Human resources management

Unit -1

1.1-Importance of Strategic Human Resource Management:

Strategic human resource management is a part of human resource management.

Rather than focusing on internal issues of HR, SHRM focus on addressing and solving problems what effect people management related issues in the long run globally. So the main importance of strategic human resources is to increase employee skills by focusing on business problems that happens outside of human resources. The actions that needed to be taken at first for a strategic human resource manager is to identify key HR areas ,where strategies will be implemented in the future to improve employees productivity, motivation and skill.

Human Resource managers are facing with some issues such as performance management, employee participation, human resource flow, reward systems and high commitment work systems in the context of globalization. These are some of the major issues that HR management involved in SHRM that implemented in the first decade of the 21st century:

- Internationalization of market integration.
- Significant technological change.
- New concepts of general management.
- Cross-cultural factors
- The economic trend transferring from developed to developing countries in the world.

SHRM also reflects some of the contemporary challenges faced by Human Resource Management. Such as aligning HR with core business strategy, demographic trends on employment and the labour market, integrating soft skills in HRD and finally Knowledge Management.

1.2-The Purpose of Strategic Human Resource Management:

The purpose of SHRM is to stimulate interest in the field of Human Resources by inviting HR professionals to speak about different aspects of their job and other HR issues. SHRM was created to provide assistance for development of its members, to provide leadership opportunities, and establish and support standards of excellence in Human Resource Management.

SHRM aims to provide a sense of direction in an often turbulent environment so that organizational and business needs can be translated into coherent and practical policies and programmes. SHRM should provide guidelines for successful action, and the ultimate test of the reality of strategic HRM is the extent to which it has stimulated such action.

There is an overall corporate purpose and that the human resource dimensions of that purpose are evident.

A process of developing strategy within the organization exists and is understood, and that there is explicit consideration of human resource dimensions.

The organization at all levels establishes responsibility and accountability for human resource management.

It includes the responsibility to identify and interact in the social, political, technological and economic environments in which the organization is and will be doing business.

1.3-Contribution of SHRM to the achievement of TESCO's objectives:

SHRM is normally helps us to achieve knowledge about strategic goals in different ways. The main thing of using this strategic advance is maintain the level of the organization for the organizational goals. Different HR policies are providing some good replies that are very necessary for the organizational strategy. HRM task helps us to achieve corporate goals such as growth and development by recruiting, training and orientating, and put them in new job role. The growth plan of an organization requires staffs and recruitment is the only functions that make sure that employees got sufficient skill. The retention policy enable to differentiation through retaining best of the ability force. Retaining appropriately of the employees enables to provide quality works, customer pleasure, and higher proficiency. The strategic approaches boost its performance management of the whole organization.

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The training and development process enables employees to know that they have proper skills that are required to achieve the whole tasks. The training plans are structured to train the human resources for particular skills that will enable them to achieve the essential goals. So that the organization is benefited as in there appropriate utilization of financial resources available to accomplish the training and development process. This process also maintains the growth of the organization through career improvement of the staffs.

Tesco is the UK's largest supermarket. It has more than 240000 employees, and is making constant profit over the last few years. During the last few years Tesco used participative management which helped the organization for its development. The organization tried to apply of competitive circumstances by developing the technique how they can relate with the customers. Tesco used constant improvement, customer relation, welfare management in combination with the HRM strategies to achieve this reputable place in the UK supermarket industry. It makes employees champions and makes them able to make decisions. It also enables to increase employee pleasure, motivation, work proficiency and make able to adopt in any change. Overall the development of the organizational employees is the most important strength of Tesco. It is mainly focus on proper accomplishment and utilization of HR strategies that help it to do well in the market. In Tesco Human Resource policies perform with marketing

strategies that is placed into the operation. The management practice and its participation helped Tesco to improve its employees and the whole company. These steps enable them to obtain appropriate performance through their participation and engagement. The strategic human resource practice enables to produce competencies that distinguish product and service.

Task 2:
In this part of my assignment I am going to explain about Marks and Spencer

2.1-Internal and external business factors that underpin human resource planning:
At this time of year lots of companies are thinking a strategic plan for the coming period.

There are some external and internal business factors that effecting Mark and Spencer business policy. Some of them are in below:

- Labor cost control
- Increase efficiency and productivity
- Employee development
- Business decline
- Business growth
- Business change

Marks and Spencer is one of the leading companies in UK. Internal business factor like as business growth can strengthen human resource plan on Marks and Spencer. When the whole company's business is growing then definitely management make different human resource plan for the organizational success. It can include recruitment of new personnel or making the existed personnel more efficient through a better training. Similarly when Marks and Spencer business is going through a bad time Marks and Spencer management make a different HR plan, like as redundancies of staff or other HR related expenses. Sometimes for other changes in business its Marks and Spencer Company make some change on the HR planning. Control of labor cost is one of the important factors on Marks and Spencer business policy. Computing a labour cost percentage in addition to other used way of labour efficiency.

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- Justifying labour productivity
- Maintaining a Productive Workforce
- Measuring Current Labour Productivity
- Managing Payroll Costs
- Dropping Labour-Related Costs

Now a days IT is making a huge change in the field of industrial, agricultural and human resources of Marks and Spencer. In this present 21st century IT has been playing a very

important role on human resource planning. Due to technological advancemans it's been taking some changes on the basis of HR planning in Marks and Spencer.

2.2-Human resource requirements:

Marks and Spencer is always looking for particular amount of skills from the employees of different department. Among of these department specific skills is generally required by the employers. Similarly experience and other qualifications also required from the employees.

These skills are related with their ability. Depends on the making plan, organize, design, implementation. It also helps his goal-setting. Some of them are in below:

- Honesty, integrity and morality.
- Adaptability, Flexibility.
- Dedication and hard working.
- Dependability/Reliability/Responsibility.
- Loyalty.
- Positive Attitude/Motivation/Energy/Passion.
- Professionalism.
- Self-Confidence.
- Self-Motivated/Ability to Work with Little or No Supervision.
- Willingness to Learn.

In the specific areas whoever is weak can develop these skills by better training, acquiring knowledge on specific field, professional development from the people who possess these skills.

Internal factors e.g. (labour requirements, Skill requirements, Workforce profiles etc):

Marks and Spencer consider skill requirement, labour requirement and workforce profile. HR planning ensures that Marks and Spencer has suitable access to talent and ensure future business success. Talent means the knowledge, skills and ability to assume some activities like as decision making. HR resource plan consider some iterative discipline.

External factors e.g. demand for labour, Supply of labour:

Sector Skills Councils, government departments, professional bodies or dedicated employer or trade associations are likely to produce specific labour market studies. Specialist recruitment agencies and local further and higher education establishments will have useful insights into the labour markets they serve.

Government polices e.g. employment, Education, Training, Industrial, Regional:

Government role and activity can have a good role on the basis of human resource requirements. If government keep a good look on how peoples can develop their skills and requirement. The answers definitely indicate a few things, one of them is education. This is the key factors for the development of a nation. So the developments of Marks and Spencer, even a country's development mainly depend on educational development. Government need to analyse every single point and focus on that point after that must be taken step by step action to reach the success, the another key point is employment. Government should have developed the opportunity in the job market, need to think about how to make job market better. Must need to try the best how to

create vacancies according to the people's interest and skill. For this reason employees must be skilled, and to be a skilled worker he must be properly trained in both practically and theoretically. Government can support that directly or indirectly. It can be regional basis or industrial basis.

2.3-Human resource planning:

HR planning is the process by which a company can ensure that it got right personnel.

To fulfil organisational requirement M&S make some HR planning for the development of human resource these are:

- Recruitment
- Retention
- Employee development
- Re-skilling
- Up-skilling
- Succession planning

Fulfil recruitment requirement: an organised process of recruitment can avoid the problem of unpredicted wastage, shortage, blockages in the promotion flow, redundancies and so on.

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Determining training needs: It is very important to have a planning training programme. And in the term of skills requirement these programmes are improving not only quantity but also in quality in Marks and Spencer.

Management development: One of the main purposes of HR planning is management development. Because a well trained and experienced manager is very important for the effectiveness of Marks and Spencer Industry. This thing depends on accurate information for both present and future requirement.

Setting Smart:
To engage SMART objectives in Mark and Spencer is focus on all the SMART criteria to meet with every objective.

The full abbreviation of SMART is Specific, Measurable, Achievable or Agreed, Realistic and Time phased. These criteria can help M&S to achieve the goal on the basis of HR management.

Specific:
The goal must be specific. It can be done by drafting a goal statement. For an example M&S aimed to make sure this year that they will make a specific amount of profit this year, to reach that goal they planned to make the HR department more skilled. That plan must be specific.

Measurable:
M&S aim must be measurable so that the benchmark of the metrics will be used and it can be tricky. Strategic goals of M&S are basically measured making earning or profit. So that it must be careful that it may find that employees use unethical behaviours to achieve the specific goal.

Achievable:
The goal must be achievable. If the mission is then it will be easier to fix that the goal is whether achievable or not. An awareness campaign or a meeting can ensure that how it can be achieved.

Realistic:
There is no point of making a goal that necessitates the resources which are unavailable. A tactful session might help to make that realistic. To help and find new alternative M&S use empowering staff if its resources are considered.

Time based:
The goals must have deadline. If the deadline is not affix properly the whole SMART will be useless. Every year M&S got an agenda on HR management, which means it plan, its agenda on the basis of a time limitation. That specific deadline allows it to create a benchmark to ensure the goals achievement is on the plan.

Outcomes:
The purposes of HR planning are to enable organizations to anticipate their future HRM needs and to identify practices that will help them to meet those needs. HR planning may be done on a short- or long-term basis. Its aim is to ensure that people will be available with the appropriate characteristics and skills when and where the organization needs them. The use of HR planning enables companies to gain control of their future by preparing for likely events.

When failing to properly plan for their human resources, employers are forced to respond to events after they occur, rather than before; they become reactive, rather than proactive. When this outcome occurs, an organization may be unable to correctly anticipate an increase in its future demand for personnel. At best, such a company would be forced to recruit personnel at the last minute and may fail to find the best candidates. At worst, the company may become seriously understaffed.

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Resources required:
In spite of of the size of the human resources department it is essential to have the necessary personnel in position to develop, apply and monitor a suitable written human resources plan.

2.4-how a human resource plan contributes to the meeting of organisational objectives:

A comprehensive Human Resource plan plays a very important role on the achievement of organisational objectives. Human resource plan support some strategic objectives related with marketing, financial, technological and operational departments.

HR strategy is aim to explain about the people element, what an organisation is expecting to achieve in medium to long term, which ensure that:

- The organisation has right people
- It got perfect mix of skills
- Employees present good attitudes and behaviours
- Staffs are improving in the proper way.

Fundamental issues which are addressed by the organisation. It identified if employees are motivated, committed and operate successfully. In M&S these fundamental issues are:

- Employees planning issues
- Employees skills and equity plans
- Motivation and fair treatment issues
- Keep level on the basis of payment, recruit and motivate people.

A career development framework which is normally focusing on the development of organisation, organising the staffs with employability so they can adopt with regular changes in the employment pattern.

HR plan is showing a careful planning of the people issues that make it quite easier for the achievement of the organisation. HR plan have major impact on the changes in the wider market environment which are:

- Changes in the overall market.
- Cultural changes that will effect on the future employment pattern.
- Changes in the legal framework

Providing and implementing practical idea on HR planning and making it stronger an organisational performance can be developed such as focusing on good management practice.

3.1-Purpose of human resource management policies:

Human resource management policies include different type of activities such as deciding about staffing need that M &S Company got. To fulfill these requirements M&S Company do recruiting and selecting employees then training for making them better skilled, ensuring their good performance, monitoring the performance issues. Activities also include managing the approach to employee's benefits and compensation, employee's personal policies and records. During the period of recruiting company must show the balance of equality on the basis of sex, culture, religion or cast.

Employers should:

- Pay workers according to the agreement. The agreement will maintain some areas such as work period, amount of paid holidays etc. The employment contract is the important legal document between the employer and staff.
- Pay men and women equally for doing the equal values of work, should not be discriminate between men and woman.
- Make sure they fulfil the requirements of Minimum Wage Act 1998 and pay at least the national minimum wage to appropriate the employees

Benefit and expenses:

Benefits are forms of value, other than payment, that are provided to the employee in return for their contribution to the organization, that is, for doing their job. Some benefits, such as unemployment and worker's compensation, are federally required.

Employee benefits typically refers to retirement plans, health life insurance, life insurance, disability insurance, vacation, employee stock ownership plans, etc. Benefits are increasingly expensive for businesses to provide to employees, so the range and options of benefits are changing rapidly to include, for example, flexible benefit plans.

Training and development

All managers at Mark & Spencer are making a career planning profile that helps them to think about next target. Then they can develop their career. Identifying staff, specific training such as technical skill and business competencies needs for the specific role. The profile highlighted what kind of training program Mark and Spencer need to take.

There are two forms of training are:

1. On the job training: while employees are on the work then this training form take place.
2. Off the job training: when employees are away from the work then it take place.

On-the-job training takes place while employees are carrying out an activity in their place of work. Involving a range of project and training can improve business competencies and technical skills. The purpose of the training is to make the enjoyable to their work, and make them feel that have all the skill that is needed for the role.

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Off-the-job training, as its names suggests, takes place away from the workplace. For example, within M&S there is internet and staff finds required learning materials to develop their technical skills and business competencies.

3.2-Impact of regulatory requirements on human resource policies:
Regulatory requirements:

Employment legislation include different types of regulatory requirements which is related with business structure, pay, data protection, health and safety, discrimination, equality, employment right and responsibility, contractual terms and condition and data protection.

Employment relation act 2004:

This act is generally concerned with collective labour law and trade union rights. This is the reviewed one of Employment Relations Act 1999 that was announced on July 2002.

The act 1999 was conducted with connecting of interested parties, after that it included a public consultation. Government reviewed that and provides a detailed analysis that is known as Employment Relations Act 2004.

Equal Pay Acts 1970 and 1983

This act was came to force on 1975. Its intention was to remove discrimination between men and women in pay. This act allows someone to claim equal amount of payment for both of the gender.

approximating work

Work rate as equal under a job estimation scheme

Work of Equal Value – in terms of weight made under such headings as attempt, skill and decision-making

Claims to be pursue on the basis of the "Employment Tribunal" system.

Disability Discrimination Act 1995

This act came to force on 2nd of December 1996. This act works like as Sex Discrimination Act and Race relation act. It also put the duty on the employer to make a reasonable adjustment in the premises to the disable people. Disable means physical disable, visual or hearing disable, mental problem such as Multiple Sclerosis and Aid, learning problem.

Data protection Act 1998:

The Data Protection Act 1998 requires every data controller who is processing personal data to notify the Information Commissioner unless they are exempt. Failure to notify is a criminal offence. The Information Commissioner maintains a public register of data controllers. Each register entry includes the name and address of the data controller and a general description of the processing of personal data by a data controller. Individuals can consult the register to find out what processing of personal data is being carried out by a particular data controller.

There is no requirement to notify manual records which come within the scope of the Data Protection Act 1998. However, it can be chosen to notify them voluntary to notify them voluntarily.

If notification is needed, there are two ways to notify:

1. By internet – notification form can be completed on the internet, printing it and send the form by post with the notification fee or direct debit instruction
2. By telephone – it can be telephone the notification help line and a draft notification form will be sent to which is based on the information that is been asked to provide on the telephone.

Further guidance and other publications can be accessed from the website of the Information Commissioner http://www.dataprotection.gov.uk/dpr/dpdoc.nsf

Task 3:

In this task of my assignment i am going to discuss about ACI Company Ltd Bangladesh.

4.1- Impact of organisational structure on the management of HR:

Role of HR department on the development of ACI:

On the development of ACI Company Ltd Bangladesh, HR department got a huge role. Organisational development of ACI is based on some personnel assessment and HR audit. It's also depending on the basis of how personnel departments are being observed and evaluated. On the viewpoint of a HR consultant here I am going to describe some of them:

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- Recruiting, interviewing and hiring
- New employee related factors
- Performance assessment
- Wages or compensation issues
- Staff benefit issues
- HR plan and policies
- Job categorization
- Training and interviewing
- Decision-making skills

4.2- Impact of organisational culture on the management of HR:

Organisational culture: organisational culture can be defined as thorough concept of knowledge, belief and thoughts of mind and customs in where peoples are expressing their organisational conditioning. Aci organisation have different shared belief and values which sometimes convert into policies and practice.

Aci organisational culture has some impact on the HR management that are:

- Decision making that can centralised of decentralised
- Freedom of different level of staff and management
- Frankness on communication
- Different leadership styles that is conducted by managers
- Educational involve and intelligence of employees
- Attitude of team then if needed training and development.
- Attitude to change specially with the technology.
- Commitment on the quality and service.

4.3- How the effectiveness of HRM is being monitored:

ACI Company's HRM effectiveness depends on some major components which are mentioned bellow and these components are being monitored by ACI regularly for the organizational development. These are:

HRM strategy:

Human resource strategy is indicating some objectives like as training and developing, motivation and control workers. ACI Company is one of the most successful organizations in Bangladesh, it achieving its success through business strategy and HRM strategy and company believe that the more successful it is likely to be in terms of achieving the organizational outcomes. So if the whole company's effectiveness is mostly depend on its HRM strategy.

HRM operations

There are lots of responsibility and functions required for running a business. Performance, productivity, each and every department must be monitored constantly and HR department is responsible for achieving these. These things ensure the overall success of ACI Company.

Using human resource properly:

Some people might think that HR department is not a most important factor in a company. It is totally a wrong concept. ACI Company's HR department basically focuses on hiring the people and which would build up the workforce of the company. If this department is not performing well then whole process of hiring and recruiting will be on the question for any company. So for the effectiveness of the ACI Company proper using of HR is very important.

Efficiencies and inefficiencies:

An organizational effectiveness mostly depends on having right people on the right post to fulfill organizational requirements on the appropriate time. Right people can only be obtained by measuring efficiencies. The more efficient the employee will, the more effective the company will be. On the other hand an inefficient employee is a great obstacle for the whole company. So making him efficient the company's development can be obtained. So monitor efficiencies and inefficiencies must be considered on the effectiveness of human resource management.

Overall monitoring the above few section ACI Company is performing its organizational success.

4.4- Recommendation to improve the effectiveness of human resource management in ACI:

To improve the effectiveness of human resource management in ACI Company, there must be a list of recommendation. The following few factors can be implemented for the improvements of its effectiveness.

Benchmarking HR performance:

Benchmarking provides an organization with a detail analysis of national and employee's satisfaction. It also provides HR effectiveness based on in detail feedback form and the whole company's surveys. ACI Company's benchmarking reports let it to compare the organization with the current and future industry norms. That's how the management can determine whether the present HR practices are fulfilling the company's need and the needs of employees.

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Employees attitude survey:

Employee attitude survey provides information to improve efficiency and commitment on ACI industry. Finding out the root issues of attitude in the organization ACI Company must take the direct action to broaden its overall job satisfaction. Involving the information that was gathered from the survey will improve the productivity. Improving the attitude of the employees will lead to better cooperation and communication throughout the whole company. So employee's attitude must be considered for the future improvement of the effectiveness of HRM in ACI Company.

Employee retention:

Employee retention is helping an organization to encourage employees to remain in the organization for a long time. Now a day's so many companies are facing a lot of problem in employee's retention. Hiring skilled and knowledgeable people for the job is very necessary for any company. But retention is more important than hiring. ACI Company is always looking for such a kind of talent employees. If an employee is not satisfied on his present job then he might try to find a better one, as a result it can be a huge lose for the company. So employee retention should be followed for the future develop

The human resources department of today operates very differently from the human resources department of only a decade ago. The changing job market, regulatory demands and compliance issues have forced human resource managers to become nimble partners in the strategic development of businesses. Business owners need to understand the contemporary issues that human resources managers face, so that they may understand how to utilize this valuable resource to the best advantage.

The Gig Economy

Many talented people have decided to leave the traditional workforce in exchange for freelance work in their area of expertise. This gives them desired flexibility in their lifestyle, and is a great selling point for potential clients, because overhead is less when you are a contract employee. Although this is great system for the talent, working with a different system is a challenge for human resources managers. If the best

talent is no longer available for an in-house position, human resource managers must find ways to either create long-term contracts or to develop other suitable talents.

Innovation and Automation

Human resources departments are often tasked with training and developing employees. This means that when a new company rollout includes technological advances, the human resources department needs to prepare itself to train people. In some instances, this means coordinating with technology developers to create programming that is easily rolled out to employees. In other cases, the human resources department must help roll out the program and help run the training programs internally.

Changing Regulatory Issues

Compliance with regulatory issues is a primary duty of human resources managers. While this job duty hasn't changed over the years, what it covers evolves constantly. This means that human resource managers need to be on top of all changes. An example of changes is new laws regarding healthcare benefits.

Privacy laws are constantly requiring updated disclosures and employee training and acknowledgments. If the human resources manager is not current on new regulations and laws, the company is exposed to lawsuits, penalties and potential public scrutiny.

Recruiting and Retaining Top Talent

Finding and keeping great talent is difficult, especially for small businesses that don't have the resources to offer huge compensation and benefits packages. This means that human resources managers are always looking to find talented, loyal prospects for the company. It is important for human resources managers to look for talent internally and externally, as it is not enough to just go to job fairs or to reach out to people on LinkedIn. HR managers must not only cultivate these relationships, they must also cultivate internal employees that are suitable for development and promotion.

Diversity and Harmony Issues

Business owners know that a diverse workforce that's working together in harmony will build stronger teams, yield better ideas and offer broader customer satisfaction. However, without the harmony, that diverse workforce has low morale, and therefore, low productivity. This isn't solely a company culture and productivity issue, either. Diversity is a serious legal liability if employees or customers are feeling harassed in some way.

Human resource managers must understand diversity laws, and must ensure that the company has the protocol to deal appropriately with complaints, and also to focus on harmonizing the diversity. This is done with training and workshops that build cohesiveness and embrace the differences in each other.

Unit-2

Talent management is the acquisition, compensation, and development of your business's talent pool. It entails HR processes revolving around your talent (personnel) from recruitment to offboarding.

Planning for your organization's future is what separates a personnel manager from a talent leader. Employees are an important part of any company's future. Ensuring that your workforce is aligned with the corporate goals, strategy and values is no easy task. Most experts agree there are 7 components to comprehensive talent management:

- Employee Planning

- Sourcing, Recruiting, Interviewing, Hiring (Talent Acquisition)

- Performance Management and Employee Feedback

- Formal and Informal Learning

- Compensation & Rewards

- Career Development and Pathing

- Succession Planning and Leadership Development

Diving into each of these components will help you figure out the processes and plans and platforms you need to ensure your talent management is a competitive advantage rather than a detractor from your bottom line. However, it's not enough to simply know these things are important, you must train your people and integrate software to enable each of these processes, as they are not designed to stand on their own. Each piece of the talent management pie relies on other areas in order to work.

Employee Planning within a Talent Management Solution

You'll Need: Your organizational chart, your corporate goals and strategic plan and any product-related documents to understand future needs.

If you haven't already obtained a **copy of your organizational goals and strategic plan**, start there. This should give you an idea of the skill sets you'll need for at least the next 18 months. Executive planning should go farther than this - try a 3 year timeline. We don't recommend going too far into the future as many companies can pivot or change due to market forces.

Grab your **employee org chart** as well. Hopefully, this is simple to generate from whatever talent management solution you're working with. If it isn't, take note for future RFPs. If you can group employees, teams and departments into skill sets you can compare what you have to what you'll likely need. It's possible you already have the people and skills you need in place and your largest employee planning responsibilities will be turnover, retention and succession planning. When and if you see gaps, and most companies in growth mode very likely will, make note of the goals and competencies you'll need.

Product roadmaps are also useful during this time, as you'll want to plan for any new products, services, sales targets, etc that the workforce is responsible for hitting. Note skills you may not have visualized or that seem a little out of range for the present but may prove useful - data scientists and AI experts are both great examples of this. These notations can help you build a talent pipeline before you need it and/or impact the learning and development section.

Don't go too far into the future with strategic employee planning. Market forces and company pivots can change the plan quickly!

Talent Acquisition within a Talent Management Solution

You'll Need: Your list from the employee planning session, turnover numbers, industry forecast, interview guides, number of talent acquisition professionals, and current recruiting metrics.

Sourcing. If your company doesn't have a sourcing or research function, you can fold it into recruiting or rely on your talent management solution to assist in that area.

Recruiting. Any recruiter or HR professional tasked with recruiting will tell you the Applicant Tracking System can make or break how effective this department or function can be. Look for integration into your overall talent management platform and easy recordkeeping, smart forms, compliant records and the ability to source your own applicants from boomerang employees and former candidates who didn't make the cut

Interviewing. With the workforce becoming ever more distributed and talent clusters popping up all over the United States, the ability to interview candidates all over the country is fast becoming not just a nice-to-have but a

necessity. While there are standalone [services that provide video interviewing](#), they don't always integrate with the rest of your hiring or talent management platform. Also, keep your eyes open for hiring manager scoring and accountability functionalities.

Hiring. The [best talent management systems](#) will contain features that make flipping a candidate status over to employee very easy. It should be a seamless transition from offer to onboard.

Performance Management and Employee Feedback within a Talent Management Solution

You'll Need: Your current performance management or review system flowchart, current rating system(s), manager ratings, any employee survey data, company goals and values.
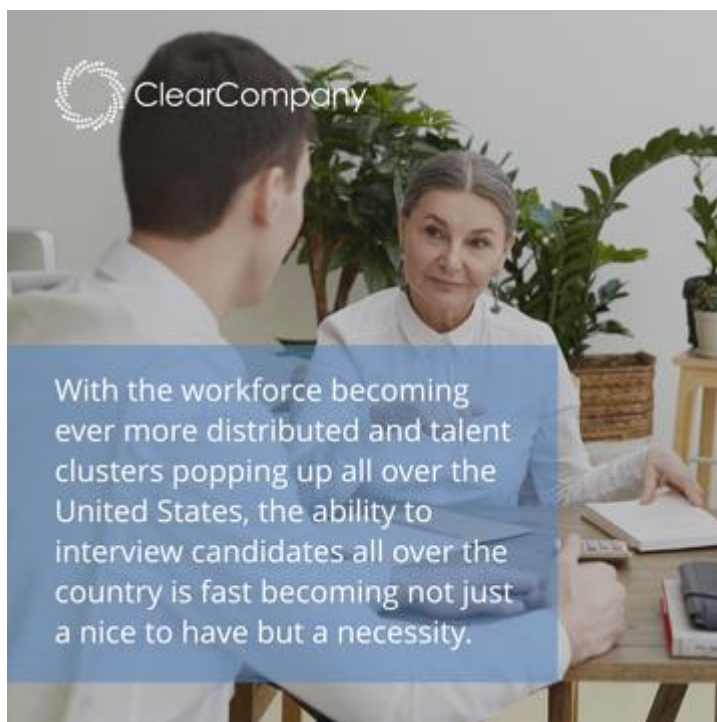
When you've gathered the above data, decide whether you need to consolidate. Some companies find that different managers are using different systems. If you can tie them together and build a baseline rating system, you're ahead of the game. If not, look for a system that will scale with your organization. Every talent management system worth its salt should contain a [performance management module](#) or capability and the ability for managers and employees to give one another feedback easily.

Your corporate goals and company values should be a key component of your performance management platform. If your current talent management system doesn't allow you to measure employee performance against goals, values or real-time feedback, consider replacing it with a best in class talent management system built for growing companies.

Employee survey data, if you have it, is gold. It's difficult to get employees to take a survey at all, and some companies complete this arduous task only to leave the insights to mold in a filing cabinet. Instead, work toward building that data into your performance management processes. *Do you hear the same feedback from multiple employees about a certain manager? Is a certain team a breeding ground for the next company superstar?* Noting these things in the performance management and employee feedback system will complete a substantial part of your total talent management platform, impacting learning, succession management and compensation.

Formal and Informal Learning within a Talent Management Solution

You'll Need: Your skillset needs and gaps, any implemented learning platforms and any formal and informal learning tools or services you provide to your employees. Include any activities, tasks and training exercises.

Talent Management and Learning Development go hand in hand. Put all of your learning opportunities in one place so you can see:

- Whether you have gaps between formal and informal learning

- If you need to add to a more traditional classroom type learning process

- Which departments, teams or skills are being overlooked in learning initiatives

- Which employees are using the options your company currently provides

Your talent management system should be able to give you this information at a glance, as well as give you an idea of whether or not your learning initiatives are impacting your bottom line. Integration into your talent management system is crucial because:

Compensation & Rewards within a Talent Management Solution

You'll Need: A rundown of your current compensation practices, any spreadsheets that delineate your compensation in near real-time and any rewards and recognition programs used.

If you are like most companies, even if you have a talent management system, it may not provide the level of analysis you need to run sophisticated compensation models across the enterprise.

 calculate their

[Integrated compensation management](#) is about more than just figuring out models and what to offer your newest employees. Take into consideration rewarding strategic goals with appropriate incentives, acknowledging contributions to corporate success and using rewards and recognition to imbue the employee with intrinsic value.

Career Development and Pathing within a Talent Management Solution

You'll Need: Your retention numbers, promotional policies, performance reviews and departmental organizational charts or processes.

If you have an issue with retention, one of the first places to check is your career development and pathing processes within your company. Talent is frequently lost due to no clear path upward within the company's departments, teams or even individual areas.

Sometimes a company with a robust talent acquisition area might have trouble recognizing who they might hire from within, especially if they haven't built goals, competencies and measurements into their management processes. In order to do this at scale, select a talent management system that allows you to apply these rubrics company-wide and create career paths that span and cross different departments.

Your corporate goals and company values should be a key component of your performance management platform.

While employee development focuses on performance for the company, career development of your employees focuses on where they can increase their skill sets and strengths based on their vision for their career. It's something many companies don't spend enough time facilitating when it actually serves as a powerful retention tool.

A study by the Work Institute, showed career development was the top reason people leave or remain with organizations. Titled 2017 Retention Report, the study asked 240,000 employees regarding factors that impacted their decision to stay with or leave an organization. This underscores decades of research that prove companies who invest in developing employees have higher market shares and lower turnover than their counterparts who do not invest in career development.

Succession Planning within a Talent Management Solution

You'll Need: Your organizational chart, your current recruiting and retention numbers and your employee planning documents from your strategic work plan.

If career development and pathing are solely focused on the career of the employee, then succession planning stands in contrast as a focus on the business needs. Rather than planning on which employees you'll hire to fill gaps in skills and competencies, you'll figure out which employees need to be coached, developed, put through your learning programs and mentored into the roles your organization needs.

A proper succession plan will increase the pool of experienced and competent employees who are ready and able to assume increased responsibility and accountability the key roles your company needs will require.

Ask yourself which key roles are critical to the success of your organization. Who are in those roles now and when do you anticipate they will move either up or out? Who, if anyone, is prepped to move into those roles? Creating a plan ahead of time helps train the employees poised to move into different and key roles while also creating a smooth path when the unexpected happens or if the transition happens sooner than expected.

A great talent management system will allow you to incorporate all of these processes, essential to creating a comprehensive talent management function, in one place. Get a personal walk through of ClearCompany's total Talent Management System, and see why so many companies are using it to tackle their talent management challenges efficiently and effectively.

[Jason Burke](#)

As ClearCompany's Customer Engagement Manager, Jason works closely with both the Customer Success team and the Marketing team to provide messaging that will help our customers leverage the ClearCompany platform to create Talent Success.

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[Human Resource Management](#)

Training and Development

Training and Development is one of the main functions of the human resource management department. Training refers to a systematic setup where employees are instructed and taught matters of technical knowledge related to their jobs. It focuses on teaching employees how to use particular machines or how to do specific tasks to increase efficiency.

Whereas, Development refers to the overall holistic and educational growth and maturity of people in managerial positions. The process of development is in relation to insights, attitudes, adaptability, leadership and human relations.

Suggested Video

Training

Development and Objectives of Development

Methods of Training

Training and Development Programmes

Training and development programmes are designed according to the requirements of the organisation, the type and skills of employees being trained, the end goals of the training and the job profile of the employees. These programmes are generally classified into two types: (i) on the job programmes, and (ii)off the job programmes.

Different training is given to employees at different levels. The following training methods are used For the training of skilled workers and operators- Specific job training programmes, Technical training at a training with live demos, Internship training, Training via the process of rotation of job.

Training given to people in a supervisory or managerial capacity is – Lectures, Group Discussions, Case studies, Role-playing, Conferences etc.

People in managerial programmes are given this type of training- Management Games to develop decision making, Programmes to identify potential executives, Sensitivity training to understand and influence employee behaviour, Simulation and role-playing, Programmes for improving communication, human relations and managerial skills.

Browse more Topics under Human Resource Management

Technical Training – Technical training is that type of training that is aimed at teaching employees how a particular technology or a machine.

Quality Training – Quality training is usually performed in [companies](#) who physically produce a [product](#). Quality training teaches employees to identify faulty products and only allow perfect products to go out to the markets.

Skills Training – Skills training refers to training given to employees so as to perform their particular jobs. For e.g. A receptionist would be specifically taught to answer calls and handle the answering machine.

Soft Skills – Soft skills training includes personality development, being welcoming and friendly to clients, building rapport, training on sexual harassment etc.

Professional Training – Professional Training is done for jobs that have constantly changing and evolving work like the field of medicine and research. People working in these sectors have to be regularly updated on matters of the industry.

Team Training – Team training establishes a level of trust and synchronicity between team members for increased efficiency.

(source-fhlb.com)

Benefits of Training

1. Training improves the quantity and quality of the workforce. It increases the skills and knowledge base of the employees.

2. It improves upon the time and money required to reach the company's goals. For e.g. Trained salesmen achieve and exceed their targets faster than inexperienced and untrained salesmen.

3. Training helps to identify the highly skilled and talented employees and the company can give them jobs of higher responsibilities.

4. Trained employees are highly efficient in comparison to untrained ones.

5. Reduces the need to constantly supervise and overlook the employees.

6. Improves job satisfaction and thus boosts morale.

Benefits of Development

1. Exposes executives to the latest techniques and trends in their professional fields.

2. Ensures that the company has an adequate number of managers with knowledge and skill at any given point.

3. Helps in the long-term growth and survival of the company.

4. Creates an effective team of managers who can handle the company issues without fail.

5. Ensures that the employees utilise their managerial and leadership skills in particular to the fullest.

Solved Question for you

Q: List at least four benefits of training employees for any organisation.

Answer – Four benefits of training employees for any organisation in brief are

1. Training helps to identify the highly skilled and talented employees and so the company can give them jobs of higher responsibilities.

2. Trained employees are highly efficient in comparison to untrained ones.

3. Ensures that the company has an adequate number of managers with knowledge and skill at any given point and thus, adequately staffed.

4. Ensures that the employees utilise their managerial and leadership skills to the fullest.

Introduction

Evaluation leads to control which means deciding whether or not the training was worth the effort and what improvements are required to make it even more effective. Training Evaluation is of vital importance because monitoring the training function and its activities is necessary in order to establish its social and financial benefits and costs. Evaluation of training within work settings can assist a trainer/organization in learning more about the impact of training. It is important to understand the purpose of evaluation before planning it and choosing methods to do it. Some advantages of using evaluations are difficult to directly witness, but when done correctly they can impact organizations in positive ways.

Training Evaluation is the process of deep examination and analysis of:

• Selecting measures,

• Gathering information based on those measures,

• Comparing what participants learn to some standard, goal, or expectation.

Evaluation is a process to determine the relevance, effectiveness, and impact of activities in light of their objectives. In evaluating a training and development programme, one needs to consider that most training and development activities exist in a larger context of projects, programmes, and plans.

Definition:

"Training Evaluation is a systematic process of collecting information for and about training activity which can then be used for guiding decision making and for assessing the relevance and effectiveness of various training components."
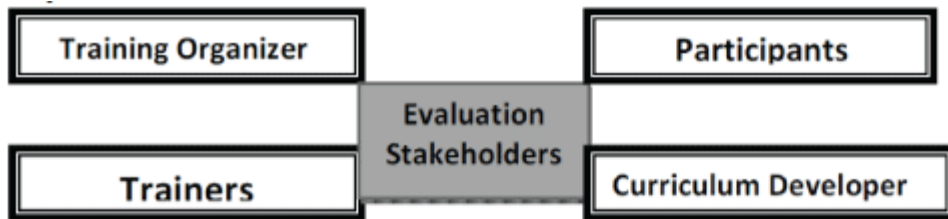
TYPES OF EVALUATION

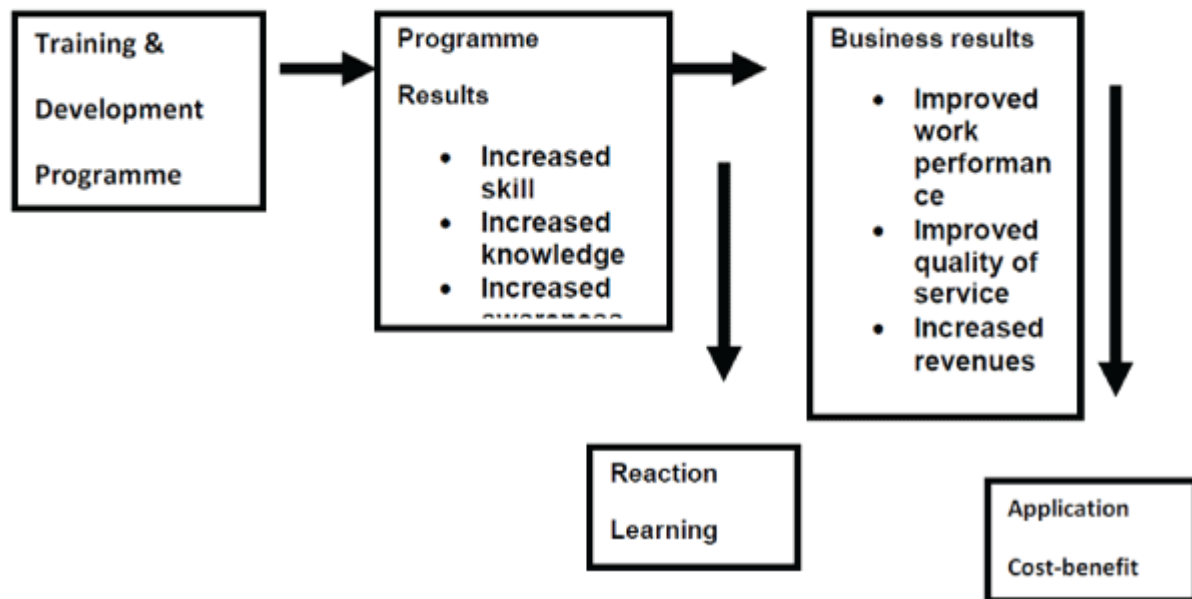On the basis of the time dimension, evaluation may be classified as (1) formative evaluation and (2) summative evaluation.

Raab et al. (1987), however, classified evaluation into four major types: (1) evaluation of planning, (2) process evaluation, (3) terminal evaluation, and (4) impact evaluation.

Stakeholders of training evaluation involve participants, curriculum developers, trainers and training organizer as depicted below:

Training Organizer   Participants

Evaluation
Stakeholders

Trainers   Curriculum Developer

Overview of training evaluation is depicted below:

Training &
Development
Programme

→

Programme
Results
- Increased skill
- Increased knowledge
- Increased

→

Business results
- Improved work performance
- Improved quality of service
- Increased revenues

Reaction
Learning

Application
Cost-benefit

Objectives of Evaluating Training and Development Programmes

The major objectives are:

• To validate training and development as a business tool

• To justify the costs incurred in training and development

• To help improve the design of training and development programme

• To help in selecting training and development methods

Purposes of Evaluating Training and Development Programmes

1. At Macro Level

• To assess training and development programme's business impact as a whole.

• To facilitate selection of training and development programme's performance metrics related to organization's goals and objectives.

• To get at the business impact measure through direct correlation to organization's goals and objectives.

2. At Micro Level

• To measure a specific training and development programme's business impact

• Perhaps looking at the benefit of specific elements of the programme, or of the training model for a specific issuer

• The specific training and development programme's business impact measure has a visible link to the organization's goals and objectives.

• To combine a number of these to project overall programme business impact.

Trainers:

Careful consideration should be given to the selection of trainers, the scheduling of training and pilot testing. In selecting trainers, two equally important abilities must be sought: knowledge of the subject and teaching ability. Not everyone who has the required job knowledge will necessarily have teaching ability. On the whole, it is easier for people to acquire knowledge than it is to acquire teaching ability. In most workplaces, including the shop floor, there will be a number of people who have a natural teaching ability, and they will have the advantage of knowing the workplace and being able to understand practical examples. In small group learning, a "group learning facilitator" may be used in place of a trainer. In this case, the facilitator is learning along with the group but has responsibilities for the process of learning.

The scheduling of training involves several important considerations. For example, it should be arranged at a time convenient for the learners and when interruptions can be minimized. Training can also be packaged in self-contained modules so that it can be spread out over time perhaps a three-hour module once a week could be scheduled. Not only does this approach sometimes cause less interference with production, it also allows time between sessions for learners to try to apply what has been learned.

CONCLUSION

Every training programme should be pilot tested before initial use. This allows the programme to be tested against training objectives. Pilot testing should involve not only the trainers but a representative sample of the prospective learners as well.

Unit-3

What Is a Performance Appraisal?

A performance appraisal is a regular review of an employee's job performance and overall contribution to a company. Also known as an "annual review," "performance review or evaluation," or "employee appraisal," a performance appraisal evaluates an employee's skills, achievements and growth, or lack thereof. Companies use performance appraisals to give employees big-picture feedback on their work and to justify pay increases and bonuses, as well as termination decisions. They can be conducted at any given time but tend to be annual, semi-annual or quarterly

Why Companies Give Performance Appraisals

Because companies have a limited pool of funds from which to award raises and bonuses, performance appraisals help determine how to allocate those funds. They provide a way for companies to determine which employees have contributed the most to the company's growth so companies can reward their top-performing employees accordingly.

Performance appraisals also help employees and their managers create a plan for employee development through additional training and increased responsibilities, as well as to identify shortcomings the employee could work to resolve.

Ideally, the performance appraisal is not the only time during the year that managers and employees communicate about the employee's contributions. More frequent conversations help keep everyone on the same page, develop stronger relationships between employees and managers, and make annual reviews less stressful.

Performance Appraisal Types

Most performance appraisals are top-down, meaning supervisors evaluate their staff with no input from the subject. But there are other types:

- Self assessment: Individuals rate their job performance and behavior.
- Peer assessment: An individual's work group rates his performance.
- 360-degree feedback assessment: Includes input from an individual, her supervisor and her peers.
- Negotiated appraisal: A newer trend, utilizes a mediator and attempts to moderate the adversarial nature of performance evaluations by allowing the subject to present first. Also focuses on what the individual is doing right before any criticism is given. This structure tends to be useful during conflicts between subordinates and supervisors.

Performance Appraisal Criticism

An issue with performance appraisals is that differentiating individual and organizational performance can be difficult. And if the evaluation's construction doesn't reflect the culture of a company or organization, it can be detrimental. Employees report general dissatisfaction with their performance appraisal processes. Other potential issues include:

- Distrust of the appraisal can lead to issues between subordinates and supervisors or a situation in which employees merely tailor their input to please their employer.
- Performance appraisals can lead to the adoption of unreasonable goals that demoralize workers or incentivize them to engage in unethical practices.
- Some labor experts believe that use of performance appraisals has led to lower use of merit- and performance-based compensation.

- Performance appraisals may lead to unfair evaluations in which employees are judged not by their accomplishments but by their likeability. They can also lead to managers giving underperforming staff a good evaluation to avoid souring their relationship.
- Unreliable raters can introduce a number of biases that skew appraisal results toward preferred characteristics or ones that reflect the rater's preferences.
- Performance appraisals that work well in one culture or job function may not be useful in another.

Related Terms

How Shadowing Works

Shadowing happens when a new employee learns on the job by closely watching and following the roles and duties of existing employees in their daily work.

How Investors can Perform Due Diligence on a Company

Performing due diligence means thoroughly checking the financials of a potential financial decision. Here's how to do that for individual stocks.

Performance Management: Understanding a Key Corporate Tool

Performance management is a corporate management tool that helps managers to monitor and evaluate employees' work.

Macro Manager

A macro manager is a boss or supervisor who lets employees do their jobs with minimal supervision.

Cash Bonus

A cash bonus is a lump sum of money typically awarded as in incentive for an employee's superior

Why you need structured employee compensation

Pay structures (also know as salary structures or compensation structures) help companies offer equitable, competitive salaries and map out employees' path to growth and higher pay. They enable companies to attract and retain talented people.

Compensation structures create a fairer and more predictable process for determining an individual's compensation. The alternative to setting up formal pay structures is to determine salaries based on:

- **Candidates' salary history**. This may perpetuate the gender pay gap and, as a result, create systemic pay disparities that prompt discrimination lawsuits. Plus, the practice of asking for salary history has been banned in several U.S. states (most recently in California.)
- **Arbitrary figures**. Competitive compensation packages play an important part in persuading candidates to accept job offers. Also, companies may end up paying managers the same salary as what their direct reports should earn, or even paying employees more than the maximum salary for their job.

Both methods would confuse managers and team members regarding pay levels and career development and raise suspicions of discrimination. To avoid these issues, it's a good idea to set up a pay structure, especially once companies reach 200-250 employees.

How to set up a pay structure
Conduct job analysis and job evaluation
Internal job titles and job descriptions may not always be aligned with the market (e.g. a director in your company may actually be considered a mid-level manager in the market.) Knowing what each job entails and its value to your company helps you benchmark salaries more effectively. As a first step, conduct a:

1. **Job analysis**. If you don't already have job descriptions in place, start by outlining job duties, requirements and qualifications for each position. Talk with your department heads about positions within their departments and look at common job descriptions in your industry.
2. **Job evaluation**. Determine the relative value of positions in your company with the help of senior leaders (e.g. VP of HR, CFO.) This means comparing each role with others according to important criteria like necessary knowledge and skills, effort required, level of responsibility and impact on revenue. In this stage, it's best to bring in an external consultant (e.g. an Organizational Expert) to help you avoid biased decisions. An external observer will ensure you distinguish jobs from employees.

Determine the form of your employee compensation structure
There are two ways companies can create their compensation plans for base salary:

- **Benchmarking** (or market pricing) where each job is assigned an individual salary range based on market trends.
- **Pay grades**, where jobs are grouped and salary ranges apply to each group.

Many companies use both methods to determine their compensation structures, doing market pricing first to aid the process of creating pay grades. Here are both approaches with examples and how you can combine them:

Benchmarking
Benchmarking helps make your salaries more competitive. For example, paying higher salaries than the market can result in hiring the best candidates and retaining your best employees.

This approach revolves around market salary research, usually according to geography and industry. Websites like Glassdoor, PayScale (employee-reported data) and Salary.com (HR-reported data) are good places to look for this information. These websites provide insight on the minimum, midpoint and maximum salary for each role that you can use to create your own ranges. Before you collect the data, compare the job description provided by the website to the one from your job analysis to ensure they refer to the same role.

If you want more detailed data reported by employers, consider surveys like the Radford Global Technology Survey for the technology sector. There are also similar reports by governmental institutions. For example, the U.S. Bureau of Labor Statistics (BLS) reports average salaries per hundreds of jobs. O*NET OnLine reports data from BLS along with detailed job descriptions.

This research helps you create salary ranges for each individual job. Here are two examples:

Role	Min	Mid	Max
HR Manager	$50,000	$70,000	$90,000
HR Assistant	$25,000	$37,500	$50,000

Pay grades
Pay grades are groups of jobs (often sorted by business function) that have the same or similar internal value as defined by your job evaluation process. For example, customer support specialists and customer support technicians may belong in the same grade if they demand the same skills and education and have the same level of responsibility. In this case, the salaries of every customer support role in the same grade would fall between the same minimum, midpoint and maximum range.

There are two ways to set pay grades:

- **Using benchmarking to set salaries**. For example, you could use market data to determine a pay grade's salary range. If a pay grade includes three different positions (e.g. administrative officer, office manager and personal assistant), you can average the salary midpoints of these three positions to find the midpoint in your pay grade's range.
- **Creating grades according to existing salaries**. Companies can look into their existing organizational levels and salaries and group jobs accordingly. For example, if you have various roles with similar value on the same hierarchical level, put them in one grade. The average of those salaries can be the midpoint salary of the grade. The minimum and maximum is largely at your company's discretion, but could be from +/- 5% to +/- 20% of the midpoint. The midpoints of each grade can also be determined by increasing the midpoint of the previous grade by a percentage (the mid-point differential.) For example, if the midpoint of Grade 1 is $40,000 and the established mid-point differential is 15%, then the midpoint of Grade 2 can be $40,000*15% + $40,000 = $46,000.

Here's a scenario where pay grades are created based on existing salaries. Imagine your company has the following HR roles:

- HR Assistant with salary of $30,000
- HR Manager with salary of $60,000
- HR Generalist with salary of $40,000
- Recruiter with salary of $50,000

Through your job evaluation process, you may decide there are three grades:

- Grade 1 includes HR Assistant and midpoint is $30,000.
- Grade 2 includes HR Generalist and Recruiter and midpoint is $45,000 (average salary of these two positions.)
- Grade 3 includes HR Manager and midpoint is $60,000.

Grades might often overlap. This means that the maximum point of one grade could be higher than the minimum of the next grade (or even the midpoint.) Here's an example based on the previous pay grades about HR roles:

Grade	Min	Mid	Max

1	$21,000	$30,000	$39,000
2	$27,000	$45,000	$63,000
3	$30,000	$60,000	$90,000

The number of grades depends on the number of positions, your company's size and its hierarchical levels. Few grades with large ranges often result from broadbanding – a process that reduces hierarchical levels and pay grades and leaves a lot of room for salary increases. Broadbanding has drawbacks though, so consider how useful it is to your company.

After you have set your pay grades, assign a grade to every new position that's created.

Also, you can divide each grade and assign salary ranges within that grade. Large companies and governmental institutions often divide a grade in "steps" according to criteria like experience and performance. For example, assuming the salary range of Grade 3 is $52,000 to $66,000, here are three steps of experience and skill:

- Entry-level from $52,000 to $57,000.
- Mid-level from $57,000 to $63,000.
- Experienced from $63,000 to $66,000.

These steps indicate how employees can receive salary increases. When someone in Grade 3 is given a promotion, they move to the next pay grade and have greater room for pay increases.

Plan to update pay structures
As market conditions change and unemployment rates fluctuate, companies need to update salary ranges. Revise pay structures every 12 to 18 months and ask questions like:

- Are our salaries competitive?
- Are there new positions that need to be placed within our pay structure?
- Do our employees have room to receive raises as performance rewards?
- Are our salary ranges aligned with the proper organizational levels?
- Is our pay structure synced with our succession plans and career development plans?

- Do our employees perceive our pay structure and compensation plans as fair?

  Also, after you readjust your salary ranges, use your pay grades' midpoints to calculate compa-ratios for your employees. This will help you determine the competitiveness of their salaries:

- If you discover some employees are overpaid, you may decide to freeze their base salary until it must be adjusted due to market changes.
- If some employees are being underpaid, plan to raise their salary in the next performance review cycles so that you bring them up to the correct step in their pay grade. If performance review periods are too far away, consider giving those employees an immediate raise (if you have the budget and senior management approval) to prevent loss of morale.

  Educate managers
  Managers should understand your compensation philosophy and how they can administer pay raises and promotions. Also, those who serve as hiring managers should know the value of new positions. Schedule 1:1 or group meetings with managers to discuss:

- How your company's benchmarking and/or pay grades work.
- The process your company uses to evaluate job roles.
- Why your company chose this particular pay structure.
- How managers can administer pay raises according to experience levels.
- Whether hiring managers could diverge from established salary ranges when hiring new team members and by how much.

  Arrange to discuss these topics after revising your pay structure or when compensation plans and payroll budgets change. Ensure your managers understand how they should act when hiring or promoting employees.

An ESOP (Employee stock ownership plan) refers to an employee benefit plan which offers employees an ownership interest in the organization. Employee stock ownership plans are issued as direct stock, profit-sharing plans or bonuses, and the employer has the sole discretion in deciding who could avail of these options. However, Employee stock ownership plans are just options that could be purchased at a specified price before the exercise date. There are defined rules and regulations

laid out in the Companies Rules which employers need to follow for granting of Employee stock ownership plans to their employees.

How ESOPs work?

An organization grants ESOPs to its employees for buying a specified number of shares of the company at a defined price after the option period (a certain number of years). Before an employee could exercise his option, he needs to go through the pre-defined vesting period which implies that the employee has to work for the organization until a part or the entire stock options could be exercised.

Why Company offers ESOPs to their employees?

Organizations often use Employee stock ownership plans as a tool for attracting and retaining high-quality employees. Organizations usually distribute the stocks in a phased manner. For instance, a company might grant its employees the stocks at the close of the financial year, thereby offering its employees an incentive for remaining with the organization for receiving that grant.

Companies offering ESOPs have long-term objectives. Not only companies wish to retain employees for a long-term, but also intend making them the stakeholders of their company. Most of the IT companies have alarming attrition rates, and ESOPs could help them bring down such heavy attrition Start-ups offer stocks for attracting talent. Often such organizations are cash-strapped and are unable to offer handsome salaries. But by offering a stake in their organization, they make their compensation package competitive.

ESOPs from an employee's perspective

With ESOPs, an employee gets the benefit of acquiring the shares of the company at the nominal rate, and sell them (after a defined tenure set by his employer) and make a profit. There are several success stories of an employee raking in the riches together with founders of the companies. A very notable example is of Google when it went public. Its founders Sergey Brin and Larry Page became the richest persons in the world, even the stock-holder employees earned millions too.

Tax Implication of ESOPs

Employee stock ownership plans is considered as perquisites with respect to taxation.. On the other hand, for an employee, ESOPs are taxed at two below-mentioned instances –
While exercising – in form of a prerequisite. When an employee exercises his option, the difference between Fair Market Value (FMV) as on date of exercise and the exercise price is taxed as a perquisite.

While selling – in the form of capital gain. An employee might sell his shares after buying them. In case he sells these shares at a price higher than FMV on the exercise date, he would be liable for capital gains tax.

The capital gains would be taxed depending on the period of holding. This period is calculated from the date of exercise up to the date of sale. Equity shares which are listed on the recognized stock exchange are considered as long-term capital if they're held for more than 12 months i.e. 1 year. In case the shares are sold within 12 months, these are then considered as short term. Presently, long-term capital gains (LTCG) on the listed equity shares are exempt from tax. However as per the recent amendments in Budget 2018, Sale of equity shares that are held for more than a year on or after 1st April 1, 2018 would attract tax at the rate of 10% and cess of 4%. Short-term capital gains (STCG) are taxed at a rate of 15%.

Benefits of ESOPs for the employers

Stock options are provided by an organization as a motivation to its employees. As the employees would benefit when the company's share prices soar, it would be an incentive for the employee put in his 100 percent. Although motivation, employee retention and awarding hard work are the key benefits which ESOP brings to the employers, there are several other noteworthy advantages too.

With the help of ESOP options, organizations could avoid the cash compensations as a reward, thus saving on immediate cash outflow. For organizations which are starting their business operations on a bigger scale or expanding their business, awarding their employees with ESOPs would work out to be the most feasible option than the cash rewards.

Problems related to ESOPs for the employers

It's easy to pitch the benefits of ESOPs for the companies considering the liquidity and succession alternatives. However, there are good reasons not to go for ESOPs. Employee stock ownership plans have complex rules and need significant oversight. Although outsourcing this function to external advisors and ESOP TPA (Third Party Administration) firms could manage it, the ESOP company requires some internal personnel for championing this program. In case a company doesn't have the staff to do the ESOP work properly, they could risk issues and potential violations.

Once the ESOPs are established, the company needs a proper administration including the third-party administration, trustee, valuation, legal costs. Company owners and the management must be aware of the ongoing costs. In case the cash flow which is dedicated to ESOPs limits the cash available for reinvesting in the business over a long-term, the ESOP scheme isn't a good fit for such a company.

For companies requiring significant additional capital for carrying on business operations, they must avoid ESOPs. The ESOP schemes use the cash flow of the company for funding purchase of shares from its shareholders. In case a company requires the funds for additional working capital or capital expenditures, the ESOP transactions would compete with this necessary requirement, creating a crisis situation for the management.

HOW-TO GUIDES

How to Design an Employee Benefits Program

Managing employee benefits is an important and costly endeavor for employers. Though most employers are required to provide mandatory benefits such as Social Security contributions, worker's compensation insurance and unemployment insurance, most other benefits are voluntary in nature and determined by the employer. Benefits programs vary greatly, but typically they include medical insurance, life and disability insurance, retirement income plan benefits, paid-time-off benefits, and educational assistance programs. Benefits selection and design are critical components in the total compensation costs. In some cases, benefits account for 40 percent or more of total compensation costs. Due to the employer cost investment and the importance of employee benefits in recruiting and retaining, employers should have a well-thought-out benefits plan design that meets both employee needs and employer objectives.

Step 1: Identify the Organization's Benefits Objectives and Budget

An important first step in designing an employee benefits program is to identify its objectives. This will provide overall guidance in establishing the selection and design of the benefits program. Generally, this process does not result in a list of specific benefits offered but rather provides an overview of the organization's objectives of offering benefits that reflect both the employer and employee needs. The organization's business and/or HR strategy will help guide the development of the benefits objectives, as these objectives should help achieve the overall strategic

goals. Factors such as employer size, location, industry and collective bargaining agreements should be considered in the development of the benefits objectives. Some employers choose to have general benefits objectives, whereas others incorporate the objectives in their total compensation philosophy. The benefits objectives are not static and should be evaluated and revised to reflect the current employer strategy and employee needs.

Sample objective: To establish and maintain a competitive employee benefits program based on employees' needs for paid time off and protection against the risks of old age, loss of health and loss of life.

Equally important is determining the budget available for spending on benefits, as most employers have cost constraints in offering benefits to employees. If a current benefits plan exists, organizations should analyze current benefits costs and projected costs and create a budget spreadsheet outlining annual benefits costs. The rising cost of offering benefits such as health insurance will greatly affect the benefits an employer may offer.

If there is no current benefits program, the employer may need to obtain quotes for a few key benefits to estimate a benefits budget. A benefits broker may be helpful in this process.

Step 2: Conduct a Needs Assessment

A needs assessment should be conducted to determine the best benefits selection and design based on the needs and wants of the employees. The needs assessment may include an employer's perception of employee benefits needs, competitor's benefits practices, and tax laws and regulations. But a more recent trend is to take a market research approach to employee benefits planning. Common market research techniques include employee inquiries in the form of personal interviews, simplified questionnaires or sophisticated research methods. Although employee feedback will most likely result in higher employee motivation and satisfaction with the benefits package, this is true only to the extent that the employer is committed to using the feedback in benefits selection and design.

If a current benefits plan exists, the employer may also conduct a utilization review of each plan to determine actual employee use. Knowing the frequency a particular benefit is used and to what extent may help the employer determine cost-saving design practices. For insurance plans such as a medical plan, the carrier will often provide a utilization review for the employer.

Organizations should analyze the existing workforce demographics to assist in determining the needs of various categories of employees. Younger employees may

value paid time off more, whereas older employees may place a higher value on retirement income plans.

Employers can analyze the needs assessment results and compare them with any existing benefits and against available benefits to prioritize which benefits will be most helpful in achieving the objectives of the benefits program.

Employers will also need to consider any legal requirements regarding benefits offerings. Some employers may have obligations to offer benefits by law, such as the Affordable Care Act, which requires employers with 50 or more employees to choose to provide affordable health insurance to employees or pay a penalty. Employers will need to determine if they are covered by this act and the impact this will have on the decisions and design of employee health insurance plans.

Another consideration is that of benefits for domestic partners. Since same-sex marriage became legal in all 50 U.S. states as of the Supreme Court ruling on June 26, 2015, some employers may choose to no longer offer benefits to domestic partners, unless required to do so by state or local law.

Paid sick leave is another benefit that is quickly becoming a mandatory offering for many employers. State and local laws are regularly being passed that require employers to offer paid sick leave to employees, and employers should be aware of state and local requirements.

Step 3: Formulate a Benefits Plan Program

Once the needs assessment and gap analysis are complete, the employer will need to formulate the new benefits plan design. Using the data collected from all resources in Step 2, the employer can begin to formulate benefits offerings in order of priority. Then the employer will determine the cost of providing the prioritized benefits and evaluate it against the benefits budget.

This step is complex and may take many factors into consideration: Can changes be made to the current plan design to induce cost savings? Can benefits that are underused or not valued by employees be eliminated? What are the administrative costs for the benefits? What cost-containment features can be put in place? Will employees have to contribute, and how much? Are there resources to administer in-house, or will a third-party administrator and broker be necessary for certain plans? These are among the evaluations an employer will make in determining whether to add, change or eliminate benefits offerings.

Step 4: Communicate the Benefits Plan to Employees

The communication strategy is a critical component to the benefits planning and management. Some resources and samples are available to assist employers. *See* Communicating and Leveraging Benefits.

Employee understanding of the benefits is critical to employee buy-in. Without buy-in, the employer's efforts, no matter how perfectly designed to meet employees' needs, may be futile. If employee input was obtained and used in the benefits design process, employers should be sure to share this with employees and let them know how their feedback influenced the benefits program's design. The positive impact on recruiting, retention and employee morale may be lost without effective communication plans. Although the employer is obligated to provide communications to comply with laws regarding disclosure of various benefits plans, such as a summary plan description, communications should go beyond the legal requirements. Good benefits communication objectives should include:

- Creating awareness and appreciation of the new or existing benefits and improving employee financial security.
- Providing a high level of understanding of the benefits offered.
- Encouraging wise use of benefits.

Step 5: Develop a Periodic Evaluation Process to Determine Effectiveness of Benefits

Periodically reviewing the benefits plan program is another important step in the benefits management process. The benefits program must be assessed on a regular basis to determine if it is meeting the organization's objectives and employees' needs. Changes in the business climate, the economy, the regulatory environment and workforce demographics all create dynamics that affect benefits offerings. Employers should consider developing goals and measurements to assess the benefits programs and make adjustments as necessary. Employers may also consider using external trends and benchmarking data to evaluate the effectiveness of the benefits plan or conduct employee surveys or a full-fledge needs assessment on a recurring basis.

Unit-4

From insurance and benefits information, to company policies, to onboarding, and beyond, human resource (HR) organizations are the keepers of some of a company's most vital information—and the information employees most often need access to. Without the right solution in place, dispersing information and answering questions can take up an inordinate amount of an HR team's time, pushing more critical tasks down the to-do list.

Provisioning an HR knowledge management solution is a great way for HR teams to recapture some of that precious time by making information and answers simple and easy for employees to find themselves. When the right HR knowledge management solution is fully implemented and used wisely, HR teams will wonder how they ever operated without one.

What Is HR Knowledge Management?

HR knowledge management is the practice of centralizing all HR documents, policies, information, and knowledge, and making that vital information easy for anyone in the company to access and update from anywhere.

The key to this central repository is that it allows employees—regardless of department, location, or tenure—to quickly access the HR information they need via a 24/7 self-service portal. This reduces frustration for employees, the chance of getting outdated or misinformation

, and workload for HR staff (who no longer have to answer the same question over and over again).

Why Is HR Knowledge Management Important?

While it may seem like information decentralization isn't that big of a deal, when spread across an entire organization it can have a major impact. A recent study on Workplace Knowledge and Productivity found that 60% of employees spend five hours or more per week waiting for information. With HR being a major source of vital information for employees across an organization, HR knowledge management is an easy way to reduce that bottleneck.

In today's business world, human resource management is often about finding the right answer to important questions, and quickly. HR knowledge management solutions are a simple, effective, streamlined answer to that growing challenge.
Related: 5 Essential Components of an Enterprise-Class HR Service Management Solution

8 Key Examples of Knowledge Management in HR

Easy-to-access, up-to-date information that employees can find themselves may be enough of an incentive for some organizations to adopt HR knowledge management. But smart organizations can realize both hard and soft additional benefits from a well implemented solution.

1. Role-Based Access Control and Customizable Permissions

A major benefit of HR knowledge management is allowing employees to find and access the information they need without the assistance of HR. But if you make all information accessible to every employee, they can become overwhelmed or access information not meant for them. Implementing proper permissions and role-based access controls mitigates this issue. This is important from a practical business perspective in that not every employee should be able to see all of a company's

available HR documents, policies, and agreements. It also makes the HR knowledge management portal easier for employees to use by quickly surfacing exactly the information they need.

Customized permissions are particularly important for organizations with a large geographic footprint. Some information may need to be localized based on state or country laws and regulations. In these situations, you'll want to ensure that employees at each location have fast, easy, clear access to the correct information. If they access (or worse, are sent) the wrong document, it can have a very real negative impact on the business.

The ability to implement role-based access controls and customized permissions reduces the chance that an employee will receive the wrong information and makes the process automatic, rather than an HR employee repeatedly having to track down the correct documents.

2. Improve Onboarding New Employees

Employee onboarding can make or break a new employee's experience. Onboarding packets are helpful, but they're easily misplaced and cumbersome for HR to update. In the end, onboarding inefficiencies can cost more than $250,000 annually for an organization of 1,000, according to the Workplace Knowledge and Productivity Report. And as organizations grow, so does that cost.
Moving employee onboarding to the HR knowledge management platform makes it easy for HR to add new information and update existing information as needed. It also gives the employee a simple way to access the information they need at any time—even months after their start date when a traditional onboarding packet may have been lost. Having new employees access onboading information in the same place they'll go to later for overall organizational and HR knowledge serves the dual purpose of getting them familiar with this vital business tool.

By simplifying the HR portion of new employee onboarding, organizations can improve the employee experience, reduce onboarding time, and minimize onboarding inefficiency costs.
Related: Onboarding and Offboarding Best Practices

3. Spend Less Time Recreating Existing Knowledge

Time is valuable, why spend it answering the same questions over and over or digging up a document you've already created. Without a centralized repository that employees can access, that's exactly what happens to most HR teams. Worse, an HR employee may recreate a document that already exists because they don't know about it or can't find it. While that happening once might not be a big deal, unnecessarily creating documents, policies, etc. repeatedly is a waste of valuable HR resources.

A well organized HR knowledge management platform makes it easy for teams (even dispersed ones) to know exactly what exists and what really needs to be created. Even if a new document or policy does need to be created, teams may be able to minimize effort and time by working off an existing document rather than creating something entirely from scratch. In many cases, the knowledge and

framework is already there, certain aspects may simply need to be tweaked or updated.

4. Get the Information You Need Sooner (and with Fewer Headaches)

There is little in the corporate world more frustrating than asking a question and then having to wait for an answer. But more often than not you ask the question, wait, send a reminder, wait some more, etc. With one HR team servicing an entire organization, simple questions easily get lost in the daily grind, leaving the employee waiting. An HR knowledge management system removes this obstacle almost entirely. With good platform organization and proper role-based access controls in place, all employees can get the information they're seeking faster and easier without having to wait on HR. For human resource employees, this means a lot less time answering questions and seeking out the right documents.

Dispersed HR teams will also find it easier to get the information they need when a knowledge management solution is in place. Need to create an office-specific policy? You can quickly see what other locations have done or reference a corporate policy to ensure you're in-line with the broader organization…without having to send a dozen emails to collect all the information you need.

5. Make Fewer Mistakes

Clear, consistent documentation that's accessible in a centralized location limits the risk of mixed messages and miscommunicated information. It's critical that all employees are working off of the most up-to-date information, policies, and documents. That can be hard to execute when updated documents sit with individuals without a fast, reliable way to share the information throughout the entire organization. Without a well-maintained HR knowledge management platform, issues are bound to occur (especially if you rely on something as impermanent as email to distribute updates).

Up-to-date access becomes more critical and more challenging with living documents that are regularly updated. Not all HR information is an official policy that's revisited once a year. It may be a general document that answers common questions or outlines company practices. These are typically living documents that grow as employees ask new questions or make new mistakes. Having this information documented, widely shared, and easily accessible not only saves time, it can also help prevent issues and mistakes from happening again in different departments or locations.

6. Make Informed Decisions Faster

HR knowledge management platforms aren't just libraries. When used to the fullest potential, it can offer valuable insights into organizational health and potential risks. Having access to "Last Updated" dates will help HR teams track which documents or policies may been to be reviewed for updating. Looking at metrics such as which department accessed the knowledge management system most (or least) and which files are most viewed can tell HR teams where additional training or clarification may be needed. Having a knowledge management system that allows employees to ask questions or seek clarification within the same portal further streamlines the HR

information process and can give teams insight into missing or confusing information.

Having easy access to data-based information allows HR teams to more accurately plan future documentation and updates in a way that will truly benefit the organization. It can also help teams proactively address potential trouble areas rather than dealing with an issue that has already occured.

7. Standardize Processes

HR knowledge management platforms can function as a single source of truth. Having this information easily available to everyone lowers the chance of mistakes, lessens miscommunications, shortens timelines for getting answers and information, and generally standardizes the overall process of information gathering, allowing employees to move forward quickly and in-line with corporate expectations. Without a standard process for getting HR answers from a single knowledge center, organizations run the risk of different employees getting different answers to the same question.

When organization's enforce the expectation that employees should access the HR knowledge management system to answer questions before asking HR, that process will become ingrained in the company culture, making HR's job a little bit easier.

8. Provide Better Service to Employees

We live in an on-demand, get-it-now world. The saying "there's an app for that" has become a joke phrase, but the spirit behind it remains true—people expect to be able to get any information they want at any time without delay. That includes answers to their questions at work, particularly about aspects like benefits, insurance, vacation time, company holidays, 401ks, etc.

Centralized HR knowledge management feeds into the way people are used to accessing information. Enabling employees to quickly and easily get answers themselves without waiting for an emailed reply creates a better overall experience. This not only increases employee morale, but can also improve productivity as employees are able to quickly find an answer and move on instead of dwelling on their question (for potentially days).

Knowing HR Knowledge Management Is Important Isn't Enough

This all may make sense and sound enticing, but without taking action to implement HR knowledge management, nothing will ever change. Creating a shared drive or in-house HR management system may seem like a lower barrier to entry, but overall it won't give organizations the level of control and insight they're likely looking for. Finding a service-based solution will give HR teams truly effective HR knowledge management.

When thinking about HR knowledge management, create a team that will outline the expectations and scope of the project then find the right solution. This team can also be responsible for outlining the implementation strategy and creating a plan for training to encourage company-wide adoption.

A few things to consider during the planning phase include:

- Documenting everything that will need to live in the HR knowledge management platform
- Creating a general framework for how that information will be organized
- Outlining anticipated role-based access controls and customizable permissions
- Creating a strategy and timeline for populating the HR knowledge management platform
- Planning company-wide training on the new system

Finding the Right HR Knowledge Management Solution

Successful HR knowledge management platforms are highly sophisticated solutions. Instead of spending precious time and resources building a basic portal in-house, team up with a proven service provider who already understands how a great HR knowledge management platform should work.

Cherwell's robust HR Service Management solution combines a self-service HR knowledge management portal with other key HR services like centralized case management and easy employee onboarding. This integrated combination of services allows HR teams to realize the full benefits of HR knowledge management without the heavy lifting of creating a customized solution in-house.

Learn how HR knowledge management can work for your organization with a live, personalized demo!

Get a Demo Today

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The term *virtual organization* is used to describe a network of independent firms that join together, often temporarily, to produce a service or product. Virtual organization is often associated with such terms as virtual office, virtual teams, and virtual leadership. The ultimate goal of the virtual organization is to provide innovative, high-quality products or services instantaneously in response to customer demands.

The term *virtual* in this sense has its roots in the computer industry. When a computer appears to have more storage capacity than it really possesses it is referred to as virtual memory. Likewise, when an organization assembles resources from a variety of firms, a virtual organization seems to have more capabilities than it actually possesses.

BACKGROUND

Traditional organizations integrated work vertically; that is, they delegated authority in a pyramidal, hierarchical structure. As the pyramid shape suggests, power was concentrated primarily among the handful of individuals at the top. This organizational form, shown in Figure 1, was first developed in the United States in the late 19th century with the advent of mass production.

The prominent theorist of traditional hierarchical organizations was the renowned industrial engineer, Frederick Winslow Taylor. His book, *Principles of Scientific Management,* introduced the principles for designing and managing mass-production facilities such as Ford's automobile factory in Michigan and Carnegie's steel works in Pittsburgh.

The hierarchical structure was designed to manage highly complex processes like automobile assembly where production could be broken down into a series of simple steps. Hierarchical corporations often controlled and managed all activities of a business from, the raw materials to their allocation to consumers. A centralized managerial hierarchy controlled the entire production process, with white-collar workers establishing rules and procedures to manage a blue-collar workforce.

From World War II until the early 1980s, the trend was to build increasing layers of management with more staff specialists. This centralized hierarchical structure
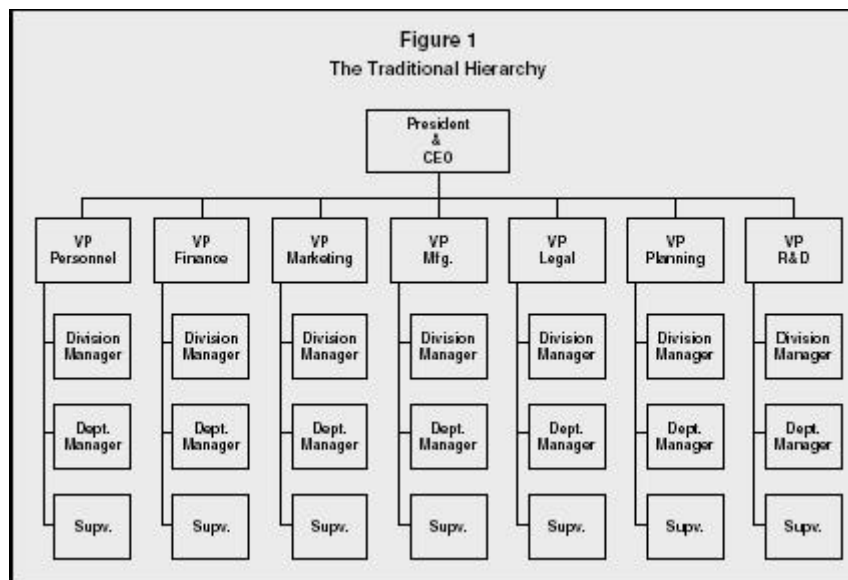

Figure 1
The Traditional Hierarchy

was seen as effective for managing large number of workers, but lacked agility and was unable to process information rapidly throughout the organization.

NEW DEMANDS ALTER ORGANIZATIONAL FORMS

Since the 1980s, many organizations have flattened their structures by shifting authority downward, giving employees increased autonomy and decision-making power. Advantages of flatter organization forms include a decreased need for supervisors and middle management, faster decision making, and the ability to process information faster because of the reduced number of layers in the organization.

A consequence of flatter organizations, though, is that employees tend to be more dispersed both geographically and organizationally. Responding to this problem of dispersion, many organizations have eliminated superfluous processes and begun focusing on their core, value-added business. Flat organizations using joint ventures and strategic alliances are providing increased flexibility and innovation, and are replacing many traditional hierarchies.

THE NEW BUSINESS FORM

Ray Grenier and George Metes discuss the shift to this new organizational structure as a response to unprecedented customer expectations and alternatives, global competition, time compression, complexity, rapid change, and increased use of technology. They describe the virtual model as a lead organization that creates alliances with groups and individuals from different organizations who possess the highest competencies to build a specific product or service in a short period of time (see Figure 2).
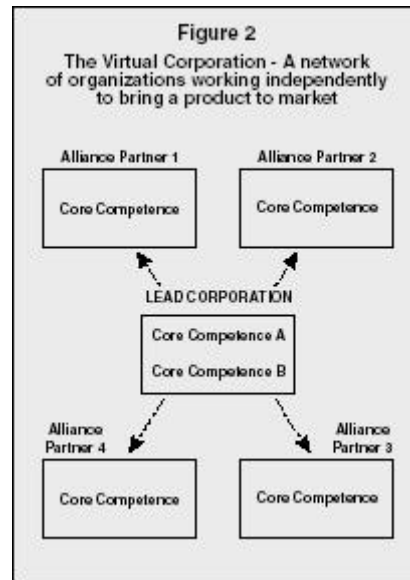

Figure 2
The Virtual Corporation - A network
of organizations working independently
to bring a product to market

Grenier and Meters further explain that these alliances are virtual because products and services are not produced in a single corporation whose purpose is longevity. Rather, these new virtual organizations consist of a hybrid of groups and individuals from different companies that might include customers, competitors, and suppliers who have a focused purpose of bringing a high-quality product or service to market as rapidly as possible. These alliances may be temporary with short concept-to-delivery cycles.

William Davidow and Michael Malone, authors of *The Virtual Corporation,* claim that virtual corporations will be central to the new business revolution. Their concept of the virtual corporation brings diverse innovations together such as just-in-time supply, work teams, flexible manufacturing, reusable engineering, worker empowerment, organizational streamlining, computer-aided design, total quality, and mass customization into a coherent vision for the twentieth century corporation.

The virtual corporation is more permeable than traditional organizational forms. Interfaces in a virtual organization between company, supplier, and customers continuously change, resulting in a blurring of traditional functions. Inside the office, work groups and job responsibilities may shift regularly. The virtual organization may not have a central office or an organizational chart. Suppliers, customers, and even competitors may spend time alongside one another in the virtual organization.

CHARACTERISTICS OF A VIRTUAL ORGANIZATION

Partners in virtual organizations share risks, costs, and rewards in pursuit of a global market. The common characteristics of these organizations include a purpose that is motivated by specific market opportunities, world-class core competence, information networks, interdependent relationships, and permeable boundaries.

Virtual organizations represent structures that are motivated by specific market opportunities. Once the alliance has been formed and the opportunity has been exploited, partners may move on to new partnerships and alliances.

Each partner in a virtual corporation contributes a world-class core competence, such as design, manufacturing, or marketing. This ability of multiple firms to create synergies among world-class functions and processes creates untold possibilities.

As organizations create these new linkages, advanced information technology becomes an important element, and key to the success of a virtual organization. Computerized information systems allow employees from geographically dispersed locations to link up with one another. The virtual office may use desktop videoconferencing, collaborative software, and intranet systems to enhance the flow of information among team members. Besides the need for instantaneous communication with one another, members of these autonomous virtual teams have increasing requirements regarding the amount and quality of information they need to do their work.

Members of the virtual organization, in turn, create a network of interdependent relationships. These relationships require firms to be much more dependent on one another than they have been in the past, demanding unprecedented levels of trust. Strong interdependencies cause organizations' boundaries to be blurred as competitors, suppliers, and customers enter into cooperative agreements. These new relationships among firms obligate organizations to use innovative management practices.

VIRTUAL TEAMS

Virtual teams are often the group structure used in virtual organizations. Jessica Lipnack and Jeffrey Stamps define virtual teams as "a group of people who interact through interdependent tasks guided by a common purpose." Unlike conventional teams, a virtual team performs work across space, time, and organizational boundaries connected by interactive communication technologies. Virtual teams may include employees, management, customers, suppliers, and government working together to achieve common goals. These teams often stay together only to perform its episodic task. They may work jointly on a new project, but when the product is designed and goes into production, the project is finished and the virtual team dissolves.

Lipnack and Stamps offer three key features for a successful virtual team. One is the choice of team members with the appropriate skills and knowledge for the task; second is the definition of a purpose to steer the group; and third is the effective linking of team members, including communication channels, interactions, and relationships.

Virtual team members are required to learn a new set of skills. One skill is the ability to interact with one another effectively despite infrequent or total lack of face-to-face contact. Another is the ability to assimilate quickly and effectively into new teams. Virtual team members should be technically adept to deal with the variety of required computer-based technologies. Additionally, virtual team members may need intercultural skills to work effectively in multi-national organizations.

VIRTUAL LEADERS

Greiner and Metes discuss the new leadership skills required to lead in the virtual environment, including the ability to manage a network of interdependent firms, to design virtual operations, to create and sustain virtual relationships with internal as well as external constituents, to support virtual teams, and to keep virtual teams focused. The leader of a virtual organization demands a new set of skills unlike the skills required in a traditional hierarchy.

VIRTUAL LEARNING

Another critical element to the success of the virtual organization is the ability of the organization to create world-class learning systems. These learning systems help leaders sustain or create world-class competencies. Effective learning systems can create pathways throughout the organization, in network fashion, enhancing the innovative capabilities of the organizational members. An organization's ability to sustain a leadership position in the world economy demands that organizations be on the cutting edge to develop rapid and elegant solutions to emerging consumer demands.

EXAMPLES OF VIRTUAL ORGANIZATIONS

An industry that is known for its use of partners and alliances is the entertainment industry, which has partnered with the computing, communications, consumer electronics, and publishing industries to convert movies, textbooks, and other software into digital formats.

Increasing numbers of firms are moving to these new organizational forms. Corning, the glass and ceramics maker, is one such firm known for making partnerships work to their advantage. Corning has partnered with such firms as Siemens, Germany's electronics conglomeration, and Vitro, Mexico's largest glassmaker. Alliances are so important to Corning's business strategy that the corporation has defined itself as a network of organizations.

Computer organizations that have successfully implemented forms of this new structure include Apple Computer and Sun Microsystems. When Apple Computer linked its easy-to-use software with Sony's manufacturing skills in miniaturization, Apple was able to get its product to market quickly and gain a market share in the notebook segment of the PC industry.

Sun Microsystems has been considered another highly decentralized organization comprised of independently operating companies. Sun positions information systems as a top priority, trying to achieve faster and better communication. With numerous "SunTeams," members operate across time, space, and organizations to address

critical business issues. Sun managers identify key customer issues and then form teams with the critical skills and knowledge needed to address the issue. This team might include sales people, marketing personnel, finance, and operations from various places around the globe; customers and suppliers may become episodic members as necessary. Weekly meetings may take place via conference calls. Critical to the team's success is the selection of talent from the organization, defining a clear purpose for the team's efforts, and establishing communication links among the team members.

Sun has been working on further development of technologies such as EDI (Electronic Data Interchange) and RFID (Radio Frequency Identification technology). Both EDI and RFID will impact information exchange globally and across numerous industries.

CHALLENGES

Virtual organizations can be very complex and problematic; they fail as often as they succeed. Among the many challenges of the virtual organization are strategic planning dilemmas, boundary blurring, a loss of control, and a need for new managerial skills.

Strategic planning poses new challenges as virtual firms determine effective combinations of core competencies. Common vision among partners is quintessential to cooperating firms. Focused on a common goal, firms develop close interdependencies that may make it difficult to determine where one company ends and another begins. The boundary-blurring demands that these boundaries be managed effectively. Coordinating mechanisms are critical elements for supporting these loose collections of firms.

Virtual structures create a loss of control over some operations. This loss of control requires communication, coordination, and trust among the various partners, as well as a new set of managerial skills. Employees are exposed to increased ambiguity about organizational membership, job roles and responsibilities, career paths, and superior-subordinate relationships. This ambiguity requires management to rethink rewards, benefits, employee development, staffing and other employee-related issues. Developing leaders who are able to create and sustain these organizational forms is critical.

Les Pang offers a list of best practices, based on a review of successful implementations of virtual organizations.

- Foster cooperation, trust and empowerment.
- Ensure each partner contributes and identifiable strength or asset.
- Ensure skills and competencies are complementary, not overlapping.
- Ensure partners are adaptable.
- Ensure contractual agreements are clear and specific on roles and deliverables.
- If possible, do not replace face-to-face interaction entirely.
- Provide training that is critical to team success.
- Recognize that it takes time to develop the team.
- Ensure that technology is compatible and reliable.
- Provide technical assistance that is competent and available.

FUTURE OF VIRTUAL ORGANIZATIONS

The business environment will no doubt require firms to become even more flexible, more agile, and to bring products and services to market at an increasing rapid pace. Traditional organization forms are no longer capable of sustaining the needs of this relentless pace. New forms of organizing, such as the virtual organization, hold promise as organizational leaders experiment and learn new strategies for managing in the twenty-first century and beyond. These new structures, however, will require managers and leaders to face exciting challenges as they move into an environment of increased uncertainty and volatility