

**4.4.2 STRATEGIC HRM****MODULE 1: INTRODUCTION TO SHRM 08 HOURS****HR environment**

The Human Resource Environment is a part of social environment which includes the concept, viewpoints, work culture, attitudes, efficiency, skills, productivity, nature and behaviour of HR, employees' demand and supply, motivational aspects, compensation methods and industrial relation concerning of HR practices.

**Factors affecting human resource environment:****A. External Forces:****1. Political and Legal Environment:**

The environment includes the impact of the political institutions on the HRM department.

**In a democratic set up like India which together constitute the total political environment:**

(A) **Legislature** – It is also called Parliament at the central level and advisory at the state level. It is basically a law making body. The various labour laws are enacted by this institution.

(B) **Executive** – It is also known as the government and it is a law implementing body. It acts according to the decisions of the legislature.

(C) **Judiciary** – It plays the role of watchdog and ensures that both legislature and executive work in the interest of public.

Political environment affect the labour through the labour laws. There are many labour laws which are related to terms and conditions of employment, work conditions, payment of wages, industrial disputes, health, safety and welfare of the labour.

**Effect of Political Environment on HRM:**

All HR activities are affected in one way or other by the political environment.

HR Planning, Recruitment, Selection, Placement, Training and development, Employee Relations&Separations

**2. Economic Environment:**

Economic environment refers to all the economic factors which directly or indirectly affect the HRM.

(a) **Suppliers:**Under HRM, the suppliers are the agencies or parties who make available the human resources to the organization.

(b) **Competitors:**Some of the HR functions or activities are influenced by the competitors. This is because the number of organizations is competing for the human resources, which increases the importance of staffing function and its appraisal and compensation activities.

(c) **Customers:**The Company's personnel function is also influenced by the customers. It is well known that customers want high quality products at the reasonable prices and therefore, everybody in the organization should strive to offer such products which provide desired satisfaction to the customer.

(d) **Industrial Labour:**Many changes have been taken place in the industrial labour especially in the organized sector.

**3. Globalization:**

India's economy is gradually getting integrated with the global economy.

**Globalization has considerable influence on the HR function which can be explained as follows:**

- (a) Employee hiring, training, motivation, compensation, and retaining are guided by the global perspective.
- (b) The department can become the source of competitive advantage for the company by discharging the HR functions effectively and by helping the best qualified people execute the company's strategy on the global scale.
- (c) A work force that is knowledgeable and skilled at doing complex things keeps the company competitive and attracts foreign investment.
- (d) The benefits between globalization and workers are mutual.
- (e) Every advanced nation is increasingly becoming globalized, skills and cumulative learning of its work force becomes its competitive assets.

#### **4. Technological:**

**Technology affects the HR function in the following ways:**

- (a) With the advancement in technology jobs tend to become more intellectual or upgraded. Now the jobs require the skills of educated and knowledgeable workers.
- (b) The introduction of new technology dislocates workers unless they become well equipped to work on new machines which makes obligatory on the part of HRM to train workers and to rehabilitate those who are displaced or cannot be trained.
- (c) Those employees who pick up and acquaint themselves with new technology, the job will be challenging and rewarding.
- (d) Technology also has its impact on human relations as technology lays down the requirements for much of the human interactions in the organizations.

#### **5. Cultural Forces:**

Culture includes knowledge, belief, art, morals, laws, customs, and other capabilities and habits acquired by an individual as a member of a society.

**Culture influences the HR function as follows:**

- (a) The attitude of the worker towards his work depends upon his cultural background. Our workers are known to have a deep seated apathy towards work. Tasks are performed without any interest, dedication, or pride. Further, there is indiscipline at all levels and poor superior subordinate relationships.
- (b) Culture trains people along particular lines, tending to put personality stamp on them. When people with different cultural backgrounds promote, own and manage organizations, they themselves tend to acquire distinct culture.
- (c) Time dimension which affects the HRM has its basis in culture. Time orientation refers to the people's orientation – past, present, and future. HRM focuses on present and care more for employees on the rolls. Employees are hired and maintained as long as they are useful to the organization and dispensed as they cease to be so.
- (d) Work ethics, effort reward expectations, and achievement needs which are significant inputs

determining the employee behaviour at work are the results of the culture.

### Factor # B. Internal Forces:

The HR activities are also influenced by the internal forces.

### Prominent internal forces are:

**1. Unions:**The firm's personnel activities are influenced by its own union as well as the unions of the other firms. The role of a union is too well known. All HR activities – recruitment, selection, training, compensation, IR and separations are carried out in consultation with the trade unions.

**2. Organizational Culture and Conflict:**Every organization has its own culture. Organisational culture is the result of all the organization's features – its people, successes, and its failures. Organisational culture shapes the future by reflecting the past.

### For example the following cultures were adopted by different organizations:

TATA – Get Best People and Set them Free

L&T – Professional Approach

Reliance Industries – Competitive Spirit

IBM – Service

GM – Product Innovation

**3. Professional Bodies:**The impact of the apex body, National Institute of Personnel Management (NIPM), on HR experts is minimal. The body has not been able to prescribe its accreditation for the HR manager.

### **HRM in knowledge economy**

In a knowledge-based economy, the competitive advantage is achieved through the capacity of organizations to adapt to the dynamic environment, by generating and applying new knowledge. Knowledge economy organizations need human resource development professionals with different competencies and attitudes as compared to traditional environment.

Human resources are defined as the accumulated stock of knowledge, skills and abilities possessed by employees, which should be turned into formal expertise by the organization. Organizations and their employees have to acquire new skills and knowledge to satisfy the customers' needs and compete in today's dynamic business environment.

### KEY HR STRATEGIES IN KM

- Trusting HR Philosophy
- Institutionalizing learning to learn
- Creating Knowledge-oriented HR Systems
- Recruitment and Retainment
- Performance Management
- Creating Knowledge-oriented HR Systems
  - Recruitment and Retainment
  - Performance Management
  - Rewards Management
  - Cross-cultural validity of management

## Concept of SHRM Investment

### Human resources Investment considerations

- Management values
- Risk return on investments
- Economic rationale for investment in training
- Utility theory
- Outsourcing as an alternative to investment in Human resources

Management values	Risk return on investments
<ul style="list-style-type: none"> <li>➤ Values, Philosophies of management / senior managers.</li> <li>➤ Cost center (HR cost center)</li> <li>➤ Replaceable resource Investment</li> <li>➤ HR value adder</li> <li>➤ Critical resource KEY personnel</li> <li>➤ Enhances human capital/ prevents depletion</li> <li>➤ BPL, Govt, Vs Infosys, Vs Reliance, TCS</li> <li>➤ Education, training, reward, promotion.</li> </ul>	<ul style="list-style-type: none"> <li>➤ The employers do not own the resource in which they have invested.</li> <li>➤ Returns must be great enough to overcome the risks</li> <li>➤ Cash outlays to maintain no layoff policy, the benefits are not easily quantified</li> <li>➤ Incur costs in short run for long term strategic benefit.</li> <li>➤ Flexible committed work force</li> <li>➤ Better organizational culture</li> <li>✓ Reliance communication</li> <li>➤ Bond money</li> </ul>

### Economic rationale for investment in training

- Human capital theory
  - ✓ Empower Not to bear the cost of Gen training as the employees transfer skills developed at employers' expense.
- General training
  - ✓ OJT, Tuition fee reimbursement
  - ✓ Recoup cost of general training [loyalty, flexibility]
- Specific training Employee related
  - ✓ Cost of mobility, relocation, residence, children's education and other psychological issues,
  - ✓ new salary lower/ Greater Lay Off

### Utility Theory

- Utility of each HR
  - Activity [attempts to determine economic value of human resource programs activities and procedures]
- Recruitment process
  - ✓ Employee with higher productivity
- Performance appraisal
  - ✓ Return on output
  - ✓ Return on sales
- Advt, training, special roles,

### Outsourcing as an alternative to investment in Human resources

- Where world class capabilities and strategic advantage cannot be developed.
- The resources devoted to perform the service internally is greater than those needed when outsourced
- Excessive dependence on suppliers can be avoided.
- Salary, executive search, HRIS, Benefits administration etc. are outsourced

Key areas viz., performance appraisal, employee relations and labour relations are retained by companies.

### Strategic HRM

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.

### Objectives of SHRM

- To ensure the availability of a skilled, committed, & highly motivated workforce in the organization to achieve sustained competitive advantage
- To provide direction to the organization so that both the business needs of the organization & the individual & collective needs of its workforce are met.

### Strategic analysis HRM

“To be competitive, organizations in many industries must have highly skilled & knowledgeable workers. 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”- Edward Lawler

### **Perspective of SHRM**

Taking into account the concepts of the resource-based view and strategic fit, Delery and Doty (1996) identified three HRM perspectives:

- ✚ **The universalistic perspective**
- ✚ **The contingency perspective**
- ✚ **The configurational perspective**

**The universalistic perspective** – some HR practices are better than others and all organizations should adopt these best practices. There is a universal relationship between individual ‘best’ practices and firm performance.

**The contingency perspective** – in order to be effective, an organization’s HR policies must be consistent with other aspects of the organization. The primary contingency factor is the organization’s strategy. This can be described as ‘vertical fit’.

**The configurational perspective** – this is a holistic approach that emphasizes the importance of the pattern of HR practices and is concerned with how this pattern of independent variables is related to the dependent variable of organizational performance

### Theoretical Perspectives of SHRM

- **Fit Perspective**-match its internal resources & skills with opportunities available in the external environment.

- **Functional Perspective**-An organization performs best when each departmental unit maximizes its contributions limited to its unique area of expertise.
- **Economic perspective**- Human resources are a unique & distinguishable source of competitive advantage.
- **Typological Perspective**-Three distinct ‘types’ of HR strategies
  - ✓ Inducement
  - ✓ Investment
  - ✓ Involvement

### **Evolution of SHRM**

Period	Era	Workforce	Status	Activity	End Result
1900-20	Industrialization	Bonded	PA	Hiring & Firing	Birth of Products
1920-40	Trade Unionism	Blue Collar	PM	Compensation & Training	Mass Production
1940-60	Corporatization	White Collar	I & HR	Labour-Mgmt. Issues	Mass Marketing
1960-80	Rise of MNCs	Professional	HRM	Human values	Customization
1980-2K	IT Revolution	Knowledge Worker	HRD	Competency- building	Mass Customization
2K onwards	Borderless World	Intellectual Assets	SHRM	Integration	Customerization

### **Strategic HR vs. Traditional HR**

Activities	Traditional HRM	SHRM
Focus of activity	Employee relations	Partnership with internal & external groups
Role of HR	Reactive & transactional	Proactive & transformational, change leader
Initiative for change	Slow & not integrated with larger issues	Fast, flexible & systematic
Time Horizon	Short-term	Consider various time frames
Control	Bureaucratic control	Organic control
Job design	Focused job design	Broad job design
Important investment	Capital, products, technology & finance	People & their knowledgeskills & abilities
Accountability	Cost centre	Investment centre

### **Barriers to strategic HR**

1. Inducing the vision and mission of the change effort.
2. High resistance due to lack of cooperation from the bottom line.
3. Interdepartmental conflict.
4. The commitment of the entire senior management team.
5. Plans that integrate internal resource with external requirements.
6. Limited time, money and the resources.
7. The statusquo approach of employees.
8. Fear of incompetency of senior level managers to take up strategic steps.
9. Diverse work-force with competitive skill sets.
10. Fear towards victimisation in the wake of failures.
11. Improper strategic assignments and leadership conflict over authority.
12. Ramifications for power relations.

13. Vulnerability to legislative changes.
14. Resistance that comes through the legitimate labour institutions.
15. Presence of an active labour union.
16. Rapid structural changes.
17. Economic and market pressures influenced the adoption of strategic HRM.
18. More diverse, outward looking approach.

### **Role of HR in strategic planning**

- HR has to demonstrate that it is the **respectful business partner** for the strategic planning.
- HR has to take the full responsibility for connecting people, ideas and tools together.
- **HR Role is in bringing ideas for innovations** and new products development.
- HR has to prove its understanding to **modern HR Management trends**.
- HR has to determine the art of **connecting the strategic plan with the real business**.
- HR has to demonstrate it can overcome obstacles
- **HR has to lead the communication**, and it has to act as the change agent.
- The **HR Role** is in bringing right initiatives to make the human capital competitive and innovative.
- The HR role is in building the strategic alliances with other employees and managers to push the solution forward.

### **Responsibilities/Capabilities of HR Professionals**

<b>Strategic</b>	<b>Tactical</b>	<b>Operational</b>
<ul style="list-style-type: none"> <li>➤ Ensure vertical integration</li> <li>➤ Lay down HR vision</li> <li>➤ Create strategies</li> <li>➤ Chalk out future plans</li> <li>➤ Drive change</li> <li>➤ Scan environment</li> </ul>	<ul style="list-style-type: none"> <li>➤ Ensure horizontal integration</li> <li>➤ Create HR strategies</li> <li>➤ Show HR deliverables</li> <li>➤ Market the HR function</li> <li>➤ Utilize people as assets</li> </ul>	<ul style="list-style-type: none"> <li>➤ Implement strategies</li> <li>➤ Hire &amp; fire</li> <li>➤ Dispense with rewards</li> <li>➤ Train &amp; develop</li> <li>➤ Maintain and retain staff</li> </ul>

### **Other Roles**

Facilitator, Linking Pin, Communicator, Resource Allocator, Organizer, Leader & Consultant

**MODULE 2: STRATEGIC APPROACHES AND PERFORMANCE 12 HOURS****Strategy in the 21st Century**

Strategy is about developing distinctive opportunities to create value for an entire business. Importantly, it also involves deciding where you will not compete. Strategy often involves the development and communication of the firm's overall vision, mission and values, which act as the boundaries or guardrails for all other organisational decisions – such as which other strategies are selected and how resources are allocated throughout the organisation, both now and in the future.

21st Century strategy specifically involves continuous disruption; therefore organisations need to continually create a new set of businesses by inventing new business models. As most of these businesses need to be created outside the current organisation, continuous business model innovation will be the path for long term corporate survival.

*The Filtered Strategy and Business Models Course equips you for the 21st business environment of continuous change. It helps you develop your own Strategic growth ideas into business model prototypes to allow decision makers receive, understand and act upon them. It's a whole new approach to solve 21st Century business challenges and develop new opportunities.*

**Understanding Organizational Disruption**

The term “disruption” refers to a process through which market entrants armed with non-conventional business models, and what at the outset seems to be poor-performing products come to challenge industry incumbents over time, eventually getting them out of business.

The term *disruption* to explain how new market entrants, equipped with what by the industry standards looked like low-performing, unattractive products, got to displace and beat the incumbents at their own game. To retain market share, as customer needs increase, companies must actively innovate, continually launching improved versions of their products to increase their perceived value for customers.

If a company stops improving its products, or if the pace of improvements is lower than the rate at which customers' needs increase, the product will lose relevance within that segment.

**VUCA Environment**

Today's world is characterized as being VUCA - volatile, uncertain, complex and ambiguous. Because of this new and unpredictable environment, it is almost impossible to predict threats or opportunities - at the same time, the potential for disruption is very high. VUCA was a term originally coined in the late 1990 to describe a strategic leadership environment. This already hints at the hidden advantages of this seemingly out-of-reach environment.

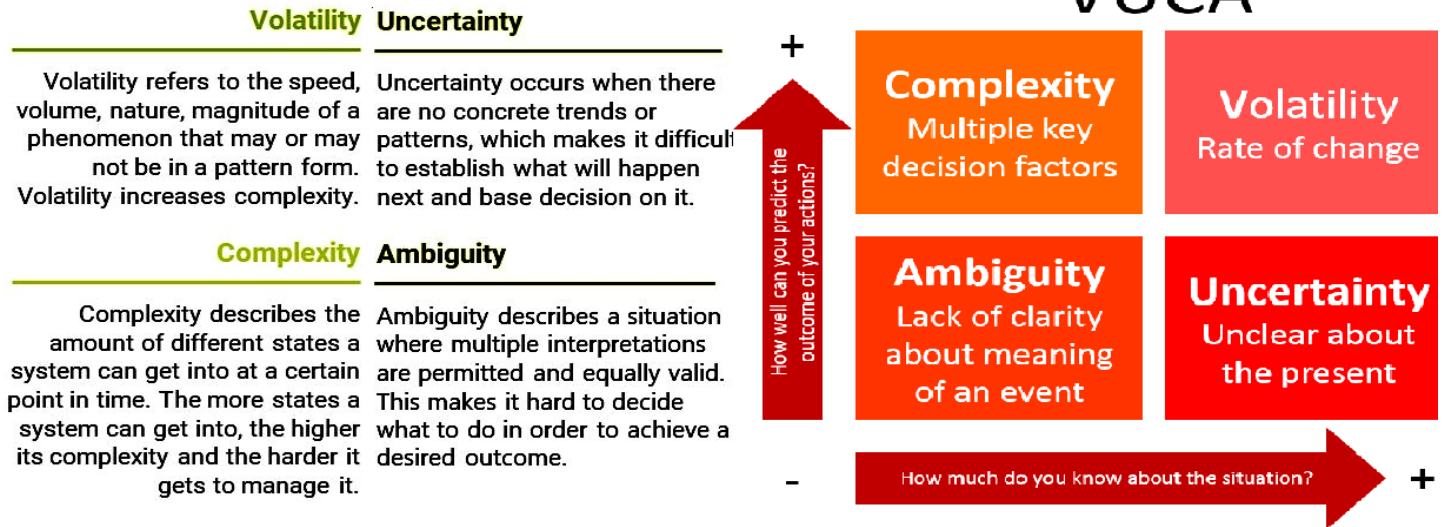
**What Is The VUCA Environment?**

In the late 20th century, the American army carried out a concept that, with time, moved into the world of business to define the crucial need to adapt to a dynamic global environment – VUCA. Not only this, but VUCA also defines the need to embrace new methodologies at the speed of light.

**VUCA – The Volatile, Uncertain, Complex and Ambiguous Environment**

- **Volatility** The changes which happen within an organisation at a consistent speed.
- **Uncertainty** Lacking the ability to anticipate various events or conditions that take place.
- **Complexity** Difficulty in managing and comprehending the context designed by the laws of effect and cause.
- **Ambiguity** Hardship factor is thrown by the relationships between the distinctive individuals or aspects that create a business environment.

## VUCA



### Linking business strategy with HR strategy

Business Strategy	HR Strategy
<p><b>Cost Leadership</b></p> <ul style="list-style-type: none"> <li>• Suitable for repetitive and predictable behaviour</li> <li>• Concerned with short-term focus and quantities (volumes)</li> <li>• Result-oriented</li> </ul>	<p><b>Utilization HR Strategy</b></p> <ul style="list-style-type: none"> <li>➤ HR strategy focussed on short-term performance measures, that is, results or outcomes</li> <li>➤ Efficiency is the norm, job assignments are specialized, explicit job descriptions</li> <li>➤ Hierarchical pay, few incentives</li> <li>➤ Narrow career paths, limited training</li> <li>➤ Limited employment security</li> <li>➤ Cost-cutting may involve incentives for employees to leave the firm</li> <li>➤ Limited participation</li> </ul>
<p><b>Differentiation</b></p> <ul style="list-style-type: none"> <li>• Long-term focus</li> <li>• Creative job behaviour</li> <li>• Moderate concern for quality and quantity</li> </ul>	<p><b>Facilitation HR Strategy</b></p> <ul style="list-style-type: none"> <li>➤ Broad career paths / Extensive training</li> <li>➤ Equal and fair pay, many incentives for creativity</li> <li>➤ Long-term performance measures</li> <li>➤ External recruitment and hiring of people who bring in new ideas</li> <li>➤ High employee participation</li> <li>➤ Some employment security</li> </ul>
<p><b>Focus</b></p> <ul style="list-style-type: none"> <li>• High concern for quality</li> <li>• Moderate concern for quantity</li> <li>• Long/medium-term focus</li> </ul>	<p><b>Accumulation HR Strategy</b></p> <ul style="list-style-type: none"> <li>➤ Equal and fair pay with many incentives</li> <li>➤ Hiring employees belonging to the target market</li> <li>➤ Broad career paths with extensive training</li> <li>➤ High employee participation</li> <li>➤ Some employee security</li> </ul>

## Frameworks Linking Business and HR Strategy

Scholars	Frameworks
Golden and Ramanujam (1985)	<p>Proposed the following four types of linkages between HRM and strategic planning process:</p> <ol style="list-style-type: none"> <li><b>1. Administrative Linkage:</b> HR department adopts the traditional personnel role, provides routine operational support, and handles paperwork. Functional managers see HR function as relatively unimportant.</li> <li><b>2. One Way Linkage:</b> There is a sequential relationship between strategic planning and the HR function. The HR function reacts to and designs HR programmes to support the strategic objectives of the firm.</li> <li><b>3. Two Way Linkage:</b> There is a reciprocal, interdependent relationship between strategic planning and HR function. Business plans affect and are affected by HR activities. HR function is seen as important.</li> <li><b>4. Integrative Linkage:</b> There is a dynamic interaction, formal as well as informal, between HR function and strategic linkage. The senior executive is a strategic business partner with other senior executives of the firm.</li> </ol>
Schuler (1992)	<p>Proposed the 5-P model that links the strategic business needs with strategicHRM activities. The 5Ps are: <i>HR philosophy, HR policies, HR programmes, HR practices, and HR processes</i>. Strategic human resource management begins with the identification of strategic business needs. It is seen as consisting of all those activities that formulate and implement the strategic business needs. These activities have an influence on the behaviour of people. If SHRM helps meet business needs, then it is important to assess the impact of business on HRM activities including the 5Ps.</p>

### Strategic Fit Approaches

The strategic fit proposes that if an organization seeks to maximize its competitive advantage, it must match its internal resources and skills (organizational competencies) with the opportunities available in the external environment.

Guest (1989) emphasized that it is important to ensure that HRM is fully integrated into strategic planning. In 1997, Guest identified the following five types of fit

1. Fit as strategic interaction (best fit approach)—HR practices linkage with the external context
2. Fit as contingency—HR approaches to ensure that internal practices of the organization respond to external factors such as the nature of the market, skill availability, etc.
3. Fit as an ideal set of practices (best practice approach)—there are ‘best practices’ which all firms can adopt
4. Fit as gestalt—emphasizes the importance of finding an appropriate combination of practices
5. Fit as ‘bundles’ (the configuration approach)—suggests a search for distinct configuration or bundles of HR practices that complement each other, in order to determine which ‘bundle’ is likely to be most effective

Three of the above five types of fit provide the following possible approaches to SHRM:

- 1. The Best Fit Approach**
- 2. The Hr Bundles\ Configuration Approach**
- 3. The Best Practice Approach**

## Best Fit Approach

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.



### SHRM is concerned with establishing vertical and horizontal fit:

**Vertical Fit:** Ensuring integration of HRM with the strategic management process

- Conscious effort to align business with HR issues
- HRM activities designed keeping in mind organizational vision and strategy
- Inputs about HR are considered integral part of organizational strategy
- Top management take special interest in HR issues
- Information sharing mechanism between HR and senior managers
- Top-level strategic teams include HR head/executive
- HR executives are provided training in general managerial skills

**Horizontal Fit:** This involves two types of fit

**Internal Fit:** Ensuring integration between HRM sub-functions or sub-systems e.g. staffing, compensation, training, etc.

- Presence of a long term HR vision and HR strategy
- Consistent HR policies in each other
- Presence of coordinating mechanism between HR sub-functions
- Information sharing mechanism between HR sub-areas

**External Fit:** Ensuring integration between HRM and other functional areas e.g. marketing

- Consistency of HR activities with other functional activities
- HR issues part of every manager's responsibility
- HR decisions taken jointly with other managers
- Functional area managers actively involved in HR activities

## **HR bundles approach**

*Bundling* refers to the development and implementation of several HR practices together so that they are interrelated and internally consistent. Each HR practice complements and reinforces the other.

MacDuffie (1995) referred to 'bundling' as the use of 'complementarities', while Delery and Doty (1996) called it the adoption of a 'configurational mode'.

In general terms, the bundles approach is also termed as *internal fit* or *horizontal integration*. The purpose of bundling is to bring about coherence b/w HR practices. Coherence exist when a mutually reinforcing set of HR practices is developed to contribute to the strategic objectives of the organizations so that these practices ensure the matching of resources to the needs of organization & bring about the performance quality.

## **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 (1994) 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                        | 5. Extensive Training              |
| 2. Selective Hiring                           | 6. Reduction Of Status Differences |
| 3. Team Working                               | 7. Information Sharing             |
| 4. High Pay Contingent On Company Performance |                                    |

## **Business Strategy and Human Resource Planning**

### **BUSINESS STRATEGY**

Formulating a strategy is really about deciding what the objectives of the business are, and developing an overall strategy for how they should be achieved within the business environment. This should be done in a way that best takes advantage of the company's resources and core competencies (what it does best - its key competitive advantages). Strategy formulation then needs to follow a process that includes:

- 1. Understanding where the business is now: externally** - in terms of its markets, customers, competitors and general business environment - and internally, in terms of its resources and competencies (SWOT Analysis).
- 2. Outlining objectives for the business in terms of where it wants to be** - in order to continue towards (and hopefully also to thrive and grow in) the future (Vision Statement and Mission Statement).
- 3. Developing strategies and tactics for the business as a whole** - and the different functions within it in order to achieve these objectives (Planning Strategy).

## Human Resource Planning

Human resources planning (also called employment or personnel planning) are essentially the process of getting the right number of qualified people into the right job at the right time so that an organization can meet its objectives.

Human Resource Planning (HRP) is a forward looking function. It tries to assess human resources requirements in advance keeping the production schedules market fluctuations demand forecasts, etc. in the background. The Human resource plan is subject to revision, of course and is tuned to the requirements of an organization from time to time. It is an integral part of the overall corporate plan and reflects the broad thinking of management about manpower needs within the organization.

More specifically HR planning is required to meet the following objectives:

1. **Forecast personnel requirements:** HR planning is essential to determine the future manpower needs in an organization. In the absence of such a plan, it would be difficult to have the services of the right kind of people at the right time.
2. **Cope with changes:** HR planning is required to cope with changes in market conditions, technology products and government regulations in an effective way. In the absence of an HR plan, we may not be in a position to enlist their services in time.
3. **Use existing manpower productively:** By keeping an inventory of existing personnel in an enterprise by skill, level, training, educational qualifications, work experience it will be possible to utilize the existing resources more usefully in relation to the job requirements. This also helps in decreasing wage and salary costs in the long run.
4. **Promote employees in a systematic manner:** HR planning provides useful information on the basis of which management decides on the promotion of eligible personnel in the organization. In the absence of an HR plan, it may be difficult to ensure regular promotions to competent people on justifiable basis.

## HRM and Firm Performance Linkages

### HRM-Performance Linkages

Systems view considers overall configuration or aggregation of HRM practices

Strategic perspective examines “fit” between various HRM practices and organization’s competitive strategy

Overall set of HRM practices generally associated with firm performance and competitive advantage

**Psychological climate:** Experiential-based perception of what people “see” and report happening to them as they make sense of their environment

**Climate:** Critical mediating construct in exploring multilevel relationships between HRM and organizational performance

Two interrelated features of HRM system must be integrated effectively

1. Content
2. Process

Content	Process
<ul style="list-style-type: none"> <li>✓ Set of practices adopted</li> <li>✓ Ideally driven by strategic goals and values</li> <li>✓ No single most appropriate set of practices for particular strategic objective</li> <li>✓ Different sets of practices may be equally effective so long as they allow particular type of climate around some strategic objective to develop</li> </ul>	<p>How HRM system can be designed and administered effectively by defining meta-features of overall HRM system</p> <p>To create strong situations with unambiguous messages about appropriate behaviour,</p> <p>HRM systems should have:</p> <ul style="list-style-type: none"> <li>– Distinctiveness</li> <li>– Consistency</li> <li>– Consensus</li> </ul>
<b>Distinctiveness</b>	<b>Consistency</b>
<p><b>Visibility</b> Degree to which practices are salient and readily observable</p> <p><b>Understand ability</b> Lack of ambiguity and ease of comprehension of practice Content</p> <p><b>Legitimacy of authority</b> Leads individuals to submit to performance expectations as formally sanctioned behaviours</p> <p><b>Relevance</b> Whether situation is defined so that individuals see it as relevant to important goal</p>	<p><b>Instrumentality</b> Unambiguous perceived cause-effect relationship between system's desired content-focused behaviours and associated employee consequences</p> <p><b>Validity</b> HRM practices must display consistency between what they purport to do and what they actually do</p>
	<b>Consensus</b>
	<p><b>Agreement among message senders</b></p> <p><b>Fairness</b> Composite of employees' perceptions of whether practices adhere to three dimensions of justice: distributive, procedural, and interactional</p>

### **Measures of HRM performance**

<p><b>Absenteeism Rate:</b> Evaluate the engagement of your employees</p> <p><b>Overtime Hours:</b> Monitor your employees' workload in detail</p> <p><b>Training Costs:</b> Analyze the investments in your employees</p> <p><b>Employee Productivity:</b> Track the overall effectiveness of your workforce</p> <p><b>Talent Satisfaction:</b> Ensure your employees are satisfied in the long run</p> <p><b>Cost per Hire:</b> Analyze what it takes to find the perfect fit</p> <p><b>Recruiting Conversion Rate:</b> Find the best recruitment method</p>	<p><b>Employee Turnover Rate:</b> See how your retention efforts work</p> <p><b>Talent Turnover Rate:</b> Evaluate how many talents you continually change</p> <p><b>Dismissal Rate:</b> Find out if you're recruiting the right employees</p> <p><b>Female to Male Ratio:</b> Understand the gender diversity in your company</p> <p><b>Part-Time Employees:</b> Watch the evolution of part-time workers over time</p> <p><b>Average Time Stay:</b> See how long your employees stay in your company</p> <p><b>Time to Fill:</b> Monitor how long you need to find a new employee</p> <p><b>Talent Rating:</b> Assess the quality of your employees</p>
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### **Sustained competitive advantages through inimitable HR practices.**

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>➤ Provide Value to the Firm</li> <li>➤ Heterogeneous Demand for Labor</li> <li>➤ Heterogeneous Supply of Labor</li> <li>➤ Rarity</li> <li>➤ HR with high ability levels are rare</li> <li>➤ Valid Selection Programs</li> <li>➤ Attractive Reward Systems</li> </ul> | <ul style="list-style-type: none"> <li>➤ Inimitable</li> <li>➤ Unique Historical Conditions</li> <li>➤ Causal Ambiguity</li> <li>➤ Social Complexity</li> <li>➤ No Substitutes</li> <li>➤ Substitutable Technology</li> <li>➤ Non substitutable HR</li> </ul> |
|---|---|
- This theory demonstrates that Strategies are not universally implementable , but are contingent on having the human resource base necessary to implement them .

**MODULE 3: SHRM FRAMEWORK 06 HOURS****HR Systems**

A human resource system is according to Lado and Wilson (1994, p 701) defined as “a set of distinct but interrelated activities, functions, and processes that are directed at attracting, developing, and maintaining (or disposing of) a firm’s human resources”.

HR systems role is to make it possible to develop and use organizational competencies within an organisation. These competencies are according to their view; *managerial, input-based, transformational, and output-based* which all are assumed to create a sustained competitive advantage within a firm

**Staffing systems**

According to Koontz and O’Donnell, “The managerial function of staffing involves managing the organisation structure through proper and effective selection, appraisal and development of personnel to fill the roles designed into the structure.”

Strategic staffing is a process of staffing strategy wherein an organization creates a sustainable system to address any staffing concerns at present as well as for future. In practice, few companies will be successful in implementing the sustainable programs.

A staffing system is integral to the way companies manage their employees and ensure that their personal and collective interests align with corporate objectives. The system is a hodgepodge of processes, people and state-of-the-art technology a company relies on to evaluate whether the favorable trends it sees in employee performance reviews are real, or whether these trends ultimately would peter out.

**Importance of Staffing**

- Efficient Performance of Other Functions
- Effective Use of Technology and Other Resources
- Optimum Utilization of Human Resources
- Development of Human Capital
- The Motivation of Human Resources
- Building Higher Morale

**Components of staffing**

- Workforce planning
- Sourcing talent
- Recruiting talent
- Selecting talent
- Acquiring talent
- Deploying talent
- Retaining talent

**Characteristics of Staffing**

- People-Centered
- Responsibility of Manager
- Human Skills
- Continuous Function

**Reward compensation systems**

Reward systems in organizations are used for a variety of reasons. It is generally agreed that reward systems influence the following:

- **Job effort and performance.** Following expectancy theory, employees’ effort and performance would be expected to increase when they felt that rewards were contingent upon good performance.

- **Attendance and retention.** Reward systems have also been shown to influence an employee's decision to come to work or to remain with the organization. This was discussed in the previous chapter.
- **Employee commitment to the organization.** It has been found that reward systems in no small way influence employee commitment to the organization, primarily through the exchange process.
- **Job satisfaction.** Job satisfaction has also been shown to be related to rewards, as discussed in the previous chapter. a well-known researcher on employee compensation, has identified four conclusions concerning the relationship between rewards and satisfaction: (1) satisfaction with a reward is a function of both how much is received and how much the individual feels should have been received; (2) satisfaction is influenced by comparisons with what happens to others, especially one's coworkers; (3) people differ with respect to the rewards they value; and (4) some rewards are satisfying because they lead to other rewards.
- **Occupational and organizational choice.** Finally, the selection of an occupation by an individual, as well as the decision to join a particular organization within that occupation, are influenced by the rewards that are thought to be available in the occupation or organization.

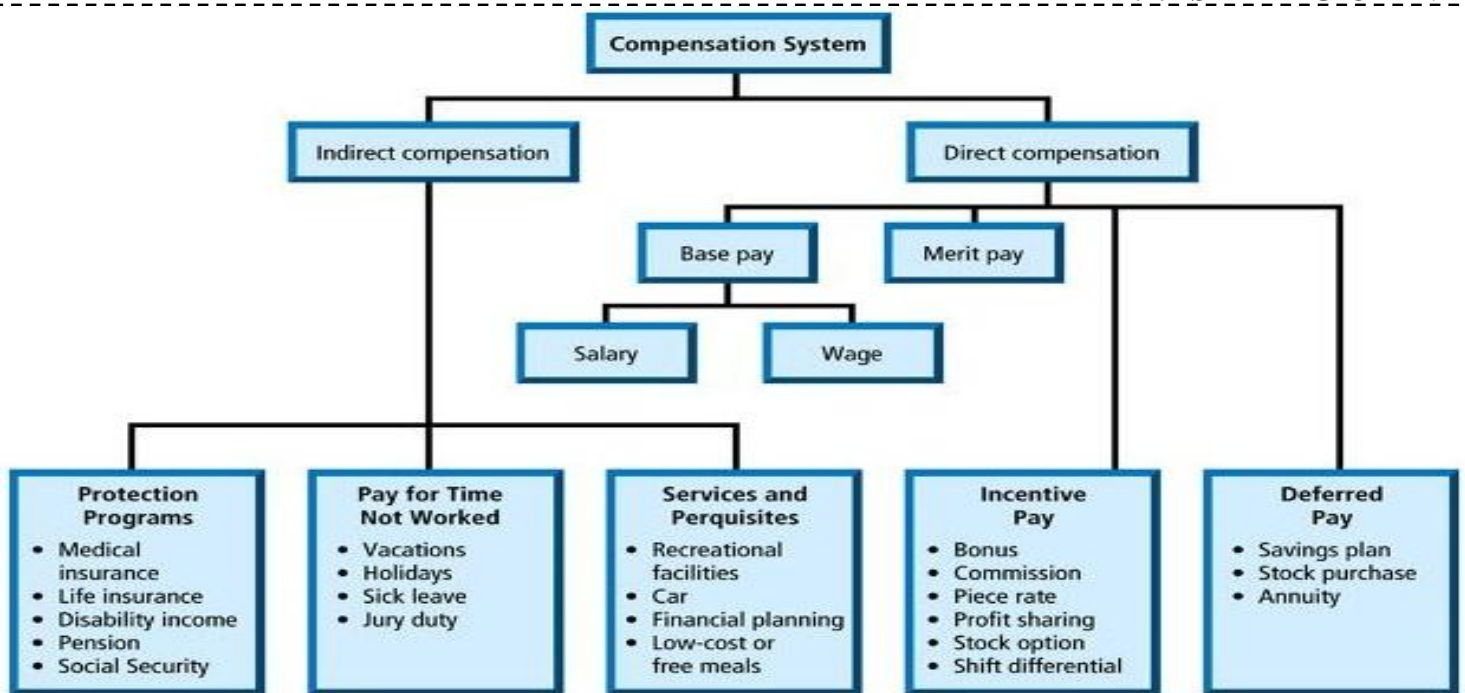
### Compensation systems

Compensation system tries to ensure fairness in deciding the worth of the workers and considering promotions or increments. In designing a compensation system, an organization must value the equity concept clearly define the wage and salary differentiations and career growth plans, is as to motivate and encourage the human resource to perform better.

- **Direct financial compensation** is monetary compensation, such as wages, salaries, commission and performance payments. This is the type of compensation that we'll be focusing on in this lesson.
- **Indirect financial compensation** includes compensation that has financial value but does not consist of a direct monetary payment to an employee. You can think of it as a non-cash benefit. Examples include paid time off, health insurance, life insurance, disability insurance, stock options plans and services provided to employees, such as financial counseling.
- **Non-financial compensation** doesn't have any monetary or economic value per se, but it involves the satisfaction an employee receives from the work environment.

#### Four New Approaches to Compensation System are:

<p><b>i. Skill-Based Pay:</b></p> <ul style="list-style-type: none"> <li>a. Multi-skilled workforce.</li> <li>b. Job assignment flexibility.</li> <li>c. Learner staffing levels.</li> <li>d. Enhanced problem-solving capability.</li> <li>e. Higher employee satisfaction and commitment.</li> </ul>	<p><b>ii. Broad Banding:</b></p> <ul style="list-style-type: none"> <li>a. Ease in moving employees between jobs/roles.</li> <li>b. Logical complement to flat organisational structures.</li> <li>c. Greater scope for recognising individual differences in employee performance.</li> </ul>
<p><b>iii. Variable Pay:</b></p> <ul style="list-style-type: none"> <li>a. Motivation of sustained high performance.</li> <li>b. Improved cost-effectiveness.</li> <li>c. Better linkages b\w individual and org'l goals.</li> </ul>	<p><b>iv. Team Rewards:</b></p> <ul style="list-style-type: none"> <li>a. Support for participative organisational structures</li> <li>b. Improved effectiveness of work teams.</li> </ul>



### Components of a compensation system include

*Job Descriptions, Job Analysis, Job Evaluation, Pay Structures, Salary Surveys, Policies and Regulations*

### Key Strategic Issues in Compensation

- Determining compensation relative to market
- Balance between fixed & variable compensation
- Deciding whether or not to utilize team-based versus individual pay
- Creating appropriate mix of financial & non-financial compensation
- Developing cost-effective compensation program resulting in high performance

### **Employee and career development systems**

The career development is the process of conversion of personal career plan into action in order to achieve career goals. There are three key heroes who share responsibility for an employee's career development—the employee, the organisation, and the manager.

Career Development is a progressing way to gradually but certainly develop one's career through a series of programs and initiatives. It has become one of the core functions of the organization to create a pool of talented employees as well as increase satisfaction with their work and life.

### OBJECTIVES OF CAREER DEVELOPMENT

- To attract and retain persons in an organization
- To utilize human resources optimally
- To improve morale and motivation level of employees
- To reduce employee turnover
- To practice a balanced 'promotion from within' policy
- To make employees adaptable to changes
- To maintain harmonious industrial relation

### Components of a Career Development System

- Self-Assessment Tools:
- Career Planning Workshops:
- Individual Counseling:

- Organizational Assessment Programs:
- Developmental Programs

**The steps in career development are:**

- Identifying career needs.
- Developing career opportunities.
- Integration of employees needs with career opportunities.
- Regular monitoring.

<b>Benefits career development</b>	<b>Problems career development</b>
1. Development of Competencies: 2. To Help in Developing Motivation: 3. To Help in Overcoming Frustration: 4. To Develop Mental Health:	1. Dual Career Families: 2. Changing Family Needs: 3. Low Ceiling Careers: 4. Declining Career Opportunities:

**Benefits of Career Development Systems**

*For managers/supervisors:*

- increased skill in managing own careers
- better communication between manager and employee
- greater understanding of the organization

*Employees:*

- helpful assistance with career decisions
- more realistic goals and expectations
- greater personal responsibility for career

*Organizational:*

- better use of employee skills
- dissemination of information
- greater retention of valued employees
- expanded public image

**Performance management systems**

A performance management system is a continuous methodical process by which the human resources arm of a company makes personnel participatory in advancing the effectiveness of the company, by achieving the stated vision, mission, and objectives of the organization.

Performance management system is the systematic approach to measure the performance of employees. It is a process through which the organization aligns their mission, goals and objectives with available resources (e.g. Manpower, material etc), systems and set the priorities.

**Purpose of a Performance Management System**

- To improve the company profit margin:
- To guide personnel along a suitable career path:
- To furnish staff with valuable progressive feedback:
- To ensure staff attains their SMART goals:
- To ensure employee goals relate to and advance organizational objectives:

**Types of a Performance Management System**

- General Appraisal:
- 360-Degree Appraisal:
- Technological Performance Appraisal:

- Employee Self-Assessment:
- Manager Performance Appraisal:
- Project Evaluation Review:
- Sales Performance Appraisal:

### Performance Management System Stages

<p><b>Plan:</b></p> <ul style="list-style-type: none"> <li>➤ Reach a consensus on SMART goals</li> <li>➤ Generate a private development plan</li> <li>➤ Re-assess personnel's job description and revise the role profile where required</li> </ul>	<p><b>Act:</b></p> <ul style="list-style-type: none"> <li>➤ Attain set objectives</li> <li>➤ Execute role</li> <li>➤ Put into effect personal development plans</li> </ul>
<p><b>Track:</b></p> <ul style="list-style-type: none"> <li>➤ Frequently monitor progress made</li> <li>➤ Get regular feedback</li> <li>➤ Counter obstacles</li> <li>➤ Instruct and guide</li> </ul>	<p><b>Review:</b></p> <ul style="list-style-type: none"> <li>➤ Re-evaluate accomplishments</li> <li>➤ Pinpoint lessons learned</li> <li>➤ Deliberate on career objectives</li> <li>➤ Concur on future action steps</li> </ul>

### Implementing a Performance Management System

Performance management system helps to improve the individual productivity of a team. The key to achieving that is proper implementation. These are ways you can implement a performance management system:

- Clarify expectations:
- Observe and Assist Performance:
- Evaluate Performance:
- Interact and Positively Review:

Components of PMS	Advantages of PMS
<ul style="list-style-type: none"> <li>➤ Setting goals:</li> <li>➤ Planning:</li> <li>➤ Communication and collaboration:</li> <li>➤ Performance evaluations:</li> <li>➤ Performance reviews:</li> <li>➤ Good performance recognition:</li> <li>➤ Feedback:</li> <li>➤ Learning and Development:</li> </ul>	<ul style="list-style-type: none"> <li>➤ Improved consistency:</li> <li>➤ High performers and training:</li> <li>➤ Effectiveness of training:</li> <li>➤ Motivation boost for employees:</li> <li>➤ Employee retention:</li> <li>➤ Saving time:</li> <li>➤ Full performance reviews:</li> <li>➤ Performance appraisal fairness:</li> <li>➤ Automated performance reviews:</li> </ul>

### Disadvantages of PMS

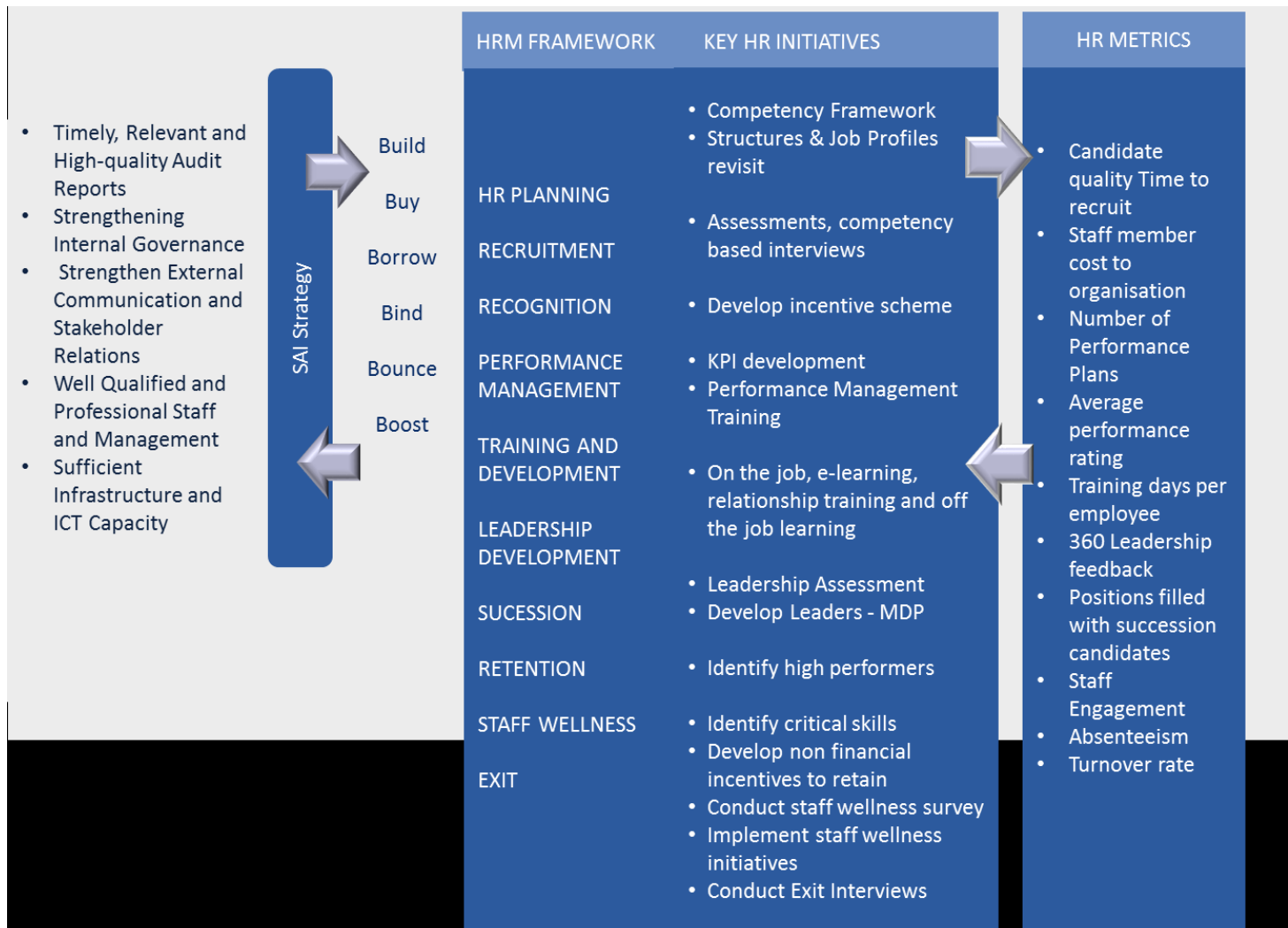
- Inconsistency:
- Prejudice:
- Time Consuming:
- Discouragement:

### Strategic fit frameworks

Strategic human resource management (strategic HRM) provides a framework linking people management and development practices to long-term business goals and outcomes. It focuses on longer-term resourcing issues within the context of an organisation's goals and the evolving nature of work. It also informs other HR strategies, such as reward or performance, determining how they are integrated into the overall business strategy.

- HR Strategy
- HR Planning
- Attraction, Recruitment and Induction
- Performance Management
- Reward and Recognition
- Training and Development
- Leadership Development
- Staff Wellness
- Succession and Retention
- Exit

### Various Strategic Management frameworks



### Strategic issues in international staffing

- Appropriate Compensation for International Staff.
- Tax Rates.
- Intellectual Property Protection.
- Labor Laws, Agreements, and Contracts.
- Workforce skills Control and coordination
- Salaries and employee benefits
- Talent shortages.
- High competition.
- Slow hiring processes.
- Increased transparency.
- Unrealistic employer expectations.
- Prioritizing candidate engagement.
- Recruiting through non-traditional channels.
- Building brand culture.

**MODULE 4 : CONTEMPORARY HR ISSUES 10 HOURS****Strategic options**

Managers have a number of choices to make regarding their selection strategies.

1. **Recruiting efforts:** An organization can make a strategic choice to focus recruiting efforts on minorities and women.
2. **“Make’ or “Buy”:** Organizations can choose to make or buy their employees (that is, hire less skilled workers or hire skilled workers and professional).
3. **Budget:** Organizations make strategic decisions regarding the budget for recruiting and selecting employees.
4. **Untapped labor:** An organization can make a strategic choice to explore untapped labor sources.
5. **Technological sophistication:** Organizations make strategic decisions regarding the technological sophistication of their recruiting and selection devices.
6. **Recruiting methods:** An organization can choose the extent to which internal versus external recruiting methods are used (that is recruiting within the organization or outside the organization.)

**HR decisions**

*Downsizing, Recruiting, Employee relations ,Dismissal and difficult employees, Bullying, Attracting And Retaining Employees, Getting People Who Fit in Culturally, Offering Good Salaries And Benefits , Managing Change, Training And Up-skilling*

**Downsizing**

Downsizing literally means reducing the size of the organisation in order to cut costs, hive off unprofitable operations and improve operational efficiency.

Downsizing involves organisational restructuring which results in decreasing the size of the organisation leading to a flat organisation structure so as to respond more readily to the pace of environmental changes. In many cases, downsizing involves reducing the size of the organisation through pruning of workforce.

**Downsizing may lead to adverse effects in the organisation:**

- Downsizing may create a feeling of insecurity among people working in the organisation. The employees will have a low morale, as a result.
- Downsizing may erode the skill base when competent employees have to leave the organisation.
- Job insecurity will adversely affect the performance levels in the organisation. Implementation of performance improvement practices will become difficult as a result.

**Alternatives to Downsizing:**

- Re-development or retraining of workers.
- Retain all the employees but reduce the work hour.
- Transfer or reassign the employees other units or Depts in the orgn, where there is demand.
- Offering voluntary Retirement scheme,
- Laying off the surplus staff.

**Restructuring**

Restructuring is the act of changing the whole organizational structure of the whole company. Restructuring process may take many forms including strategic alliances, mergers and acquisitions, financial restructuring, company downsizing, product or process restructuring and work reorganization.

A drastic modification that looks towards eliminating problems like debt, inefficiency and financial losses with the changes being focused on the legal rights, hierarchy, operation, system and the structure of an

organization

### Corporate Restructuring

The Corporate Restructuring is the process of making changes in the composition of a firm's one or more business portfolios in order to have a more profitable enterprise. Simply, reorganizing the structure of the organization to fetch more profits from its operations or is best suited to the present situation.

**Financial Restructuring:** The Financial Restructuring may take place due to a drastic fall in the sales because of the adverse economic conditions.

**Organizational Restructuring:** The Organizational Restructuring means changing the structure of an organization, such as reducing the hierarchical levels, downsizing the employees, redesigning the job positions and changing the reporting relationships.

### Considerations for Restructuring

- Assessing Organizational Competencies and Strategic Capabilities:
- Assessing reasons and need for change
- Determining what is needed to be changed
- Understanding environmental reactions and analyzing them

### Reasons for Restructuring:

- Downsizing:
- Updated methods of working:
- Mergers and acquisitions:

Corporate Restructuring Techniques		
1. Expansion Techniques	2. Divestment Techniques	3. Other Techniques
a. Mergers b. Takeovers c. Joint-Ventures d. Strategic Alliances e. Franchising f. Intellectual Property Rights g. Holding Companies h. Takeover by Reverse Bid	a. Sell-Off (Hive-Off) b. Demerger (Spin Off) c. Slump Sale d. Management Buyout e. Leverage Buyout f. Liquidation	a. Going Private b. Share Repurchase c. Management Buy In d. Reverse Merger e. Equity Carve Out

### Domestic labour market

Domestic Labour Market is the type of labour market that operates within the country. It works on the employment of the people within the country. It only works with domestic companies.

- It's a labour market wherein employees belong to same nationality; or
- A labour market wherein workforce works for their own country.

Threats to Indian Labour Market	Weaknesses of Indian Labour Market
<ul style="list-style-type: none"> <li>➤ Declining employment elasticity.</li> <li>➤ declining agricultural growth</li> <li>➤ Poor rural infrastructure</li> <li>➤ Rapid Advancement in Technology</li> <li>➤ Corruption</li> <li>➤ Globalisation</li> </ul>	<ul style="list-style-type: none"> <li>➤ Lack of capital</li> <li>➤ Infrastructures yet needs improvement In rural sectors</li> <li>➤ Employment guarantee scheme hold promise, but faces political and bureaucratic resistance.</li> <li>➤ declining agricultural growth</li> <li>➤ Need to move towards income security, more rational labour laws, and greater shop floor democracy.</li> </ul>

## International labour market

International Labour Market is the type of labour market that operates in the international market. It works with international companies/firms. It helps people get employment in other countries and in multinational companies. International Corporation, MNC's, Global Corporation, Transnational Corporation

### Reasons for Rapid Growth of International Labour Market

- Increase in no.s of global organisations and global competition
- To remove labor supply , funds, resources constraints
- To explore new markets

### Challenges In International labor market Global Inflation

- Managing cross cultural diversity
- Political Concerns
- Disaster Management concerns

Domestic Labour Market	International Labour Market
<ul style="list-style-type: none"> <li>➤ Labor belonging to same nationality</li> <li>➤ Limited risks in domestic assignment</li> <li>➤ Limited external factors to deal with</li> </ul>	<ul style="list-style-type: none"> <li>➤ Labor belonging to more than one nationality</li> <li>➤ Greater exposure to risks</li> <li>➤ Has to manage several external factors</li> </ul>

## Mergers and acquisitions

**MERGER** A transaction where two firms agree to integrate their operations on a relatively co-equal basis because they have resources and capabilities that together may create a stronger competitive advantage. The combining of two or more companies, generally by offering the stockholders of one company securities in the acquiring company in exchange for the surrender of their stock Example: Company A+ Company B= Company C.

**ACQUISITION** A transaction where one firms buys another firm with the intent of more effectively using a core competence by making the acquired firm a subsidiary within its portfolio of business It also known as a takeover or a buyout It is the buying of one company by another. In acquisition two companies are combine together to form a new company altogether. Example: Company A+ Company B= Company

### Advantages of International Mergers and Acquisitions

International mergers and acquisitions blend company resources, assets and personnel to help a business improve in many ways. The advantages include:

- Increase overall performance efficiency – each company can leverage the others' strengths and reduce redundancy. Synergy creates opportunities that would not have otherwise been available to the companies operating individually.
- Stimulate growth – the acquiring company not only buys the company, but its client base and market share, without the heavy lifting.
- Gain competitive advantage – an M&A deal may allow a company to buy up the competition or acquire a substantially larger market share for greater competitiveness.
- Strengthen supply chain – a company can effectively cut out the middleman and lower costs when they buy out a supplier. They may also reduce shipping costs when they absorb a distributor.

### International Mergers and Acquisitions fail unnecessarily

- Lack of planning
- Lack of knowledge
- Cultural, managerial and organizational differences

- Negotiation errors
- Improper integration approach
- Limited synergies

### **Outsourcing**

Human Resource Outsourcing is a process in which a company utilizes the services of the third party to take care of its HR functions. A company may outsource a few or all of its HR related activities to a single or combination of service providers located in offshore destinations like India, China, Philippines etc.

#### **Types of outsourcing:**

- **Offshore Outsourcing** (getting service in other country, like India by a US Company)
- **Business Process Outsourcing** (outsourcing of entire process like tax management, insurance claims, human resources and contact centres.
- **Value-added Outsourcing** (Two partners with complementary strengths combine to achieve what is impossible alone)
- **Equity Holding** (Client and supplier buying each other's equity or both creating a new entity)
- **Multi-sourcing** (One client uses a single contract for several suppliers)
- **Co-Sourcing** (one outsourcer to take the entire system rather than taking just a process away from the client)
- **Spin-offs** (A separate organization is borne of its parent focussed on a particular service)

<b>Benefits of HR Outsourcing</b>	<b>Barriers of HR Outsourcing</b>
<ul style="list-style-type: none"> <li>➤ Risk reduction and transfer</li> <li>➤ Flexible solutions and costs</li> <li>➤ Access to industry best practice</li> <li>➤ Access to broad skills and experiences</li> <li>➤ Improve operating performance</li> <li>➤ Improve management and control</li> <li>➤ Acquire innovative ideas</li> <li>➤ Provide cost savings, in some cases;</li> </ul>	<ul style="list-style-type: none"> <li>➤ Lower-than-expected service levels;</li> <li>➤ Loss of control;</li> <li>➤ High employee turnover at the outsource provider;</li> <li>➤ Difficulties managing the provider;</li> <li>➤ Higher-than-expected (hidden and escalating) costs;</li> <li>➤ Employee resistance; and</li> <li>➤ Cultural differences.</li> </ul>

### **Off shoring**

Offshoring is the process of relocating the business operations unit (production or services) to a different country (usually in developing nations) where cheap labour or resources are available. Here the company do not seek global retailing; instead, it looks forward to minimizing the cost of manufacturing and other supporting services.

<b>Benefits of Offshoring</b>	<b>Disadvantages of Offshoring</b>
<ul style="list-style-type: none"> <li>➤ Concentrate on Core Business</li> <li>➤ Cheap and Skilled Workforce:</li> <li>➤ Streamlines Process:</li> <li>➤ Complete Assistance:/ 24/7 Operations:</li> <li>➤ Tax and Other Benefits</li> <li>➤ Risk Mitigation:</li> <li>➤ Cost Reduction:</li> <li>➤ Better Control:</li> </ul>	<ul style="list-style-type: none"> <li>➤ Language Barrier:</li> <li>➤ Communication Barrier:</li> <li>➤ Long Distance Locations:</li> <li>➤ Ethical Issues:</li> <li>➤ Socio-Cultural Problems:</li> <li>➤ Geographical or Political Unrest:</li> <li>➤ Security and Safety Issues:</li> </ul>

## Types of Offshoring

The companies can plan for either production or services offshoring, depending upon their business activities, needs, capital budgeting strategy, etc.

### Production Offshoring

When a company establishes its manufacturing unit in a different country, to import the finished goods for selling it in the domestic market, it is termed as production offshoring.

*For instance;* a company manufacturing heavy machinery would set up its production unit in a country where it has an optimum supply of iron, and the local labour is cheap and skilled in such a task.

### Services Offshoring

A company performs service offshoring by setting up the units in other countries to carry out service-related operations such as customer care, information technology, marketing, human resource, accounting, sales and many more.

*For instance;* a software company relocates its research and development unit in a country where the technical human resources are highly competent and comparatively cheaper than the domestic personnel.

## Different approaches to International Mergers and Acquisitions

International human resource management is the process of employing, training and developing and compensating the employees in international and global organizations.

An international company is one which has subsidiaries outside the home-country which rely on the business expertise or manufacturing capabilities of the parent company. Generally, an MNC is considered to have a number of businesses in different countries but managed as a whole from the headquarters, located in one country.

A. **Ethnocentric:** Refers to an approach in which all strategic decisions are made at headquarters and foreign subsidiaries are endowed with very little autonomy. PCNs or expatriates occupy key positions at headquarters as well as in subsidiaries. They control all the critical areas of operation, such as finance, production, and quality. McDonald's is an organization that follows the ethnocentric approach.

B. **Polycentric:** Refers to an approach in which MNCs treat each foreign subsidiary as a distinct entity. Therefore, each foreign subsidiary is provided with little autonomy to make its own decisions. The MNCs, which follow polycentric approach recruits HCNs in their foreign subsidiaries. The staff at headquarters comprises PCNs because HCNs are rarely promoted to key positions at the headquarters.

C. **Geocentric:** Refers to an approach in which the focus is on staffing the best employee for a particular position. The geocentric approach is based on an integrated global philosophy. The MNCs following the geocentric approach may recruit PCNs, HCNs, or TCNs for any position in the headquarters or subsidiaries. The nationality of the candidate is not the key to staffing because the MNCs focus on the ability of the candidate.

D. **RegioCentric Approach** In Regino-Centric approach, MNCs believe that though there is a difference in various aspects of culture from country to country yet there are similarities in a particular region.

**MODULE 5 : GLOBAL CONTEXT OF SHRM 10 HOURS****Strategic Responses of Organisations to Changing Environment**

The business environment of an entity is vast, dynamic and ever changing. It consists internal environment and external environment. Here, in this article we shall understand how an organisation reacts to the changes in business environment.

**Internal environment** refers to the immediate surrounding of the organisation it consists of customers, suppliers, employees and their union, competitors and so on. **External environment** are the forces which indirectly affect company's operation and working condition. These factors are uncontrollable and the company is powerless and incapable of exercising any control over them.

- Least Resistance
- Proceeding with Caution
- Dynamic Response

**How Organization Adapt to their Environment**

- Information management:
- Strategic response:
- Mergers, takeovers, acquisitions, and alliances:
- Organization design and flexibility:
- Direct influence on the environment:

**Portfolio process and structure related strategic responses. M &As and Strategic HR**

According to Michael Porter in his five forces model of strategic competition, Porter (1980) highlights strategic competition to be based on the threat of new entrants, bargaining power of buyers, bargaining power of suppliers, threat from substitute products or services and rivalry among existing firms.

**Hr due diligence in M &A,**

- Workplace relations (employee turnover, current or historic employee disputes, performance culture etc.)
- Organizational culture (leadership structures, company values etc.)
- Remuneration and benefits (leave and vacation policies, bonus plans, compensations)
- Employment agreements
- Training and development processes
- HR policies and procedures

**Talent retention during M &A,**

- Select employees on merit.
- Build your employees' trust (the old and new)
- Have 1:1 communication with your entire team member.
- Offer an employee retention agreement.
- Train your new employees.
- Identify everybody's strengths and weaknesses.
- Create an incentive program.

**Process related strategic response**

- |                                |  |
|--------------------------------|--|
| ➤ Quality Strategies           | ➤ Building Core Competence                   |
| ➤ International Quality        | ➤ Setting Vision & Mission                   |
| ➤ Certification Programmes     | ➤ Cost & Asset Utilisation Strategies        |
| ➤ Just-in-time (JIT) Inventory | ➤ Technological Upgradation & Indigenisation |
| ➤ Benchmarking                 | ➤ Information Technology                     |

- Research & Development
- Marketing Strategies
- Project Management

**Global perspective of SHRM.**

**Global Human Resource Management Defined**

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. Likewise, it’s essential for these multinational organizations to have the right HRM software in place that’s capable of serving employees working around the globe.

**Why Use Global Human Resource Management?**

That’s where global human resource management solutions come in. Leveraging comprehensive HRM software can help ensure all employees remain active, collaborative, and engaged contributors to the organization.

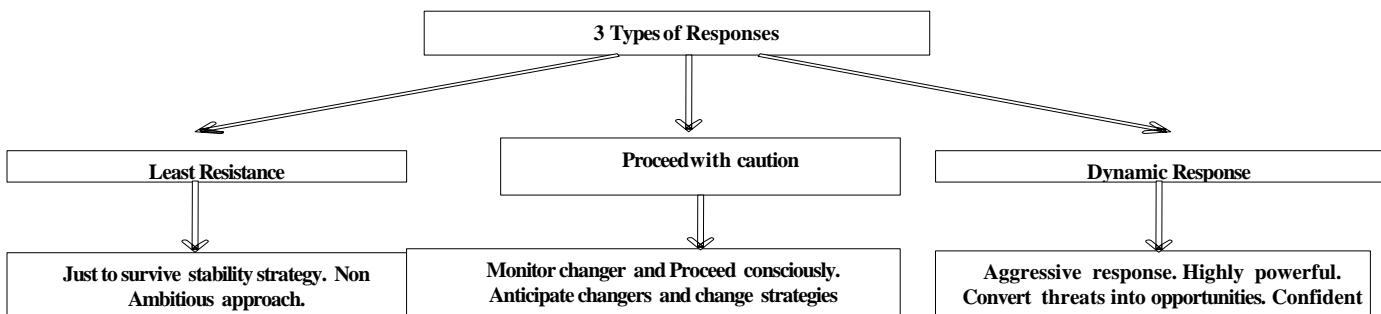
**Change management**

COMPANY BENEFITS	EMPLOYEE BENEFITS
<ul style="list-style-type: none"> <li>➤ Improved leadership and stakeholder alignment</li> <li>➤ Better assessment</li> <li>➤ Less time required</li> <li>➤ Maintained organizational effectiveness and efficiency</li> <li>➤ Reduced risk</li> <li>➤ Increased productivity</li> <li>➤ Decreased turnover</li> </ul>	<ul style="list-style-type: none"> <li>➤ Increased morale and positivity</li> <li>➤ Improved cooperation, collaboration, and communication</li> <li>➤ Reduced stress and anxiety, plus greater loyalty to the organization</li> <li>➤ Greater support from management when raising concerns about changes</li> <li>➤ Less disruption of daily responsibilities</li> </ul>

*Cultural issues culture clash – when two companies’ philosophies, styles, values and habits are in conflict*  
*Determinants of rewards Corporate Culture Behavioral factors Economic context Legal context Political context Social context*

Performance related pay PRP is a method of remuneration that provides individuals with financial rewards in the form of increases to basic pay or cash bonuses which are linked to an assessment of performance, usually in relation to agreed objectives. This definition captures what performance related pay is all about.

Objectives of Performance Related Pay motivate employees focus on and commitment to corporate objectives. Performance culture or to reinforce the existing culture. Reward the individual contribution recruit and retain high-quality staff. organizational performance



**MODULE 6 : HR ACTION PLAN 10 HOURS**

**Conduct an Interview with CEO or Authorised authority and data collection on Strategic responses of Organisations to changing environment (Ref. Srinivas R. Kandula PHI 2012)**

**Interview schedule for conducting case study.**

- Interviewee's awareness / knowledge of strategic responses being planned / implemented / progressed in the organisation. (common)
- Compatibility between voluntary participative forums and collective bargaining forum (HR Managers)
- Reasons for strong / weak / no relationship (positive or negative) between strategic responses and SHRD system. ( HR Manager / Individual / Trade Unions)
- Unions perception on the commitment of employer, frontline officers and workers in SHRD system (Trade union leaders)

**The process of human resources planning**

- Analyze Objectives
- Inventory current human resources
- Forecast the demand and the supply of employees
- Estimate Gaps
- Formulate Plan
- Implement Plan
- Monitor, Control, and feedback

**WHAT IS STRATEGY IMPLEMENTATION?**

Strategy implementation is the process of turning plans into action to reach a desired outcome. Essentially, it's the art of getting stuff done. The success of every organization rests on its capacity to implement decisions and execute key processes efficiently, effectively, and consistently. But how do you ensure that implementing a strategy will be successful?

**IMPLEMENTATION PROCESS**

- Set Clear Goals and Define Key Variables
- Determine Roles, Responsibilities, and Relationships
- Delegate the Work
- Execute the Plan, Monitor Progress and Performance, and Provide Continued Support
- Take Corrective Action (Adjust or Revise, as Necessary)
- Get Closure on the Project, and Agreement on the Output
- Conduct a Retrospective or Review of How the Process Went

**Policy Implication** Policy Implication In light of the findings from the survey, insights from the open-ended discussion and desk research, the following recommendations can be made:

- Interaction and Communication:
- Sound HRM and HRD:
- Training for workers' skill development
- Congenial physical environment:
- Effective performance appraisal:

**STRATEGIC HRD FACILITATORS**

Top management, trade unions, frontline officers/workers, devoid of any apprehension about the developmental issues might play a facilitator role; whereas the apprehension of these players inhibit the SHRD practices.