision making, d) High pay levels, e) Extensive employee training and so on.

- **Configurational approach**: The Configurational approach to SHRM suggests that there are various configurations of HR practices that go hand- in-hand and, collectively improving the business performance. The effectiveness of HRM in enhancing a firm's competitive advantage depends on a set, or bundle, of HR practices rather than on any single HR program or policy.

- **Steps In SHRM**

  1. Aligning business and HR needs

  2. Developing your HR strategy

  3. Organisational performance

  4. Organisational design and structure

5. Strategic resourcing
6. Organization development
7. Compensation and benefits
8. Organization culture

DIFFERENTIATE BETWEEN TRADITIONAL AND STRATEGIC HUMAN RESOURCES.

// OR//

****Assume the position of a consultant, hired to assess the approach towards human resources management taken by a client organization. What factors might you evaluate whether an organization uses a traditional or strategic approach to manage its human resources?**

The term **HRM** expands to Human Resource Management; it implies the implementation of management principles for managing the workforce of an organisation. It is concerned with the process of hiring, developing and retaining the manpower, with a view to making them more efficient. When conventional HRM is compared and contrasted with the strategic HRM or SHRM, it becomes easier to understand.

SHRM is the process of aligning the business strategy with the company's human resource practices, so as to attain strategic goals of an organization. In SHRM, the workforce of the company is managed proactively. Take a glance at the article presented here that explains the difference between HRM and SHRM

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

Strategic HR differs radically from traditional HR in a number of ways, as follows:

Basis for Comparison	Traditional HRM	SHRM
Meaning	Human resource management (HRM) implies the governance of manpower of the organization in a thorough and structured manner.	SHRM is a managerial function which implies framing of HR strategies in such a way to direct employees efforts towards the goals of organization.
Nature	Reactive	Proactive
Responsibility lies with	Staff specialist - Staff personnel in the HR department.	Line manager - Line mangers, all mangers responsible for people are HR managers.
Approach	Fragmented	Integrated
Scope	Concerned with employee relations	Concerned with internal and external relations
Time horizon	Short term	Short, medium, long term(as necessary)
Basic factor	Capital and products	People and knowledge
Focus of activities	Employee relations	Partnerships with internal customers
Role of HR	Transactional, change follower and respondent	Initiator and transformational, change leader
Job design	Tight division of labor, independence, specialization	Broad, flexible, cross training teams
Key investments	Capital, products	People, knowledge
Change	Slow, reactive, fragmented but follows change	Initiates change - Fast, proactive, integrated
Accountability	Cost center	Investment center
Control	Stringent control over employees- Bureaucratic control through rules, procedures and policies.	It exhibits leniency - Organic control through flexibility, as few restrictions on employee behavior as possible

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

Scope of Responsibilities

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

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

Human Resource Forecasting

Traditional HR focuses on current employees. Strategic HR thinks about what a company will need in the future. How many more staff will they need to hire? What skills or education will they need them to have? Then HR draws up a strategic plan to meet the future needs. **Strategic HR's** mission doesn't end there. The department works actively to recruit individuals who can provide the skills the company needs, and then recommends which of them would make the best hire. Strategic HR also works to develop and promote talent among the existing workforce.

Heading Off Problems:

It's tempting to ignore potential problems until they happen, but it's a mistake, particularly with people. **Traditional HR** steps in when employees have discipline problems or stir up trouble. It does nothing to prevent the problems from developing. **Strategic HR** is proactive rather than reactive. If a company wants a zero-tolerance policy on sexual harassment or discrimination, traditional HR would make that known when an employee crossed the line. Strategic HR lets employees know from the start what behavior is unacceptable; the employee handbook and training seminars fill staff in on how to behave, or not behave. In the long run, that can save the company money on lawsuits and complaints.

Constant Updating in Strategic HR:

Traditional HR sees itself doing the same thing, year in and year out, with the same tools. Only the faces of the employees change. **Strategic HR** tries to stay on top of the game. They keep track of new ideas in the field and new technology that can make it easier to manage employees. They also watch the industry for innovative methods that the competition might use to motivate employees better.

Therefore, the Key Differences (in brief again) Between HRM and SHRM:

The differences between HRM and SHRM can be drawn clearly on the following grounds:

1. The governance of manpower of the organization in a thorough and structured manner is called Human Resource Management or HRM. A managerial function which implies framing of HR strategies in such a way to direct employees efforts towards the goals of an organization is known as SHRM.
2. The process of HRM is reactive in nature. On the other hand, SHRM is a proactive management function.
3. In human resource management, the responsibility of manpower lies with the staff specialists, whereas in strategic human resource management, the task of managing the workforce, is vested in the line managers.
4. HRM follows fragmented approach, which stresses on applying management principles while managing people in an organisation. As against this, SHRM follows an integrated approach, which involves lining up of business strategy with the company’s HR practices.
5. Human resource management emphasizes on employee relations, ensuring employees motivation, and also the firm conforms to the necessary employment laws. Conversely, SHRM focuses on a partnership with internal and external constituent groups.

6. HRM supports short-term business goals and outcomes, but SHRM supports long-term goals and results of business.
7. In human resource management, the human resource manager plays the role of change follower, i.e. he/she responses to change, hence pursues transactional leadership style. As opposed to SHRM, the human resource manager is a change leader, i.e. an imitator, thus seeks transformational leadership.
8. The primary element in HRM is the capital and products, but people and their knowledge are the building blocks of SHRM.
9. If we talk about accountability, a conventional HRM is a cost centre. Unlike a strategic HRM which is an investment centre.
10. In human resource management, stringent control over employees is exercised. As against this, in strategic human resource management, no such control is imposed, rather the rules for managing manpower is lenient.

Conclusion

So, with the above explanation, it might be clear that HRM differs from SHRM in a number of ways. In a human resource management, the division of labor, specialization can be found in the job design, whereas in strategic human resource management flexibility, cross-training and teams can be found in the job design.

‘BEST FIT’ Vs ‘BEST PRACTICE’ APPROACH

The concepts of ‘best fit’ and ‘best practice’ are two well-known approaches to human resource management. **The ‘best fit’ perspective claims that** HR strategy becomes more and more efficient when it is linked to its environment of the business. It explores the close link between strategic management and HRM by assessing the extent to which there is a vertical integration between an organisation business strategy and its HRM policies and practices. The **best fit approach** emphasizes the importance of ensuring that HR strategies are appropriate to the circumstances of the organization, including its culture, operational processes and external environment. HR strategies have to take account of the particular needs of both the organization and its people.

‘Best practice’ school claims that certain ‘best’ human resource practices would result in enhanced organisational performance, manifested in improved employee attitude, lower level of absenteeism and turnover, higher level of skills for higher productivity, enhanced quality and efficiency. That is why the 'best practice' model is also referred as high commitment models. The **best practice approach** claims that certain bundles of HR activities exist which universally support companies in reaching a competitive advantage regardless of the organizational setting or industry. Few examples of best practices approach would be: Engage Workers, reward effort, be vulnerable, Stay Committed, seek clarity, create cultural cohesiveness, focus team effort, hold regular meetings, etc. **Best practices are** used to maintain quality as an alternative to mandatory legislated standards and can be based on self-assessment or benchmarking. Best practice is a feature of accredited management standards such as ISO 9000 and ISO 14001. Best practices are important for processes that you need to work correctly.

These two concepts are generally described within the literature but it is sometimes difficult to stretch the specifications of each approach. It will highlight areas of agreement between each approach.

A comparative approach between 'best fit' and 'best practice' models.

At the most general level, **best fit** is a contingency approach while **best practice** is a universal approach. **Best fit** is based on the premise that picking **the most effective** HR policies and practices depends on matching them appropriately to the organization's environment.

The focus of the best fit approach is on the linkage of HR strategies with business strategies. This linkage is also referred to as external fit or vertical integration. Differences in business orientations or strategies of organizations give rise to the need for different types of people as well as diverse approaches towards investment in human capital.

Best fit also means that HR strategies should match the stages of development of the firm, namely start-up, maturity, decline or degeneration, and regeneration or transformation. Business strategies, and therefore HR strategies, will differ between a greenfield firm and one that is in the transformation stage. Whenever an organization embarks upon a change or a transformational programme as part of its business strategy, appropriate change strategies need to be developed. Human resource strategies, supportive of business initiatives, should be developed to manage the organizational transition from the present state to the future state.

Drawbacks of the Best Fit Approach

The best fit approach implies that an organization's performance will improve when HR practices reinforce the organization's competitive position. The best fit approach and its proposition that HR practices should be driven by the competitive strategy of the organization have been criticized on a number of grounds. First, the approach is seen as failing to align employee interests with those of the organization. Secondly, the criticism of the model relates to viewing the competitive strategy in the form of a typology. The competitive strategy is multidimensional and subject to important variations across industries. Hence, devising HR strategies based on a typology of competitive strategy that may not be appropriate in a particular context can be misleading. Thirdly, and related to the second criticism, the approach is viewed as lacking attention to the dynamic scenario.

It is suggested that the model needs to go beyond a fit between HR and competitive strategies, to simultaneously incorporate flexibility in the range of skills and behaviors that may be important for coping with the changing and dynamic competitive scenarios of the future, such as technological advances or changes in customer expectations.

The Best Practice Approach

Contrary to the internal and external contingency perspectives, is the view that organizations should adopt the best practice irrespective of the context. According to this view, superior management practices are readily identifiable and are transferable across organizations. An organization, therefore, should identify any organization with a reputation for excellence in some function, and copy its practices in order to perform well. That is, all organizations can attain performance improvements if they identify and implement the best practice or benchmark.

However, the notion of best practice is not new. It was an important theme in personnel management literature in the 1970s. Pfeffer's list of sixteen practices has been the most significant influence on the definitions of best practice. Subsequently, Pfeffer summarized this list down to seven, viz.:

1. employment security
2. selective hiring
3. teamworking
4. high pay contingent on company performance
5. extensive training
6. reduction of status differences
7. information sharing

Drawbacks of the Best Practice Approach

Ambiguity on Goals: Most definitions of best practice draw from four functions of personnel psychology, that is, selection, appraisal, and pay. Aspects of best practices are widely acknowledged by researchers and practitioners. For example, not many scholars advocate a trait-based performance appraisal over appraisals that are behaviour or outcome based. Beyond this, however, agreements are relatively few. For instance, the list of desirable best practices varies significantly in literature. Moreover, advocates of the approach do not answer *what* goals are being served by best practices, nor do they specify *whose* goals are being served.

Lack of Adaptation: An important point of disagreement with the best practice approach relates to the fact that many successful organizations refuse to adopt these practices. Hence, the assumption that perhaps, competition will drive out firms that do not adopt the best practices, leading to the failure of these firms, does not hold ground. There is, thus, a counterpoint to the best practice approach that argues that the notion of a single set of best practices may be overstated. This view adopts the premise that distinctive HR practices lead to the competitiveness of a particular firm.

INVESTMENT PERSPECTIVES OF HR

The importance of adopting an investment perspective of Human Resource Management:

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

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

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

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

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

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

Adopting an investment perspective in human resource management allows organizations to make human resource decisions after considering its costs and benefits. It also helps to develop strategic plans to minimize the risk and motivate the employees to stay in the organization long enough to maximize the return on investment. This requires valuing its employees, making decisions on compensation, advancement opportunities and retention strategies as well as how much to be invested in each area for each employee.

Introduction

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

Sources of employee value

1. Technical Knowledge

2. Ability to Learn and Grow

3. Decision Making Capabilities

4. Motivation

5. Commitment

6. Team Work

ADOPTING AN INVESTMENT PERSPECTIVE

1. Characterizing employees as human assets implies the strategic management of human resources should include considering HR from an investment perspective.

2. Cost/Benefit basis analysis may be used to evaluate HR programs, such as training and development. 3. Investment perspective toward human assets facilitates their becoming a competitive advantage as most other resources/assets can be cloned, copied or imitated by competitors.

4. A strategic approach to HR, however, does not always involve a human relations approach to employee relations, as noted in the Managing Employees at United Parcel Service example

5. Investments in employees must be undertaken in tandem with strategies to retain employees long enough to realize an acceptable return on investments in employees. This requires valuation of the employee as an asset, which can be difficult to do.

HUMAN RESOURCES INVESTMENT CONSIDERATIONS

Factors influencing investment perspective in HRM

1. Management value: Senior management's values and actions determine organizational investment in assets. It is critical to understand how the organizational strategy mandates the investment in particular assets relative to others. Whether management values its people is a critical factor in its willingness to invest in them.

Attitude toward risk: Higher risk investment are generally expected to have higher return, lower risk or safer investment are generally expected to have modest return. Example: bonds are considered as less risky investment than stock but limited, fixed return, and stocks have high return.

3. Nature of employees' skill: Some organization require their employees to develop with very specialized skills that might not be available in another organization. Example - if the employees have information on how to control HR function, the skills may not be transferred to another employees, but if the employees use a popular software which has high demand in the market, the investment in employees become risky.

4. Utilitarian: organization take perspective evaluate investment by using utility analysis, also known as cost benefit analysis. the cost of investment are weighted either it give profit or more commonly achieve the target only. one example is the cost of having a large applicant pool.

5. **Availability of outsourcing:** It is the willingness of the organization in investing on the employee. the result is to determine either it will produce a sustainable competitive advantage over time. When a specialist who existed outside the organization it will challenge internal management. example of organizational function are customer services, accounting, manufacturing and human resource management functions. Examples McDonald invest little in their employees by provide little training, pay low salary, expect high turnover because supply of worker is excessive relative to demand. They tend to invest much on new product development, physical expansion, and marketing through competitive advertising.

AN INVESTMENT PERSPECTIVE OF HUMAN RESOURCE MANAGEMENT

- HRM practitioners & Scholars have long advocated that HR should be viewed from investment prospective.
- Current practices indicate employees as valuable investment but still some organizations view employees as variable cost and there is little recognition about employees training & development, recruitment & replacement cost.
- Investment only in physical resources does not give organizations a competitive edge as systems, processes can be duplicated, cloned or reversed engineered.
- Maintainable edge / advantage drives from the level of skills of employees, their knowledge and capabilities.
- Management scholar Edward Lawler described investment in Human Resources as:

  • "to be competitive, organizations in many industries must have highly skilled and knowledgeable workforce. They must also have a relatively stable labour force since employee turnover works directly against obtaining the kind of coordination and organizational learning that leads to fast response and high quality products and services."

  • Due to forecast of shifts in skills need from manual to cerebral (intellectual), investment for enhancing employees' knowledge & skills become more important.

INVESTMENT IN TRAINING & DEVELOPMENT

The Role of Investment in Training and Development of Human Resource:

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

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

Attracting Better Employees

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

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

Benefits of Training and Development

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

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

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

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

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

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

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

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

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

• **Image:** Your business image means a lot to you, but, it also matters a great deal to your employees as well. When your employees are trained and feel that they can continue to grow with you, it gives your business a better image in their eyes and everyone else's. You'll find that your business will become known as one that cares about its employees and ensures that they are not only happy in their job, but, happy overall in their life as well.

Sure, some of these sounds a bit corny, but they are all true. You will quickly find that by making the investment in your employees will translate into so much more for you and your business.

Now, how do you invest in training for the employees, majorly through two ways:

Investment in employability: (Training, internship, higher level exposure, learning environment, multi- skilling & growth opportunities etc. which makes employees more employable.

• **Investment in training:** For future strategies and competitive advantage investment in employees training and development to enhance skills to face rapid technological changes.

• On job training

• Investment in management development.

• Prevention of skills obsolescence.

• Reduction in career plateauing. (stagnation)

Training Costs

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

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

INVESTMENT PRACTICES FOR IMPROVED RETENTION:

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

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

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

• **Pay well (Compensation and benefits):** As difficult as it is to pay competitive salaries when funds are low and budgets are tight, calculate the cost to replace employees. It can cost as much as 30 percent to 50 percent of an entry-level employee's annual salary just to replace him. Employees often find they can enjoy a 10 to 20 percent salary increase by simply moving from one company to the next, which makes jumping ship attractive.

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

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

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

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

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

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

INVESTMENT IN JOB SECURE WORKFORCE:

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

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

Employee job Security

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

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

Ultimately, this is beneficial to the companies and would greatly improve overall performance. Thus, offering long-term job security for employees could be viewed by companies as a means to motivate workers and increase productivity. It is in fact more important than salary alone.

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

• Employment security/ job guarantee.

• Recognition of the cost of downsizing and lay-offs.

• Avoiding business cycle-based lay-offs.

• Alternatives to lay-offs – Redeployment. – Curtailment of sub contracts. – Reassignment of work to company employees. – Pay cuts. – Paid / unpaid leaves.

• Ethical implications of employment practices

NON-TRADITIONAL INVESTMENT APPROACHES

A non-traditional area of human resource investment involves providing support for programs that return disabled employees back to the workforce. Frequently, companies deal with employees who have become disabled by relying on the company's long-term disability insurance policy to provide economic support. Unfortunately, there is little emphasis on facilitating the employee's return to the job.

1. Investment in disabled employees: Disability means "Someone who is disabled has an illness, injury or condition that tends to restrict the way they live their life, especially by making it difficult for them to move about." Thus, the employee, who is working for the organization, will be termed disabled if he/she is suffering from an injury or illness which affects or restricts them from performing their job effectively. **There can be two types of disabled employees:**

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

On-the-job: This is during the work hours while working at premises.

Off-the-job: This is not at work premises, but surely after the start of employment relationship.

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

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

Engaging with Potential Employees (Disabled):

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

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

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

Even if they are employed, the system that is being followed in the organization does not work in their favour. There is, however, concern that some management practices, even those imposed without prejudice on all employees, might have a disparate effect on the health and performance of some disabled employees.

With the advancement in technology, the potential of these employees can be enhanced to a higher level. For example, speech device can be used as a tool to support the person who is verbally impaired. Similarly, visually disabled can convey through special computers. Thus, we need such things along with training for the disabled employees as well as the normal employees to help them adjust to the changes, and their differently-abled employees. Though, this may seem as an investment but the benefits are far reached and rewarding. Return on investment is far greater considering people with disabilities tend to be appreciative and loyal employees, because they have difficulties finding jobs. Their commitment to work has to do with their self-esteem. This notion of work, as a prideful activity, is something they definitely feel.

Cost to Keep Disabled Employee (Employed)

Employers experience multiple direct and indirect benefits such as retaining qualified employees, considering

1. The cost of training the new employee
2. Productivity of retained employee is higher
3. Cost of accommodation is lower than inducting new employee
4. Employers want to retain valued and qualified employees.

There are lot many industries which have a scope of employing disabled employee. It's just the initiative which is required, considering **Titan, Tata group** which is one of the world's largest timepiece manufacturers started introducing disabled employees to it's facility since 80's . "Titan was clear that these people are an intrinsic part of our society and need understanding, support and opportunities, not charity or misplaced compassion," says Mamatha Bhat. Thus, the capable candidates of 18 -24 years were adopted and proper measures were taken to get them into main stream, like

- Ergonomically designed workspaces
- Training to enhance technical competence
- Non-discriminating policies, effective grievance handling, counseling etc.

With time, Titan has realized that the disabled members of its family are more loyal and far more focused on the job. Despite the physical shortcomings of these employees, productivity and quality had never been an issue. Titan's children of a lesser god are no longer classified as disabled, merely 'differently-abled'.

Thus, such an investment is worth not only for it's return in terms of loyalty earned. But, employers should consider their responsibility towards the society and help in making these people self-dependent and getting them into the main stream.

2. Investment in employee health: Such investments can increase the productivity of employees. For example, in underdeveloped countries, **increasing the quality of nutrition and providing basic medical care** can increase the productivity of employees and would thus constitute investments in human resources. Companies operating maquiladoras in Mexico have learned that they must furnish two meals a day to ensure that their workers are receiving sufficient nutrition. As a result, some of the better employers place a great deal of emphasis on high-quality food service as well as medical services.

Other health-related programs are directed at **reduction of smoking** because the relationship between health problems and smoking is well known. It has been found that employee absenteeism rates are approximately 50 percent higher for smokers. Rates of early disability and mortality are approximately 300 percent higher. The combination of these and the secondary effects of smoking cost companies an extra $2,500 each year per smoker. Because of these costs and the detrimental impact on productivity, some employers have adopted hard-line policies against smoking.

Large numbers of companies have **invested in fitness centres and physical conditioning programs**. Many claim very positive returns for their investments. For example, Mutual Benefit Life Insurance found that after it provided a fitness centre for its employees, the average number of workdays missed by the facility's users was 2.51 days and annual medical claims were $313. In contrast, nonusers averaged 4.25 missed workdays and medical claims of $1,086. In addition to the fitness centres, the company established an on-site health clinic. A return of two dollars for every dollar invested is claimed, without counting increased morale. 106 There also are claims of other fitness-related outcomes. These include better mental health, stress resistance, increased commitment, increased productivity, lower absenteeism, and lower turnover.

3. Countercyclical hiring - In addition to not laying off as many employees as technical production requirements might suggest, companies may pursue countercyclical hiring strategies of hiring a limited number of managers and professionals during economic downturns. In essence, companies would be stockpiling a limited number of high-quality key personnel for future use in pursuing strategies requiring certain personnel capabilities. As opposed to economic upturns when competitors are also attempting to obtain the same personnel, bargains in quality can be obtained during downturns.

Several other benefits may result from countercyclical hiring. One benefit might be a more regular age distribution, which is lacking the spikes or troughs that occur with discontinuous hiring. As a result of dramatically increased health insurance costs, age distributions have become a concern to employers that have disproportionate numbers of older workforces. Aside from the benefits of counter-cyclical hiring, there are obvious costs, such as hiring employees when they are not needed and equity issues with the current workforce. There also are several implementation issues such as the ability to forecast future human resource demand accurately enough to pursue such a strategy. Empirical studies of countercyclical hiring indicate that successful companies employ systematic approaches toward human resource management and are more likely to make investments in human capital by hiring during downturns.

PLANNING AND IMPLEMENTING STRATEGIC HR POLICIES

To be successful, firms must closely align their HR strategies and programs (tactics) with environmental opportunities, business strategies, and the organization's unique characteristics and distinctive competence.

Strategic human resource planning: is the process of formulating HR strategies and establishing programs or tactics to implement them.

THE BENEFITS OF STRATEGIC HR PLANNING:

Encouraging proactive rather than reactive behavior: being proactive means looking ahead and developing a vision of where the company wants to be and how it can use human resources to get there. In contrast, being reactive means responding to problems as they came up. In general, a reactive company could risk losing sight of the long-term course that should be set for the organization. In the past three years, the number of bankruptcies has greatly increased which is why any firm needs to make sure they keep a strong grip on their vital talent and try to introduce special incentives that would give a boost to any key performer going through a rough patch. While it may seem strange to be spending on employees when the company is going through hard times economically, it is necessary if the company wishes to keep its star employees on board. Strategic human resource planning allows an organization to formulate a clear set of objectives that capitalizes on its key talents and knowledge.

Explicit communication of company goals: strategic HR planning can help a firm develop a focused set of strategic objectives that capitalizes on its special talents.

Stimulation of critical thinking and ongoing examination of assumptions: Managers often depend on their personal views and experiences to solve problems and make business decisions. That can led to success but serious problem can arise when assumptions no longer held. Strategic HR planning can stimulate critical thinking and the development of new initiatives only if it is a continuing and flexible process rather than rigid procedure.

Identification of gaps between current situation and future vision: Strategic HR planning can help a firm identify the difference between "where we are today?" and "where we want to be tomorrow?" encouragement of line managers' participation: for HR strategy to be effective, line managers at all level must buy into it. If they do not, it is likely to fail.

Identification of HR constraints and opportunities: when overall business strategy planning is done in the combination with HR strategic planning, firms can identify the potential problems and opportunities with respect to people expected to implement the business strategy.

Creation of common bonds: A strategic HR plan that reinforce, adjust, or redirect the organization's present culture can foster values such as customer focus, innovation, fast growth, and cooperation.

HR Strategies for Improving Company Performance: There is no textbook definition of what constitutes a good or bad HR strategy. Instead, the effect of an HR strategy always relies on how well it aligns with the rest of the factors involved. This statement leads to a basic yet important expectation from HR strategies that are broadly supported by research. When a company matches its HR strategies with other factors concerning the issue, it eventually results in better performance and if this alignment does not take place then there is inevitable incompetence and lack of consistency in the company's performance.

The four factors that the company must keep in mind when deciding what HR strategies, they need to implement for there to be a positive impact on the organization's performance: the firm's strategies, characteristics, capabilities as well as its environment.

An HR strategy contributes to the positive growth of an organization. This is achieved when the company has a good fit between the human resource strategies and the general strategic direction of the company. The HR strategies applied in a company need to be in harmony with the environment in which the organization operates and be closely adjusted to the particular organization's features. The strategies should allow capitalization of the key capabilities of the firm and be equally consistent and coordinate accordingly.

A corporation can have several businesses that are somewhat related or are entirely different. When it comes to corporate strategy, it refers to the unique combination of businesses every corporation chooses to take hold of and how resources are managed and inter-flow through these businesses. The key strategic business-related decisions that occur when a firm is at a corporate level involve factors such as growth, acquisition, diversification, and divestment. Business strategies in an organization refer to the development and application of strategies by fairly independent organizations, even if they belong to a bigger corporation.

LINKAGE OF CORPORATE STRATEGY

Corporate strategies with matching HR strategies are broadly divided into two main types. Companies that take on evolutionary business strategies tend to take part in the vigorous acquisition of new and upcoming businesses even if these businesses have no general relation to one another. Managing change in evolutionary firms is the key to survival. Entrepreneurship is reinforced and gaining control does not have a lot of importance considering each sector is generally autonomous. Fast responses, entrepreneurship, sharing risks and flexibility are all that proper HR strategy foster in businesses. Evolutionary corporations are not dedicated to a singular industry or business and may appoint employees from the outside market based on requirement and let go of them to minimize costs if necessary, with no promises of being rehired. Such HR strategies are suitable since they accept the reality that change, and development are constant in an organization. On the other hand, some corporations tend to be somewhat picky about their method of growth. They refrain from the acquisition of firms that are unrelated to their current industry and even companies in that particular industry that are not the same as them.

In developing an effective HR strategy, the organization faces several important challenges:

Maintaining a competitive advantage: Any competitive advantage enjoyed by an organization tend to be short-lived because other companies are likely to imitate. The challenge from HR perspective is to develop strategies that offer the firm a sustained competitive advantage.

Reinforcing overall business strategy: developing HR strategies that support the firm’s overall business strategy is challenge for several reasons:

- Top management may not be able to enunciate clearly the firm's overall business strategy.
- There may be much uncertainty or disagreement concerning which HR strategies should be used to support the overall business strategy.

CORE COMPETENCIES AND COMPETITIVE ADVANTAGE WITH HRM

When a firm uses a new technology, it can create a short run competitive advantage or first mover advantage. But it is not sustainable because competitors can imitate or purchase the sources of the advantage. But human resources are the most non-imitable resource of an organization that are rare and cannot be copied by the competitors. In addition to it, HR is the only true differentiator between the two similar organizations in their ability to attract, develop and retain their high performing workforce. Hence, HR department of the organisation should try to leverage the immense capabilities of company's HR in order to convert it into Core competency.

The first and foremost step in this direction is to identify and then to adopt a set of policies and practices of core competency components which will preserve this valuable asset.

Facets of Core Competency:

Researchers and academicians have identified set of competencies required by HR in order to become effective in their roles and ultimately leading to core competency. Accordingly, functional competencies, behavioural competencies, Generic Competencies, Generic technical competencies and functional technical HR Competencies have been identified. Most of the discussions and supporting research till date have focused on widely generalizable core HR competencies. In this direction, **HR Compass** in 2009, specified some competencies which can be adopted by the organizations in India. A closer look at these competencies will illustrate that without a combination of professional qualification, relevant experience and training, it will be impossible to master those competencies. **The agency further states that Core Competencies can be grouped as:**

- **Functional Behavioural HR Competencies** includes service orientation, personal credibility, execution excellence.

- **Generic behavioural HR Competencies** includes strategic thinking and alignment, change orientation and networking management.
- **Generic Technical Competencies** includes business knowledge and financial perspective.
- **Functional Technical HR Competencies** include HR planning and staffing, performance management, training and development, talent management, compensation and benefit, managing culture, design and change, labour laws, building HR strategy and international management.

Further an attempt to **cluster HR competencies** has been initiated by few more researchers who categorized HR competencies into three broad segments:

- **Role Specific HR Competencies:** These are the personal competencies required to perform critical HR roles like interacting effectively with management and employees, solve broad organizational problems and represent strategic importance of HR to the success of organizations.
- **Business Specific HR Competencies:** These are the competencies which are required to understand the overall business of the organization. These are related to common business management practices. Until HR professionals acquire these competencies, they cannot design and deliver HR interventions that support business.
- **Industry Specific HR Competencies:** These are the advance set of competencies which are industry specific and includes business knowledge and financial perspective.

Impact of crafting HR as Core Competency

Core Competencies can be used to “raise the bar” of employee performance. In human resources development, competencies are used to identify and close the gaps in individuals' capabilities. In performance management, competencies and results are appraised to connect how a job was done to the results achieved. Competencies will also help HR to communicate desired behaviours, control costs and increase customer satisfaction (employee satisfaction).

A closer look at the benefits derived by various organizations will further strengthen the need of crafting HR as Core competency of the organization by providing competitive advantage. In this direction, it is important to quote an initiative that has been taken by **HPCL**. It has an exclusive competency management team at its head quarter and one exclusive member at each of its different zones. A total of 10 members' team is working on a dedicated portal “e-care” for the benefit of all employees. There employees can upload their individual development plans referred to the behavioural and technical competency framework. This has enabled the organization to control attrition rate by considering employees' vision of their growth in the organization.

Another effort has been made by **General Motors (GM)** through “mysocrates”, an E-HR portal to save time, distribution and printing cost thereby enhancing speedy decision-making process. The idea behind mysocrates is to create an employee friendly one-stop shop for providing them support for taking decisions, accessing information about rules, regulations, policies and procedures.

AT & T is also leveraging upon Workforce Career Management initiative as a source of competitive advantage. This initiative enabled HR to develop and implement training curriculum in order to enhance employees to handle diverse and additional responsibilities. This has facilitated the organization to utilize its human resources for diverse projects efficiently.

One of the HR core competency of **Oracle** is to provide continuous development opportunities to its manpower by creating new kinds of job assignments, namely, cross functional job postings, job rotation through HR specialties, special project that require new skills which ultimately reduces cost, provides holistic view about the organization. This has also encouraged internal harmony among employees and reduces conflicts within the organization.

A significant step has also been taken by **LG Electronics** to adopt certain policies and practices for making LG a better place to work. It has a comprehensive online recruitment management system which enables the organizations for screening candidates. The system also provides an overall view about the mindset and psychology of the candidate through a series of psychometric tests which helps in finding out the fit between candidate's mindset and organizational requirements about candidate's mind set. It also includes negative interview to access the capability of candidate to perform in case of high stress situation. LG has ambassador programme where a dedicated mentor goes to the worker' house and talks to his family and discusses their problems etc. and tries to make their situation better. LG has formed some informal clubs for de-stressing employees and every employee has to be a part of one or the other informal club. All this has enhanced employee productivity, reduced absenteeism and turnover, control cost and reduced conflict within the organization. Infact, LG has been benchmarked in terms of lowest manpower cost.

ALIGNING HRM WITH BUSINESS STRATEGY

****Why aligning HRM activities with Business Strategy is necessary? How it can be aligned?**

The changing business environment has made it mandatory for organizations to align human resources with the strategic goals of the organization. HR's emerging role in the formulation and implementation of strategy, private sector has recognized that it is not just financial and technological capital that provide companies with the competitive edge, but PEOPLE or HUMAN CAPITAL.

HRM alignment means to integrate decisions about people with decisions about the results an organizations trying to obtain.

Often at Helios, we are approached by CEOs and Human Resource executives who want to redefine HR's role from being administrative to a role that strategically defines how the organization's goals will be achieved through its people.

And it makes sense why leaders want to get more from HR than just processing payroll and benefits.

The **Boston Consulting group's study**, **Creating People Advantage 2014-2015: How to Set up Great HR Functions**, revealed "companies that are stronger in people management have a corresponding higher performance." Further, the study states that great HR functions understand the organization's most urgent needs and goals, which allows them to meet long-term considerations such as the supply and quality of employees. This research highlights the strategic contribution HR can make to an organization, and when HR is effectively aligned with the business strategy, there is a positive impact on both employee performance and organizational profitability.

There are **basically 4 Steps to Align Your HR Strategy with the Business Strategy:**

So, what does "alignment" look like and how does HR go about it? HR leaders should:

Understand the business strategy and current state challenges. Consider the goals and expected outcomes for the organization. Is the organization pursuing a growth strategy? Or, is it trying to turnaround underperforming business lines?

Identify how people must contribute to organizational growth and success. Seek to understand what you are asking your workforce to do in service of the goals. What new or different skills, competencies, and behaviors are needed? What are the best functions and positions needed to deliver on these expectations?

Design and implement your HR talent strategy. Once you know where the organization is headed and what it requires of its people to get there, HR must determine the gaps between its current workforce and what is required to accomplish the organization's business goals. Define strategies needed to acquire, train, develop, performance manage, and reward the very high-performing talent that will carry your organization into the future.

Measure your HR strategy. Whether you use an HR scorecard or other metrics, these measures indicate if your HR talent strategy is successful or when a course correction is necessary.

Empowering – and expecting – your HR function to make a strategic contribution ensures HR aligns its resources and activities in ways that enable the organization to meet its goals through its greatest competitive advantage: its people.

EMERGING ISSUES IN STRATEGIC HUMAN RESOURCE MANAGEMENT

Human resource management, generally, involves the activities related with staffing; training; appraisal; change, conflict and diversity management; remuneration; employee relationship; safety & health care; career development; retention; and retirement. Tighter labor markets, economic uncertainty and globalization are key issues that will shape the workplace and the HR profession in coming years. But strategic human resource management, has a wider scope including all those activities that affect an organization's employees. Some emerging issues that are and, in near future, tend to be responsible for an organization's high or low performance, need to be seen as a part of strategic human resource management. These are highlighted in the following sections.

Cross Functional, Virtual teams and eHRM: have become a necessity for today's organizations competing in domestic as well as global markets. Cross functional teams involve members representing different departments who agree to use their resources collectively for achieving the organization's goals. Whereas the members of cross functional teams are located at one site, the members of virtual teams are located at different sites, even in different countries. Electronic human resource management (e-HRM) facilitates collaboration among cross functional and virtual teams by providing relevant data and information with the help of web-based technologies. For example, the formation of an appropriate team, cross functional or virtual, to develop a new product can be facilitated if all the employees' profiles are made available on the organization's intranet with search facilities.

Ageing population and Global Financial Crisis: Although many countries have experienced the crucial effects of ageing population and financial crises, yet, organizations have not been able to adopt proactive measures. In both of these scenarios, organizations are seeking higher performance, reducing financial benefits, restructuring, laying off employees, finding young / alternate talent as well as keeping a good public image. Therefore, human resource departments should be considered at the forefront while making suitable policies to cope with these two situations.

Stepped-up competition for talent: As labor market conditions improve and the need for skilled and educated workers rises around the world, organizations are finding it more difficult to attract the best employees. This makes it increasingly necessary for HR to help build a strong employer brand. Smart HR professionals are highlighting cultures that incorporate the fundamentals of a great place to work, including corporate social responsibility initiatives, strong worker safety and security measures, and an overarching atmosphere of civility and respect in the workplace. The tight competition for talent is also influencing compensation and benefits strategies, immigration policies, and global relocations.

New developments in technology: New tools, such as talent networks, crowdsourcing and internal social networks, hold the promise of increased flexibility and productivity. But their use in supporting a virtual workforce will continue to make employee management and team building challenging.

A rising sense of insecurity: With new technology, data security concerns arise for both employer and employee. Companies face the threat of data breaches or risks to global supply chains. At the same time, the fear that workers may find themselves in a physically dangerous situation is also very real, as we see more incidents of workplace violence and political or social instability in places where organizations do business and have staff.

The impact of the economy: While economic indicators have improved in countries around the world, many organizations continue to feel a strain on their budgets. This will influence hiring strategies and other HR decisions. In addition, increased globalization and political unrest in some regions will continue to make economic uncertainty the "new normal."

Demographic changes: Population changes will have a mounting impact on many aspects of employment and HR practices. These changes include the aging workforce, different generations working together, the nature of family and parental roles, and increased cultural diversity.

Green Culture: As the challenge of climate change becomes more visible and tougher, organizations focusing upon environmentally friendly policies and products find it more profitable by saving extra costs and building a strong goodwill. The human resource managers can play a vital role in developing a culture promoting alternate energy and clean environment. This can be done through proper motivation, training, appraisal and rewarding systems. For example, employees can be motivated to use less paper, and, shut off unnecessary lights, etc.

Knowledge Management and Learning Organizations: Knowledge management refers to how knowledge is created and shared within an organization. And as humans are a key source of knowledge, therefore, it seems crucial that human resource managers be engaged in managing knowledge, especially tacit knowledge. Human resource managers can play a vital role by motivating employees to create an appropriate culture for nurturing knowledge, enhancing their skills through proper training and appraisal programs, and, developing a learning organization.

Robots and Human Cloning: New technology has brought many conveniences as well as challenges for the human resource managers. While robots and cloned humans can be used as workers as alternates to human beings, the issues of wage settlement, retirement, medical insurance and the problem of fraud identification, especially in the case of cloned humans, would pose great challenges to human resource managers.

Data-driven HR practices: The growing importance of “big data” presents human resource practitioners with an opportunity—and puts them under pressure. Business leaders are increasingly demanding that HR professionals, like their colleagues in other functional areas, use metrics and in-depth analysis to both make good decisions and demonstrate the return on investment of key expenditures.

An ever-changing, complex environment can create the anxious feeling that an HR professional needs to be an expert in everything. This is clearly impossible. Still, these insights from the experts help give us a broader sense of which trends are likely to have the biggest impact on the profession—and leveraging them can help you design strategic responses that make the most sense for your business.

MODULE 2: ALIGNING HR SYSTEMS WITH BUSINESS STRATEGY

ALTERNATIVE HR SYSTEMS

The different alternatives of HR systems are as follows:

Universalistic Perspective - Universalistic or "best-practice" approaches assert that certain independent – dependent variable relationships hold across whole populations of organizations- i.e., some HR practices are always better than others, and all organizations should adopt them. Under universalistic approach, "strategic HR practices" are those viz; found consistently leading towards the higher organizational performance, independent of an organization's strategy. Examples are formal training systems, profit sharing etc.

Contingency Perspective – The contingency perspective goes beyond the simple, linear, casual relationships explored in universal theories and allows for interaction effects and varying relationships, depending on the presence of a contingent variable-most often, firm strategy. The task of the researcher is to select a theory of firm strategy and then specify how individual HR practices will interact with that strategy to result in higher organizational performance. Effectiveness of HR practices is contingent on how well they mesh with other aspects of the organization (e.g., what discrete HR policies would be most appropriate if an organization were to pursue a low –cost strategy or wanted to encourage new product innovation).

Configurational Approach - Configurational theories differ from universal and traditional contingency theories because configurationally theories are guided by the holistic principles of enquiry and explicitly adopt the systems for achieving organizational goals. General configuration theories are concerned with the relation between patterns of multiple independent variables and dependent variables. **Wright and McMahan** suggested that the Configurational perspective was an appropriate approach for strategic HRM as it is concerned with the pattern of planned human resource developments and activities intended to enable an organization to achieve its goals. For **Lundy and Cowling,** strategic HRM consists of environmental analysis (both internal and external) in which an HR perspective can be introduced into the strategic process.

Congruence and Integrated Human Resource Systems – The congruence or fit between HR practice and business strategy has been emphasized in SHRM. IT is the primary logic of melding the HR function into the strategy of a firm. A great deal of conceptual illustrations assert that the employment of effective HR practices and the design of a HR system compatible with the firm strategy are imperative for the successful implementation of business strategies.

As a fundamental characteristic of SHRM, fit denotes the utilization of human resources to help with the achievement of organizational goals. According to Wright and McMahan fit means "the pattern of planned human resource deployments and activities intended to enable the firm to achieve its goal." Scholars suggested that there are two kinds of fit: horizontal fit and vertical fit. Horizontal fit refers to the congruence among the various HRM practices and vertical fit refers to the alignment of HRM practice with the strategic management process of the firm.

For congruence in Human Resources systems, an integrated Human Resource System Model is proposed by Rao.

As proposed by Rao, this model has development at its core, which suggests that the development of motivated, dynamic, and committed employees is a means to achieve better organizational performance.

Integrated HR Systems-This perspective views HRM as process, and not merely as a set of practices, mechanisms, of techniques. Human resource practices such as performance appraisal, training, rewards etc., are used to initiate, facilitate, and promote this process in a continuous way. These subsystems are designed to work together in an integrated system. Although any one of these practices any exist in isolate in an organization that does not have long-term plan, in isolation, these subsystems lack the synergistic benefits of integrated systems.

On the basis of years of work in the field of Human Resources Development (HRD), Pareek and Rao developed a systems framework that is useful for an in-depth understanding of HRD/HRM. The component systems of HRD, according to them, are the career system (manpower planning, recruitment, retention, continuous potential appraisal, and career planning, and development activities), work-planning system (helping individual understand organizational needs, plan, and improve their work), development system (training, counseling and other development mechanisms),self-renewal system(team building, survey feedback, research), and culture system (a climate that sets norms, values, and culture, and ensures a high level of motivation for employees). It is not necessary for a firm to use all the systems at the same time.

LINKING HRM PRACTICES TO ORGANIZATIONAL OUTCOMES

It is well understood that human resource management (HRM) decisions and practices are likely to have an important and unique influence on organizational performance. The obvious linkage must be either through improved efficiency or contribution to revenue growth. However, the views on the exact transmission mechanism or model linking the two have undergone much change over time. This change has happened alongside change in the perceptions about human resources themselves from being a cost to be minimized and a potential source of efficiency gains to a source of value creation.

HUMAN RESOURCES STRATEGY FORMULATION

****Explain the role of HRM in the strategy formulation?**

The field of HRM has changed dramatically over the last few years. The HRM concepts and practices of today are significantly different from those of the past. Planners and practitioners who understand these changes in HRM policies and practices will provide their organizations with a strategic competitive advantage. The creation of this competitive advantage will provide the basis for the survival of future organizations which can move ahead with the competitive environment. For strategic HRM to be successful, its goals should be aligned with the strategic goals of the organizations. The above points emphasize the importance for HR department to involve itself in the process of corporate or business level strategic planning.

The HR department can involve itself in the process of strategic planning. For example, in recruiting candidates the organization has to analyze whether the candidate's goals are in alignment with the organizational goals. This will ensure that employees put in their maximum concentration towards their work. Thus, HR department has come a long way in involving itself in the process of strategic planning.

HR STRATEGY IN WORKFORCE UTILIZATION

****Explain the techniques of efficient utilization of Human Resources?**

HR strategy is the way the organization plans to utilize its human resources, develop them, and provide opportunities and better working conditions to ensure the maximum integration of these resources. Of all the resources of an organization, the human assets are probably the most critical and difficult to manage. The human resources are the most critical because these are the only active resources and the effective use of all other resources directly depends on efficient utilization of these. Renis Linkert rightly observes that all the activities of any enterprise are initiated and determined by the people who make up that institution. Potential of human resource can be utilized effectively by following methods.

Cross-Training and Flexible work assignment: An effective training technique which results in motivation is **cross-training**, when implemented horizontally, upward and downward. Cross training is also known as **circuit training**. Department heads, assistants and employees can cross-train in different departments or within the department itself. With background support, employees can have one day training in the role of department head ("King for the Day").

When a general manager is away, department heads can take roles replacing him, which is a form of cross-training. Cross training should be carefully planned and presented as learning opportunity. Sending people to work in another department at a moment's notice is not what cross-training is about. This has to be an effective planned process. Departmental communications meetings can be used to share lessons learned. Cross training can be used to "shake up" supervisors or employees who have lapsed into poor performance.

A more sophisticated form of cross training is job rotation, which usually involves extended periods (from one month to six months). With job rotation, the employee's role is of a different nature.

Flexible work assignment: may be an option that can meet the needs of both the organization and the employed. Organizations are strongly encouraged to be as flexible as possible in allowing for alternative work schedules.

Flexible work options offer alternative approaches to getting work done through non-traditional work hours, locations, and/or job structures. They offer creative approaches for completing work while promoting balance between work and personal commitments. Typical flexible work options are flexi time (flexible start, stop and lunch times), flexi place(work away from the office, typically at home), compressed work schedules(compressing standard work week hours into fewer days), and part-time and job sharing assignments (less than full-time work, either for a reduced assignment, or a shared one).

Work teams: Teams have increasingly become the primary means for organizing work in contemporary business forms. In the organization an important function of the manger is to create team spirits among subordinates. The word team‟ is generally used in group games. A group is able to work together as a team only after all the persons in the group know the roles of all others with whom, they will be interacting. All members must be qualified to do their jobs. When there is such understanding, the desire to cooperate with them, may become effective in real cooperation. Persons are able to act as team members in all working conditions, depending upon the needs of that situation without looking at someone to give orders.

According to Bennis, "Though all these teams were extraordinary in their own way, there were some principles that were common to all and these principles apply to all the organizations where these teams worked".

The principles are: Shared Dream, Mission is Bigger than Ego, Protection from leaders.

Non-Unionization – In order to gain flexibility in their operations, companies like to operate as non-union firm. Accordingly, as non-union firms have become more common**, Guest and Hoque** have proposed a way of classifying new, non-union establishments, which recognizes their diversity. This is necessary since in practice, „it seems unlikely that non-union establishments are either all good or all bad as had been argued by some observers.

STRATEGIC PERFORMANCE MANAGEMENT

"Strategic Performance Management encompasses methodologies, frameworks and indicators that help organizations in the formulation of their strategy and enable employees to gain strategic insights which allow them to challenge strategic assumptions, refine strategic thinking and inform strategic decision making and learning." - Bernard Marr

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

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

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

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

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

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

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

Tools for Strategic Performance Management:

(I) Management by Objectives (MBO): The concept of 'Management by Objectives' (MBO) was first given by **Peter Drucker in** 1954. It can be defined as a process whereby the employees and the superiors come together to identify common goals, the employees set their goals to be achieved, the standards to be taken as the criteria for measurement of their performance and contribution and deciding the course of action to be followed.

MBO is a widely used performance evaluation approach. In the case of MBO, the linkage with the implementation of strategies is easy to establish because the objectives can be specified as outcomes or milestones in the strategy implementation process. MBO typically begins with an initial phase in which the subordinate generates goals or objectives to be accomplished over the next time period. As a part of this process, the subordinate specifies the measures by which accomplishment of such objectives will be determined and outlines action plans he or she will use to achieve these objectives. The superior also generates objectives for the subordinate and then meets with the subordinate to work out a joint agreement. At the end of the next time period, the subordinate is evaluated on the extent to which the objectives were accomplished and the existence of factors beyond the subordinate's control that may have affected objective accomplishment.

Unfortunately, as with all performance evaluation approaches, MBO has disadvantages as well. Objectives for some jobs are more difficult to write, such as for staff jobs, and problems occur when objectives are not well thought out. Further, the process may be viewed with cynicism
if higher-level executives are not evaluated by MBO.

Despite its disadvantages, a recent survey of Fortune 100 firms found that MBO was used by 80 percent of the respondents to evaluate executives and managers while 70 percent of the respondents used the approach for professionals. Furthermore, as with all evaluation approaches,
organizations sometimes offset their disadvantages and take advantage of the strengths of various evaluation approaches by combining MBO, graphic rating scales, narratives, and other
approaches.

(II) Balanced Scorecard: The concept of the balanced scorecard as originally developed by **Robert Kaplan and David Norton** addresses this requirement. They called the balanced scorecard as a set of measures that gives top managers a fast but comprehensive view of the business. Balanced scorecard is a performance management tool that is used to align business activities to the vision and strategies of an organization by monitoring performance against strategic goal.

The Balanced Scorecard method of Kaplan and Norton is a strategic approach, and performance management system, that enables organizations to translate a company's vision and strategy into implementation, working from 4 perspectives:

1. **Financial perspective**.
2. **Customer perspective**.
3. **Business process perspective**.
4. **Learning and growth perspective**.

This allows the monitoring of present performance, but the method also tries to capture information about how well the organization is positioned to perform in the future.

The Financial Perspective: Kaplan and Norton do not disregard the traditional need for financial data. Timely and accurate funding data will always be a priority, and managers will make sure to provide it. In fact, there is often more than sufficient handling and processing of financial data. With the implementation of a corporate database, it is hoped that more of the processing can be centralized and automated. But the point is that the current emphasis on financial issues leads to an unbalanced situation with regard to other perspectives. There is perhaps a need to include additional financial related data, such as risk assessment and cost-benefit data, in this category.

The customer perspective: Recent management philosophy has shown an increasing realization of the importance of customer focus and customer satisfaction in any company. These are called leading indicators: if customers are not satisfied, they will eventually find other suppliers that will meet their needs. Poor performance from this perspective is thus a leading indicator of future decline. Even though the current financial picture may seem (still) good in developing metrics for satisfaction, customers should be analyzed in terms of kinds of customers, and of the kinds of processes for which we are providing a product or service to those customer groups.

The Business Process perspective: This perspective refers to internal business processes. Measurements based on this perspective will show the managers how well their business is running, and whether its products and services conform to customer requirements. These metrics have to be carefully designed by those that know these processes most intimately. In addition to the strategic management processes, two kinds of business processes may be identified: Mission-oriented processes: Many unique problems are encountered in these processes. Support processes: The support processes are more repetitive in nature, and hence easier to measure and to benchmark.

Learning and Growth perspective: This perspective includes employee training and corporate cultural attitudes related to both individual and corporate self-improvement. In a knowledge worker organization, people are the main resource. In the current climate of rapid technological change, it is becoming necessary for knowledge workers to learn continuously. Government agencies often find themselves unable to hire new technical workers and at the same time is showing a decline in training of existing employees. Kaplan and Norton emphasize that 'learning' is something more than 'training'; it also includes things like mentors and tutors within the organization, as well as that ease of communication among workers that allows them to readily get help on a problem when it is needed. It also includes technological tools such as an Intranet. The integration of these four perspectives into a one graphical appealing picture, has made the Balanced Scorecard method very successful as a management methodology.

Objectives, Measures, Targets, and Initiatives

For each perspective of the Balanced Scorecard four things are monitored (scored):

- **Objectives**: major objectives to be achieved, for example, profitable growth.
- **Measures**: the observable parameters that will be used to measure progress toward reaching the objective. For example, the objective of profitable growth might be measured by growth in net margin.

- **Targets**: the specific target values for the measures, for example, 7% annual decline in manufacturing disruptions.
- **Initiatives**: projects or programs to be initiated in order to meet the objective.

The balanced scorecard forces managers to look at the business from four important perspectives. It links performance measures by requiring firms to address four basic questions:

a) How do customers see us? - Customer perspective
b) What must we excel at? - Internal perspective
c) Can we continue to improve and create value? - Innovation & learning perspective
d) How do we look to shareholders? - Financial perspective

Benefits of the Balanced Scorecard

Kaplan and Norton cite the following benefits of the usage of the Balanced Scorecard:

- Focusing the whole organization on the few key things needed to create breakthrough performance.
- Helps to integrate various corporate programs. Such as: quality, re-engineering, and customer service initiatives.
- Breaking down strategic measures towards lower levels, so that unit managers, operators, and employees can see what's required at their level to achieve excellent overall performance.

(III) Performance Prism: It's a framework for performance management and measurement which was developed to surmount the weaknesses of balanced scorecards. It was developed in Cranfield University, United Kingdom. This innovation was led by Prof. Andy Neely, Professor of Operations Strategy and Performance Director of Cranfield's Center for Business Performance and Chairman of Performance Management Association.

(IV) The European Foundation for Quality Management (EFQM): The European Foundation for Quality Management was founded in 1988 by leaders from fourteen companies to improve the quality of management in Western Europe. It was created in 1991 as a framework against which applicants for the European Quality Award are judged, and to recognize organizational excellence in European companies.

The EFQM excellence model allows the understanding of cause-effect relationship between what is the organization doing and its results. It contains three integrated components: the fundamental concepts of excellence, the criteria and the RADAR

This model indicates that customer satisfaction, employee satisfaction and impact policy and strategy are achieved through leadership. This drives the policy and strategy, people management, resources and processes leading to excellent business results.

EFQM brings together more than **700 members** located in many countries across the world. The EFQM Excellence Model is made up of **nine elements grouped under five enabler criteria** (leadership, policy and strategy, people, partnerships and resources and processes) and four result criteria (people results, customer results, society results and key performance results). This model also consists of **32 sub-criteria**.

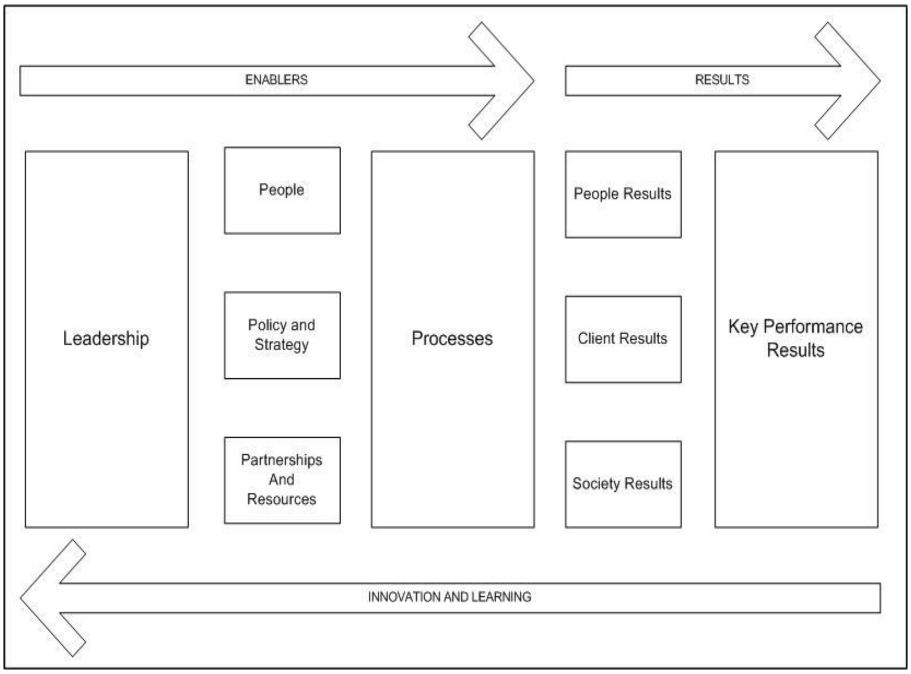
Enablers in the EFQM Excellence Model embrace the processes, structures and means that the organization can use to manage quality. The results concentrate on achievements relating to organizational stakeholders.

Leadership: Excellent leaders develop and facilitate the achievement of the mission and vision. They develop organizational values and systems required for sustainable success and implement these via their actions and behaviors.

Policy and strategy: Excellent organizations implement their mission and vision by developing a stakeholder focused strategy that takes account of the market and sector in which it operates. Policies, plans, objectives and processes are developed and deployed to deliver strategy.

Partnerships and resources: Excellent organizations plan to manage external partnerships, suppliers and internal resources in order to support policy and strategy and the effective operation of processes.

Processes: Excellent organizations design, manage and improve processes in order to fully satisfy, and generate increasing value for, customers and other stakeholders.



Customer results: Excellent organizations comprehensively measure and achieve outstanding results with respect to their customers.

People results: Excellent organizations comprehensively measure and achieve outstanding results with respect to their people.

Society results: Excellent organizations comprehensively measure and achieve outstanding results with respect to society.

Key performance results: Excellent organizations comprehensively measure and achieve outstanding results with respect to the key element of their policy and strategy.

Evaluation and scoring by RADAR:

The acronym 'RADAR' refers to different aspects of how the Excellence Model is practically applied within the organization: **R**esults, **A**pproach, **D**eployment, **A**ssessment and **R**eview

The RADAR tool, used in conjunction with the EFQM Excellence Model, permits a standardized scoring for how well the organization is doing in its mission to implement a sustainable strategy. This score can be used as the basis of comparison with all or parts of similar or very different organizations. When calibrated by external examiners, RADAR is the basis of determining award winning levels of performance.

HR STRATEGY FOR TRAINING AND DEVELOPMENT

It's tempting to put off staff training indefinitely, waiting until there is more time or more money. But for you to succeed, your employees' skill sets must be complete and up-to-date. Employee development is one of the most important investments you can make in your business.

When you do take on a training effort, you'll want to be sure you're spending your money wisely. It's therefore best to create an overall training strategy to steer your plans for staff development.

A training and development strategy aims to achieve the following: Meet employee learning and development needs, ensure optimal human capital development, build the business management and leadership skills for a strong executive team. Please find below few guidelines to help make your training efforts and strategy successful:

Analyze your needs: Take the time to carefully analyze your needs when designing your training plan. This will help you choose the right type of training for your requirements.

Identify skill gaps: You can do this by looking at a written job description (make sure you have one!) and comparing the skills the position requires with your employees' current abilities. Understanding where there may be gaps will help you identify the types of training you need.

Prioritize: Assign the training you'd like to provide into categories. Is it mandatory, or nice-to-have? If it's absolutely required, a training effort becomes imperative. If it reflects an ideal situation that isn't immediately feasible, you'll know to plan for it in the longer term.

Plan and deliver the training: Once you have assessed and prioritized the need for training, the next step is to secure what type of training you will use and how you will offer it. There are several factors to consider:

Types of training available

Internal resources: Ask yourself what resources you have in-house. Seasoned employees may be perfect to take on coaching or mentoring roles. Inexpensive to provide, these are among the most effective types of training

External resources: Formal seminars, conferences, private trainers and videos are all good methods for learning. These tools are more expensive, but are professionally developed and often yield good results.

Delivery options: One-on-one vs. group sessions, e-learning vs. in-person instruction, on-site or off-site? These questions will be answered by a blend of factors: what's available, what best suits your needs, and what you can afford.

Your budget: It's important to balance your need to save with the long-term benefit of developing staff. Try to determine the best type of training available for the amount you have to spend.

Secure management and Staff commitment: Before you can execute a training program, you need to have agreement from the senior person in your company that training is a priority. This person will need to support the plan fully and agree to milestones, costs, dates and deliverables.

Employee commitment is also required. Talk to your staff about the goals for the training and why it's important to the business that they undertake the learning effort. Most often, employees will respond favorably to your investment in their development. Today's employees look beyond their pay cheques; they value and embrace opportunities to learn new skills.

Analyze training efforts and their impact: Training can be costly, so you will want to assess its impact. However, sometimes its effect cannot be translated simply into bottom line dollars and cents. Ideally, you might track variables before and after training to verify improvements after development efforts. If the training was on customer service, the end result may be fewer customer complaints and/or an increase in sales. Training on a new computer system may net fewer errors or quicker processing. You may need to review why you sought training to begin with and whether your concerns have been remedied.

MODULE – 3: INTERNATIONAL AND COMPARATIVE STRATEGIC HRM

MANAGING GLOBAL HUMAN RESOURCES

Global human resource management, sometimes referred to as global HRM, is an umbrella term that includes all aspects of an organization's HR, payroll, and talent management processes operating on a global scale. As technological innovations make it easier for organizations to conduct business across the world, global expansion has become an increasing reality—if not a necessity.

Global HRM includes matters such as management of global workforces, expatriation and repatriation, HR practices and laws around the world, and issues arising in specific countries and regions. It also includes matters that focus on careers, communications, legal and regulatory issues, technology, metrics, outsourcing and effective practices in the global HR arena.

The practice of global human resources is a functional area in itself, as well as a facet of all other HR functional areas.

Business leadership: The subject of global business leadership is the focus of much research, and increasingly, organizations are looking at what it takes to be an effective global leader. Various research points to common themes to help HR professionals build a global leadership development program. Part of the challenge of global leadership is adjusting leadership styles to the particular culture(s) where the organization does business.

An effective global leader is one who has the ability to master international business issues, set direction, effectively lead people from different cultures and nations, and align global resources. A global leader should have a global mindset (i.e., the ability to take an international perspective and be inclusive of other cultures and views), sensitivity toward global diversity (i.e., the various ethnic, cultural, religious and class groups that exist within a global enterprise), and respect for human dignity and the welfare of all employees—wherever they may live and work.

The global leader must be concerned with global integration, that is, a strategy that emphasizes a consistency of approach, standardization of processes and a common corporate culture across global operations despite differences among cultures and laws.

Benefits and compensation: The cost of talent is a key factor in employment considerations and particularly so for companies operating in multiple global markets or thinking about expanding across borders. As companies aim to streamline their benefits and compensation plans, many attempt to globalize their offerings. What often emerges from this effort is a global philosophy about how employees are remunerated that is flexible enough to be adapted locally.

More countries that were slow to adapt individual incentive plans are warming up to the practice. While a global incentive plan helps create a more cohesive culture, implementing it can be challenging.

Knowledge of local payroll laws and wage and hour requirements is needed to ensure compliance in other countries. As in the U.S., these requirements may include issues such as minimum wage and overtime pay, income tax withholding and reporting, unemployment contributions, retirement and social services withholding and filing, and record retention requirements.

Different types of incentive pay often come into play in a world market. Decades ago, for example, oil companies lured employees into taking dangerous jobs overseas by offering extra compensation, coined "danger pay." Today, incentive allowances (sometimes referred to as location allowances), such as mobility, foreign service, hardship and danger pay, are premiums offered by companies to encourage employees to accept different types of expatriate assignments. To determine the right amount, organizations need to take into consideration several factors, such as housing, crime and remoteness.

Ethics and social responsibility: Business ethics and sustainability are important elements of operating in another country. An organization's practices in this area can be effective in communicating the employment brand to all potential and existing employees as well as to governments in other countries. Corporate social responsibility (CSR) is a burgeoning global trend that HR can influence.

CSR is defined as the commitment by organizations to balance financial performance with contributions to the quality of life of their employees, the local community and society at large. HR has an opportunity to use CSR to brand its employment message globally. Workers actively seek out employers that promote social and environmental responsibility. CSR initiatives help bring together disparate multinational company cultures.

Diversity: Cultural differences, language barriers, religious practices and sexual orientation all factor into the modern workplace. Take this concept global, and even more complicated issues emerge. Transplanting an organization's diversity programs in another country requires researching the issues, which may be vastly different from the ones encountered in the home country. The CIA World Fact Book and the Library of Congress have country-specific information related to cultural differences. Expatriates will need to be familiar with the country's culture to successfully transition into the new environment.

Employee relations: Living and working internationally bring forth challenging issues in employee relations, performance, absenteeism and motivation. One way of dealing with these is through a global employee assistance program (EAP)—often referred to as an international EAP, or IEAP. IEAPs provide solutions in diverse cultural situations to support or maintain maximum on-the-job performance. Consequently, multinational organizations have begun to offer their international employees—including their non-U.S.-based workforce—the benefits of an IEAP.

Labor relations: Global labor relations, in particular the flexibility of the labor market, is one of the first factors to take into consideration when deciding where to operate abroad. How pervasive are the unions? How powerful are they? What industries do they cover? What are the restrictions?

Safety and security: An organization's safety and security policies, procedures and practices may need to be developed, revised and implemented as a consequence of its presence in a foreign country. Understanding and following a host country's relevant laws and regulations and establishing the organization's own safety and security measures are essential.

Compliance with the U.S. Occupational Safety and Health Act will not be adequate or even appropriate when operating in other countries, which have their own labor and safety regulations. In some aspects there is a need for global consistency; for example, the United

Nations Globally Harmonized System of Classification and Labelling of Chemicals has addressed chemical labeling and classification.

Understanding various global risks is necessary to formulate appropriate safety and security policies. For example, threats of terrorism against certain country nationals doing business in particular countries are a fact of life. In some areas, expatriates, particularly executives, may need security protection. Geographic, cultural and technological factors pose challenges in developing safety and security plans that integrate a variety of jurisdictional imperatives and cultural norms.

Staffing management: Globalization poses challenges in global staffing management for multinational corporations. What works well in one country might not work nearly as well in another country—and might even be illegal. Some particular staffing management challenges associated with global HR include global recruiting, global relocation, international assignment management and global outsourcing.

The U.S. Department of State website has visa and work permit information as well as additional country-specific information. If you are planning to use expatriates, obtaining and communicating country-specific visa requirements will be an important step in preparing these individuals for their new assignments.

Global recruiting: Thanks to the accelerating globalization trend, companies have more options to find the best people for the right jobs. Global HR professionals are being asked to source candidates for numerous positions—not just IT and support, but management, research and development (R&D), sales and marketing—from around the world. HR will need to identify, screen, test, interview and move talent into jobs more quickly and seamlessly than ever before, challenging HR professionals to figure out which recruitment strategies work best in which cultures. When recruiting in Asia, for example, HR should focus on attracting candidates with diversity, work/life balance, recognition and project responsibility. When recruiting in Europe, the focus may be on empowerment, job fit, work challenge and opportunities for movement.

Global relocation: Concerns about family and trailing-spouse issues continue to dominate the reasons why employees turn down expatriate assignments. Careful selection, preparation and communication can help ease the transition. As for logistics and support, each destination, be it China or the U.K., comes with its own special challenges.

International assignment management: International assignment management is a complex function but one that offers the HR professional many opportunities for growth as well as the chance to contribute positively to the expatriate employee's experience and the organization's bottom line.

A failed assignment can be quite expensive: The cost of a three-year international assignment can easily exceed $3 million. The increasing importance of global business to a company's bottom line means that international assignment management will only grow in value as a critical skill for HR practitioners.

Due to family concerns and the lack of robust repatriation programs, many employees are reluctant to take international assignments. HR professionals are responding by getting creative with shorter-term assignments or commuter options for employees, depending on the scope of the project.

Repatriation: HR professionals can take a number of steps to ensure that expatriates enjoy a smooth return home and that the company can maximize the expatriates' valuable international experiences. To improve retention and satisfaction of returning expatriates, HR professionals should consider the following suggestions:

- Conduct post-assignment career planning before the individual leaves the foreign post.
- Facilitate mentor relationships among senior executives and expatriates.
- Assign a home-country mentor and an overseas mentor to expatriates.
- Maintain strong, regular communication during global assignments.
- Require home visits, and encourage expatriates to use them to network professionally.
- Keep expatriates in the forefront of succession planning.
- Provide repatriation assistance to address assimilation and reverse culture shock when returning home.
- Tap repatriates to serve as trainers for future expatriates.
- Provide forums for repatriates to share their experiences.
- Develop a tracking system to determine if repatriation turnover is a problem.

Offshoring: Offshoring is the relocation of business processes and services from one country to another. As technology allowed for more white-collar jobs to be offshored to India, China and Eastern Europe, many U.S. companies rushed into the practice, lured by promises of major savings in payroll.

But reality quickly set in as cultural challenges emerged, quality of service and products declined, and a consumer backlash set in. Offshoring of HR, IT and R&D will continue, but companies will need to consider the pros and cons, the training and knowledge transfer, and the cultural understanding needed to make the practice successful.

Technology*:* Between a growing global economy and the shift from production orientation to a knowledge and service orientation, organizations increasingly seek avenues that offer greater flexibility to remain competitive. Recruiting and retaining the best talent—wherever that talent may be—is one of the best ways to compete. Accordingly, HR needs to leverage technology solutions to enable employees in dispersed locations to work together in global virtual teams. By using virtual teams, companies can take advantage of competitive synergies that teamwork offers along with the advancements in information and communication technologies.

When addressing the multiple facets of global HR management, employers must ensure compliance by understanding and managing international employment law and cultural differences that affect legal and ethical business practices.

EVALUATING HR FUNCTIONS IN INTERNATIONAL CONTEXT

Some of the major functions involved in practices in international HRM are as follows:

1. Planning 2. Recruitment and Selection 3. Training 4. Compensation.

1. Planning: There are usually three approaches to HR planning in multinationals. These are **ethnocentric, polycentric and geocentric**. In ethnocentric policy, all key management positions are filled by parent company nationals and foreign subsidiaries are being locally staffed or what is termed as HCNs (Home Country Nationals).

The reasons given for following ethnocentric planning policy include lack of managerial talent in the host country, desire to maintain a unified corporate culture and tighter control and desire to disseminate the parent firm’s core competencies across foreign subsidiaries. This policy is usually followed at an early stage of “internationalization”.

Researchers have, however, identified some major problems with this approach. They feel it limits promotional opportunities of HCNs which may lead to reduced productivity. PCNs unfamiliarity with local conditions, on the other hand, could be the negative factor.

In polycentric approach, the foreign subsidiaries are managed by host country nationals and home-office headquarters by parent-country nationals. This approach may reduce the local cultural misunderstandings that expatriate managers may exhibit. The advantage of this approach is that adjustment and language learning problems are eliminated. American Express and Nestle follow this approach for staffing their foreign subsidiaries.

In contrast to the former approaches, the geocentric approach has accent on ability rather than on nationality. This approach seeks the best people for key jobs throughout the organization regardless of nationality. This approach seems to identify with the spirit of the times and enable a firm to develop an international executive cadre and reduce the tendency of national identification of managers with units.

The drawbacks of this approach, if any, are it faces conflict with polices of local governments who desire foreign subsidiaries to employ their citizens, cumbersome paper work, and increased relocation and training costs.

2. Recruitment and Selection: Recruitment and selection functions of HRM are performed to ensure right man on right job at right time and right place. However, this is not so easy, more especially in case of MNCs. Around 20% to 25% of all overseas assignments fail mainly due to recruitment reason. Hence, recruitment and selection matter in human resource management.

Selectors usually play safe by placing a heavy emphasis on technical qualifications and little on the individual ability to adapt to a foreign environment that is, drastically and culturally different, Foreign placements make demand on expatriate employee that are different from what the employee would face if posted in his or her home country. For example, the expatriate employee will have to cope with new work force, with colleagues with drastically different cultural inclinations, coupled with, if the spouse and children also accompany, the problems of adjustments with new place and people, making new friends, shopping in strange surroundings, learning language, and attending new schools.

The research has shown beyond doubt that though technical competence is important for success, relational abilities increase the probability of successful performance. In his study, Tung" found that lack or relational skills was a principal cause for failure of individuals to cope in a multinational environment. He reported that when a US food manufacturer sent its marketing manager to Japan for 18 months, the process of his adjustment lost the company 98% of its market share to a major European competitor.

Thus, selecting employees for foreign assignments means screening them for those traits that predict success in adapting to what may be dramatically new environments. A recent research study has identified five factors perceived by international employees to contribute to success in a foreign assignment. They were: job knowledge and motivation, relational skills, flexibility/ adaptability, extra cultural openness, and family situation. In a multicultural work force, human resource practices have to be reactive rather than proactive.

3. Training: Training is essentially imparted to improve job skills of the employees. It should also coincide with staffing needs. Accordingly, employees in an MNC need induction, orientation and training to be imparted in the social, cultural, business and technical aspects to make them, fit for business requirements of today and tomorrow. An expert suggests that overseas employees need four-level training to be imparted.

These are:

Level I. training focuses on the impact of cultural differences, and on raising trainees' awareness of such differences and their impact on business outcomes.

Level II. Focuses on attitudes and aims at getting participants to understand how attitudes (both positive and negative) are formed and how they influence behavior.

Level III. Training provides factual knowledge about the target country.

Finally, Level IV provides skill building in areas like language, adjustment and adaptation skills.

Beyond these special training practices, the need for traditional training is also felt for development of overseas employees. As in IBM, such training is imparted by rotating employees' assignments. This helps employees grow professionally. Besides, IBM and other major MNC firms have established their Management Development Centres (MDCs) around the world where executives can come to hone their skills.

The success of the Japanese MNCs is attributed, to a large extent, to their strong training practices. Japanese companies impart different kinds of training to their employees. Some send them for graduate programmes, some send them abroad to train in business law and engineering and familiarize themselves with foreign principles of management. There is also the Institute of International Studies and Training in Japan, established as a joint venture among business, government and academic circles, to promote training activity in the country.

4. Compensation:

The issue of compensation/remuneration in case of international employees is a tricky one for two reasons. First, paying all the employees of one rank the same compensation satisfies the norm of equitable remuneration. However, it raises more problems than it solves. The fact remains that as a second reason, the cost of living can be significantly varying among the countries.

For example, it can be enormously more expensive to live in America than in India. It these cost-or-living differences are not duly considered while determining compensation for overseas employees, it may be almost impossible to get employees to take these high-cost assignments. Therefore, paying compensation that not just satisfies employees but also seems fair and equitable is no simple matter

The most common approach for formulating multinational employees' compensation is to equalize purchasing power across countries, a technique known as the Balance Sheet Approach". The basic idea behind this approach is that each foreign employee should enjoy the same standard of living he/she would have enjoyed at home. For this, multinational pay equal base pay to employees plus some allowances in the form of mobility allowance, housing allowance, children's education allowance, etc., to regain lost purchasing power due to relocation.

In India with the process of liberalization and globalization, the government has allowed companies to pay their managers salary packages which are more in keeping with those of their counterparts abroad. Unless salary and benefits are more or less equitably distributed through the different units of a multinational, it can cause problems of demotivation and lackluster performance. This would cause more damage to the bottom line than the increase in benefits paid to individual employees.

5. Performance Appraisal: Like compensation, several things complicate the task of appraising a foreign employee's performance. Two are the most crucial ones. One, who will appraise? Two, what will be the criterion of appraising? Local managers having some inputs can appraise the expatriate employee. But, such appraisal is likely to be distorted by cultural differences.

For example a US expatriate employee in India may be appraised somewhat negatively by his host-country bosses who find his use of participative decision making inappropriate in their culture If the expatriate is appraised by objective criteria such as profits and market share, it may also not be quite appropriate because local events such as political instability, for example, will have their bearing on the expatriate performance.

In order to resolve the above appraisal issues, experts have suggested a five-point procedure for improving the expatriate employee's appraisal.

They are:

1. Stipulate the difficulty involved in assignments at the work place of expatriate. For example, working as expatriate in China is generally considered more difficult than working in India.

2. Give more weight in evaluation towards the on-site manager's appraisal than towards the home-site manager's appraisal which will be mainly based on distant perceptions of the employees' performance.

3. In case the home-site manager appraises the expatriate employee, the manager should take at least background advice from a former expatriate from the same overseas location.

4. Modify if required, the performance criteria used for a particular job to fit the overseas position and characteristics of that particular locale. For example, maintaining and improving

labour relations might be more important in India which is characterized by labour instability, than it would be in another country like United States.

5. Use both quantitative and qualitative criteria to evaluate the performance of overseas employee. So to say, don't appraise the expatriate, in terms of quantifiable criteria like profits or market share only, but also give due credit for his or her very relevant insights into the functioning of overseas operations.

INTERNATIONAL STRATEGY

Companies use different strategies to produce products and services that enable them to compete in the global marketplace. These strategies include multinational strategies, global strategies, transnational strategies, strategic alliances, and hybrid strategies. Nonetheless, world-class workforces are required with all of these strategies. Human resource management must be able to identify sources of such labor and plan its use. Even with alliances, human resource management input is critical for both strategy formulation and implementation.

MULTINATIONAL, GLOBAL AND TRANSNATIONAL STRATEGIES IN HRM

International strategies may be described as multinational, global, transnational, or mixtures of basic strategies. With a **multinational strategy,** companies operate in countries chosen for their individual profit potential. All activities related to design, production, and marketing are then performed in each of these countries. (These are called value-chain activities.) Multidomestic strategies customize the product and its marketing to the unique preferences of each country.

In contrast, **global strategies** produce standardized products, with different activities such as design and production being located in different countries, depending on labor costs, skills, or other strategic advantages. With **transnational strategies**, companies compete in the global marketplace through the use of networks and strategic alliances.

Multinational or multidomestic strategies provide a power advantage in dealing with unionized workers, because labor difficulties or other production problems only shut down production and revenue flows from one country's operations or a small set of countries. However, they do not produce the economies of scale of global strategies. With global strategies, economies of scale are obtained by maintaining only a few different product models. As a result, lower costs and higher quality are obtained. Japanese automobile manufacturers provide an example of a successful application of this strategy.

A disadvantage with this approach is that standardization does not address all customers' preferences. Likewise, greater coordination is required, and marketing may be less effective. A human resource implication of the global strategy is that there is concentration of resources and talent on a smaller set of activities. Thus, with the global strategy, it is important to locate each of the value-chain activities where there is world class labor, in terms of cost or skills. Another human resource implication is that with a global strategy, a company would probably be particularly vulnerable to strikes or labor relations problems at any link in the value chain, since the whole process is dependent on each link. However, with more than one source of manufacturing facilities, the company can shift production to other operating plants.

STRATEGIC ALLIANCES

Companies are increasing their use of strategic alliances with foreign companies. Such alliances allow companies to combine their distinctive competencies in order to gain an advantage in producing or marketing a product. Frequently, U.S. companies reduce their labor requirements by forming alliances with foreign firms. However, the history of U.S. companies' experiences with strategic alliances indicates that the arrangement may be fraught with perils. Alliances can be extremely dangerous for companies that outsource manufacturing. The allure of low-cost production, without the costs of investing in product development and new manufacturing technologies, is particularly seductive.

Unfortunately, U.S. companies pursuing this strategy have typically ended up being "deskilled" or "hollowed out" in critical skill areas. Although in the short run financial benefits of entering into an alliance may be impressive, in the long run the alliance partner doing the manufacturing typically becomes the dominant player in the market. This occurs as a result of the U.S. partner's diminished manufacturing knowledge and the manufacturing partner's capture of knowledge of the other company's core competencies.

A prime example where this has occurred is the consumer electronics industry in which U.S. companies such as General Electric, RCA, and Zenith held dominant positions in all skill areas of the industry. Twenty years after their entry into alliances, virtually no consumer electronics are manufactured in the United States, while alliance partners have become dominant in the industry. More significantly, their alliance partners have used the knowledge gained from these U.S. companies to develop core competencies and take the lead in other areas such as miniature lasers and sensor systems. The greatest danger of transferring such skills occurs in situations in which there is frequent interaction and exchange between the organizations' engineering and technical employees. Companies that have outsourced manufacturing in alliances frequently no longer have the skills to compete in manufacturing and may be relegated to marketing the alliance partner's products. Further, because of the integrated design, production, and marketing processes required for today's short product development cycles, the pace of the dependent company's decline may quicken.

Human resource managers need to know how to decrease the likelihood of these undesirable outcomes. Measures that may prevent alliances from working to the eventual disadvantage of the company include:

(1) understanding the real aspirations of the alliance partner,
(2) keeping in mind the original purposes of the alliance so that objectives are not redefined to the company's disadvantage,
(3) avoiding a false sense assurance provided by legal control since the real key is knowledge transfer, and
(4) keeping alliance interface managers in place over long periods of time so that subtle nuances are understood. Because the latter is often in opposition to the length of job rotation cycles in management development programs, human resource managers may need to lengthen such cycles.

SUSTAINABLE GLOBAL COMPETITIVE ADVANTAGE

Interestingly, predictions by some observers that the United States would become an information economy while underdeveloped countries would take on the less skilled manufacturing roles appear to have been off the mark. These predictions have underestimated the intellectual resources of such countries and the limited capital investments required for entry into the information industry. For example, the city of Bangalore, India, has high-quality computer programming talent that U.S. companies and companies from other countries are using for development of highly complex computer software.

The Indian programmers have the reputation of exceptional ability and the persistence to be able to develop very complex programs. Further, their lower salaries compared to U.S. standards makes them a highly sought out source of world-class labor. Strategists would do well to avoid a premature dismissal of other countries' long-run capabilities and focus on the factors that provide companies with real and sustainable competitive advantage in the global economy.

Likewise, there are other strategy-related human resource implications of globalization. With greater globalization of markets, it will become more difficult for companies that do no human resource planning to compete with companies from other countries that have taken advantage of such strategy and planning contributions. For example, Volkswagen has attributed some of its managerial successes to its human resources. Volkswagen maintains a long-term approach, which is evident in its training programs that prepare workers for highly automated production systems. Also tied in with its human resource and planning efforts is Volkswagen's extensive involvement in apprenticeship training programs. During one year, 4,500 apprentices were employed by Volkswagen and guaranteed permanent jobs after completion of training, even though unemployment levels in Germany were relatively high. Volkswagen's stock of skilled workers may provide it with a sustainable competitive advantage over its rivals. Nonetheless, Germany's current high wage rates have offset this advantage to some extent.

GLOBALLY COMPETENT MANAGERS

A growing area of strategic importance is the recruitment, selection, and development of globally competent managers. Nancy Adler and Susan Bartholomew have studied the human resource requirements for "transnationally competent managers" who have global understandings of business and broad cultural knowledge. Such managers have the flexibility to live in different cultural environments, can interact simultaneously with individuals from several different cultures, and have an egalitarian view of colleagues from other countries.

A staffing goal would be to have a rich mixture of such managers from different countries, fluent in several languages, who use world-class standards for performance benchmarks. In order to acquire such managers, human resource managers must hire world-class individuals from throughout the world; develop them through transnational assignments; prepare them for organizational learning roles, such as in strategic alliances; and remove any glass ceiling limitations on promotions based on home country considerations.

Unfortunately, most human resource operations in U.S. and Canadian multinational corporations do not meet these requirements.

GLOBAL HRM AND THE STAFFING POLICY/APPROACHES

Here also the role is no different i.e. hiring individuals with requisite skills to do a particular job. The challenge here is developing tools to promote a corporate culture that is almost the same everywhere except that the local sensitivities are taken care of.

Also the decisions related to the top management or key positions gets very tricky. Whether to choose a local from the host country for a key position or deploy one from the headquarters assumes importance; and finally whether or not to have a uniform hiring policy globally remains a big challenge.

Nevertheless, an organization can choose to hire according to any of the staffing policies mentioned below:

Ethnocentric approach: Strategic decisions are made at headquarters, and foreign subsidiaries have little autonomy. Key jobs at both domestic and foreign operations are held by headquarters management personnel and subsidiaries are managed by expatriates from the home country. Head office managers see expatriation as a way to accelerate the progression of their career, since the competence development of expatriates is preferred to that of local managers.

Polycentric approach: In polycentric staffing policy the host country nationals manage subsidiaries whereas the headquarter positions are held by the parent company nationals. In this case, expatriation is no longer at the centre of the international development strategy. The MNC treats each subsidiary as a distinct national entity and empowers it with some decision-making autonomy. Subsidiaries are usually managed by local nationals (HCNs), who are seldom promoted to positions at headquarters. With this approach, the MNC avoids the difficulties associated with expatriation and cross-cultural adjustment. The control exercised by the head office is weak, and the diversity of the situations in which the subsidiaries find themselves complicates the process of integrating the organization's international activities.

Regiocentric approach: The MNC that favours a regiocentric approach adopts uniform practices for all managers within the same geographical zone. Like the MNC that functions with a geocentric approach, it utilizes a wider pool of managers but in a limited, regional way. Personnel may move outside of their countries, but only within their particular geographic region. For instance, European managers are mobile solely within Europe. Regional managers may not be promoted to headquarters positions but they enjoy considerable regional autonomy in decision-making.

Geocentric approach: In this staffing policy the best and the most competent individuals hold key positions irrespective of the nationalities. With this approach, the MNC designs its strategy from an international standpoint right from the beginning. The organization favours ability and experience over nationality. Parent country nationals (PCNs), third country nationals (TCNs), and host country nationals (HCNs) are thus equally mobile internationally. In order to be successful, this approach to staffing without regard to nationality must be accompanied by a worldwide, integrated business strategy

Geocentric staffing policy it seems is the best when it comes to Global HRM. The human resources are deployed productively and it also helps build a strong cultural and informal management network. The flip side is that human resources become a bit expensive when hired on a geocentric basis. Besides the national immigration policies may limit implementation.

Global HRM therefore is a very challenging front in HRM. If one is able to strike the right chord in designing structures and controls, the job is half done. Subsidiaries are held together by global HRM, different subsidiaries can function and operate coherently only when it is enabled by efficient structures and controls.

CONCEPT OF PCNs, TCNs AND HCNs:

Parent-Country Nationals (PCNs): - Parent- Country Nationals are managers who are citizens of the country where the MNC is headquartered. These managers are commonly called expatriate who live and work away from their parent country on the request of employers. The primary reasons for using PCNs are to start up operations. MNCs prefer to have their own people to launch a new venture. The parent country people have the necessary managerial and technical expertise. PCNs use different adaptation strategies to cope with their overseas assignments. There are both advantages and limitations in using PCNs to staff international subsidiaries.

Third – Country Nationals (TCNs): Third –country nationals are managers who are citizens of countries other than the one in which the MNC is headquartered or the one in which it is assigned to work by the MNC.

Host Country Nationals (HCNs): Host-country Nationals are local managers who are hired by the MNC. An HCN is a person whose nationality is the same as that of the country in which the company is operating. A host-country national (HCN) is an employee who is a citizen of a country in which an organization's branch or plant is located, but the organization is headquartered in another country.

EXPATRIATION AND REPATRIATION MANAGEMENT IN GLOBAL HRM

An **Expatriate (often shortened to expat)** is a person temporarily or permanently residing in a country other than their native country. In common usage, the term often refers to professionals, skilled workers, or artists taking positions outside their home country, either independently or sent abroad by their employers, who can be companies, universities, governments, or non-governmental organizations. Effectively migrant workers, they usually earn more than they would at home, and more than local employees. **EXPATRIATION** is the process by which an employee is sent abroad for an international assignment.

Factors in selection of expatriates:

Selection of expatriates is a challenging task. It includes analyzing the current global assignment needs, defining the current pool of managers with the potential for advancement and the need or desire for an international assignment, establishing future global assignment needs and developing future global candidate pools for strategic success. **There are certain factors that are to be considered in the selection of expatriates:**

1. Technical Ability

2. Cross Cultural Suitability

3. Family Requirements

4. MNE Requirements

5. Language

6. Country Requirements.

As a HR director or manager there are processes that you can put in place to manage your expat employees settle in to their new life:

a) Pre-departure training: A comprehensive orientation programme for expatriates will greatly increase their chances of success. Unfortunately, it is unlikely a one size fits all approach will work on this occasion as pre-departure training but it will need to consider the unique aspects like: Culture of their new home, Situation of each employee, However, it may be useful to have some general guides to: Culture, Language, Safety and security, Family life including choosing schools for children, on every destination, you send expats to.

b) Local support for non-work administration: Many expats find having local support in their destination more beneficial than contact with HR or other colleagues in their base office. If you don't have someone, consider outsourcing this role to a specialist who can help new expats settle. A local will understand 'how things work' and can assist with advice or practical help on a wide range of issues that can potentially confuse someone new to a country. Such as: Accommodation, Utilities, Language, Schools, Personal tax. This can free up time and reduce stress for families who are making the journey over-seas.

c) Help building a social network: Research shows psychological wellbeing while working as an expat is strongly linked to expatriate success. There are many things HR can do to help this process, including:

- Arrange informal introductions to colleagues before the employees go on assignment,
- Encourage employees to use social media to build relationships with colleagues
- Organise an employee-centric activity for them on arrival, for example if they move with their family, facilitate an opportunity for them to meet other expat families working in your organization
- Take a look at spouse expat information groups or check out our trailing spouse guide for other ideas

d) Ongoing support: Even when an expat may appear to be settled in their new role and home, it is important to maintain contact. Regular check-ins are a good idea to discuss any issues that may be underlying that could be nipped in the bud early. A simple call could stop a more serious issue down the line.

e) Healthcare: Access to quality healthcare is vital not only for maintaining the health and well-being of your employees but also for their families. Do your research and ensure you choose an international health insurance group plan that offers the assistance and protection they need. Expat mental health is as important as physical health when working abroad. Moving, settling and starting a new role in to a foreign country can aggravate stress. Which is why depression and culture shock are relatively common amongst the expat community. Provide your expats the professional support they need with an expat assistance programme.

Advantages of using expatriate employees:

1. Fulfilling the Strategic Needs of the Organization

2. Implement parent organization management style

3. Able to control and coordinate with the subsidiary business operations

4. Improve employees' performance

5. Provide better supervision and expertise

6. Operations must conform to the standards of Home Market

REPATRIATION is a process of returning back from a international assignment to a home country after completing the assignment or some other issues.

Many leading organizations recognize the value of cross-cultural training for their employees going on a foreign assignment, offering a range of support for the employee and often their accompanying family members.

These services, including raising cultural awareness, daily living practicalities, working effectively in a multicultural environment and executive coaching, all improve the chances of a successful expatriate relocation. However, once it's time for the employee to return to their home country, most organizations ignore the value of additional cultural training and support for the repatriation process, if they give it any thought at all. There arises two major problems in repatriation of employees.

a) A Difficult return home: Expatriates who have made a success of their foreign assignment may find it surprisingly difficult to return to their home culture, creating a disappointing and often confusing experience, often unanticipated. If organisations are not careful, they may also lose a proven valuable employee if the repatriation is not successful.

Organizations may be operating under the belief that repatriation training is not necessary as their employees are simply returning home to what and where they have already known, perhaps for their entire life prior to their original expatriate assignment. However, these attitudes and assumptions are a big part of the problem.

Successful expatriates become different people whilst on assignment. They have almost certainly acquired new skills - many of which may be unfamiliar or even uncomfortable to people back home. This may include new language skills as well as seeing the world through a new cultural lens. In addition, the employee, and perhaps their entire family, has settled well in their new country and don't especially want to return home, at least at the time the repatriation assignment is offered, causing personal, family and professional dilemmas.

They may appreciate things they consider 'better' back home but may also be vocally critical of things in their home country that they believe their adoptive country did better.

The home environment does not stay static. Things change and while most expatriates stay in contact with friends and family back home, they may still not be aware of day-to-day changes that have happened in the wider communities of their home country. These can range from popular culture references to confusion over new slang to the unexpected impact of a new building in the community to a new way of doing something.

These issues can cause friction, especially when reuniting with friends, family and colleagues who expect the repatriated employee to fit back into their old life as if they have never left their home country.

Even worse, many returning expatriates, who are looking forward to share their enthusiasm and experiences in their adoptive country, may be met with indifference, dismissal or even hostility by the very people who they thought would be interested in hearing about their foreign adventures.

The employee's world view has more than likely broadened from a business perspective as well, improving their ability to see and solve problems from a more sophisticated vantage point. This 'new' vision could be seen as problematic to the team the repatriated employee has joined, perhaps accusing the returning employee of not conforming to the team or branding them as an outsider and thus less trustworthy.

This problem is more likely to be experienced in entrenched, cautious business environments that may be reluctant to any change or who may consider change to be a threat to the status quo.

Business practices that may have been relatively transparent or invisible whilst abroad may become unavoidable once back home. If they are perceived to be outdated, cumbersome or insensitive to other cultures from the repatriated employee's perspective and they try to force their new experience on the old guard, then conflict may arise. Many employees can feel that their new skills and outlook are not recognised or appreciated upon repatriation, causing the employee to feel undervalued.

b) High rate of attrition of returning employees: According to a frequently referenced Global Relocation Trends Survey issued by GMAC Global Relocation Services and the National Foreign Trade Council, 23 per cent of repatriating employees leave their company in the first year.

After three years the total is at least 40 per cent, though some people place it closer to 50 per cent. As the average direct cost of a typical three-year expatriate assignment is in excess of US$1 million (and with several more intangible costs), few organisations can afford failed repatriations.

Any of these challenges, which may be hidden to the employee's management or HR, if not acknowledged and addressed, can lead to the loss of a valuable employee. As the organisation has already invested substantial time and money into the assignee's career development, the cost of losing this employee to the organisation is extremely high.

Following are six primary areas that should be considered when planning a successful repatriation. The following steps can assist organisations with the task of managing the repatriation process with ease:

1) Educate and engage others: It sounds simple, but a personal thank you and meeting with senior leadership at the company can go a long way to making the expat feel valued and welcomed back home. Further, companies should encourage and help the expat provide colleagues and prospective expats with a realistic picture of what they achieved, how they developed professionally, what they had to give up or put on hold to participate, and the cultural experience of the assignment location. Involve family members where possible and appropriate to fill in the picture. Acknowledge the value of the returning employee both from a cost perspective as well as gained insight and experience while abroad that is harder to measure quantitatively

2) Compensation: By ensuring at the start of the assignment that all of the assignment-related compensation is broken out, it will be easier to avoid compensation issues upon return to the home location and helpful in avoiding discontent from the expat. That said, a short-term repatriation allowance can help ease the transition as well. In addition, management should consider offering a retention bonus for staying with the company for an additional two years after the assignment. Continuing tax support is essential for trailing tax liabilities in the host and home countries. Through this benefit, management may also find opportunities to bring cash back to the company and reduce some of the tax costs of the assignment.

3) Career development: The best method for retaining expats after they return to their home locations is to offer opportunities to use their international experience. A good repatriation program will ensure the expat comes back to an available position that is considered an advancement from pre-assignment; offering a greater choice of positions is effective as well. In any event, career discussions should start in earnest six to 12 months before return to the home location.

4) Ongoing support: Regular business trips back to the home country throughout the assignment can ensure the expat does not return to an unfamiliar and isolating environment. Provide coaching or other professional services so the employee can better integrate into their 'new-old' environment. If the return is not to the original location of departure, continued logistical support can help ease this transition. For example, connecting expats with mentors who are based in the home (or eventual) location can help keep expats in the loop and in the minds of their home-country colleagues throughout their assignments. Transition counseling can help counter the negative culture shock that a return home can often have on expats and their families.

5) Families: It can be difficult to overstate the impact of the expat's family members' opinions of the repatriation on the returning expat. After all, family members living with the expat (and, to some extent, those who stay behind in the home country) made a commitment to the sponsoring firm as well. Immediate family members may be asked to put their own careers on hold or raise families in a foreign location. Extended family members may not see their loved ones for months or years at a time. The impact that families have on the expat's future can be significant, and the importance of seeing the return home as positive experience should not be underestimated. Recognise that the employee and their family may need assistance in readjusting to their home culture. Provide repatriation cultural training to raise awareness and provide tools for the adaptation process. Provide assistance for not only the returning employee but also to any partners and children so their re-entry process is smoother.

6) Continuous improvement: Candidly ask the expat for feedback on the assignment and how it can be improved, then engage the expat in helping to implement those changes. Involve the expat (and, where appropriate, the expat's family) in shaping and supporting the next group of expats. Ensure that the employee feels they can continue to make a valuable contribution to the organization. Avoid a situation where the employee feels undervalued or marginalized as an outsider.

HIGH PERFORMANCE WORK PRACTICES

The strategic importance of human resource management and its impact on financial performance has created substantial interest within academic and practitioner communities. This interest is focused on the potential of **high-performance work practices (HPWPs)** to act as a unique, sustainable resource supporting the implementation of corporate strategy and the achievement of operational goals.

The terms such as knowledge workers, intellectual capital, and high-performance work systems reflect a new interest in people as a source of competitive advantage rather than as a cost that needs to be minimized. Consequently, people as intellectual assets and the systems within an organization designed to attract, develop, and retain them are emerging as significant elements of the strategic decision-making process.

HPWPs are most commonly viewed as a set of internally coherent and consistent human resources practices that see people as a source of competitive advantage and designed to promote employee knowledge, motivation, and commitment.

Also called as "high-performance work systems or alternate/flexible work practices", these programs share some common elements including rigorous recruitment and selection processes, performance-based incentives, and comprehensive training programs centered around the needs of the business.

High-performance work practices empower employees, which helps organizational efficiency and performance. HPWPs involve substantial investment in human capital to empower employees by developing their knowledge, skills, flexibility, and motivation, with the expectation that the employer will provide them with the ability and the opportunity to deliver input into workplace decisions.

In return, companies expect that empowered employees will be able to adapt quickly to rapidly changing market conditions, thus improving operational efficiency and performance of the company.

The main components of HPWPs in organizations are:

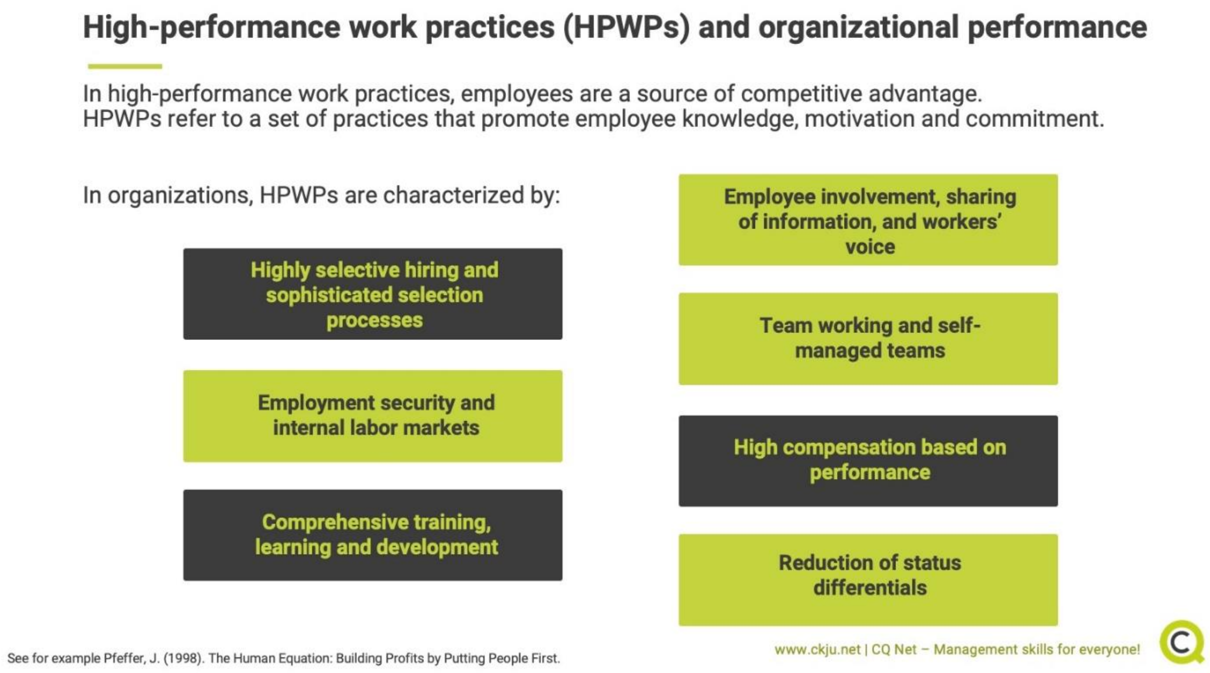
- Highly selective hiring and sophisticated selection process
- Employment security and internal labour markets
- Comprehensive training, learning, and development

- Employee involvement, sharing of information, and workers' voice
- Team working/Self-managed teams
- High compensation based on performance
- Reduction of status differentials

HPWPs are not based on control but on employee autonomy, decision-making and responsibility

HPWPs are intended to lead to a highly motivated, skilled, and empowered workforce, with the goals of the employees closely aligned with those of the management.

They are part of so-called "high involvement work practices", or those in which managers seek to involve the employees in decision making and encourage them to exercise discretion, making them more responsible. In contrast, control-oriented work processes are those in which managers try to control decisions.



Why do high-performance work practices matter?

- Companies using HPWPs benefit from reduced employee turnover while increasing their productivity and financial performance.

- HPWPs can act as a source of competitive advantage as long as the managerial practices are aligned with existing organizational features (internal fit) and with strategic and operating objectives (external fit).

HPWPs need the support and trust of employees to be effective:

The prerequisite for HPWPs to have a positive impact on organizational performance is that employees view the associated practices as positive. Trust and intrinsic rewards (i.e., motivating employees to use their skills), organizational commitment, job satisfaction, and work-related stress are outcomes that are not necessarily in the interests of the company to the same extent that they are to the employee.

A high-performance workforce is a source of untapped potential for many organizations:

The strategic importance of human resource management in which the skilled and motivated workforce provides the speed and flexibility essential in the challenging business environment is increasingly acknowledged, especially as traditional sources of competitive advantage (technology, quality, economies of scale, etc.) have grown easier to imitate. As the markets for other sources of competitive advantage are becoming ever more efficient, the intricacies around the development of a high-performance workforce remain a considerable unrealized opportunity for many organizations.

Relationship between HPWP and organizational performance?

Although there exists increasing evidence that HPWPs affect organizational performance, the magnitude of the overall effect remains difficult to estimate due to differences in research designs, performance measures, sample characteristics, and methodologies of the existing studies, which resulted in their findings to vary dramatically.

Organizational systems are holistic entities - HPWPs must be implemented in a holistic manner

HPWPs, when implemented correctly, improve productivity and quality, but the key is to view systems not component by component, but in a holistic manner - how they can be implemented in an all-embracing way. This approach involves implementation around the firm as a whole, including technology, employees, and their workplaces.

Benefits of high-performance work practices:

HPWPs improve organizational performance through three interconnected processes:

- They give employees the KSAs (knowledge, skills, and abilities) necessary to perform their tasks and the motivation and opportunity to do so.
- They improve the social structure within organizations, which enables effective communication and collaboration among employees.
- Jointly, these two processes improve job satisfaction and ensure more productive work, which, in turn, reduces employee turnover.

Shortcomings of high-performance work practices?

Although HPWP practices are generally considered to have a positive impact on employees' wellbeing, there also exist certain opposing views. Judith Mair, in her widely-discussed, albeit controversial book “End of Fun," claims that conventional work systems provide a more beneficial work environment and also result in better organizational performance.

Flat hierarchy, flexibility and agility, self-actualization, and the like supersede conventional organizational forms, but with destructive consequences: employees are slowly becoming disorientated due to decentralized decision-making; they don't know what is expected from them as responsibility is passed on from one team member to another.

Critics see HPWPs as too unconventional, being disorienting and blurring the boundaries between private life and work life:

Mair states that work has to be work - nothing more and nothing less; she argues that it is more important to ensure that employees are satisfied than to promise fun at work or to present the workplace as a new home and status. Instead, a well-defined structure with elements such as system of rules, discipline, performance orientation, and obligatory modes of communication is needed to provide basic security for workers to feel comfortable. Mair supports selective access to information, precise instructions, clear responsibilities, less focus on soft skills, and a realistic corporate culture.

How can high-performance work practices be implemented?

HPWPs improve organizational performance by increasing employees' knowledge, skills, and abilities (KSAs), empowering them to utilize their KSAs for the organizational benefit, and motivating them to do so. KSAs are introduced and ensured by adequate recruiting and selectivity and then further advanced through practices such as training, adequate job design, and compensation linked to skill development.

Organizations must motivate employees to leverage their knowledge, skills and abilities (KSAs)

Employees have the possibility to perform below their true potential as they possess discretionary power over the use of their time and talent. For this reason, organizations need to find a way to motivate employees to leverage their KSAs. Organizations often utilize tools such as internal promotion policies, performance appraisal, incentive compensation, flexible work schedules, employment security, and procedures for airing grievances to motivate their employees.

However, even skilled, knowledgeable, and motivated employees will not employ their discretionary time and talent unless the organizational and job designs offer the freedom to act. This freedom can be provided by HPWPs such as **self-managed teams, participation programs, information sharing, and employment security.**