

Strategic Human Resource Management

Block

1

STRATEGY AND HUMAN RESOURCE MANAGEMENT

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COURSE INTRODUCTION

Strategic Human Resource Management (SHRM) refers to the development of policies, practices and programs that are aligned to the organization's strategy and facilitates the achievement of the strategic objectives set by the organization. The Human Resource function has grown significantly in the present day business environment which led to the growth of SHRM. The main purpose of SHRM is to align all the HR functions with the mission, vision, values and goals of the organization.

Today the business environment is marked by rapid changes. Factors such as globalization and advancement in technology have brought about many changes in the way organizations do business and manage their resources. There is a huge need for the organizations to adapt quickly with the dynamic changes of the environment coupled with technological developments. This requires quick and effective decisions at all levels of the organizations. Moreover, these decisions should be aligned with the overall strategic directions that the organization wants to take. With human resources being recognized as the most important resource, there is also a need for managing this resource strategically. Given the strategic role played by human resources for businesses, HR managers need to understand the management of human resources and upgrade their knowledge in the relevant fields.

The course content is meaningfully distributed in four blocks.

The first block, *Strategy and Human Resource Management*, deals with the concept SHRM and discusses the need for treating people as strategic assets as their creative involvement in the organizational growth is of strategic importance. It also explains the importance of HR's role in the formulation and implementation of the strategy. SHRM plays a critical role in the growth and sustainability of an organization. The unit also deals with the need for measuring the ROI. HR measurement adds value and contributes to the vital decisions for measuring people's performance and managing people's talent in an organization. Evidence-based HR will help us in understanding how to analyze, measure and ascertain that return on investment.

The second block, *Strategic Human Resource Management - Implications for Organizations*, addresses broad organizational issues relating to work systems, acquisition of human resources, their training and development, performance management, compensation packages for human resources and leadership concepts. Organizations should consider the strategic implications of various HR practices and organizational issues to determine which are more important and merit greater investment.

The third block, *Strategic Maintenance of Human Resources*, deals with issues concerning the safety, health of employees, career management and separation from organization and downsizing the organization. The effectiveness and efficiency of organizations lie on how well they manage their human resources.

The fourth block, *Emerging Trends and Challenges for Human Resources*, illustrates the role and significance of SHRM in meeting the challenges faced by human resources in enhancing organizational performance and productivity for gaining competitive advantage. HR professionals should be able to demonstrate how coping with these challenges would lead to positive, measurable business outcomes for the organizations.

This edition has added a large number of contemporary examples and deleted old examples and exhibits. It has simplified the language and text layout to make it more readable.

BLOCK 1: STRATEGY AND HUMAN RESOURCE MANAGEMENT

The first block to the course on Strategic Human Resource Management deals with human resources function's growing significance in the present day business environment and focuses on the relationship between human resources and strategy. The block consists of four units.

The unit one, *Strategic Human Resource Management - An Overview*, introduces the concept of strategic human resource management. The central idea behind SHRM is that when organizations consider people as strategic assets the accomplishment of the organization's business plans and objectives would be easier and fruitful. To create value to the company's products or services, there needs to be alignment between organizational strategies and people management. The value chain analysis as explained by Michael Porter needs to be understood in this context. The unit also focuses on the challenges faced by human resources.

The unit two, *Importance of Aligning Human Resources to Strategy*, deals with emerging role of human resources in the formulation and implementation of strategy. The unit also explains the relationship between human resources and strategy and explains the importance of HR's role in the formulation and implementation of the strategy. The unit highlights the importance of treating employees as assets and examines the investment perspectives of human resources. The popular models of Human Resource Accounting are explained in this unit.

The unit three, *Strategic Aspects in International Human Resource Management*, deals with globalization with an emphasis on diversity of operations. The values, norms and practices of organizations that depict organizational culture influence the working of organizations, especially when organizations operate in cross-cultural settings. Reward management, expatriate management, leadership, workforce mobility and technological developments in cross-cultural settings are discussed in this unit. The importance of regulatory bodies like ILO, EU etc. in controlling unscrupulous labor practices is also taken up for discussion in this unit.

The unit four, *Evidence Based Human Resources and Human Resources Information System*, deals with HR metrics that contribute to measure organizational performance. It specifically discusses Balanced Scorecard and HRIS as strategic tools that enable business enterprises to maximize their profits. Risk management practices in HR are also taken up for discussion. HR audit and engagement surveys are some of the strategy execution tools that define the purpose and priorities of the organization. Evidence Based HR helps in understanding how to analyze, measure and ascertain the return on investment in people. The unit concludes with a discussion on HRIS as a strategic tool to assist HR in decision-making.

Unit 1

Strategic Human Resource Management -

An Overview

Structure

- 1.1 Introduction
- 1.2 Objectives
- 1.3 Introduction to Strategic HRM
- 1.4 People as Strategic Assets
- 1.5 The Process of Strategic Management
- 1.6 Value Chain Analysis
- 1.7 Challenges for HRM
- 1.8 Summary
- 1.9 Glossary
- 1.10 Self-Assessment Test
- 1.11 Suggested Readings/References Material
- 1.12 Answers to Check Your Progress Questions

“All the ingenious strategies and advanced technologies in the world are nowhere near as effective without great people to put them to work.”

- Jack Welch

1.1 Introduction

As is rightly advocated by Jack Welch, the best of strategies fail in the execution stage, if the people process in it is ineffective. Strategic human resource management facilitates in harnessing the HR capabilities for achievement of strategic objectives.

This unit provides an introduction to SHRM, the process of formulation and implementation of strategic human resource management and the challenges involved in it. It also explains the concept of Value Chain Analysis proposed by Michel Porter and its significance to HR functions.

1.2 Objectives

After studying this unit, you should be able to:

- Define strategic human resource management for understanding the values and goals of the organization

Block 1: Strategy and Human Resource Management

- Explain the importance of human resources in the implementation of strategies
- Analyse the process of strategic management or aligning the organization activities to achieve organizational objectives
- Explain value chain analysis for supporting the various activities of the organization
- Discuss the challenges for HRM for the growth of organizations

1.3 Introduction to Strategic HRM

In today's organizations, HR managers need to contribute to the shared organizational objectives. The same can be achieved by aligning the HR policies in line with the strategic objectives of the organization.

Strategy and Human Resource Management

In order to achieve this, the HR manager should be familiar with the work systems in which people thrive and contribute. This linkage of HR with other functional areas of the organization has an impact on HR roles such as the design of work positions, hiring, reward, recognition, performance development and appraisal systems, career and succession planning and employee development.

In his book, 'Strategic Human Resources Management,' Jeffrey. A. Mello, defines Strategic Human Resource Management as "the development of a consistent, aligned collection of practices, programs and policies to facilitate the achievement of the organization's strategic objectives".

Similarly, in another book 'Strategic Human Resource Management: Gaining a Competitive Advantage', Raymond A. Noe and his fellow colleagues have referred SHRM as 'the pattern of planned HR deployments proposed to facilitate an organization to achieve its strategic goals'.

In both the definitions, the authors stress upon the relevance of a set of synchronized HR practices which, when put in alignment with organizational strategy, yield beneficial outcomes for the organizations.

Contrary to its occasional use, off late Strategic HRM approaches have become an integral part of human resource management. The reasons being:

- SHRM stimulates the engagement and empowerment of employees and managers: Elevates employee participation and productivity.
- SHRM is proactive: Helps organizations in redesigning their business in response to the changes in the external environment.

The evolution and introduction of the Strategic Human Resources Management can be attributed to the time when the competitiveness of the company was the major concern for majority of the organizations in the West. This was a significant

move towards optimum utilization of human capital. The employment of new SHRM approaches in the organization provided the employees with the much needed opportunity to demonstrate their skills, competencies and abilities. The organizations were able to reach better results with less effort and resources through the strategic HR approaches.

- A strategic HR approach does not solely rely on HR managers, rather shifts it on to the people in connection with them.
- Strategic HRM does not manifest itself in bureaucratic controls but in free flow of information.
- SHRM focuses on flexibility in work processes and procedures.
- SHRM argues that the organization's key investment should lie in its people and their knowledge, skills and abilities.
- It emphasizes that competitive advantage is enjoyed by those organizations that can attract and retain talented individuals.

1.4 People as Strategic Assets

People play a crucial role in planning and implementation of strategies and in decision-making process in any organization and hence are treated as strategic assets.

The definition of strategic human resource management (SHRM) clearly explains the importance of human resources in the implementation of strategies.

To Attain the Strategic Goals of the Organization:

- Employees need to understand the shared values and objectives of the organization.
- Alignment of individual and team objectives to the strategic goals of the organization is required.
- There is a need for engaged, competent and committed workforce.
- Should adopt appropriate strategies for acquisition, maintenance and development of human resources.

The challenges that organizations generally face in developing people are:

- Integrating people with the strategic goals of the organization.
- Managing employees effectively.

1.4.1 Integrating People with Strategic Goals of Organization

One of the important challenges faced by the present day managers is integration of people with the strategic goals of the organization. Various HR functions like recruitment and selection, training and development, compensation and performance management should focus on aligning the individual goals with the shared objectives of the organization.

Block 1: Strategy and Human Resource Management

The next important step in managing people is making them work effectively as members of the team. Team building increases the effectiveness of an organization. David McClelland proposed that people have need for achievement, need for power and need for affiliation. These needs vary from individual to individual. The leader needs to identify the underlying needs of his subordinates and drive them towards the goal. The same can be achieved by:

- Shared and agreed upon objectives
- Effective communication
- Coordination among the members
- Utilization of diverse skills, ideas and abilities of the team
- Leadership for channelizing the individuals towards the strategic goals of the organization by elevating employee motivation and morale
- Engagement interventions
- Facilitating innovation and creativity

Another tool used for Integrating People with Strategic Goals of Organization is MBO – Management by Objectives.

Management by Objectives is a strategic management model that aims to improve the performance of the organization by clearly defining objectives that are mutually agreed by the management and the employees.

Management by Objectives (MBO):

- Serves as an important tool for integrating people with the goals of the organization.
- Elevates employee performance by collective goal setting and participation between the superior and subordinate and by aligning the individual with the organization.

Success of MBO

It is dependent on many factors. Let us identify some of them.

- It requires the employer and the manager to meet regularly and review the status of the work performed.
- Employees and subordinates should have goal congruence to perform effectively.
- The objectives of the management should be aligned with the departmental or functional objectives of the firm.
- According to the results, performance measures are used to modify and redefine future objectives.

Example

Let us assume that a firm aims at maintaining an annual retention rate of 90%.

What is the process?

- The HR line manager along with his team would create a plan (sources of recruitment, selection procedure).
- Each member of the team would set their own goals and provide with the plan for achieving the same (10% recruits from employee referrals, hold at least 4 interviews in selection procedure).
- The line manager acts as a facilitator and provides assistance (allocation of resources, troubleshooting).
- The line manager continuously monitors the performance and provides feedback.

MBO acts as a tool to be used in performance management system which:

- Evaluates the performance of the employees in the job
- Analyzes the areas of development
- Makes an assessment of the individual strengths and weaknesses of the employees in the job

Activity 1.1

The shift from manufacturing to service-based industries has made a number of organizations realize the importance of human assets. One such organization was UK-based GTY Industries. The company's HR manager, Jack Simpson, felt that there are three core tasks that integrate human resources with strategic management – building, linking and bonding. Elaborate Simpson's role as an HR manager under each of these core tasks.

Answer:

1.4.2 Managing Employees Effectively

An organization that plans to constantly innovate and grow should have a capable leader who can guide it towards strategic goals.

Block 1: Strategy and Human Resource Management

Strategic goals can be attained through:

- Constant innovation in the services and products offered in the organization
- Demonstration of Entrepreneurship
- Quality improvements in products and services of the organization

Leaders should also empower employees so that they are free to come out with innovative ideas and practices. According to Peters and Austin (1985)¹: a leader with vision, enthusiasm, passion and consistency:

- Is more customer-oriented and attentive to the needs of the customers and believes in innovation and creativity to tackle competitive pressures.
- Expects quality from employees and hence trains and motivates employees and involves them in the decision-making process.

The role of HR manager has assumed significance as he/she has to manage people keeping in view the strategic objectives of the organization. His role includes:

- Creation and maintenance of a work environment where people working in groups come together for achieving organizational goals
- Goal setting and evaluation and control of the same
- Ensuring proper communication and feedback mechanism in the organization

Exhibit 1.1 throws light on employee engagement during crisis.

Exhibit 1.1: Managing Employees during Crisis

As the world continues its fight against the COVID-19 pandemic during 2020 and 2021, organizations are busy devising strategies for helping employees steer through these tough times which would, in turn, lessen the negative impact of COVID-19 on their businesses.

Elements of Crisis Engagement:

- Compassionate Leadership: To help employees and their families successfully navigate during this hour of crisis.
- Communication: Planned dissemination of information - both formal and informal.
- Feedback: Virtual workplaces should incorporate collaborative feedback mechanism for understanding their stakeholders better.
- Building Workforce Competencies: Can be achieved by providing training on agile methods, honing of skills with AI enabled training platforms to name a few.
- Digital Facilitation: Infusing the agile working models with the right kind of technology to promote collaboration and innovation.

Contd....

¹ Peters, T and Austin, N (1985) A passion for excellence Collins
<https://doi.org/10.1177%2F019263658607049129> (accessed on 21/10/2021)

Unit 1: Strategic Human Resource Management - An Overview

Organizations need to look at this pandemic as an opportunity to transform their work places and practices therein and make their workforce competent and ready to face the transformation that is in store in the post pandemic future.

Source: <https://www.tcs.com/perspectives/articles/galvanizing-your-people-amidst-the-global-pandemic> (accessed on 21/10/2021)

Activity 1.2

Chris David, the HR manager of ABC Inc., a US-based software company is faced with the task of motivating employees to contribute toward the goals of the organization. Discuss David's role as an HR manager in an organization's efforts to achieve constant innovation and development.

Answer:

Check Your Progress - 1

1. What is it called as development of a consistent, aligned collection of practices, programs and policies to facilitate the achievement of the organization's strategic objectives?
 - a. SHRM
 - b. GHRM
 - c. HRM
 - d. Organization Development
 - e. Strategy
2. Which of the following is the inclusive in the concept of leadership according to Peter and Austin?
 - a. Vision and consistency
 - b. Enthusiasm and passion
 - c. Vision, consistency, enthusiasm and passion
 - d. Enthusiasm and consistency
 - e. Vision and passion
3. Who said that people have three important needs in varying proportions – achievement, power and affiliation?
 - a. McGregor
 - b. McClelland
 - c. Henry Pettigrew
 - d. David Blanchard
 - e. Herzberg

Block 1: Strategy and Human Resource Management

1.5 The Process of Strategic Management

In order to assess the role of human resources in achievement of strategic goals of the organization, it is important to understand the process of strategic management. Strategic management refers to the process of formulating and implementing strategies that will help in aligning the organization and its environment to achieve organizational objectives.

There are five stages in the strategic management process. They are:

- Defining the mission statement
- Analyzing the environment
- Organizational self-assessment
- Establishing goals and objectives
- Formulating strategy

The organization should focus on all the 5 stages. Let us deal with stage briefly.

1.5.1 Defining the Mission Statement

Every organization should have a mission statement. A mission statement is generally considered as the guiding principle for businesses. It should tell a company, its employees, vendors, customers, investors, the goals of the organization. Essentially, a mission statement defines a company's values and outlines its organizational purpose and reasons for existence. Mission statement is usually restricted to two lines, but it encompasses the basic foundation of the existence of the organization. For example, the mission statement of Nike is "To bring inspiration and innovation to every athlete in the world".

Thus, a company's vision and mission provide guidelines for general decision-making.

1.5.2 Analyzing the Environment

This is the second step in the strategic management process. The external environment comprises the political, economic, social, technological, environmental and legal framework within which the organization operates and includes all the stakeholders.

The elements of external environment can be enlisted as:

- Customers
- Competitors
- Suppliers
- Domestic and International Regulatory Authorities like Government
- Financial intermediaries like banks and insurance companies
- Marketing intermediaries like distribution networks and promotion channels

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All the elements of external elements need to be analyzed in the political, economic, social and legal and technological frameworks to understand the industry structure and competitive work environment and identify the possible barriers to entry, growth and expansion strategies and technological changes.

Example

A software company uses PEST (Political, Economic, Social and Technological) Analysis to identify the determinants that would affect their HR plans:

Political: Trade barriers that may affect their outsourcing as well as expatriate management and other International HRM issues

Economic: Effect of alternative trends of boom and recession caused by business cycles may affect the HR policies

Social: Change in workforce demographics calls for change in all the HR functions, job redesign, compensation, hiring to name a few

Technological: Upskilling, Reskilling, Downsizing

1.5.3 Organizational Self-Assessment

After analyzing the external environment, the next step for an organization would be to assess the internal environment. This involves identifying the strengths and weaknesses of the organization and working on the strengths to overcome the weaknesses.

Let us now discuss about these organizational resources:

- *Financial Assets:* Financial assets are the main assets through which other resources can be acquired, they have a direct impact on the organizations competitive advantage.
- *Physical Assets:* Physical resources include the assets owned by the organization, such as lands, machinery etc. The requirements of physical assets vary from industry to industry.
- *Human Assets:* Human resources include the skills, knowledge and capability of employees that can help organizations gain competitive advantage.
- *Technological Resources:* These resources include tools, designs, hardware, software and other processes the organization employs to produce goods.
- *Intangible Resources:* These sources include patents, intellectual property rights, brand name and goodwill etc.

Example

The strengths of the HR Department may include a successful branding strategy, a comprehensive compensation planning, effective attrition management, to name a few.

Block 1: Strategy and Human Resource Management

Apart from the above resources, organizations also need to understand the management systems that guide the day-to-day functioning of the organization. This includes:

- **Culture:** Articulation of core values and philosophies that guide day-to-day activities.
- **Organization structure:** The process (through which the groups and departments interact for accomplishment of the organizational goals) can have an impact on the performance of the employees.
- **Power dynamics:** The dynamics of power and politics in the organization can hinder the work, provided there is a misuse of power and authority.
- **Decision-making process:** Information dissemination, people involved, method of decision making.
- **Analysis of past strategies:** An important part of organizational self-assessment is analysis of past strategy that helps identify the trouble areas and finds out why a particular strategy was not successful.
- **Work systems:** Work systems are concerned with the design of the jobs and the responsibilities that have to be assigned to employees.

1.5.4 Establishing Goals and Objectives

After an organization has assessed the internal and external environment, it has to set its goals and objectives. These goals and objectives should be:

- Specific: Goals should state what exactly needs to be done
- Measurable: Metrics or data targets need to be used to facilitate evaluation of the goals
- Attainable: The goals should be realistic and within the scope of accomplishment
- Relevant: The goals should make sense within the job function
- Time-based: Goals need to be attained within the time framework provided

Setting goals under strict regulations is impractical especially when a business is operating in highly volatile conditions.

1.5.5 Formulating Strategy

The final step in the strategic management process is formulating the strategy and deciding on the implementation.

- The HR strategy is to be aligned with the strategy that a company plans to implement.
- This helps in developing a consistent set of policies and programs and helps employees to achieve organizational objectives.

Refer to Exhibit 1.2 to understand the same.

Exhibit 1.2: IKEA's Journey towards Digital Transformation

In 2020, post lockdown, IKEA, the leading home furnishing brand, brought about changes in its “go-to-market” strategy by coming up with an Omni Channel Solution.

The digital plan to be implemented was:

- Working on technology backdrop and data architecture
- Enhanced customer experience
- Talent management
- Conducive organizational culture

Implementation Process:

- Simplifying Technology Architecture: By resorting to modular approach and parallel processing, 3-D modelling of the space, Augmented Reality Apps to visualize how the product fits into real space and environment, Virtual Reality to showcase how the space would look like trying different options. Further, Artificial and Data Intelligence algorithms are used to elevate conversion rates.
- “Tech-Does-It all” Approach: Coming up with new store formats and integrating stores into the order fulfillment network for enhanced customer experience. IKEA makes use of TaskRabbit platform for providing assistance to the customers to assemble their IKEA furniture.
- Talent Management: Fostering internal talent through continuous training, acquiring people from outside, partnering with external agencies like Space10- a hub of designers and technologists for providing innovative solutions.
- Eliminating Digital Islands: By revamping all the functional areas and harmonious blend of structure with technology along with employee empowerment autonomy.

Source: <https://www.capgemini.com/in-en/research/digital-transformation-review-12th-edition/barbara-martin-coppola-ikea/2021> (Accessed on 20/10/2021)

The determinants for successful strategy are:

- Organizational structure
- Task design
- Employee training
- Reward system
- Information system

These five factors highlight the importance of HR in strategy implementation. Therefore, it becomes all the more important to align HR with the strategic goals of an organization.

Block 1: Strategy and Human Resource Management

An organization involves the top management during strategy formulation. Strategic management process and HR can be linked in one of these ways:

- *Administrative linkage* is the linkage where the strategic goals of the organization are not included. The HR department in this case, handles mostly the administrative work which is otherwise restricted to the company's core business needs.
 - *In one-way linkage*, the HR department is not a part of the planning process and is given the plan after it has been developed by the firm's strategic business planning function.
 - *Two-way linkages* make HR a part of the strategy formulation plan team. There are three steps in two-way linkages:
 - Firstly, the various strategies that the company plans to consider needs to be brought to the notice of the HR department.
 - Secondly, the HR department analyzes the strategies and presents the results of the analysis to the strategic planning department.
 - Subsequently, the HR department develops programs to implement these strategies. In two-way linkages, the strategic planning units and HR are interdependent.
 - *Integrative linkage* is most effective in strategy formulation and involves the HR manager in the formulation and implementation of the strategy by integrating the HR functions.
-

Check Your Progress - 2

4. What is a statement called if it defines a company's values and outlines its organizational purpose and reasons for existence?
 - a. Mission statement
 - b. Vision statement
 - c. Business policy
 - d. Organizational goals
 - e. Business principle
 5. HR and strategic management have four important linkages. What is the linkage called if HR is a part of the strategy formulation team?
 - a. One-way linkage
 - b. Two-way linkage
 - c. Administrative linkage
 - d. Integrative linkage
 - e. Personnel linkage
-

1.6 Value Chain Analysis

The value chain analysis developed by Michael Porter helps in classifying the various organizational activities that create value to its stakeholders into:

- Five primary activities – inbound logistics, operations, outbound logistics, marketing and sales and service.
- Four support activities – procurement, technology development, firm's infrastructure and human resource management.

All the above-mentioned primary and support activities incur costs. Hence the organization must ensure that they add value to the company's product or service.

Let us first discuss each of the primary activities:

- *Inbound logistics*: Activities related to receiving, storing and distributing raw materials required for manufacturing of the products
- *Operations*: Formulation and control of the processes that transform inputs into finished goods and services.
- *Outbound logistics*: Distribution of finished goods and services to customers.
- *Marketing and sales*: Activities related to advertising, promotion and sales force activities.
- *Service*: Providing the necessary after sales service support for use and maintenance.

Let us now look at the support activities:

- *Procurement*: Purchasing the materials and allocating the same at the right time and right place.
- *Technology development*: Utilization of appropriate technologies, processes and methods.
- *Human resource management*: Involves recruiting, training and motivating employees to accomplish the goals of the organization.
- *Infrastructure*: Includes the structure of the organization, operative and financial planning and controlling and quality management designed to support the whole of the value chain.

Porter's value chain activities do not act independently. They are inter-linked and actions in one department can affect the activities of the organization as a whole. If a firm wants to gain a competitive advantage, it has to have a good understanding of linkages and has to align all these activities properly.

Example

Apple's primary activities comprise inbound logistics, operations, outbound logistics, sales and servicing and marketing and its secondary activities include research and development and human resource management.

Block 1: Strategy and Human Resource Management

1.6.1 HR as a Support Function in Value Chain Analysis

Human resources as a support function of the value chain have gained considerable significance because of the inter-relationship with the other departments of the organization.

All HR activities including recruitment, training and development, reward systems are now linked to the strategic goals of the organization.

For strategy to be successful, it needs the support of employees, particularly during mergers and acquisitions. If people are not ready to accept the changes, the organization may find it difficult to implement the strategies effectively.

As a support function in the value chain, HRM provides:

- Equal opportunities for employees
- Emergence of new organizational structures with greater flexibility to respond to the changes.
- Formation of work teams have with focus on empowerment and autonomy of work process to facilitate adjustment in the changing business environment.

Thus, the HR department plays an important role in the value chain, as it integrates itself with technology, infrastructure and other functions of the value chain.

Exhibit 1.3 illustrates value chain activities of DELL amidst COVID-19 pandemic during 2020 and 2021.

Exhibit 1.3: What's Next for Dell?

DELL, an American multinational computer technology company, is known for its value chain activities leading to innovations in supply chain management. The customer focused and lean approach to supply chain has helped DELL to have a competitive advantage. The prime value chain activities of DELL are:

- Segmented approach strategy
- Inventory management objectives
- Working on supplier relationship

Continuing it further amidst COVID-19, DELL nominated the year 2020 for:

- Achieving 100% transparency by adopting standardized global reporting practices and expects the same from its suppliers.
- Minimize the risk to their supply chains by adopting reshoring or nearshoring initiatives.
- Portfolio enhancement by including end-to-end IT solutions.

All of these would add to the value chain of Dell.

Source: <https://www.thomasnet.com/insights/dell-supply-chain/> (accessed on 24/11/2021)

Check Your Progress - 3

6. Which of the following is not a primary activity according to the value chain analysis?
 - a. Inbound logistics
 - b. Outbound logistics
 - c. Operations
 - d. Human resource management
 - e. Information systems management
 7. Who propounded the value chain theory?
 - a. Michael Porter
 - b. Fredrick Taylor
 - c. Peter Senge
 - d. Robert Kaplan
 - e. David Blanchard
 8. What do you understand by outbound logistics?
 - a. Adding value to the company's product or service
 - b. Purchasing the inputs required for manufacturing
 - c. Receiving, storing and distributing raw materials required for manufacturing of the products
 - d. Planning, financial controls and quality management
 - e. Distributing finished goods and services to customers.
 9. Which of the following refers to procurement?
 - a. Adding value to the company's product or service
 - b. Purchasing the inputs required for manufacturing
 - c. Receiving, storing and distributing raw materials required for manufacturing of the products
 - d. Planning, financial controls and quality management
 - e. Distributing finished goods and services to customers
 10. Which of the following is not a support activity in value chain analysis suggested by Michael Porter?
 - a. Procurement
 - b. Technology development
 - c. Human resource management
 - d. Infrastructure
 - e. Outbound logistics
-

1.7 Challenges for HRM

The contribution of HR to organizations is priceless. Yet, meeting organizations expectations and that of employees is no easy task. Every company, regardless of its size, industry or location faces five challenges with respect to HR. They are:

- **Global business environment:** Need to focus on management of diverse workforce, cultural compatibility and complexities, legal and political dimensions.
 - **Profitability through growth:** Emphasis on customer orientation, creativity and innovation, participative decision making, autonomy and free flow of communication.
 - **Technology:** Harness technology for attracting talent, make informed decisions, focus on vital functions like digital learning and training, performance management and wellness programs and become a part of the digital transformation of the organization.
 - **Intellectual capital:** Attract, retain and develop human resources who act as strategic assets.
 - **Adaptability:** Effective change management to bring about a fit between the individual and the organization and the organization and the environment within the political, economic, social, technological, environmental and legal framework.
-

1.8 Summary

- Strategic human resource management can be defined as “the development of a consistent, aligned collection of practices, programs and policies to facilitate the achievement of the organization’s strategic objectives”.
- One of the important tasks facing the present day managers is integrating people with the strategic goals of the organization. Various HR functions can be developed to align with the goals of the organization.
- The role of HR manager has assumed significance as he/she has to manage people keeping in view the strategic objectives of the organization. This includes expertise in fostering a work environment where people will be motivated to work and contribute to organizational goals.
- Strategic management refers to the process of formulating and implementing strategies that will help in aligning the organization and its environment to achieve organizational objectives.
- The five stages in the strategic management process include defining the mission statement, analyzing the environment, organizational self-assessment, establishing goals and objectives and formulating strategy.

- The value chain developed by Michael Porter has five primary activities – inbound logistics, operations, outbound logistics, marketing and sales and service. These activities are linked to four support activities – procurement, technology development, firm's infrastructure and human resource management.
- Organizations face several challenges related to global business environment, profitability through growth, technology, intellectual capital and adaptability.

1.9 Glossary

Inbound Logistics: These are activities related to receiving, storing and distributing raw materials required for manufacturing of the products, internally. Inbound logistics includes warehousing, internal stock control and internal transportation.

Infrastructure: Infrastructure includes the structure of the organization, planning, financial controls and quality management designed to support the whole of the value chain.

Management-by-Objectives (MBO): It is a means by which each management team identifies its key tasks and goals and uses these as a yardstick against which performance is measured.

Mission Statement: A statement of the role or purpose, by which an organization intends to serve its stakeholders. It describes what the organization does (current capabilities), who it serves (stakeholders) and what makes the organization unique (justification for existence).

Organizational Self-Assessment: Organizational Self-Assessment involves identifying the strengths and weaknesses of the organization and working on the strengths to overcome the weaknesses.

Physical Resources: Physical resources include the assets owned by the organization, such as lands, machinery etc. The requirements of physical assets vary from industry to industry

Procurement: Procurement means purchasing the inputs required for manufacturing of the products and making sure that all the departments receive the products at the right time.

Strategic Human Resource Management: SHRM can be defined as the development of a consistent, aligned collection of practices, programs and policies to facilitate the achievement of the organization's strategic objectives.

Technology Development: Technology development refers to the utilization of the right technologies and methods for manufacturing the products.

Value-chain Analysis: Strategic management analysis that breaks the firm down into a sequential series of activities and attempts to identify the value-added by each activity.

Block 1: Strategy and Human Resource Management

1.10 Self-Assessment Test

1. Define strategic human resource management.
2. Organizations generally face two challenges in developing people – integrating people with the strategic goals of the organization and managing employees effectively. Explain in detail.
3. Describe the process of strategic management.
4. Describe the primary and support activities in value chain developed by Michael Porter.
5. Company, regardless of its size, industry or location faces five challenges with respect to HR. Describe the challenges in brief.

1.11 Suggested Readings/Reference Material

1. Ananda Das Gupta. Strategic Human Resource Management-Formulating and Implementing HR strategies for competitive advantage, Productivity, Taylor & Francis Group, 2020
2. Armstrong, M, Armstrong's Handbook of Strategic Human Resource Management. 7th edition, London: Kogan Page, 2020
3. Dr. Ravi Kumar K. A text book of strategic human resource management - A guide to action, Notion Press, 2021
4. Gary Rees, Paul Smith. Strategic Human Resource Management.3rd edition, SAGE Publications Ltd, 2021
5. John Storey, Dave Ulrich, Patrick Wright, Strategic Human Resource Management-A research overview, Routledge, 2020
6. Ram Charan. Julia Yang. The Amazon Strategic Human Resource Management, Wiley, 2020

1.12 Answers to Check Your Progress Questions

1. (a) Strategic Human Resource management

SHRM is the development of a consistent, aligned collection of practices, programs and policies to facilitate the achievement of the organization's strategic objectives.

2. (c) Vision, consistency, enthusiasm and passion

According to Peters and Austin, a leader with vision, enthusiasm, passion and consistency is more customer-oriented and attentive to the needs of the customers and believes in innovation and creativity to tackle competitive pressures. The leader also expects quality from employees.

3. (b) McClelland

According to McClelland, people have three needs that vary from individual to individual. They are the need for achievement, the need for power and the need for affiliation.

4. (a) Mission statement

A mission statement is generally considered as the guiding principle for businesses. Essentially, it defines a company's values and outlines its organizational purpose and reasons for existence.

5. (b) Two-way linkage

Strategic management process and HR can be linked in one of these ways - administrative linkages, one-way linkages, two-way linkages and integrative linkages. Two-way linkages make HR a part of the strategy formulation plan team.

6. (d) Human resource management

The value chain developed by Michael Porter has five primary activities – inbound logistics, operations, outbound logistics, marketing and sales and service. Human resource management is a support activity in value chain.

7. (a) Michael Porter

Value chain theory was propounded by Michael Porter.

8. (e) Distributing finished goods and services to customers.

Outbound logistics refers to the distribution of finished goods and services to customers.

9. (b) Purchasing the inputs required for manufacturing

Procurement refers to purchasing the inputs required for manufacturing.

10. (e) Outbound logistics is distribution of finished goods and services to customers. This is primary activity in Value Chain Analysis.

Unit 2

Importance of Aligning Human Resources to Strategy

Structure

- 2.1 Introduction
- 2.2 Objectives
- 2.3 HR's Emerging Role in the Formulation and Implementation of Strategy
- 2.4 Models Integrating Strategy and HR
- 2.5 Economic Indicators of HRM
- 2.6 Summary
- 2.7 Glossary
- 2.8 Self-Assessment Test
- 2.9 Suggested Readings/References Material
- 2.10 Answers to Check Your Progress Questions

“People can become strategic assets because ability to execute strategy well is a source of competitive advantage and people are lynchpin of strategy execution.”

- Dave Ulrich

2.1 Introduction

As propounded by Dave Ulrich, people can become strategic assets when the HR policies, practices and programs facilitate in achievement of the strategic objectives of the organization.

In the previous unit, strategic human resource management, its process, concept of value chain analysis and the role of HR functions in the value chain perspective and challenges facing HRM were discussed.

Organizations are realizing the importance of aligning human resources with organizational strategies for effective performance and gaining competitive advantage.

This unit focuses on the relationship between human resources and strategy explaining the importance of HR's role in the formulation and implementation of the strategy. We also cover the models that link HR with strategy and the economic importance of HR. We also discuss the investment perspective of HR.

2.2 Objectives

After studying this unit, you should be able to:

- Distinguish traditional HR with strategic HR to ascertain competitive advantage to companies

Unit 2: Importance of Aligning Human Resources to Strategy

- Analyze the role of strategic human resource management to link with functional areas of human resource management
- Discuss the models integrating strategy and HR for supporting organizational development
- Discuss human beings as an asset to the organization for linking individual goals to the goals of the organization

2.3 HR's Emerging Role in Formulation and Implementation of Strategy

The field of Human Resource Management (HRM) has changed dramatically over the last few years. Planners and practitioners who understand these changes in HRM policies and practices will provide their organizations with a strategic competitive advantage that would serve as basis for survival and growth. For strategic HRM to be successful, its goals should be aligned with the strategic goals of the organization.

Example

As a part of its strategic objective of diversity and inclusion, Microsoft tied its executive bonuses to diversity hiring goals to reform its hiring practices by including more women and minorities.

2.3.1 Transition from HRM to Strategic HRM

The changing business environment triggered by the development of new technology and globalization requires organizations to involve HRM in the strategic decision-making process.

When done properly, Strategic HRM helps in:

- ❖ Quality improvement
- ❖ Elevated productivity
- ❖ Improved customer service
- ❖ Cost reductions

Human resource strategy can be defined as the set of ideas, policies and practices that management adopts to achieve the objectives of people management.

With the advent of technology and need for total quality management, there has been a change in the internal environment of the organization. This calls for related changes in:

- People
- Tasks
- Processes
- Organization structure
- Leadership of the organization

Block 1: Strategy and Human Resource Management

Changing role of human resource department:

- Is multi-disciplinary in nature
- Collaborates with all the other functional departments
- Aligns itself with the strategic goals of the organization
- Understands the political, economic, social, technological, environmental and legal framework

Considering the changed role of HRM, it can now be defined as the integration of human resource strategy with the strategic needs of the organization.

Example

The Cisco Talent Cloud is an internal HRM technology that has been developed to guide the strategy and serve the needs of the business in a better way by providing the managers transparency into the skills and experiences of 70,000 plus employees. This will help managers in project planning, execute priorities, CRM to name a few across various functional areas.

The 5P model of strategic human resource management clearly identifies various HR activities that must be aligned with the strategic needs of the business to gain a competitive advantage.²

These five P's being:

- Philosophy
- Polices
- Programs
- Practices
- Processes

Human Resource Philosophy: Reflected in:

- Attitude of the top management (values, expectation and practices)
- Organizational vision and mission (scope of business)
- Organizational culture (shared beliefs, behavior patterns, assumptions and attitudes)

Human Resource Policies: Outlines

- Formal rules and guidelines
- The effect of same on immediate and future success of the business

Human Resource Programs: Include:

- Optimum utilization of resources
- Implementation of policies
- Identification and implementation of changes
- Troubleshooting

² RS Schuler, Strategic human resources management: Linking the people with the strategic needs of the business, in *Organizational dynamics*, Volume 1: Issue 1, 1992
[http://dx.doi.org/10.1016/0090-2616\(92\)90083-Y](http://dx.doi.org/10.1016/0090-2616(92)90083-Y) (accessed on 24/11/2021)

Unit 2: Importance of Aligning Human Resources to Strategy

Human Resource Practices: Include:

- Leadership roles (guide, motivate and train employees)
- Managerial roles (plan, coordinate and organize)
- Operational roles (identify and adopt appropriate methods)

Human Resource Processes: Involve:

- Identification
- Formulation
- Implementation of HR activities to meet strategic goals of the organization

Example

In order to help its employees with transition into new normal amidst the pandemic, Microsoft leveraged the power of Microsoft Teams and Microsoft 365 to help their employees who were working in new environment. Other initiatives of Microsoft in this direction:

- Provided 12-week paid pandemic school and childcare closure leave for taking care of their children as schools and childcare facilities are closed
- Provided 24*7 COVID-19 medical advisory helpline for employees and their families
- Offered policy of work-from-anywhere

Activity 2.1

Retailos is a large grocery store operating in Central America. Taking into account both competitive pressures and new customer habits and preferences, the team saw the need to change to a high-quality, customer driven business. Under the guidance of senior vice president, Human Resources, Robert Gates (Gates), the firm developed a HR philosophy that the employee is a valuable, long-term source of competitive advantage and that all efforts would be made to provide exciting jobs, promotion opportunities and retraining as needed. Taking the 5P model as the base, Gates linked the people with the strategic needs of the business. In this context, explain the importance of the 5P model for the organization.

Answer:

2.3.2 Traditional HR vs. Strategic HR

While traditional HR activities were administrative in nature, strategic HR activities are concerned with the empowerment of the employees. Table 2.1 illustrates the differences between strategic and traditional HR.

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Table 2.1: The Main Differences between Strategic and Traditional HRM

Basis	Traditional HRM	Strategic HRM
Structure	Structured and Rigid	Flexible and adoptive
Leadership	Controlling	Participative and Team building
Scope	Limited to formulation of stand-alone HR policies	Inter-disciplinary in nature
Change	Slow and fragmented	Proactive and Systematic
Nature	Transactional with focus on routine activities	Transformative with focus on restructuring and reengineering of the process
Time Period	Short-Term	Long-Term
Ideology	People are instrumental for achieving the HR objectives	People are treated as strategic assets for achieving competitive advantage

2.3.3 Roles of Strategic Human Resource Management (SHRM)

Definition of SHRM:

Schuler R.S., (1992), defined SHRM as “All those activities affecting the behavior of individuals in their efforts to formulate and implement the strategic needs of business.”

Storey defined SHRM as "A distinctive approach to employment management which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce using an array of cultural, structural and personnel techniques."

Strategic Human Resource Management (SHRM) links HR with other functional areas of the organization. The major roles of Strategic HRM in an organization are given below:

Strategic role: Involves

- Formulating business decisions
- Training employees to serve customers better
- Translating corporate strategy into a human resource strategy

Information and decision-making role: Requires

- Dissemination of information across all levels and functional areas
- Relative position of the firm
- Basic forces of work
- Communicating about best practices

Strategic HR functional role: Involves

- Formulation
- Implementation
- Evaluation and control of operational plans

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Administrative role: Involves

- Implementation of policies and procedures
- Improve upon administrative system

Development role: Includes

- Identifying performance gaps
- Designing training and development programs

2.3.4 Barriers to SHRM

While adoption of SHRM offer various advantages for a variety of reasons, many organizations have not adopted SHRM. The main reasons for not adopting SHRM are:

- **Focus on short-term performance:** The organizations which ignore the importance of long term investments in people fail to adopt SHRM.
- **Lack of technical knowledge:** Some organizations do not possess the necessary knowledge about the other functional areas, thus making it difficult for them to adopt SHRM.
- **Lack of strategic perspective:** The organizations which adopt an administrative rather than strategic view about HR department, fail to embrace SHRM.
- **Difficulty in quantifying:** Some organizations which find it difficult to quantify the variables of HR activities, fail to adopt SHRM.
- **Apprehensions toward employee training:** Fear of losing employees to the competitors may inhibit organizations from adopting SHRM.
- **Resistance to change:** Many organizations may fail to adopt SHRM due to resistance to change that they encounter because of fear for unknown, technical and economic obsolescence.

Activity 2.2

Harvard Griffith (Griffith), the HR manager of a large pharmaceutical company, planned to implement changes in the organization to make its operations more effective. These changes included implementation of technological systems, introduction of work teams and so on. However, while implementing these changes, he was cautioned by the higher management that there would be certain barriers in implementation. What are the barriers that Griffith would have to overcome to implement effective HRM practices?

Answer:

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Check Your Progress - 1

1. Which of the following relates to the strategic HR?
 - a. It is transformational in nature and acts as a change agent ensuring that the new organizational systems and structures help employees achieve their goals.
 - b. Changes are slow and fragmented.
 - c. It does not interact with other departments of the organization.
 - d. It is transactional in nature.
 - e. It does not regard people as intellectual assets.
 2. Which of the following roles of SHRM selects, designs, plans and implements appraisal systems for employees?
 - a. Strategic role
 - b. Administrative role
 - c. Information and decision-making role
 - d. Strategic HR functional role
 - e. Strategic marketing management role
 3. Which of the following is **not** a barrier to the implementation of strategic HR?
 - a. Focus on short-term performance
 - b. Lack of technical knowledge
 - c. Difficulty in quantifying human resources
 - d. View people as a source of competitive advantage
 - e. Apprehensions toward training people
 4. In the 5P Model of human resources, what refers to an organization's attitude towards its human resources, the way they should be treated and the role they play in the success of a business?
 - a. Policies
 - b. Practices
 - c. Processes
 - d. Philosophy
 - e. Program
-

2.4 Models Integrating Strategy and HR

Effective HR programs and policies are essential for supporting organizational development. HRM plays an important role in influencing business strategy.

Unit 2: Importance of Aligning Human Resources to Strategy

The HR functions have been aligned with the strategic goals of the organization. Let us understand it better with these following models that depict the relationship between HR and strategy:

- Model of Best Practice
- Model of Strategic Change

2.4.1 Model of Best Practice

Tyson and Doherty³ have developed the model of best practice that helps in analyzing the best practices that a business can adopt according to its requirements. These outcomes are based at three levels. They are:

- **Strategic level:** HR department needs to frame policies that can be integrating with other functional areas in line with the strategic goals.
- **Operational level:** Competencies need to be created for achieving competitive advantage by having comprehensive recruitment, development and retention strategies.
- **Business process level:** Fair operational policies free of bias in consultation with employees and all other stakeholders.

The three levels discussed above are important for achieving the desired outcomes. At each level, the HR needs to identify and develop the best practices which are cost effective in terms of time, effort and money. These outcomes differ according to the type of the business and the needs of the organization.

The model of best practice is appraised in terms of:

- **Effectiveness:** Extent of importance attached to the organizational objectives.
- **Efficiency:** Extent of accomplishment of the objectives in a cost effective way.

Example

Take for instance the practice adopted by TCS. The transition to cloud technologies comes with a new challenge in terms of creation of workforce agility and collaborative ecosystems. The Human Capital (HC) practice of TCS addresses this issue by providing HR Transformation Facilitation to elevate the employee experience by employing people analytics that aid in HR service delivery by optimizing organizational design and technology transformation for accomplishment of talent strategy.

³ https://link.springer.com/chapter/10.1007/978-3-322-84526-9_2 (accessed as on 21/10/2021)

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Models of strategic change can best be defined as the possible adjustments in the vision, mission and objective of an organization towards achieving specific goals to provide competitive advantage as well as synergy.

2.4.3 Models Integrating Strategic Change and Human Resource Management

There are many models that explain the concept of strategic change can be integrated with HRM. Some of the models are discussed below.

1. Harvard University had developed a flexible model that integrated strategic change with HRM called “The Map of HRM Territory”. According to this model, while developing HRM strategies,
 - Organizations have to realize the legitimate interests of all its stakeholders.
 - Their interests have to be aligned with the human resource strategy and the business strategy.
2. On the basis of the Harvard Model, Guest⁴ has developed a set of propositions that can help researchers to create more effective organizations. The model has four basic propositions:
 - Strategic integration: Ability of the organization to integrate HRM functions of acquisition, maintenance and development of human resources with its strategic plans and strategic decision making process.
 - High commitment: Better engagement models to elevate individual commitment towards organizational goals.
 - High-quality: Adherence to standards for improving their goods and services.
 - Flexibility: Ability to respond and bring about an organizational fit in the changing business environment.These four propositions help provide a link between the objectives of HRM, policies and organizational outcomes.
3. Hendry and Pettigrew⁵ developed an integrative approach that integrates all the modes of HRM like staffing, recruitment and training called “Model of strategic change and human resource management”. The model:
 - Aligns the HR functions in line with the internal and external forces.
 - Explores the implications of employee relations on various approaches of strategic management.

⁴ Human Resource Management and the American Dream,' Journal of Management Studies, Vol.27, No 4, pp. 377-397, 1990 <https://doi.org/10.1111/j.1467-6486.1990.tb00253.x> (accessed as on 21/10/2021)

⁵ Human Resource Management: An agenda for the 1990's, in International Journal of Human Resource Management, Vol. 1, No 1 (1990) <http://dx.doi.org/10.1080/09585199000000038> (accessed on 20/10/2021)

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4. In 1992, Storey's⁶ model called the “Ideal Type” explored how organizations are being transformed from personnel to HRM.

Classified the differences on the basis of:

- Beliefs and assumptions (about tasks, nature of relations)
- Strategic concepts (corporate planning, SBU planning, evaluation and control)
- Line management (managerial and behavioral skills)
- Key levers (HR functions like recruitment, selection, training and development, compensation management to name a few)

Example

The initiative taken by Microsoft to move its employee portal to SharePoint Online. Microsoft has voyaged its internal Human Resources portal to the cloud, a crucial step in its current companywide digital makeover. HRweb, as it is called, this portal seems to be the second busiest at Microsoft and exemplifies the last major internal employee portal that has moved to the cloud. This transition has changed the employees experience as they engage with the HR by smarter personalized information and better search results.

All the above-mentioned models bring out the importance of HRM in the formulation of organizational policies. These models have clearly shown the importance that HRM has assumed in managerial decision-making.

Check Your Progress - 2

5. Who developed the “model of best practice” that helps analyze the best practices a business can adopt?
 - a. Hall and Lawrence
 - b. Borger and Seaborne
 - c. Tyson and Doherty
 - d. Clutter Buck and Coleman
 - e. Jay Heizer and Barry Render
6. A model integrating strategic change and human resource management was developed at the Harvard University. What is it called?
 - a. Model of Best Practice
 - b. Model of Best Change
 - c. Map of HRM Territory
 - d. Model of HRM Territory
 - e. Model of HR Territory

⁶ Storey J (1992) Developments in the Management of Human resources: An Analytical Review, London Blackwell

Block 1: Strategy and Human Resource Management

7. Which of the following is not a proposition according to the Model proposed by ‘Guest’?
 - a. Strategic integration
 - b. High commitment
 - c. High quality
 - d. Operational integration
 - e. Flexibility
 8. Who developed the model called the “Model of strategic change and human resource management?”
 - a. Hendry and Pettigrew
 - b. Hall and Lawrence
 - c. Borger and Seaborne
 - d. Tyson and Doherty
 - e. Clutter Buck and Coleman
-

2.5 Economic Indicators of HRM

Economic Indicators of HRM would help in aligning the HR functions to the strategic goals of the organization. Organizations need to frame policies and programs that consider human resources as assets for investments. By developing such policies, organizations will achieve the following:

- Competitive work practices
- Global practices in response to internationalization of business
- Comprehensive compensation and performance management systems
- Effective succession planning mechanism
- Appropriate organizational structure

2.5.1 Investment Perspective of HR

Considering employees as assets helps organizations utilize their abilities. By analyzing the investments being made for the employees, organizations can prepare a plan that can help in making investments for the employees.

For example, in training programs, an investment perspective would:

- Mean weighing the costs of the new program
- Assessing the potential benefits of the training program for the organization
- Investment needs to be made if found profitable.

Unit 2: Importance of Aligning Human Resources to Strategy

Exhibit 2.1 illustrates value-based management.

Exhibit 2.1: Value-Based Management

Gone are those days, when building upon shareholders' value was the prime focus for any company. Off late, organizations have realized that it is equally important to work upon creating a perception (value) in the minds of the host of internal and external stakeholders, thanks to the digital technology that makes building this ecosystem all the more feasible by bringing together the customers, employees, intermediaries and the community at large.

Barclays, a renowned banking concern, makes use of digital technology to cater to the access and inclusion needs of its diverse customer base by reiterating their core values across the stakeholders' ecosystem.

The accessibility commitment of the bank is evident with its exclusive solutions for people with special needs and impairment be it visual, speech, mobility or dexterity. Whether it is offering bank statement to account forms as audio file or in Braille or developing audio cash machines, Barclay has gone a long way for providing uninterrupted services for the visually impaired.

With the advent of digital innovations, organizations can integrate their competencies with technology and contribute to engagement and collaboration across the stakeholder ecosystems that would promote growth, innovation, sustainability as well as societal well-being.

Source: <https://www.tcs.com/finance-creating-stakeholder-value-lessons-from-leaders-blog>, 2020 (accessed on 20/10/2021)

2.5.2 Factors affecting Investment-oriented Organizations

There are five factors that play a crucial role in determining whether an organization is investment-oriented or not. These factors are discussed below:

- Philosophy of top management: Considers people as strategic assets and invests on development of its people.
- Attitude towards risk: Effective retention strategies for bringing down attrition.
- Training and development initiatives: Provide with opportunity of growth and career progression.
- Cost and benefit analysis: Must include all the stakeholders and should be objective and measurable.
- Outsourcing: Concentrate on its core competence and outsource the functions that can be performed cost effectively by external specialists.

2.5.3 Human Capital Accounting

The American Accounting Association (1970) defines human resource accounting as "the human resources identification and measuring process and also

Block 1: Strategy and Human Resource Management

its communication to the interested parties.” Rensis Likert (1967), first used the term “human asset accounting”, which was later replaced by “human resource accounting”.

Rensis designed a human capital balance sheet. The main features of human capital balance sheet are given below:

- It consists of historical cost asset valuation.
- This model enables firms to calculate the cost of replacing a human resource when he leaves the organization.
- The model includes the exit costs of recruiting and training a new employee.

Other Models of Human Resource Accounting:

1. The Net Present Value Model (NPV): Propounded by Lev and Schwartz, this model states that the human resource of a company is the summation of value of all the Net Present Value (NPV) of expenditure on employees (Dutta, 2008).

According to Lev and Schwartz, the value of human capital embodied in a person of age k, is the present value of his remaining earnings from employment. The formula for calculating the value of an individual according to them is given as follows:

$$V_k = \sum I(t) / (1+r)^{t-k}$$

Where:

V_k = the value of an individual of k years old

$I(t)$ = the individual annual earnings up to retirement

r = a discount rate specific to a person

t = retirement age

2. Flamholtz Model: Flamholtz⁷ defines HRA as accounting for people as an organizational resource. This model:

- Requires measuring the costs incurred by organizations to recruit, select, hire, train and develop human assets.
- Requires measuring the economic value of people to the organization.
- Advocates that an individual's conditional value is the present worth of the potential services that could be rendered if the individual stayed with the organization for x years.

⁷ Eric G. Flamholtz, Human Resource Accounting: Advances in Concepts, Methods and Applications,3 Edition, Springer, 1999

Unit 2: Importance of Aligning Human Resources to Strategy

- The conditional value mentioned above refers to the blend of transferability, productivity and promotion.
- States that the conditional value when multiplied by the probability factor (time a person will stay in the organization) will give the expected realizable value.
- This realizable value gives a measure of a person's value which increases as there is an increase in the individual's learning.

Human assets sometimes become liabilities when employee skills become obsolete and employees no longer work effectively.

Activity 2.3

Griffin Industries had a massive turnover during the last six months. The company did not have a clear idea of the costs incurred as a result of employees leaving the organization. It has planned to incorporate human resource accounting to calculate the training and selection costs. What are the various ways in which the company can analyze training costs?

Answer:

2.5.3 Sources of Employee Value

There are two major sources of employee value: Productivity and added value.

1. Productivity: According to Shaun Tyson, in his book *Human Resource Strategies*, productivity is “the level of output generated by a given level of input.”

Limitations in this source of employee value:

- There is a faulty assumption about the fixed average employee cost
 - This assumption does not hold well in case of international operations and large number of employees
 - This source does not include contractual labor
2. Added Value: It can be defined as “the wealth created through the efforts of the enterprise and its people.”

This can be achieved by:

- Systematic manpower planning
- Appropriate organization structure
- Comprehensive job design

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- Adequate training and development initiatives
- Effective career management
- Competitive compensation plan

Example

TCS DigiGOV™ HRMS, an enterprise human resource and capital management system, implemented by TCS that includes employee association with the organization with end-to-end hire-to-retire processes and integration of the same with the HRIS, ESS and MSS capabilities across the functional areas of HR, finance and legal systems and derive true value in terms of productivity, flexibility and cost effectiveness.

Adding value through rewards and benefits:

- By following performance-based pay structure in the organization
- By providing employees with incentives and fringe benefits

Adding value through retention and recruitment:

- By systematic calculation of employee separation costs by conducting cost and benefit analysis for employee separation
- By conducting exit interviews to understand the reason for attrition
- By conducting human resource audits for improvement of HR policies and practices

Check Your Progress - 3

9. Who first used the term ‘human asset accounting’?
 - a. Rensis Likert
 - b. Shaun Tyson
 - c. Flamholtz
 - d. Storey J
 - e. Besterfield
10. According to Flamholtz, “an individual’s conditional value is the present worth of the potential services that could be rendered if the individual stayed with the organization for x years.” What does conditional value include?
 - a. Only the productivity of the employee
 - b. Productivity and transferability
 - c. Promotability and transferability
 - d. Productivity, transferability and promotability
 - e. Only the transferability

2.6 Summary

- The changing business environment has made it mandatory for organizations to align human resources with the strategic goals of the organization.
- HRM plays an important role in influencing business strategy.
- HRM has undergone changes in the areas of recruitment, development, appraisal and reward systems. All these are now aligned with the strategic goals of an organization.
- The alignment of HR with strategy is understood by two models - model of best practice and model of strategic change.
- Many organizations have started analyzing the potential benefits of treating employees as assets.
- In 1967, Rensis Likert developed a system of Human asset accounting. There are two sources of employee value: added value and productivity.
- HR audits are becoming popular because they help improve the quality of procedures and practices and encourage the effective use of time and resources.

2.7 Glossary

Business Process Level: At the business process level, the HR department checks whether equal weightage has been given to all the stakeholders.

Human Resource Accounting: Human resources are considered as important assets and are different from the physical assets that get never depreciated. Under conventional accounting, all expenses on human resources are to be treated as investments. HR accounting emphasizes the contribution of people to be valued as assets.

Human Resource Philosophy: This refers to the organization's attitude toward its human resources and how they should be treated and the role they play in success of the business.

Human Resource Policies: These are guidelines about the management of the people.

Human Resource Practices: HR practices include the roles (leadership, managerial and operational) that individuals assume in the organization.

Human Resource Processes: This involves the identification, formulation and implementation of HR activities to meet strategic goals of the organization.

Human Resource Programs: HR programs can be defined as the coordinated efforts of human resources to start and sustain strategic organizational change.

Human Resource Strategy: This can be defined as the set of ideas, policies and practices that management adopts to achieve the people management objective.

Strategic Integration: This refers to the organization's ability to integrate HRM issues with its strategic plans.

Block 1: Strategy and Human Resource Management

Strategic Role: The strategic role of HR department involves formulating business decisions, training employees to concentrate on customer needs and translating corporate strategy into a human resource strategy.

2.8 Self-Assessment Test

1. The 5P model of strategic human resource management clearly identifies various HR activities that must be aligned with the strategic needs of the business to gain a competitive advantage. List the five P's and describe in detail.
2. Compare and contrast traditional HR with strategic HR.
3. Briefly describe the barriers to SHRM.
4. Explain the models that integrate strategy and HR.
5. Describe the economic indicators of HRM.

2.9 Suggested Readings/Reference Material

1. Ananda Das Gupta. Strategic Human Resource Management-Formulating and Implementing HR strategies for competitive advantage, Productivity, Taylor & Francis Group, 2020
2. Armstrong, M, Armstrong's Handbook of Strategic Human Resource Management. 7th edition, London: Kogan Page, 2020
3. Dr. Ravi Kumar K. A text book of strategic human resource management - A guide to action, Notion Press, 2021
4. Gary Rees, Paul Smith. Strategic Human Resource Management. 3rd edition, SAGE Publications Ltd, 2021
5. John Storey, Dave Ulrich, Patrick Wright, Strategic Human Resource Management-A research overview, Routledge, 2020
6. Ram Charan. Julia Yang. The Amazon Strategic Human Resource Management, Wiley, 2020

2.10 Answers to Check Your Progress Questions

1. (a) It is transformational in nature and acts as a change agent ensuring that the new organizational systems and structures help employees achieve their goals.

The above statement relates to Strategic HRM.

2. (d) Strategic HR functional role

Strategic HR functional role is a very important role. In this role, HR must select, design and implement planning and appraisal systems for employees. These systems should fit both the strategy and the culture of the organization concerned.

Unit 2: Importance of Aligning Human Resources to Strategy

3. (d) View people as a source of competitive advantage

The barriers to strategic HRM include focusing on short-term performance, lack of technical knowledge, lack of strategic perspective, difficulty in quantifying, apprehensions toward training people and resistance of employees. Hence, viewing people as a source of competitive advantage is not a barrier to HRM.

4. (d) Philosophy

Human resource philosophy refers to the organization's attitude toward its human resources and how they should be treated and the role they play in success of the business. HR philosophy is usually found in a company's statement of its business values.

5. (c) Tyson and Doherty

The model of best practice developed by Tyson and Doherty helps an organization establish the approach undertaken by it and the value of the approach in terms of effectiveness and efficiency of the organization.

6. (c) The Map of HRM Territory

A model integrating strategic change and human resource management developed at the Harvard University is called "The Map of HRM Territory." According to this model, while developing HRM strategies, organizations have to realize the legitimate interests of the shareholders and other stakeholders in the organization. Their interests have to be aligned with the human resource strategy and the business strategy.

7. (d) Operational integration

Guest has developed a set of propositions that can help researchers to create more effective organizations. The model has four basic propositions: strategic integration, high commitment, high-quality and flexibility. Hence, operational integration is not a proposition according to the Model proposed by Guest.

8. (a) Hendry and Pettigrew

Hendry and Pettigrew developed an integrative approach that integrates all the modes of HRM like staffing, recruitment, and training. This model is called the "Model of strategic change and human resource management." These functions are integrated keeping in view the various internal and external forces (social, economic, political) that have an impact on organizational strategy.

9. (a) Rensis Likert

Rensis Likert first used the term "human asset accounting", a term since replaced by "human resource accounting".

Block 1: Strategy and Human Resource Management

10. (d) Productivity, transferability and promotability

Flamholtz had developed an approach for calculating human capital accounting. According to Flamholtz, “an individual’s conditional value is the present worth of the potential services that could be rendered if the individual stayed with the organization for x years.” The Conditional value here refers to the blend of transferability, productivity, and promotability.

Unit 3

Strategic Aspects in International Human Resource Management

Structure

- 3.1 Introduction
- 3.2 Objectives
- 3.3 Corporate Culture as a Strategic Business Linkage
- 3.4 IHRM as a Business Strategy
- 3.5 Organizational Culture
- 3.6 Various Frameworks for Mapping Culture
- 3.7 Learning from Business Experiences
- 3.8 International Reward Management - A Strategic Perspective
- 3.9 Leadership and Team Work in Cross Cultural Settings
- 3.10 Global Workforce Mobility
- 3.11 Impact of Technology on IHRM
- 3.12 Role and implications of Labor Laws across the Globe on SHRM
- 3.13 Role of International Bodies in SHRM- ILO, EU, UN
- 3.14 Summary
- 3.15 Glossary
- 3.16 Self-Assessment Test
- 3.17 Suggested Readings/Reference Material
- 3.18 Answers to Check Your Progress Questions

“It is not our differences that divide us in the organization, it is our inability to recognize, accept and celebrate those differences.”

- Audre Lorde

3.1 Introduction

As has been propounded by Audre Lorde, there is no disavowal that the shared beliefs, norms and values within an organization, pave the way for strategic success in diverse environments.

In the previous unit, the relationship between human resources and strategy was discussed along with the role of HR in formulation and implementation of the strategy. This unit focuses on strategic aspects in International Human Resource Management.

3.2 Objectives

After studying this unit, you should be able to:

- Discuss the issues in International HRM and identify its elements for growth and sustainability of organizations

Block 1: Strategy and Human Resource Management

- Evaluate cross culture models for implementing business strategies
- Discuss how different international corporate strategies could add value to a corporation
- Analyze global international reward management and workforce mobility to strike a balance between the two
- Explain the role of International bodies in SHRM for fostering equal opportunities to all

3.3 Corporate Culture as a Strategic Business Linkage

IHRM is a set of activities aimed at managing human resources at international level to achieve organizational objectives. It typically includes HRM functions like recruitment, training and development, performance appraisal and more importantly global-skill management and expatriate management.

It is essential to know the linkage between corporate culture and business strategy. Any corporate strategy is an overall plan of a company to create competitive advantage over its rivals with the difference being having to deal with multiple nations in case of international context.

Corporate strategy is primarily focused on overall direction of the company and it specifically addresses key questions like:

- How can our company be more focused?
- Can we create additional value chains?
- Can we utilize employees more efficiently?
- What set of businesses should the company pursue profitably based on the above key points?

Example

At Google, innovation is the major source of competitive advantage. Some of the features of Google that helps it to accomplish the same are:

- It fosters a unique and innovative work culture that is the outcome of experimentation and continuous learning.
- Google adopts a horizontal organizational structure which eliminates the boundaries across teams.
- Google has initiated Think 10x for innovation program for improving product by 10 times.
- Google supports the philosophy of informal work places.
- Googler to Googler (learning and knowledge sharing) program of Google helps in providing the necessary collaborative support in their learning and development initiatives

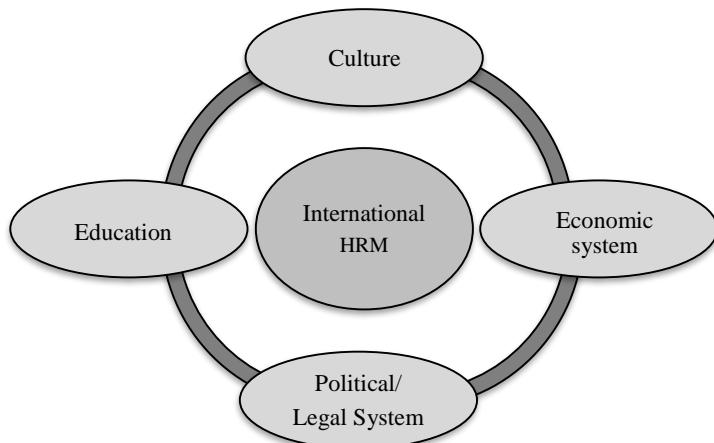
Unit 3: Strategic Aspects in International Human Resource Management

The main focus is how a multi business corporation can create high business value through coordination of its multiple business activities spread across national boundaries and geographies.

3.3.1 Factors that affect HRM in International Markets

To attain the above global objectives, the company needs to have a sound international HRM in place to effectively manage cultural diversities. MNCs grow and define their business on a worldwide basis and they need to think “global” while acting “local”. Figure 3.1 represents the factors affecting international markets.

Figure 3.1: Factors Affecting HRM in International Markets



Source: ICFAI Research Center

Factors that affect HRM in international markets are:

- Education
- Economic system
- Political/legal system
- Culture

Comparably, Inc., a platform that provides culture and compensation data for public and private companies, honored Google with 9 awards including “Best Global Culture, 2021” with A+ rating on 18 different metrics.

3.4 IHRM as a Business Strategy

With borders between the countries becoming inconsequential and with the increased mobility of workforce becoming the norm, IHRM plays a critical role in the growth and sustainability of an organization.

Objectives of IHRM are -

- Making a local appeal without compromising on the global identity.
- Creating awareness of cross cultural sensitivities among employees.

Block 1: Strategy and Human Resource Management

- Hiring of staff across geographic and national boundaries.
- Training on culture and sensitivity of the host country.

In IHRM, the organization needs to ascertain the current and intended nature of international operations and accordingly plan their human resources. Particular focus on the following aspects has to be given by the organizations if they are going global.

- Organization should determine the extent to which HR policies and practices should be standardized or localized in tune with overall organizational strategy.
- There is a need to balance the local, cultural, social, political, economic and legal factors and the standard HR policies and practices.

Example

Coca-Cola adopts geocentric approach for international staffing where the onus is on acquiring the best talent irrespective of nationality, polycentric approach for designing HR practices in line with the needs of the local people and ethnocentric approach in case of hiring senior executives so as to ensure common language and organizational culture.

The different profiles of an employer and employee working in an international setting are given in Table 3.1.

Table 3.1: Profiling International Employers and Workforce

International Workforce	Employers in the International Marketplace
Parent-country national – employee who was born and works in the country in which an organization's headquarter is located.	International organization – an organization that sets up one or a few facilities in one or a few foreign countries.
Host-country national – employee who is a citizen of the country in which the organization operates.	Multinational company – an organization that builds facilities in a number of countries in an effort to minimize production and distribution costs.
Third-country national – employee who is a citizen of a country that is neither the parent country nor the host country of the employer.	Global organization – an organization that chooses to locate a facility based on the ability to produce a product or service using cultural differences as an advantage effectively, efficiently and flexibly.

Check Your Progress - 1

1. Which of the following is not an objective of IHRM?
 - a. Making a local appeal without compromising upon the global identity.
 - b. Creating awareness of cross cultural sensitivities among employees globally
 - c. Hiring of staff across geographic and national boundaries.
 - d. Training upon cultures and sensitivities of the host country.
 - e. Hiring of staff indigenously
2. Which of the following term is used for an employee who is a citizen of the country (other than parent country) in which an organization operates a facility?
 - a. Host-country national
 - b. Parent country national
 - c. Third country national
 - d. Multi national
 - e. Indian national

3.5 Organizational Culture

To understand business strategy, understanding organizational culture is important. Organizational culture is the set of all pervading values, beliefs, attitudes and behavior that characterizes an organization and guides the practices that employees follow.

Features of Organizational Culture:

- Culture is articulated in the organization's mission / vision statements
- Culture is a kind of collective programming of the minds of the people in the organization
- Culture is one of the potent sources of long-term success of a business enterprise

There is an umbilical relationship between the organizational culture and business strategy, because it is the people who have to deliver value to the organization. As propounded by CEO of Sharp, "If you don't understand the culture of your company, even the most brilliant strategies of the company will fail. Your vision will be resisted, plans won't get executed properly, and all kinds of things will start going wrong."

Block 1: Strategy and Human Resource Management

The linkage between different aspects of an organization is shown in Figure 3.2.

Figure 3.2: Linkage between Organizational Culture and Business Strategy



Source: ICFAI Research Center

Cultural alignment stimulates the execution of strategy through -

- **Goal Alignment** - Alignment with the goals refers to ‘what is done’ in the organization on a regular basis ensuring that the task performed by each individual or group is focused on strategically important areas.
- **Enhancing Productivity** - When people act and interact in the same way, there is a better mutual understanding which results in higher productivity.
- **Mergers & Acquisitions** - The success of mergers and acquisitions entirely depends on the integration of cultural hues of the two organizations in question.

Example

Take the case of the much talked about Amazon-Whole Foods merger in 2018. The vertical integration move of Amazon-Whole Foods merger with the intent to enable Amazon to sell in Whole Foods stores ended up in suboptimal results due to core culture incompatibility. Amazon, having a technology-enabled impersonal culture, could not blend well with the idealistic value-based approach of Whole Foods, thus affecting employee morale and motivation.

Management Research clearly indicates that even a brilliant strategy will not work if it does not align with the culture of the organization. HR systems and work environment play an important role.

For example, the recruitment process has to ensure that the individual values of the candidate fit in the culture of the organization. Similarly rewards and recognition are based on the value system and Performance Management System is rooted in the performance culture. Hence, HR’s role is shaping and reinforcing the organizational culture.

3.6 Various Frameworks for Mapping Culture

A given society may have multiple cultural frameworks. Similarly, there are several models for mapping culture.

Cultural Framework Describes:

- Traditions
- Value systems
- Myth
- Symbols that are common in a given society

The following are the two models for mapping culture:

- Hofstede's Model
- Fons Trompenaars Model

Let us briefly discuss these two models.

3.6.1 Geert Hofstede's Model (1991)

Hofstede sees culture as "the collective programming of the mind which distinguishes the members of one group or category of people from another". The model depicts that:

- Culture is an important determinant of the similarities as well as differences among people
- This model emphasizes open mindedness
- The above model symbolizes onion model of culture (that needs to be peeled layer by layer)

Hofstede propounds how leadership style has to be adjusted to five dimensions of culture. (Refer Table 3.1) These dimensions include:

Table 3.1: Hofstede's Five Dimensions of Leadership Styles

Dimension	Type 1	Type 2
1. Individualism/ Collectivism	<ul style="list-style-type: none"> • High valuation on people's time and their need for freedom. 	<ul style="list-style-type: none"> • Emphasis on building skills and becoming masters of something.
2. Masculine/Feminine	<ul style="list-style-type: none"> • Men are masculine and women are feminine. 	<ul style="list-style-type: none"> • A woman can do anything that a man can do.
3. Power Distance (High/Low)	<ul style="list-style-type: none"> • Centralized companies. • Strong hierarchies. 	<ul style="list-style-type: none"> • Flatter organizations. • Supervisors and employees are considered almost equals.
4. Uncertainty Avoidance (High/Low)	<ul style="list-style-type: none"> • Very formal business conduct with lots of rules and policies. • Need and expect structure. 	<ul style="list-style-type: none"> • Informal business attitude. • More concerned with long-term strategy than short-term activities.

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5. Long Term/Short Term orientation	<ul style="list-style-type: none"> • Family is the basis of society. • Parents and men have more authority than young people and women. 	<ul style="list-style-type: none"> • Promotion of equality. • High creativity and individualism
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Compiled source: geert-hofstede.com/national-culture.htm, 1998

3.6.2 Trompenaars and Hampden-Turner Model

This framework built on the work of Hofstede by broadening the definition of national cultures in recognizing that wider historical, political and social factors in a country may affect ‘business values’. Their model is therefore a useful tool for understanding and dealing with cultural differences.

The following are important features of the model:

- This model adopts a similar onion-like model of culture
- People from different cultures aren’t just randomly different rather they differ specifically on parameters of
 - Thinking
 - Values
 - Beliefs

They identified 7 dimensions. This model was published in their 1998 book, ‘Riding the Waves of Culture’ (Refer Table 3.2).

Table 3.2: Seven Dimensions of Culture

Dimension	Type 1	Type 2
1. Universalism versus particularism	People place a high importance on laws, rules, values, and obligations. They try to deal fairly with people	People believe that each circumstance and each relationship dictates the rules.
2. Individualism versus communitarianism	People believe in personal freedom and achievement.	People believe that the group is more important than the individual.
3. Specific versus diffuse	People keep work and personal lives separate.	People see an overlap between their work and personal life.
4. Neutral versus emotional	People make a great effort to control their emotions.	People want to find ways to express their emotions, even spontaneously, at work.

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5. Achievement versus ascription	People believe that you are what you do and they base your worth accordingly.	People believe that you should be valued for who you are. Power, title and position matter
6. Sequential time versus synchronous time	People like events to happen in order. They place a high value on punctuality and planning.	People see the past, present and future as interwoven periods.
7. Internal versus outside direction	People believe that they can control nature or their environment to achieve goals.	People believe that nature or their environment controls them; they must work with their environment to achieve goals.

Compiled source: Fons Trompenaars and Charles Hampden-Turner, Riding the Waves of Culture: Understanding Cultural Diversity in Business, Mc Graw Hill, 1998

Example

In the USA, it is customary to cross legs pointing the soles of shoes towards someone but it is considered disrespectful in Southeast Asia.

Check Your Progress - 2

3. Corporate culture is the set of all pervading values, beliefs, attitudes and behavior that characterize an organization.
[True/False]
4. Who said the following? Pick the right choice. Given in brackets "*The collective programming of the mind which distinguishes the members of one group or category of people from another.*"
(Geert Hofstede, Fons Trompenaars and Hampden)
5. How do you categorize power distance in centralized companies with strong hierarchies?
 - a. High
 - b. Low
 - c. Even
 - d. No difference
 - e. Decentralized

Block 1: Strategy and Human Resource Management

3.7 Learning from Business Experiences: An Example

Exhibit 3.1 illustrates about the initiatives taken up by Google for promoting diversity and inclusion at workplace.

Exhibit 3.1: Promoting Diversity and Inclusion at Google

Google LLC, an American multinational company providing internet-related services, acknowledges its responsibility to reduce the structural inequities within its organization.

With more than 10,00,000 employees in 170 cities across 60 countries, Google is walking that extra mile to incorporate diversity, equity and inclusion to have a workforce that has high sense of belongingness towards the organization on one hand and is representative of its users on the other.

Some of the comprehensive moves by Google to promote diversity and inclusion are enumerated below:

- Google brought about changes in its hiring strategy which now encompasses underrepresented talent, people with disabilities, partnering with minority serving institutions, not to forget gender and racial equity.
- Google has intensified its retention efforts by doubling retention and progression team and mentorship programs across the diverse groups.
- Google has been striving for racial equity through inclusive practices and policies.

Source: <https://diversity.google/annual-report/2021>

Global diversity is changing the way companies operate. In a culture that promotes inclusiveness and equity, diversity management becomes easier. The business strategy that is implemented in the organizations with diverse workforce stands as a competitive advantage.

3.8 International Reward Management - A Strategic Perspective

The idea behind formulation and implementation of strategies in reward management in the organizations which have international presence cover the following aspects:

- Rewarding employees in a fair and equitable manner.
- Motivating employees for higher performance.

However, there are many complexities in international reward management. Some of them are given below.

- If compensation is too high, it may pose issues upon return to home country
- If compensation is not adequate, then people would be reluctant to go for international assignments

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Hence the following factors have to be taken into account in international compensation management:

- Expatriation Premium
- Cost of Living Allowance (for example: Microsoft uses localized compensation strategy by using pay banding system based on regions)
- Shelter Allowance
- Educational Allowance
- Home Leave
- Medical Insurance (for example: Canada, Finland and Japan offer universal health care (offset by higher taxes) and therefore the employees would have health benefits covered while working and paying taxes in that country. In Singapore, however, all the residents receive a catastrophic policy from the government, but they need to purchase additional insurance for routine care.)

Since these expatriate employees operate in different countries, they encounter many taxation issues.

Tax Implications on Expatriate Remuneration: The following methods are followed:

- i. Tax equalization: Firms withhold an amount equal to the home country tax obligation of the expatriate and pay all taxes in the host country.
- ii. Tax protection: The employee pays up to the amount of taxes he or she would pay on remuneration in the home country.

3.8.1 Impact of Globalization on HR - Expatriate Management

The following are important factors in managing expatriates:

- ✓ Cultural intelligence (CQ): It is the ability to adapt to different cultures and internalizing the cues of the culture and display appropriate behavior
- ✓ Work-life balance: Ability to balance demands of work pressure and the family expectations and strike a proper work-life balance
- ✓ Flexibility and adaptability: Ability to fit to changed environment and culture
- ✓ Job knowledge and motivation: Ability to work in different professional environment and utilize knowledge smoothly and further career advancement
- ✓ Relational skills: Ability to build social and cultural relationships proactively
- ✓ Cultural literacy and openness: Ability to move socially well and adopt open and transparent communication skills

Cross-cultural adjustment is found to be the most significant factor determining the success of international assignments. Training on language and cultural sensitivity facilitates effective cross-cultural interactions.

Example

Kellogg & Co implements a selection strategy for its global assignments which comprises assessment tests on the parameters of work styles, habits, values, interests and lifestyle for the shortlisted candidates as well as their families.

Block 1: Strategy and Human Resource Management

While selecting the expatriate, the organizations need to measure the personality traits like:

- Flexibility to adopt to new situations
- Willingness to learn
- Openness to change
- Sense of humor to appreciate diversity
- Adoptability to fit into the new framework
- Ability to handle ambiguity

The collected information after analysis is provided to the employees and their spouses and the potential risks and concern areas to be addressed prior to any assignment are explained.

3.9 Leadership and Team-work in Cross-Cultural Settings

Leadership is no longer a phenomenon related to the management of human resources, thanks to the ever increasing diversity and intercultural settings at the workplace. Now leaders have to juggle between their standard organizational roles and cultural adaptations that need to be done considering the level of employees' variety.

Cross-cultural context refers to:

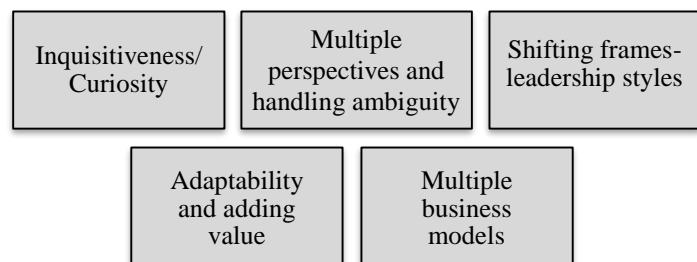
- How individuals of different cultures interact with each other
- Flexibility of the leaders to adjust their styles to the cultural expectations
- Ability to transcend a sense of culture

Global leadership is about:

- Managing a business operation across borders
- Working within the framework of political, cultural, social, legal and economic systems of specific country or location
- Having knowledge about how to operate in multiple business environments

Some of the important traits of global managers are presented in Figure 3.3.

Figure 3.3: Traits of Global Manager



Source: www.trainingmag.com/article/global-leadership

Unit 3: Strategic Aspects in International Human Resource Management

1. Inquisitiveness/Curiosity: Openness to new experiences, cultural exchange, adaptation
2. Multiple Perspectives and Handling Ambiguity: Flexible and responsive to cultural differences and judicious balance between familiar and unfamiliar
3. Shifting Frames – Leadership Styles: Adopt styles appropriate to the country/culture
4. Adaptability and Adding Value

A true global leader has the ability to:

- Know when to teach employees;
- When to listen and learn from them;
- When to make decisions based on 360 degree inputs.

Striking the right balance is what defines an effective global leader. Thinking local and acting global may be demanded in some situations as the manager should not lose sight of the global ambitions of his company.

5. Multiple Business Models

- Understand the nuances due to geographical differences
- Customize goods and services to the local conditions
- Breaking into a market and learning new business models

Smart companies realize that they need to groom today's managers into future global leaders through a systematic and conscious strategy.

Check Your Progress - 3

6. Which of the following is not important for international compensation management?
 - a. Expatriation premium
 - b. Cost of Living Allowance
 - c. Educational Allowance
 - d. Home Leave
 - e. Incentive Pay
7. Which is the ability to adapt to different cultures and internalizing the cues of the culture and display appropriate behavior?
 - a. Work-life balance
 - b. Flexibility and adaptability
 - c. Relational skills
 - d. Cultural Intelligence
 - e. Cultural literacy and openness

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3.10 Global Workforce Mobility

Mobility of workforce is an important aspect that we need to discuss with respect to international organizations.

With the advent of globalization, companies engage in:

- Hiring employees with diverse skill sets across the world
- Operational and overhead cost-cutting by global workforce mobility

Despite growing popularity of workforce mobility, yet it has its own set of challenges like:

- Dealing with the legalities of moving workers
- Relocation costs involved in moving the employees
- Potential security breaches in the process of moving the employees

These challenges may dissuade some companies from exporting or importing talent.

Amidst the pandemic, key drivers in reinvention of global mobility are:

- Digitalization of functions
- Escalation in remote working
- Prominence of employee experience

To successfully walk through the global mobility, amidst pandemic, the professionals need to:

- Augment collaboration
- Redefine their roles and scope
- Upskill themselves to be future ready
- Surround technology for having a better data-driven understanding
- Aim at optimization of cost and benefit

3.10.1 Benefits of Global Workforce Mobility

Global workforce mobility benefits the companies and its employees in the following ways:

- **Broad talent pool:** Access and hire best talent across the globe
- **Cost savings:** Remote working, Paying wages of the host-country save operating costs
- **Increased productivity:** Through work-life balance by providing remote working options

3.11 Impact of Technology on IHRM

Information technology has made a powerful impact on International Human Resource Management. Human Resource Information Technology (HRIT) has created great impact on HR functions and helped in transforming them. In this context, the relevance of HRIS to IHRM needs to be understood.

Human resource professionals utilize HRIS to:

- Facilitate work flow,
- Improve efficiency,
- Store and collect information.

Many companies offer HRIS packages to employers, who customize them to their specific needs and requirements.

The main features of HRIT are –

i. Database

To store employee information and personnel data like personal and contact information, compensation details, date of joining etc.

ii. Time and Labour Management

To input hours worked by the employees with an access to managers.

iii. Payroll Function

To enable HR to access information pertaining to the salaries to be paid to employees.

iv. Employee Benefits

To facilitate storing information regarding medical benefits and retirement benefits.

v. Recruitment and Retention

HRIS facilitates talent acquisition, engagement and retention.

Thus, HRIT has provided the platform and opportunity for HR function transformation from the traditional HR function to technology-based sub system of an organization.

⁸According to the reports of Grand View Research firm, the market for HR technology will be worth an estimated \$30 billion by the end of 2025 with an array of HR Analytics, HR workflow tools and HR process automation tools.

- The AI derived metrics can be gathered and analyzed in real time to support in-the-moment decisions.
- Artificial intelligence algorithms can provide less biased decisions.

⁸ <https://medium.com/@realtynewsIndia/6-components-of-human-resource-information-systems-hris-39d239cb1714> (accessed as on 21/10/2021)

Check Your Progress - 4

8. Workforce mobility helps the organizations to save on operating costs, by allowing employees to work remotely and minimizing hiring cost.

[True/False]

3.12 Role and Implications of Labor Laws across the Globe on SHRM

Managing human resources in different cultures, economies and legal systems faces some challenges. HR management succeeds when the policies and programs are implemented in consonance with the prevailing culture and legal systems.

The most common obstacles to effective HR management are:

- Cross-cultural adaptation
- Different organizational/workforce values
- Differences in management style and management turnover

Doing business globally requires adaptation to the local conditions. Hence there is a need to study the role and implications of labour laws across the globe on SHRM.

The basic tenet of any labor legislation is to guarantee the workers their basic rights and ensure protection from unscrupulous exploitation.

In international context, super national laws that are promoted beyond the borders of particular nation govern the workplace legislations. Some of the sources of super national laws are-

- Jurisprudence of international bodies such as the Freedom of Association Committee of the ILO.
- International customary law that prohibit forced labor.
- Bilateral trade agreements between countries.
- Labor law frameworks emanating from regional trading blocs, such as The Association of Southeast Asian Nation (ASEAN), European Union (EU).
- Regional human rights treaties, such as the human rights instruments of the Council of Europe, The African Union – all these contain a commitment to basic trade union rights.

3.13 Role of International Bodies in SHRM - ILO, EU, UN

International Bodies like International Labor Organization, European Union, United Nations to name a few, facilitate in better human resource management across the globe.

Unit 3: Strategic Aspects in International Human Resource Management

i. International Labor Organization

The ILO was created in 1919, as part of the ‘Treaty of Versailles’ that ended World War I, to reflect the belief that universal and lasting peace can be accomplished only if it is based on social justice. The ILO’s founders were committed to spreading humane working conditions and combating injustice, hardship and poverty.

The International Labor Organization (ILO) is the only tri-partite UN agency with representatives of governments, employers and employees that is committed to:

- Fostering opportunities for all individuals irrespective of gender
- Facilitating decent and productive working conditions with onus on freedom, equity, security and human dignity
- Promote safety at work and encourage good employment opportunities
- Enhance social protection and strengthen bilateral and multi-lateral negotiations in work and workers’ issues
- Monitor adherence to international labor standards

ILO is however, an advisory body with no enforcement powers. Due to the limited powers of ILO, the World Trade Organization (WTO) has in many instances enforced rules through trade sanctions. It has also been assisted by IMF and World Bank when they specify conditionality while disbursing loans.

ii. European Union (EU)

The European Union (EU), a politico-economic union of 28 Member States located primarily in Europe was created by the ‘Maastricht Treaty’, which came into force on November 1, 1993. The EU has developed a single market through a standardized system of laws for all member States to:

- Enhance European political and economic integration by creating a single currency (the euro),
- Facilitate unified foreign and security policy,
- Ensure common citizenship rights
- Foster cooperation in the areas of immigration, asylum and judicial affairs.

The EU was awarded the Nobel Prize for Peace in 2012, in recognition of its efforts to promote peace and democracy in Europe. The European Commission acts as the EU's executive arm and is responsible for initiating legislation and the day-to-day running of the EU.

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iii. United Nations

The United Nations (UN), an inter-governmental organization to promote international cooperation, was formed as a replacement for League of Nations, following the World War II to prevent another such conflict. The Security Council is charged with maintaining peace and security among countries.

The Office of Human Resources Management (OHRM) is responsible for:

- Implementing the vision of the Secretary-General for an integrated Global Secretariat
- Fulfilling the organization's complex and inter-related mandates with a multi-skilled, cross functional, versatile, high-performing and mobile workforce in a cost effective manner
- Providing a modern human resources service that supports a high-performing workforce for a more productive, flexible and results-oriented organization
- Facilitating development and maintenance of HRM infrastructure through policy and system development
- Providing advice, monitoring performance and developing the skills and potential of staff in line with the mandates of the United Nations

Now let us understand how international labor laws influence strategic management of HR:

- An organization may have off-shore offices where employees may be deputed to work. While working in foreign countries, the labor laws of the host country need to be followed.
- An organization may employ foreigners who are accustomed to the labor laws and policies prevailing in their country of origin. These may be at variance with the local laws.

HR department needs to provide a congenial working environment in both the above instances. This requires familiarity with International Labor Laws that vary depending on the country, its culture, values and practices.

HR managers need to be familiar with the labor law requirements across their work places and ensure that the local laws of the host country are implemented in letter and spirit to avoid legal issues. Familiarity with the labor laws and timely and proper handling of sensitive issues would prevent problems associated with a global workforce.

Unit 3: Strategic Aspects in International Human Resource Management

Exhibit 3.2 outlines Global Policy Resources of Society for Human Resource Management (SHRM).

Exhibit 3.2: Global Policy Resources

The Society for Human Resource Management is the fundamental driver of positive workplace policy in action. Together the A-Team is advancing public policies that foster better workplaces and create a better world.

Additional Global Policy Resources:

- ILO World Employment Social Outlook 2021: The role of Digital Labour Platforms in transforming the World of Work
- ILO Global Wage Report 2020-2021: Wages & Minimum wages in the time of COVID-19
- ILO Global Commission on the Future of Work: Work for a Brighter Future Report
- ILO Empowering Women at Work: Government laws and policies for gender equality
- IOM Policy Paper: Labour Mobility and Skills in Response, Recovery and Post COVID-19 Pandemic
- IOM Policy Papers: COVID-19 Emerging Immigration, Consular and Visa Needs & Recommendations
- OECD Employment Outlook 2020: Worker Security & the COVID-19 Crisis
- OECD Skills Measures to Mobilize the workforce during the COVID-19 Crisis
- United Nations COVID-19 Global Gender Response Tracker
- United Nations Policy Brief: The Impact of COVID-19 on Women

Source: <https://advocacy.shrm.org/global-resources/> (Accessed on 21/11/2021)

Check Your Progress - 5

9. Which international body was created as a part of “Treaty of Versailles”?
 - a. International Labor Organization
 - b. International Labor Union
 - c. United Nations
 - d. European Union
 - e. Global Labor Union

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10. The Office of Human Resource Management of United Nations is responsible for:
 - a. Taking care of Intellectual Property Rights violations
 - b. Fulfilling the organization's complex and inter-related mandates
 - c. Formulating International Legislations
 - d. Passing Legal Sentences
 - e. Providing access to confidential information
-

3.14 Summary

- In the globalized world, the role of international human resources management (IHRM) plays a critical role in the growth and sustainability of an organization.
- IHRM's emphasis is on diversity of operations and hence globalization has a profound impact on the way businesses manage their employees. There is almost an umbilical relationship between the organizational culture and business strategy, because it is the people who have to deliver value to the organization.
- Geert Hofstede Model (1991) sees culture as "the collective programming of the mind which distinguishes the members of one group or category of people from another."
- Compensation decisions about pay structure, incentive pay, and employee benefits become more complex when an organization has an international workforce. The organization needs to strike a delicate balance
- Cross cultural context refers how individuals of different cultures interact with each other. If leaders are to be effective in a diverse environment of cross cultures, they must understand their own leadership style and demonstrate flexibility to adapt their style to different cultural expectations.
- Cross cultural context explains how individuals of different cultures interact with each other. Decisions about pay structure, incentive pay, compensation and employee benefits become more complex when an organization has an international workforce.
- Cross-cultural adjustment is found to be the most significant factor in determining the success of international assignments.
- With the advent of globalization, companies now hire employees from different parts of the world to meet their requirement of different skill sets and abilities.
- Human Resource Information Technology (HRIT) has created great impact on HR function transformation process. The basic tenet of any labor legislation is to guarantee the workers their basic rights and protection from unscrupulous exploitation by the management and international bodies like ILO, EU etc., act as regulators of unscrupulous labor practices.

3.15 Glossary

Cross-cultural Adjustment: Adjusting to unfamiliar culture different from one's own culture.

Expatriation Premium: This term is used to describe any number of supplemental payments which are made to an international assignee / expatriate employee in order to compensate for any hardship.

Multi-National Companies (MNCs): is an organization that builds facilities in a number of countries with an intention to minimize production and distribution costs.

Organizational Strategy: is the sum of the actions a company intends to take to achieve long-term goals.

Organizational Culture: encompasses values and behaviors that "contribute to the unique social and psychological environment of an organization."

Work-life Balance: is a concept including proper prioritizing between career and ambition and "lifestyle" (health, pleasure, leisure, family).

3.16 Self-Assessment Test

1. Briefly explain the concept Corporate Culture as a strategic business linkage.
2. Analyze briefly Geert Hoefstede model.
3. Distinguish between “Parent country national” and “*Host-country national*”.
4. Discuss the Impact of Globalization on HR-Expatriate Management.

3.17 Suggested Readings/Reference Material

1. Ananda Das Gupta. Strategic Human Resource Management-Formulating and Implementing HR strategies for competitive advantage, Productivity, Taylor & Francis Group, 2020
2. Armstrong, M, Armstrong's Handbook of Strategic Human Resource Management. 7th edition, London: Kogan Page, 2020
3. Dr. Ravi Kumar K. A text book of strategic human resource management - A guide to action, Notion Press, 2021
4. Gary Rees, Paul Smith. Strategic Human Resource Management. 3rd edition, SAGE Publications Ltd., 2021
5. John Storey, Dave Ulrich, Patrick Wright, Strategic Human Resource Management-A research overview, Routledge, 2020
6. Ram Charan. Julia Yang. The Amazon Strategic Human Resource Management, Wiley, 2020

Block 1: Strategy and Human Resource Management

3.18 Answers to Check Your Progress Questions

1. (e) Hiring of staff indigenously

Hiring of staff indigenously is not the objective of IHRM because its main objective is to hire staff across geographic and cross cultural boundaries.

2. (a) Host country national

Employee who is the citizen of the country (other than parent country) in which an organization operates a facility is called host-country national.

3. True

Corporate culture is a mixture of the all-pervading values, beliefs, attitudes and behaviors that characterize an organization.

4. Pick the right choice.

"The collective programming of the mind which distinguishes the members of one group or category of people from another." Geert Hofstede.

5. (a) High

In Centralized companies with strong hierarchies power distance is high.

6. (e) Incentive Pay

Incentive pay is not important for international compensation management.

7. (d) Cultural Intelligence

Cultural intelligence (CQ) is the ability to adapt to different cultures and internalizing the cues of the culture and display appropriate behavior.

8. True

Workforce mobility helps the organizations to save on operating costs, by allowing employees to work remotely and hiring cost can be minimized.

9. (a) International Labor Organization

ILO was created in 1919, as part of the 'Treaty of Versailles' that ended World War I, to reflect the belief that universal and lasting peace can be accomplished only if it is based on social justice.

10. (b) Fulfilling the organization's complex and inter-related mandates

The Office of Human Resource Management of United Nations is responsible for fulfilling the organization's complex and inter-related mandates with a multi-skilled, cross functional, versatile, high-performing and mobile workforce in a cost effective manner.

Unit 4

Evidence Based Human Resources and Human Resource Information Systems

Structure

- 4.1 Introduction
- 4.2 Objectives
- 4.3 Balanced Scorecard as a Strategic Tool
- 4.4 HR Audit and Engagement Surveys as business linkage
- 4.5 User needs analysis as competitive tool
- 4.6 Risk Management in HRM
- 4.7 HRIS as a Strategic Tool
- 4.8 Summary
- 4.9 Glossary
- 4.10 Self-Assessment Test
- 4.11 Suggested Readings/Reference Material
- 4.12 Answers to Check Your Progress Questions

“If you can’t measure it, you can’t improve it.”

— Peter Drucker

4.1 Introduction

As has been propounded by Peter Drucker, HR measurement adds value and contributes to decision making about talent management and measurement of employee performance. In the previous unit, strategic aspects in International Human Resource Management were discussed. This unit discusses evidence based HR and how HR information is used in the organization for excellence in performance of the organizations.

4.2. Objectives

After studying this unit, you should be able to

- Identify different HR metrics to monitor organizational performance
- Explain HR Audit and Engagement Surveys as business linkage to define the purpose and priorities of the organization
- Identify HR risk management measures to avoid risks that arise in the organization
- Analyse Human Resource Information System for manpower planning and decision-making

Block 1: Strategy and Human Resource Management

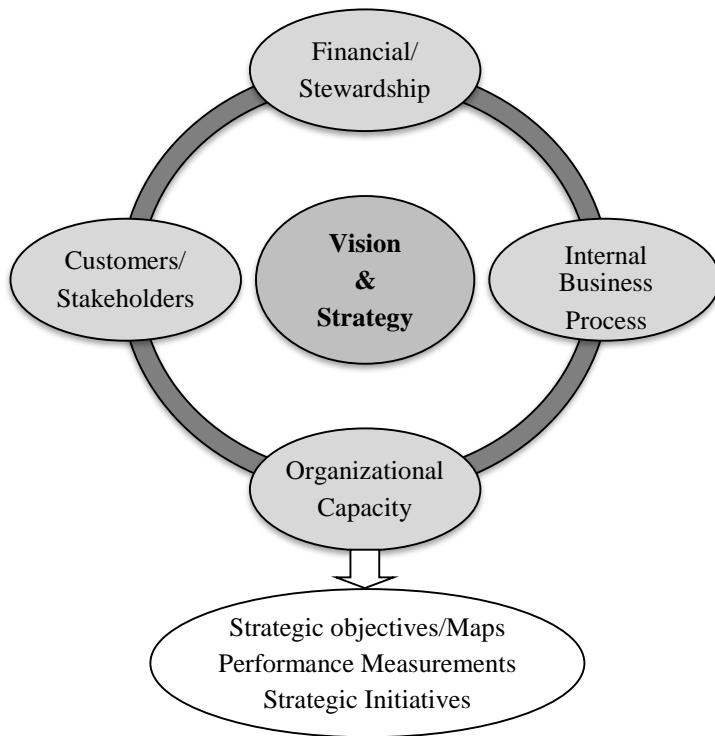
4.3 Balanced Scorecard as a Strategic Tool

To monitor organizational performance, Balanced Scorecard, a HR Metric was developed by Dr. Robert Kaplan and David Norton.

The balanced scorecard is a strategic planning and management system that is used extensively by organizations:

- To align business activities with the vision and strategy of the organization.
- To monitor organization performance against its set mission and strategic goals.

Figure 4.1: Balanced Scorecard as a Strategic Management System



*Adapted from Robert S. Kaplan and David P. Norton, "Using the Balanced Scorecard as a Strategic Management System," Harvard Business Review (January-February 1996)
<http://balancedscorecard.org/Resources/About-the-Balanced-Scorecard>*

4.3.1 BSC Perspectives

As can be seen in Figure 4.1, the balanced scorecard views the organization from four perspectives: Learning and Growth perspective, Business perspective, Customer perspective and Financial perspective.

- **Learning & Growth Perspective:**

It includes employee training and corporate cultural attitudes. Metrics guide managers in focusing on training needs optimally. Kaplan and Norton emphasized that 'learning' is an essential element that includes use of technological tools and promotes high performance work systems.

Possible HR Key Performance Indicators (KPIs):

- Can be rate of adoption of IT tools
- Effectiveness of training programs

• **Business Perspective:**

It refers to internal business processes. Metrics helps the managers to know how well their business is running and how products and services meet customer requirements.

Possible Key Performance Indicators (KPIs):

- Onboarding
- Attrition rate
- Satisfaction surveys

• **Customer Perspective:**

The importance of customer focus and customer satisfaction are the leading indicators of business success. Poor performance from this perspective is something that needs to be avoided at all costs. The metrics should be designed to measure customer satisfaction based on customer profiling.

Possible HR Key Performance Indicators (KPIs):

- Satisfaction ratings

• **Financial Perspective:**

The authors do not disregard the traditional need for financial data. Timely and accurate funding data is a priority and the corporate database can be centralized and automated. Besides pure financial information, the data base includes additional items like risk assessment and cost-benefit data.

HR Key Performance Indicators (KPIs):

- Average cost of labour
- Cost of training per employee
- Cost per hire and so on

4.3.2 The Success Factors in BSC

Robert Kaplan and David Norton propounded that organizational procedures can examine alignment of employee incentives with overall organizational success factors and would measure rates of improvement in critical customer-based and internal processes. The success factors in BSC are explained below:

i. **Leadership from the Top**

- Create the Climate for Change
- Create a Common Focus for Change Activities
- Rationalize and Align the Organization

Block 1: Strategy and Human Resource Management

ii. Make Strategy Everyone's Job

- Comprehensive Communication to Create Awareness
- Align Goals and Incentives
- Integrate Budgeting with Strategic Planning
- Align Resources and Initiatives

iii. Unlock and Focus Hidden Assets

- Re-engineer Work Processes
- Create Knowledge Sharing Networks

iv. Make Strategy a Continuous Process

- Strategic Feedback that Encourages Learning
- Executive Teams Manage Strategic Themes
- Testing Hypotheses, Adapting and Learning

Balanced Scorecard and HR:

Uses of balanced scorecard:

- Balanced scorecard helps HR staff to understand and manage the HR system to support the company.
- Balanced scorecard aids in evaluation of departmental effectiveness. And guide improvement efforts.
- Balanced scorecard helps in identifying a clear, consistent and compelling connection between the company's strategy and the work of each employee.
- Balanced scorecard helps in documenting the effects of HR on company performance in ways in which employees, line supervisors and managers can understand.

Example

Service firms like banks, logistic companies contact their customers and conduct surveys to gauge their customer service.

Exhibit 4.1 illustrates the application of BSC in a multinational bank.

Exhibit 4.1: Application of BSC in a Multinational Bank

A real business case example of a multinational bank in Turkey operating for over 30 years and having more than 6,000 employees across 450 branches as of January 2021.

The bank using BSC method succeeded in its strategic objective as their rankings in the banking sector of Turkey improved from 24th place in 2010 to 10th place in 2020.

Contd....

The research work demonstrates:

- Creation of main structure of BSC
- Inter-linkages with company strategies
- Establishment and roles of business units
- Creation of scorecards and KPIs
- Establishment of IT-aided BSC management system
- Reporting of the scorecards.

Source: https://www.researchgate.net/publication/351451619_BALANCED_SCORECARD_BSC_AS_A_STRATEGIC_PERFORMANCE_MANAGEMENT_TOOL_APPLICATION_IN_A_MULTINATIONAL_BANK (accessed on 24/11/2021) (Date of Publication- April 2021)

Check Your Progress - 1

1. Evidence-based HR will help employees in understanding how to analyze, measure and ascertain that return on investment (ROI) in people is justified.
[True/False]
2. The objective of all HR tools is to aid the management such that all investments in the ultimate analysis, must lead to welfare for any business enterprise. [True/False]
3. BSC can be considered as a navigational tool to monitor organization performance against its set mission and strategic goals. [True/False]
4. Which of the following is not the perspectives of BSC?
 - a. Learning & growth perspective
 - b. Customer perspective
 - c. Financial perspective
 - d. Business process
 - e. Profit and loss perspective
5. Which of the following factor does not indicate success factor of Balanced Score-card?
 - a. Aligning organizational goals with strategy without empowering employees
 - b. Create a common focus for change activities
 - c. Align resources and initiatives
 - d. Integrate budgeting with strategic planning
 - e. Aligning personal goals, incentives and competencies with the strategy

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4.4 HR Audit and Engagement Surveys as Business Linkage

The ability to formulate and implement HR strategy is one of the most critical enablers of sustained organizational success. HR audit and engagement surveys are some of the strategy execution tools that define the purpose and priorities of the organization. These exercises must be clearly defined and aligned to the organization's objectives. Let us now briefly look at these HR resources.

4.4.1 HR Audit

The term Human Resource Auditing (HRA) is drawn from financial accountancy. Human Resources Audit can be defined as “a systematic assessment of the strengths, weakness and developmental needs of its existing human resources in the context of organizational performance” (Flamholtz, 1987).

The following are important features of HR audit:

- HR audit measures human resource outputs and effectiveness in a given set of situations.
- HR audit measures the degree of utilization of human resource outputs to promote the organizational interests.
- HRA is analytical in nature.
- HR audit is based on objective assessment.

Advantages of HR audit

The advantages of HR audit are mentioned below:

- ✓ HR audit enhances the professional image of the HR department.
- ✓ HR audit facilitates stimulation of uniformity of HR policies and practices.
- ✓ HR audit ensures timely compliance with legal requirements.
- ✓ Audit facilitates reduction of HR costs through more effective personnel procedures.

4.4.2 Engagement Surveys

Employee engagement is the extent to which employees feel connected with their jobs, colleagues and the organization. Surveys on employee engagement are proved to be useful and provide rich information for improving employee engagement.

Lower employee engagement leads to:

- Lower profits
- Inefficient operations and
- Wavering customer loyalty

Higher employee engagement leads to:

- Elevated organizational commitment
- Improvement in employee health and safety
- Reduced grievances and absenteeism
- Improved productivity
- Improvement in motivation and morale of the people

4.4.3 Benefits of Engagement and Opinion Surveys

Many companies conduct employee engagement surveys to gauge the state of engagement levels of their employees.

Benefits of Employee Engagement Surveys:

- ✓ **Job satisfaction:** Research indicates that if employees are engaged with the company, their job satisfaction levels increase.
- ✓ **Productivity:** Engaged employees are often top performers, those committed to ‘going the extra mile’ to achieve business success.
- ✓ **Retaining good employees:** It is essential to the success of every business. Employees who are engaged significantly lower the risk of turnover for the company.
- ✓ **Innovation:** Engaged employees perform at a higher level and bring passion and interest to their job, which often leads to innovation in the workplace.

Benefits of Opinion Surveys:

Among various methods of data collection, opinion surveys are preferred by organizations because of the innumerable advantages.

- Collection of data is relatively easier and can be gathered from large number of respondents
- Lot of flexibility in framing questions and collecting data
- Cost-effective, but cost depends on survey mode
- Advanced statistical techniques can be utilized to analyze data and determine validity, reliability and statistical significance
- Different methods of collection of data can be applied- mobiles, e-mails, postal services etc., depending on the availability of services
- No geographical barriers

Check Your Progress - 2

6. HR audit and engagement surveys are some of the strategy execution tools that define the purpose and priorities of the organization.

[True/False]

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7. Which of the following is not an advantage of HR audit?
 - a. Professional image of the HR department.
 - b. Stimulation of uniformity of HR policies and practices.
 - c. Ensuring timely compliance with legal requirements.
 - d. Reduction of HR costs through more effective personnel procedures.
 - e. Reduced job satisfaction among employees
 8. Which of the following is not a benefit of Engagement and Opinion Surveys?
 - a. Job Satisfaction
 - b. Productivity
 - c. Retaining good employees
 - d. Innovation
 - e. Anarchy among workforce
-

4.5 User Needs Analysis as Competitive Tool

Employee surveys and employee opinion polls are the most underutilized competitive weapons in many organizations.

Benefits of Employee Surveys and Employee Opinion Polls:

- Surveys and opinion polls improve organizational culture (reduce grievances, feedback mechanism and corrective interventions)
- Surveys promote transparency (builds trust, improves employee engagement and commitment)
- These tools facilitate comparison of the performance of the firm with other firms
- Surveys and opinion polls act as a competitive tool for real-time feedback

Following are the focus points when conducting Surveys and opinion polls:

- Identify areas of improvement to design solutions
- Assess the impact of initiatives to see if they are actually working
- Monitor problem areas
- Compare results over time and across departments, locations and levels

Popular methods or types used in employee surveys and opinion polls include-

- **Multiple Choice Questions** - Allows the survey taker to select one or more options from a list
- **Rating Scales** - The survey taker selects a single rating such as Likert scale- Strongly agree to strong disagree.

- **Comment/Essay Box Questions** - Open-ended survey questions require respondents to type their answer into a box
- **Demographic Questions** - Gathers information about a respondent's background or income level

4.6 Risk Management in HR

Risk is an important component to be managed when organizations are involved in business. Organizations deal with human assets, machines and money. Every organization has a moral and legal obligation to protect the safety and well-being of all stake-holders - customers, employees and suppliers. Here, we will look at the specific aspects of risk management as it applies to HR activities. The broad coverage of risk can be done through:

- **Develop strategies for managing risks** - Take into account the most appropriate risk management strategies for each identified risk
- **Avoidance** – Stop/suspend catering the service or doing the activity if it is deemed risky.
- **Acceptance** - Some risky activities are integral to the mission of an organization and an organization has to accept the risks.
- **Transfer or sharing of risk** – Get an insurance cover or transfer the risk to another organization through a legal contractual agreement to share the risk. For example, an organization instead of providing clients with company drivers can transfer the risk to a bus company by entering into an agreement with a transport company.

4.6.1 Application of Risk Management Practices in HR

Application of risk management practices for management of human capital in an organization addresses the following dimensions given below. As part of the risk assessment process, organizations will need to be able to measure the impact of their human capital risks and evaluate the benefits of various risk mitigation strategies.

- i. **Compensation and benefits** – The potential risk here is financial abuse. The possible considerations would be:
 - Who has signing authority?
 - How many signatures are required?
 - Are there checks and balances?
- ii. **Hiring** – The potential risks here are discriminatory practices, hiring unsuitable or unsafe candidates and "wrongful" hiring. The possible considerations would be:
 - Was a total screening completed on potential applicants?
 - Were provincial human rights laws observed?

Block 1: Strategy and Human Resource Management

- Is there a set probationary period?
 - Were there promises made to the candidate that could not be honored?
 - Did the employee sign on the policies and contract of employment before being hired?
- iii. Employee supervision** – The potential risks here are abuse, reputation in the community and release of personal information. The possible considerations would be:
- Do we provide sufficient orientation and training?
 - Do we provide adequate supervision (especially for activities that occur off-site or after hours)?
 - Do we have a performance management system in place?
 - Are personal information protection guidelines followed?
- iv. Employee conduct** – The potential risks here are abuse and reputation in the community. The possible considerations would be:
- Do we have clearly written position descriptions for all positions?
 - Do we follow up when the parameters of the job description are not respected?
 - Do we provide thorough orientation and training?
 - Do we provide an employee handbook?
 - Do we have comprehensive policies and procedures?
 - Do we provide ongoing training about our policies and procedures?
 - Do we retain written records of performance issues?
 - Do we ensure that organizational valuables are secure?
 - Do we have cash management procedures?
 - Do we have adequate harassment policies and procedures?

Example

The Microsoft 365 insider risk management solution provides:

- Tenant level option to help customers facilitate internal governance at the user level.
- Tenant administrators can set up permissions to provide access to the members of their organizations.
- Data connectors in the Microsoft 365 compliance center to import relevant data to support user level identification of potentially risky activity.

4.7 HRIS as a Strategic Tool

The human resource information system (HRIS) is a database system developed to assist HR in decision making. It is one of the elements of the overall management information system (MIS) of an organization.

Features:

- It is an IT-enabled HR service available to the HR managers for data analysis and decision making.
- HRIS helps the HR managers in making a quality decision which is vital for organizations.
- HRIS, also known as human resource management system (HRMS), is basically an intersection of human resources and information technology through HR software. This allows HR activities and processes to occur electronically.

Human Resource Information System (HRIS) which is a part of organization's larger management information system (MIS) has simplified the process of manpower planning.

HRIS is a systematic procedure for collecting, storing, maintaining, retrieving and validating data needed by an organization about its human resources.

Example

Saplings is a popular people operations platform suited for mid-market companies with distributed international offices.

It automates:

- Workflows for onboarding, off-boarding
- Workflows based on location, department and employment status
- Integrations with a variety of other software, including applicant tracking systems, payroll software, time tracking software and more.

Uses of HRIS:

- HRIS facilitates the HR function to become more efficient and to provide better information for decision-making.
- It creates informational efficiencies and is cost effective for the organization.
- It helps in analyzing the current HR data and forecasting the future needs for facilitating strategic decision making.
- It creates a real-time information-based, employee-friendly and interactive work environment.
- HRIS and other information systems can be employed fruitfully to aid a Talent Management Program (TMP) for achieving competitive advantage.

The following data points are available to an organization through HRIS-

- ✓ Employee turnover and absenteeism
- ✓ Type of grievances
- ✓ Frequency of accidents
- ✓ Requests for transfers
- ✓ Trends in personnel costs

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Exhibit 4.2 explains HRIS transformation at Infosys.

Exhibit 4.2: Challenges in Implementation of Cloud-based HR Systems at Infosys

Infosys Limited, an Indian multinational company providing business consulting, information technology and outsourcing services, embarked on HRIS transformation by transition from on premise to cloud platform.

The challenges in implementing the same can be enumerated as follows:

- Alignment of Stakeholders: All the stakeholders need to be on-boarded and aligned to the transformation process, failing which there may be sub-optimal restructuring.
- Business and Technology Support Operations: Data admin activities performed in pockets in different teams, if not carried out properly, may lead to post-implementation escalations from the end user.
- Technological Changes: Troubleshooting post implementation issues, maintenance issues, assistance for product patches and IT control framework and audit procedures need to be done rigorously.

Source: <https://www.infosysbpmp.com/blogs/business-transformation/operating-model-considerations-for-success.html> (accessed on 21/11/2021)

Check Your Progress - 3

9. In which aspects is HRIS helpful to organizations?
 - a. Consulting
 - b. Decision-making
 - c. Simulations
 - d. Risk management
 - e. Policies
10. Organization instead of providing clients with company drivers can transfer the risk to a bus company by entering into an agreement with a transport company is an example of -
 - a. Transfer or sharing of risk
 - b. Avoidance risk
 - c. Acceptance risk
 - d. Risk management
 - e. Risk analysis

Activity 4.1

The World Wide Web is increasingly being used by companies to list job openings and by individuals to find jobs. Using the Web sites listed below, find two job openings that you may be qualified for.

The Web sites include

www.collegerecruiter.com

www.careerbuilder.com

www.monster.com

4.8 Summary

- Measurement of results is the essence of management of people and other resources.
- Evidence-based HR will help us in understanding how to analyze, measure, and ascertain that return on investment (ROI) in people is justified.
- Balanced Score Card (BSC), Economic Value Added (EVA) Approach are some of the frequently used HR metrics to measure employee performance.
- Balanced Score Card (BSC) can be considered as a navigational tool to monitor organization performance against its set mission and strategic goals.
- Adding strategic non-financial performance measures to traditional financial metrics gives managers a more 'balanced' view of organizational performance.
- HR audit and Engagement surveys are some of the strategy execution tools that define the purpose and priorities of the organization.
- Human Resources Audit can be defined as “a systematic assessment of the strengths, limitation, and developmental needs of its existing human resources in the context of organizational performance”.
- Higher employee engagement results in high performance of the organization. In essence, employee engagement refers employees acting in a way that furthers their organization’s interests as they are fully involved in and enthusiastic about their work.
- Surveys and opinions improve organizational culture. HR risk management is critical for organizational effectiveness.

4.9 Glossary

Anonymous Surveys: An anonymous survey is one that does not reveal enough information about respondents.

Comprehensive Communication: They build understanding and positive attitudes in all the groups.

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Corporate Cultural Attitudes: Corporate culture is the pervasive values, beliefs and *attitudes* that characterize a *company*.

Electronic Spreadsheets: Is an interactive computer application program for organization, analysis and storage of data in tabular form.

HR Metrics: Are a vital way to quantify the cost and the impact of employee programs and HR processes and measure the success (or failure) of HR initiatives.

Likert-scale: A Likert scale measures attitudes and behaviors using answer choices that range from one extreme to another.

Non-financial Performance Measures: Other than financial performance, management of human resources, product and service quality can be measured to analyse the organizational performance.

Re-engineer Work Processes: *Re-engineering* is a dramatic change initiative in work processes to improve operational efficiency.

Return On Investment (ROI): A profitability measure that evaluates the performance of a business by dividing net profit by net worth.

4.10 Self-Assessment Test

1. Briefly explain the concept of Balanced Score Card as a HR metric.
2. Analyze briefly importance of HRIS as a strategic business tool.
3. Distinguish between Surveys and Opinion Polls.
4. Discuss the importance of HR Risk Management.

4.11 Suggested Readings/Reference Material

1. Ananda Das Gupta. Strategic Human Resource Management-Formulating and Implementing HR strategies for competitive advantage, Productivity, Taylor & Francis Group, 2020
2. Armstrong, M, Armstrong's Handbook of Strategic Human Resource Management. 7th edition, London: Kogan Page, 2020
3. Dr. Ravi Kumar K. A text book of strategic human resource management - A guide to action, Notion Press, 2021
4. Gary Rees, Paul Smith. Strategic Human Resource Management. 3rd edition, SAGE Publications Ltd., 2021
5. John Storey, Dave Ulrich, Patrick Wright, Strategic Human Resource Management-A research overview, Routledge, 2020
6. Ram Charan. Julia Yang. The Amazon Strategic Human Resource Management, Wiley, 2020

4.12 Answers to Check Your Progress Questions

1. True

Evidence-based HR will help us in understanding how to analyze, measure and ascertain that return on investment (ROI) in people is justified.

2. False. The correct answer is the objective of all HR tools is to aid the management that all investments in the ultimate analysis, must lead to profits for any business enterprise.

3. True. BSC can be considered as a navigational tool to monitor organization performance against its set mission and strategic goals.

4. (e) Profit and Loss Perspective

Learning & growth perspective, Customer perspective, financial perspective and Business process are all BSC perspectives. But profit and loss is not BSC perspective.

5. (a) Aligning organizational goals with strategy without empowering employees

The success factor of Balanced Score-card includes creating a common focus for change activities, aligning resources and initiatives, integrating budgeting with strategic planning and aligning personal *goals, incentives and competencies* with the strategy. Not being able to empower employees is not a success factor.

6. True

HR audit and Engagement surveys are some of the strategy execution tools that define the purpose and priorities of the organization.

7. (e) Reduced job satisfaction among employees

Reduced job satisfaction among employees is not an advantage of HR audit.

8. (e) Anarchy among employees

Anarchy among employees is not a benefit of Engagement and Opinion Surveys

9. (b) Decision-making

HRIS is helping organizations to a great extent in decision-making of HR related aspects

10. (a) Transfer or sharing of risk

Organization instead of providing clients with company drivers can transfer the risk to a bus company by entering into an agreement with a transport company is an example of transfer or sharing of risk.

Strategic Human Resource Management

Course Components

Block 1: Strategy and Human Resource Management	
Unit 1	Strategic Human Resource Management - An Overview
Unit 2	Importance of Aligning Human Resources to Strategy
Unit 3	Strategic Aspects in International Human Resource Management
Unit 4	Evidence Based Human Resources and Human Resources Information System
Block 2: Strategic Human Resources Management - Implications for Organizations	
Unit 5	Redesigning Work Systems
Unit 6	Human Resource Forecasting
Unit 7	Strategic Acquisition of Human Resources
Unit 8	Strategic Implications of Training and Development
Unit 9	Performance Management and Evaluation
Unit 10	Compensation and Strategic Human Resources Management
Unit 11	Strategic Challenges for Leadership
Block 3: Strategic Maintenance of Human Resources	
Unit 12	Strategic Issues in Employee Safety, Health and Labor Relations
Unit 13	Career Management
Unit 14	Employee Separation and Downsizing
Block 4: Emerging Trends and Challenges for Human Resources	
Unit 15	Mergers and Acquisitions (M&A)
Unit 16	Outsourcing and Legal Implications
Unit 17	Ethical issues in Strategic Human Resources Management
Unit 18	Strategic Human Resources Challenges