

Unit 1

SHRM: Introduction, Characteristics and Scope of SHRM

Before we try to explain the meaning of strategic HRM, let us first define the terms ‘strategy’ and ‘strategic management’. The term ‘strategy’ is widely used in and presupposes importance. In the words of the Oxford Concise Dictionary, strategy means ‘generalship’. Thus, strategy is associated with the long-term decisions taken at the top of the enterprise. The original literary meaning of strategy is ‘the art and science of directing military forces’.

The term strategy is frequently being used in the present-day corporate world. It envisages thinking ahead to survive and grow in a highly competitive environment’. Strategy is concerned with determining which option will provide maximum benefits. According to Jauch and Glueck.

“Strategy is a unified, comprehensive and integrated plan that relates the strategic advantages of the firm to the challenges of the environment. It is designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organization”.

Characteristics of Strategic Human Resource Management(SHRM)

1. **Recognition of the outside Environment:** Outside environment presents some opportunities and threats to the organization in the form of-
 - Laws
 - Economic conditions
 - Social and demographic change
 - Domestic and international political forces
 - Technology and so on.

Strategic human resource strategy explicitly recognizes the threats and opportunities in each area and attempts to capitalize on the opportunities while minimizing or deflecting the effect of threats.

2. **The impact of Competition:** The forces of competition in attracting, rewarding, and using employees have a major effect on corporate human resource strategy. Forces play out in local, regional and national labor markets. Labor market dynamics of wage rates, unemployment rates, working conditions, benefits levels minimum wages legislation and competition reputation all have an impact on and are affected by strategic human resource decisions.
3. **Long-Range Focus:** A strategic human resource management should be long-range focus cause this is not easy to change the strategic human resource policy.

4. **Choice and Decision-making focus:** In other words, the strategy has a problem solving or problem preventing focus. Strategy concentrates on the question, “what should the organization do and why?” this action orientation requires that decisions be made and carried out.
5. **Consideration of all Personnel:** A strategic approach to human resources is concerned with all of the firm’s employees, not just its hourly or operational personnel. Traditionally, human resource management focuses on hourly employees, with most clerical exempt employees also included.
6. **Integration with the Corporate Strategy:** Human resource strategy adopted by a firm should be integrated with the firm’s corporate strategy.

The key idea behind overall strategic mgt is to coordinate all of the company’s resources, including human resources; in such a way that everything a company does contribute to carrying out its strategy.

Synergy means the extra benefit or value realized when resources have been combined and coordinated effectively. This concept often referred to as economies of scope, makes the combined whole of the company make valuable than the sum of its parts. It is a true benefit of good strategic management of resources.

Key Features of Strategic Human Resource Management

The key features of SHRM are

- There is an explicit linkage between HR policy and practices and overall organizational strategic aims and the organizational environment
- There is some organizing schema linking individual HR interventions so that they are mutually supportive
- Much of the responsibility for the management of human resources is devolved down the line

Approaches of the SHRM

- Attempts to link Human Resource activities with competency based performance measures
- Attempts to link Human Resource activities with business surpluses or profit

Impact of Globalization on HRM

When a business expands its operation into other countries, the impact of globalization on human resource development and management is significant. Companies need to consider a diverse range of practical adjustments to be able to hire, train, retain and support a workforce that’s often spread throughout several countries, which often have varying cultural identities. Human Resources departments must adapt their thinking and practices to include cultural differences, foreign regulations and technological developments.

Impact of Globalization on HRM

1. **Globalization of Human Capital**

Perhaps the greatest resource available to any company is the workforce it acquires and retains. As a company extends its base to a foreign shore, the impact of that globalization on HR procedures will extend to current workers and also to new employees. The HR department will need to increase support of its current staff, as they transfer overseas to new positions. Assistance with visas, work permits, and housing will be required, as well as training in cultural issues and perhaps language acquisition. New local talent must be acquired and developed, as well. A company's ability to move into new markets, will depend on its ability to fill needs with skilled workers. In some situations, local workers may meet the criteria, but in other situations, they may be more looking for skilled and already-trained employees to be transferred to positions in the new overseas location. In this case, the willingness of workers to become mobile could be a key factor to productivity.

2. **Corporate and Cultural Differences**

Another significant impact of globalization on human resource development is the necessity to consider cultural differences, both in and out of the workplace. Businesses tend to have their own corporate cultures or ways of operating, but there are societal and cultural differences between people as well. Cultural norms within a society affect the workforce and how workers view their jobs, especially in relation to time spent with their family and ideas about employment expectations. Some cultures may also have varying mores about gender roles, particularly concerning the role of women in leadership. While a female in a managerial position is not uncommon in American culture, the same may not hold true elsewhere.

Similarly, a manager brought in from the home office may not be the best person to manage an overseas staff, because they do not understand all the nuances of the local culture and what's considered acceptable business practice. For example, in some countries, the typical work day may be quite different from the traditional 9 to 5 hours. Workers might be accustomed to starting their day earlier in the morning, taking a longer mid-day break for lunch and rest and then returning finishing their work by early evening. A manager who adapts to local culture may find better success among his employees.

3. **Employment and Tax Laws**

Global expansion is also affected by varying tax and labor laws. HR departments need to be prepared to deal with different tax rates, benefit requirements or labor and environmental regulations. These requirements may be in addition to or even in conflict with current corporate policies, so adjustments to maintain compliance with local governments are necessary. HR managers must become experts in issues that not only pertain to their industry, but keep current with issues and government policies within the countries in which their company now operates.

4. **Long-Distance Communication Challenges**

In a small, local business, the HR manager can ask an employee to stop by the HR office to sign a form, discuss an issue with their paycheck or to handle a policy-related issue. When managing employees over great distances and perhaps in several sites spread around the

globe, HR departments face a bigger challenge in communicating with their employees. Often, they must rely on technology such as email or conference calling to relay information, thereby eliminating some of the more direct human elements of interaction. Offices are also open during different points in the 24-hour work day, so that even simple issues may take more time to resolve. Although forms and HR management software should be standardized throughout the company, accommodations may have to be made for language differences, as well.

Changing Nature of Workforce

Advances in technology, a more demanding workforce and shifts in priorities are combining to change the shape of traditional business and create a revolution in the workplace.

The way we work, the shape of our company structures and the expectations of our employees have all undergone a fundamental shift in the 21st century. With technology as the catalyst, the momentum of this shift is only going to increase.

Give them flexibility

Employees won't just be happy doing one job anymore and looking for vertical progression within that job. Climbing the corporate ladder is a thing of the past. Flexible and flat structures allow employees to work across multiple areas of the business. This not only improves their own skills and keeps them engaged but it adds significant value to the company by building a base of employees who are familiar with different aspects of how the business operates. With this increased understanding the employee is then able to perform at a much higher level.

Use technology to create a better experience

Tech isn't something new to Millennials. They have been raised with technology readily available, especially smart phones which form the hub of the way they communicate, interact and socialise. That's why integrating key business tools onto a mobile platform is absolutely essential for forward thinking businesses. At Quinyx, our mobile app is used by more than 300,000 users each day, who not only use it to see when they are working next but to also see who they are working with and communicate with them through the app. Their familiarity with mobile technology and expectations of being able to complete any task with their smart phone are all met. In making their lives more simple, it then allows them to focus on doing their job.

Put health and wellbeing first

Employers who manage their employees health and wellbeing successfully will reap the benefits of doing so. This covers everything from nutrition, exercise, mindfulness and even sleep. It also means creating an environment where employees enjoy spending time. Not only does this demonstrate a strong duty of care from the employer but it will also improve employee

performance on a purely physical level. For example, an employee who has trouble sleeping won't be able to perform at their optimum.

BP are using fitness trackers as part of an incentive programme to help employees reduce healthcare costs while UK supermarket Tesco's use smart armbands as a working aid in their distribution centres.

Just like advances in sport science are helping coaches and athletes improve their performance through data, companies are now looking at ways they can do the same to optimise their employees performance to gain advantage over their competition.

Understanding the needs of your staff, and how these needs change over time, helps you create a business where employees enjoy work. It's through enjoying work that employees are able to perform to the best of their abilities and deliver results.

Evolution of SHRM

HRM can be seen as part of the wider and longer debate about the nature of management in general and the management of employees in particular. This means that tracing the antecedents of HRM is as elusive an exercise as arriving at its defining characteristics. Certainly there are antecedents in organizational theory, and particularly that of the human relations school, but the nature of HRM has involved important elements of strategic management and business policy, coupled with operations management, which make a simple 'family tree' explanation of HRM's derivation highly improbable.

What can be said is that the origins of HRM lie within employment practices associated with welfare capitalist employers in the United States during the 1930s. Both Jacoby (1997) and Foulkes (1980) argue that this type of employer exhibited an ideological opposition to unionisation and collective relations. As an alternative, welfare capitalists believed the firm, rather than third-party institutions such as the state or trade unions, should provide for the security and welfare of workers. To deter any propensity to unionise, especially once President Roosevelt's New Deal programme commenced after 1933, welfare capitalists often paid efficiency wages, introduced health care coverage, pension plans and provided lay-off pay.

Equally, they conducted regular surveys of employee opinion and sought to secure employee commitment via the promotion of strong centralised corporate cultures and long-term cum permanent employment. Welfare capitalists pioneered individual performance-related pay, profit-sharing schemes and what is now termed teamworking. This model of employment regulation had a pioneering role in the development in what is now termed HRM but rested on structural features such as stable product markets and the absence of marked business cycles. While the presence of HRM was well established in the American business system before the 1980s, it was only after that period that HRM gained external recognition by academics and practitioners.

There are a number of reasons for its emergence since then, among the most important of which are the major pressures experienced in product markets during the recession of 1980–82, combined with a growing recognition in the USA that trade union influence in collective employment was reaching fewer employees. By the 1980s the US economy was being challenged by overseas competitors, most particularly Japan. Discussion tended to focus on two issues: 'the productivity of the American worker', particularly compared with the Japanese worker, 'and the declining rate of innovation in American industries' (Devanna *et al.*, 1984: 33).

From this sprang a desire to create a work situation free from conflict, in which both employers and employees worked in unity towards the same goal – the success of the organisation (Fombrun, 1984: 17). Beyond these prescriptive arguments and as a wide-ranging critique of institutional approaches to industrial relations analysis, Kaufman (1993) suggests that a preoccupation with pluralist industrial relations within and beyond the period of the New Deal excluded the non-union sector of the US economy for many years.

In summary, welfare capitalist employers (soft HRM) and antiunion employers (hard HRM) are embedded features within the US business system, whereas the New Deal Model was a contingent response to economic crisis in the 1930s. In the UK in the 1980s the business climate also became conducive to changes in the employment relationship. As in the USA, this was partly driven by economic pressure in the form of increased product market competition, the recession in the early part of the decade and the introduction of new technology.

However, a very significant factor in the UK, generally absent from the USA, was the desire of the government to reform and reshape the conventional model of industrial relations, which provided a rationale for the development of more employer-oriented employment policies on the part of management (Beardwell, 1992, 1996). The restructuring of the economy saw a rapid decline in the old industries and a relative rise in the service sector and in new industries based on 'high-tech' products and services, many of which were comparatively free from the established patterns of what was sometimes termed the 'old' industrial relations.

These changes were overseen by a muscular entrepreneurialism promoted by the Thatcher Conservative government in the form of privatisation and anti-union legislation 'which encouraged firms to introduce new labour practices and to re-order their collective bargaining arrangements' (Hendry and Pettigrew, 1990: 19).

The influence of the US 'excellence' literature (e.g. Peters and Waterman, 1982; Kanter, 1984) also associated the success of 'leading edge' companies with the motivation of employees by involved management styles that also responded to market changes. As a consequence, the concepts of employee commitment and 'empowerment' became another strand in the ongoing debate about management practice and HRM. A review of these issues suggests that any discussion of HRM has to come to terms with at least three fundamental problems:

- That HRM is derived from a range of antecedents, the ultimate mix of which is wholly dependent upon the stance of the analyst, and which may be drawn from an eclectic range of sources;
- That HRM is itself a contributory factor in the analysis of the employment relationship, and sets part of the context in which that debate takes place;
- That it is difficult to distinguish where the significance of HRM lies – whether it is in its supposed transformation of styles of employee management in a specific sense, or whether in a broader sense it is in its capacity to sponsor a wholly redefined relationship between management and employees that overcomes the traditional issues of control and consent at work.

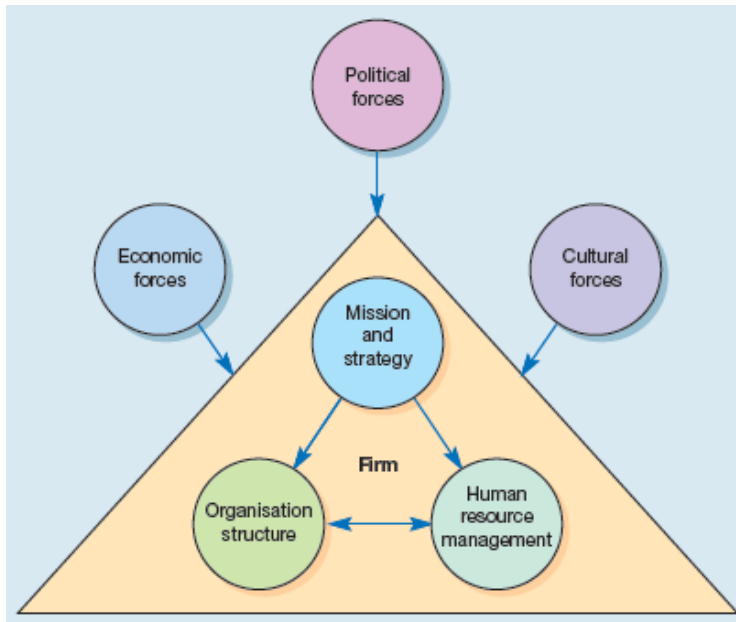
This ambivalence over the definition, components and scope of HRM can be seen when examining some of the main UK and US analyses. An early model of HRM, developed by Fombrun *et al.* (1984), introduced the concept of strategic human resource management by which HRM policies are inextricably linked to the 'formulation and implementation of strategic corporate and/or business objectives'. The model is illustrated in Figure (The matching model of HRM). The matching model emphasises the necessity of 'tight fit' between HR strategy and business strategy.

This in turn has led to a plethora of interpretations by practitioners of how these two strategies are linked. Some offer synergies between human resource planning (manpower planning) and business strategies, with the driving force rooted in the 'product market logic' (Evans and Lorange, 1989). Whatever the process, the result is very much an emphasis on the *unitarist* view of HRM: unitarism assumes that conflict or at least differing views cannot exist within the organisation because the actors – management and employees – are working to the same goal of the organisation's success.

What makes the model particularly attractive for many personnel practitioners is the fact that HRM assumes a more important position in the formulation of organisational policies. The personnel department has often been perceived as an administrative support function with a lowly status. Personnel was now to become very much part of the human resource management of the organisation, and HRM was conceived to be more than personnel and to have peripheries wider than the normal personnel function. In order for HRM to be strategic it had to encompass all the human resource areas of the organisation and be practised by all employees.

In addition, decentralisation and devolvement of responsibility are also seen as very much part of the HRM strategy as it facilitates communication, involvement and commitment of middle management and other employees deeper within the organisation. The effectiveness of organisations thus rested on how the strategy and the structure of the organisation interrelated, a concept rooted in the view of the organisation developed by Chandler (1962) and evolved in the matching model.

The Matching Model of HRM

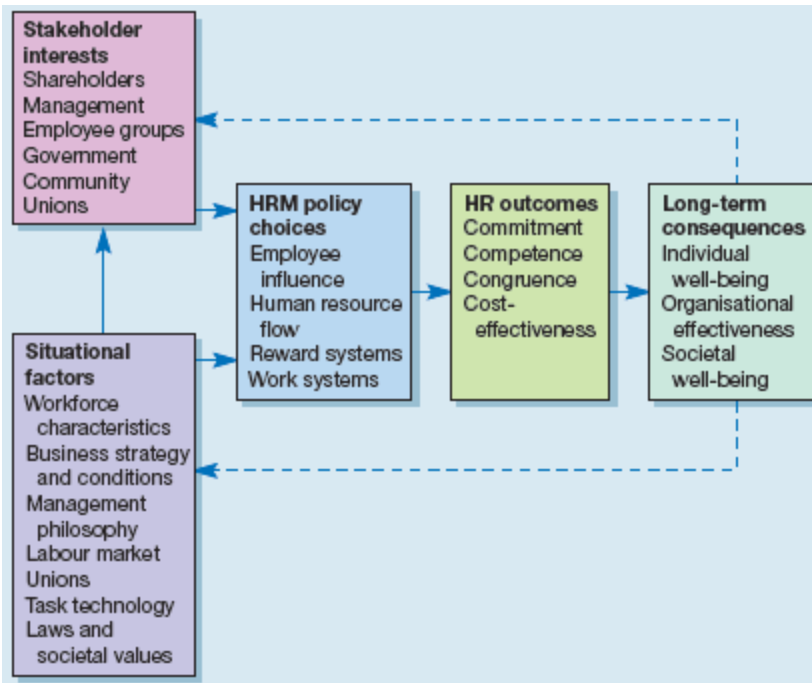


A more flexible model, illustrated in Figure, was developed by Beer *et al.* (1984) at Harvard University. 'The map of HRM territory', as the authors titled their model, recognised that there were a variety of 'stakeholders' in the corporation, which included shareholders, various groups of employees, the government and the community. At once the model recognises the legitimate interests of various groups, and that the creation of HRM strategies would have to recognise these interests and fuse them as much as possible into the human resource strategy and ultimately the business strategy.

This recognition of stakeholders' interests raises a number of important questions for policy-makers in the organisation: The acknowledgement of these various interest groups has made the model much more amenable to 'export', as the recognition of different legal employment structures, managerial styles and cultural differences can be more easily accommodated within it.

This *neopluralist* model has also been recognised as being useful in the study of comparative HRM (Poole, 1990: 3–5). It is not surprising, therefore, that the Harvard model has found greater favour among academics and commentators in the UK, which has relatively strong union structures and different labour traditions from those in the United States. Nevertheless, some academics have still criticised the model as being too unitarist, while accepting its basic premise (Hendry and Pettigrew, 1990).

The Map of the HRM Territory



The first two main approaches to HRM that emerged in the UK are based on the Harvard model, which is made up of both prescriptive and analytical elements. Among the most perceptive analysts of HRM, Guest has tended to concentrate on the prescriptive components, while Pettigrew and Hendry rest on the analytical aspect (Boxall, 1992). Altho

Models of Strategic HRM

The defining features of HRM is popularly known as models. These models provide analytical framework for studying HRM. They provide characterization of HRM that establishes variables and relationship to be researched. Four most common models are :

1. The Fombrun Model
2. The Harvard Model
3. The Guest Model and
4. The Warwick Model

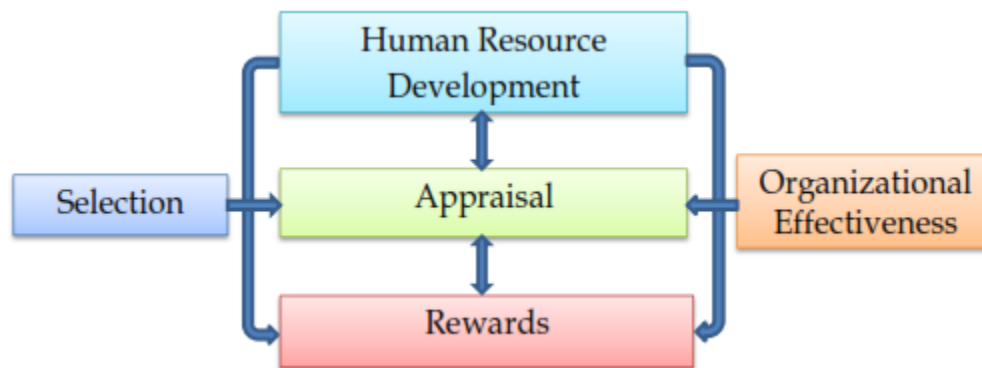
All these models serve the following purposes:

- They provide an analytical framework for studying HRM for example, situational factors, stakeholders, strategic choice levels, competence etc.
- They validate certain HRM practices and provide distinctiveness to HRM practices.
- They provide a characterization of HRM that establishes variables and relationship to be researched.

- They help to discover and understand the world for explaining the nature and significance of key HR practices.

1. THE FOMBRUN MODEL

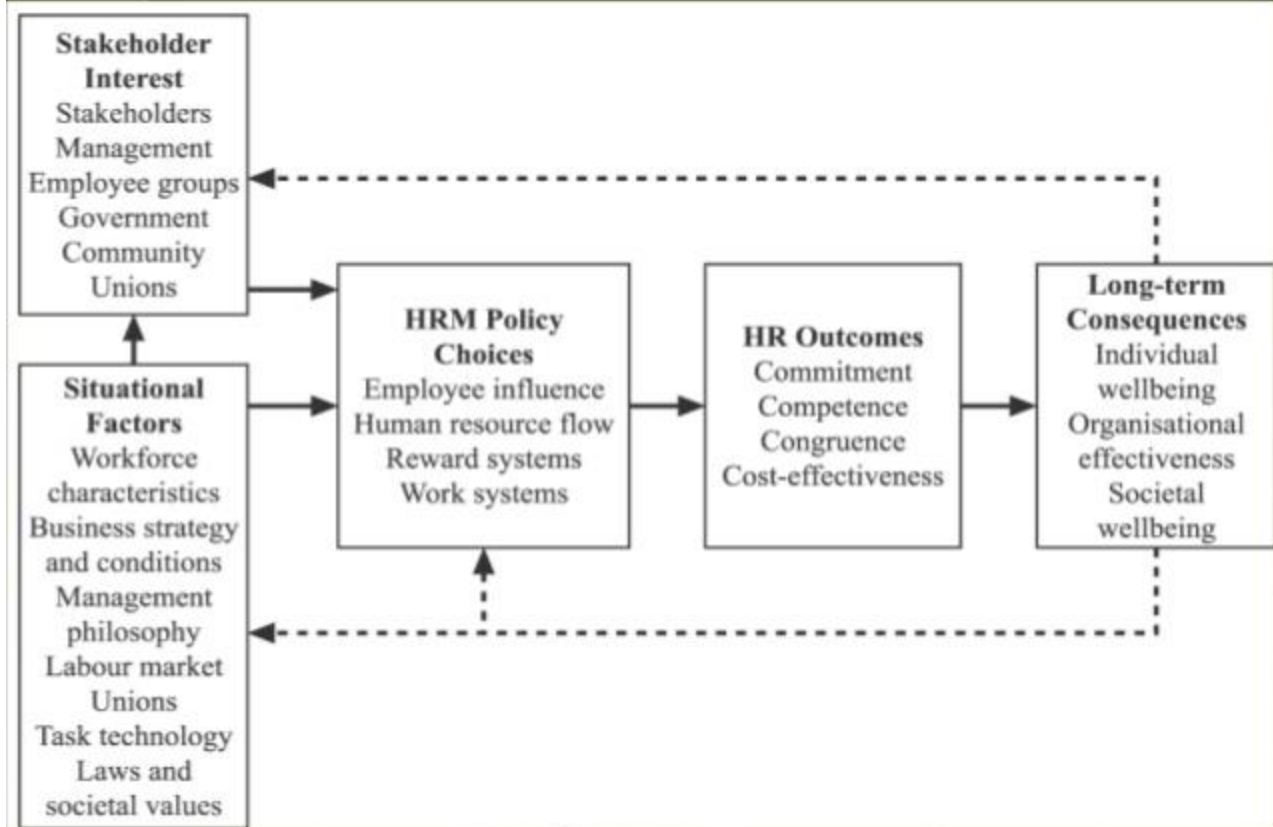
This is the model of HRM. It emphasizes four functions of management and their interrelatedness: Selection, Appraisal, Development and Rewards. This model is incomplete as it focuses on only four functions of HRM and ignores all other environmental and contingency factors. But, this model is simple and can serve as a heuristic framework for explaining the nature and significance of HR activities.



2. THE HARVARD MODEL

This model consists of six critical components of HRM: stakeholder interests, situational factors, HRM policy choices, HR outcomes, long-term consequences, and a feedback loop through these elements.

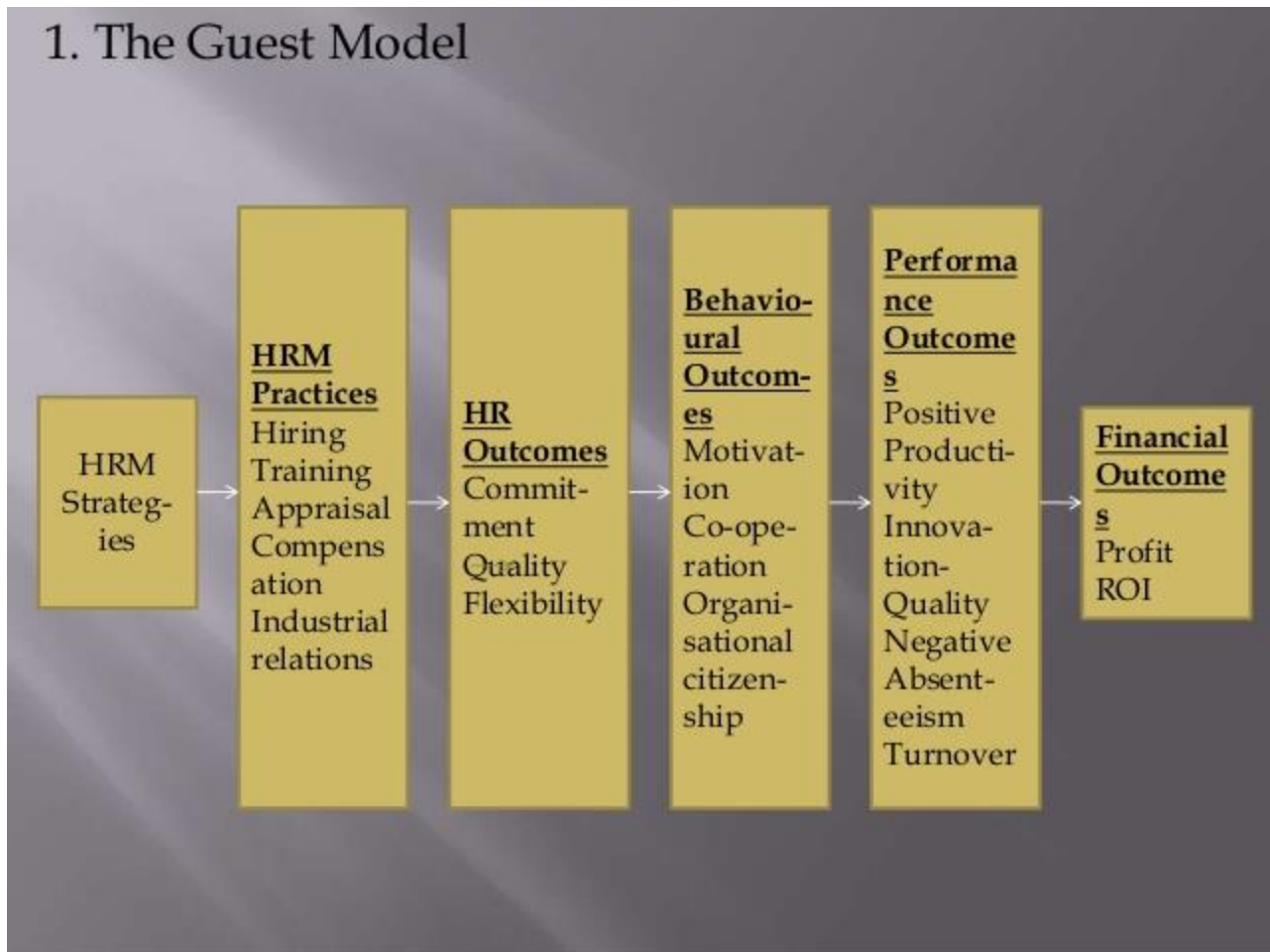
Harvard Model of HRM



3. THE GUEST MODEL

This model was developed by David Guest in 1997. This model emphasizes on the assumption that HR manager has specific strategies to begin with, which demand certain practices and when executed will result in outcomes. These out comes include behavioral performance related and financial rewards. The model emphasizes the logical sequence of six components : HR strategy, HR practices, HR outcomes, Behavioral outcomes, Performance results and financial consequences.

1. The Guest Model

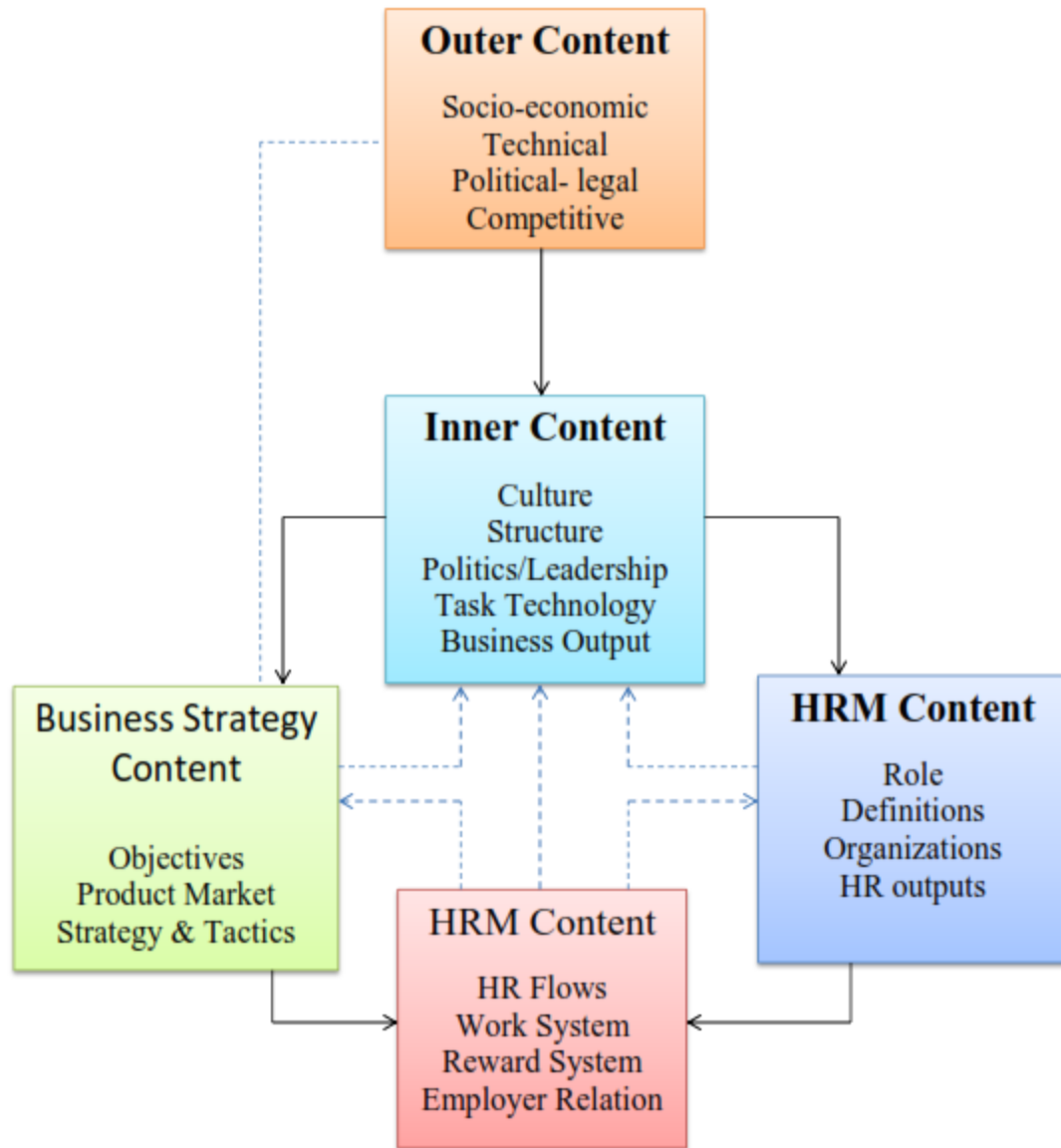


4. THE WARWICK MODEL

This model was developed by two researchers, Hendry and Pettigrew of University of Warwick (hence the name Warwick model). Like other human resource management models, the Warwick proposition centers around five elements-

- Outer context (macro environmental forces)
- Inner context (firm specific or micro environmental forces)
- Business strategy content
- HRM context
- HRM content

The strength of this model is that it identifies and classifies important environment influences on HRM. This model takes cognizance of business strategy and HR practices, the external and internal content, in which these activities take place and process by which such changes take place including transactions between changes in both external content and internal content.



THE 5-P'S MODEL OF HRM

- **Philosophy:** Expressed in statements defining business values and culture. It expresses how to treat and value people.
- **Policies:** Expressed as shared values and guidelines. Policies establish guidelines for action on people related business issues and HR programs.
- **Programs:** Articulated as human resource strategy. These coordinate efforts to facilitate change to address major people related business issues.
- **Practices:** For leadership managerial and operational role practices motivate needed role behaviors.

Development and Delivery of HR Strategies

Eight key steps in the Development and delivering a successful HR strategy

1. Aligning business and HR needs

The business' goals that is its strategic imperatives – sit at the heart of any HR strategy and in order to align business and HR needs one key question must to be answered, “Can your organization's internal capability deliver its business goals?”

This is where HR receives most criticism. The function is frequently accused of failing to fully understand its business, goals and strategy for achieving these goals, and its business model and how it delivers to its customers. For those who already understand the demands of their business, it is easy to identify where the business has strong core competencies and where the business is weakest.

Sometimes these weaknesses are related to essential systems or processes, but more often – and significantly for HR – these weaknesses relate to the quality of the workforce, its motivation and ability to deliver organization performance. Taking steps to understand your business and where it has competitive advantage is an essential first step towards determining the key HR interventions that form the basis of an HR strategy.

2. Developing your HR strategy

Deeper knowledge and understanding of your business goals and business model can identify potential threats and opportunities in the quantity and quality of human resource required by your organization. This in turn identifies the key components of your HR strategy and the virtuous circle of providing whatever your organization needs for success.

It is also critical that the HR team has a high level of expertise in aligning major HR interventions and their relevance to business performance. This calls for expert HR thinking and identifies the requisite interventions and, equally important, how they fit together to leverage organization performance.

If there is a strong need for the organization to develop its management capability, for instance, should you align your compensation strategy to reinforce this objective? If the organizational structure defines the accountabilities clearly at every level of the organization, is your HR team selecting and developing against them? This is joined-up HR at work.

Another concern for HR is when it should make strategic interventions. Easy, it either follows your business cycle, or is triggered by other key events such as a merger, an acquisition or a change in business direction.

3. **Organizational performance**

Organizational performance is the process by which business goals and objectives are cascaded and managed across and down an organization. It provides a link and rationale for all other HR activity and, in addition, the greatest opportunity to directly impact business success, enhancing HR's reputation and contribution.

HR needs to create and install a robust performance management process that sets out performance objectives for all levels of staff within a business. This is an opportunity to develop line managers' skills in being able to disseminate and set stretch targets for their business.

A critical part of this process is a robust performance review process, which gives people feedback about what has been achieved – what people have done well and not so well.

The third element is a personal development review process where individual strengths and weaknesses are identified for the purposes of assessing and meeting organizational development needs.

4. **Organizational design and structure**

Organizational design is the shape, size and structure of the organization required to meet customers' needs. It reflects the management processes that drive the business model and determines organizational agility and flexibility. These processes can be a source of competitive advantage or sources of frustration, unnecessarily absorbing time, cost and resources.

Decisions affecting the shape, size and cost of the organization will be aligned with the business strategy. It should be relatively easy to see whether an organization invests in marketing, sales or manufacturing, for instance, and whether the organization is maximising its work flow capability.

As people experts, the role of HR is to add value to the structure and operation of the business. Structural weaknesses offer an opportunity to revamp any part of the organization by identifying and making appropriate changes, reductions in size or cost; or improvements to the quality of the operation.

Conversely, structural strengths are a signal to the HR team to reinforce organizational competence.

5. **Strategic resourcing**

Achieving clarity throughout the organization's structure is critical in order for resourcing strategies to work well. If the organization is transparent about its key roles and accountabilities, this will define the skills and knowledge required to undertake the work and determine strategic resourcing requirements.

Deciding on your resourcing strategy means identifying a number of critical components. These range from the processes needed to determine resourcing needs, the processes to attract the right people and the processes for assessing and selecting the right people. HR has a strong traditional involvement in all of the above. In addition, it is essential to ensure each stage of the resourcing activity is aligned and in direct response to the strategic imperatives.

Another important component determining the effectiveness of any resourcing strategy is the need to create a 'recruitment brand' – how the image (or brand) of the organization appears to the recruitment market can either support or undermine the success of a resourcing strategy.

6. **Organization development**

If strategic resourcing is about providing a pipeline for importing external talent, then an organization's development strategy is the way in which the HR team decides what changes and improvements need to be made to the current workforce.

Usually these responses work at three levels – the individual, team and organization – and all are geared to achieve high levels of organizational performance. It requires a close examination of the strategic imperatives and clarity about the capabilities to execute it.

Development responses will aim to increase business skills, the application of business skills (sometimes called competencies) and the behavioural elements – all of which contribute to an organization's effective performance. It is important at an individual level, particularly for senior people, that they feel their development needs are agreed and that they are provided with the skills to do their jobs.

At a team level, it defines individuals' ability to work with others flexibly and align individual and team skills and activity to business goals all of which ensure that the organization is equipped to deliver its goals.

7. **Compensation and benefits**

Often called reward strategy, the purpose of compensation and benefits systems is to align the performance of the organization with the way it rewards its people, providing the necessary incentives and motivation required for an organization to deliver its goals.

Its components are a combination of base pay, bonuses, profit sharing, share options, and a range of appropriate benefits, usually based on market or competitor norms and the organization's ability to pay. Typically, the components of an organization's reward strategy will reflect the particular performance culture of a business.

There is evidence that organizations see compensation as a strategic management lever and are increasingly experimenting with new practices – team bonuses, for example, aimed at improving team performance or skills/behaviour payments to upskill the workforce or reinforce culture or behaviour change. A company’s reward policy in particular benefits from clarity about which other elements of the HR strategy it aims to support.

8. **Organization culture**

Culture is usually described as the “way we do things round here” – the way the organization acts, reacts and interacts. The trend in the last 10 to 15 years has been to align organizational behaviour more strongly with customers’ needs, creating customer-facing units and customer-sensitive behaviours. This has been as a direct result of the increased competition around product, quality, prices and packaging. In re-aligning an organization’s culture there can be real benefit and competitive advantage through improved service.

HR teams which are closely involved with the organization’s cultural ambitions can lead these initiatives through their knowledge of organization psychology such as describing new behaviours and work styles; and through their skills in organizational development and being able to provide development solutions to deliver the improvements.

Challenges in Strategic Human Resource Management

It is important to identify what consequences SHRM has on the performance of business. In other words, as HRM is concerned with the people implications of the company, how can it change the vision of the organizations future and how can it help to fulfill the mission.

The key role of strategic HR management is already known and there are some issues that HR strategy may address:

1. **Structure**

The success of the company depends a lot on whether there is a proper management structure in place.

2. **Team-working**

By withdrawing old traditional hierarchies a background of creating a team building is created. In a lot of cases, the less layers there are between the workers and director there are, the more harmonized is the working environment. Also the communication between staff is easier and more effective. In addition to that, it could have far-reaching effects on flexibility and performance and to achieving a better coordination of business.

3. Performance

This strategy is based on an analysis of the critical success factors and the performance levels reached in relation to them. The performance can be improved by taking the steps to improve training, development, reorganization, the development of performance management processes, business process re-engineering, etc. A lot of companies have already adopted performance management processes in which the emphasis is on performance improvement and development and not reward. This scheme brings new priorities of involvement, teamwork and self-development.

4. Quality and customer care

The aim of most companies is to achieve the competitive advantage. The competitive advantage is often measured by customer satisfaction and hence loyalty and retention. Innovation and cost reduction is still important but the main focus of attention should be the customers because if they reject the product due to it not meeting their expectations then everything else loses the sense. Therefore the strategy for quality should be built into the business strategy.

Achieving a complete integration of HR and business strategies is quite complicated. Partly the reason for that is that in the past HR manager in the company was not considered to be a part of a general management team. Furthermore, the personnel advice was not a part of strategic direction. However, in today's modern business HR is indispensable.

Impact of Strategic HRM

Strategic management of human resources represents a transformation that is relatively new in the field of human resource management. An important role of strategic human resource management is about focusing the management in employees as a tool to gain competitive advantage. Now, organizations are made aware that successful human resources policies and practices of appropriate can increase performance in various areas such as productivity, quality and financial performance.

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Performance management is a planned process in which key elements are different measurement, feedback, positive reinforcement and ongoing dialogue between managers and employees. It has to do with measurement results in the form of performance achieved in comparison with the expectations expressed as objectives. Also, it has to do with the inputs and values. Inputs are the knowledge, skills and behaviors necessary to produce the expected results. Needs are identified by defining these requirements and evaluate the

degree to which the expected levels of performance are achieved through effective use of knowledge and skills, appropriate behavior.

Performance management strategy has to do with all the business and not just the managers. So managers are not only responsible for delivering the required performance. Managers should have the confidence to distribute authority and responsibility throughout the organization. In a sense, managers need to collaborate and consider as part of their own people in order to report on achieving the required performance. Managers and their teams are jointly responsible for the results and are both involved in agreeing what they should do and how they should do it. Performance management processes are part of sweeping across the organization. Managers and other employees of the organization should work together to jointly commit to achieving the performance.

Performance management strategy should focus on the development to a continuous and flexible process involving managers and all the organization that operate as a single team. This should determine how they can best work together to achieve the required results. This makes it possible to focus on the planning of future performance and performance improvements existing. HRM Strategy provides the basis for regular dialogue and frequent between managers and other employees about performance needs and further development of the organization. Strategic human resource management may bring a number of benefits to the organization :

- Contributing to the goal accomplishment and the survival of the company,
- Supporting and successfully implementing business strategies of the company,
- Creating and maintaining a competitive advantage for the company,
- Improving the responsiveness and innovation potential of the company,
- Increasing the number of feasible strategic options available to the company,
- Participating in strategic planning and influencing the strategic direction of the company as an equally entitled member of top management
- Improving cooperation between the HRM department and line managers.

SHRM for Competitive Advantage

The resource-based view of the firm (RBV) represents a paradigm shift in SHRM thinking by focusing on the internal resources of the organisation, rather than analyzing performance in terms of the external context. Advocates of the resource-based view of SHRM help us to understand the conditions under which human resources become a scarce, valuable, organisation-specific, difficult-to-imitate resource, in other words key 'strategic assets' (Barney and Wright, 1998; Mueller, 1998; Amit and Shoemaker, 1993; Winter, 1987).

Proponents of the resource-based view of the firm (Penrose, 1959; Wernerfelt, 1984; Amit and Shoemaker, 1993) argue that it is the range and manipulation of an organisation's resources, including human resources, that give an organization its 'uniqueness' and source of sustainable competitive advantage. Their work has resulted in an 'explosion of interest in the Resource-Based perspective' (Boxall and Purcell, 2003: 72), particularly in seeking ways to build and

develop 'unique bundles' of human and technical resources that will lead to enhanced organisational performance and sustainable competitive advantage.

Barney (1991, 1995) and Barney and Wright (1998) contribute to the debate on strategic HRM in two important ways. Firstly, by adopting a resource-based view (Barney, 1991; Wernerfelt, 1984), they provide an economic foundation for examining the role of human resource management in gaining sustainable competitive advantage. Secondly, in providing a tool of analysis in the VRIO framework, and by considering the implications for operationalising human resource strategy, they emphasise the role of the HR executive as a strategic partner in developing and sustaining an organisation's competitive advantage.

The resource-based view therefore recognises the HR function (department) as a key 'strategic' player in developing sustainable competitive advantage and an organisation's human resources (employees) as key assets in developing and maintaining sustainable competitive advantage.

The VRIO framework

The resource-based view of SHRM explores the ways in which an organisation's human resources can provide sustainable competitive advantage. This is best explained by the VRIO framework:

- Value
- Rarity
- Inimitability
- Organisation
- Value

Organisations need to consider how the human resources function can create value; it is quite common in organisations to reduce costs through HR such as the reduction in headcount and the introduction of flexible working practices etc., but it is also important to consider how they might increase revenue. Reicheld (1996) has identified human resources' contribution to the business as *efficiency*, but also as customer selection, customer retention and customer referral, thus highlighting the impact of HR's contribution through enhanced customer service and *customer added value*.

This view is reflected by Thompson (2001), in recognising the paradigm shift from traditional added value through economy and efficiency to ensuring that the potential value of outputs is maximized by ensuring that they fully meet the needs of the customers for whom the product or service is intended. The suggestion of the resource-based view is that if Human Resources wishes to be a 'strategic partner', they need to know which human resources contribute the most to *sustainable competitive advantage* in the business, as some human resources may provide greater leverage for competitive advantage than others.

Hamel and Prahalad (1993) therefore identify that productivity and performance can be improved by gaining the same output from fewer resources (*rightsizing*) and by achieving more

output from given resources (*leveraging*). In order to achieve this, Human Resources may ask themselves the following questions:

- On what basis is the firm seeking to distinguish itself from its competitors? Production efficiency? Innovation? Customer service?
- Where in the value chain is the greatest leverage for achieving differentiation?
- Which employees provide the greatest potential to differentiate a firm from its competitors?

This approach has further implications for the role of human resource managers in a firm, as they need to understand the economic consequences of human resource practices and understand where they fit in the value chain. Barney and Wright (1998: 42) suggest that the Human Resources function needs to be able to explore the following questions:

- Who are your internal customers and how well do you know their part of the business?
- Are there organisational policies and practices that make it difficult for your internal clients to be successful?
- What services do you provide? What services should you provide? What services should you not provide?
- How do these services reduce internal customers' costs/increase their revenues?
- Can these services be provided more efficiently by outside vendors?
- Can you provide these services more efficiently?
- Do managers in the HR function understand the economic consequence of their jobs?

The *value* of an organisation's resources is not sufficient alone, however, for *sustainable* competitive advantage, because if other organisations possess the same value, then it will only provide *competitive parity*. Therefore an organisation needs to consider the next stage of the framework: rarity.

- Rarity

The HR Executive needs to consider how to develop and exploit rare characteristics of a firm's human resources to gain competitive advantage. Nordstrom is an interesting case, because it operates in a highly competitive retail industry where you would usually expect a lower level of skill and subsequently high labour turnover. Nordstrom, however, focused on individual salespeople as a key source of its competitive advantage. It therefore invested in attracting and retaining young collegeeducated people who desired a career in retailing.

To ensure horizontal integration, it also provided a highly incentive-based compensation system (up to twice the industry average), and it encouraged employees to make a 'heroic effort' to attend to customers' needs. Thus, by investing in its human resources, and ensuring an integrated approach to development and reward, Nordstrom has taken a 'relatively homogeneous labour pool, and exploited the *rare* characteristics to gain a competitive advantage' (Barney and Wright, 1998: 34).

- Inimitability

If an organisation's human resources add value and are rare, they can provide competitive advantage in the short term, but if other firms can imitate these characteristics, then over time competitive advantage may be lost and replaced with *competitive parity*. The third element of the VRIO framework requires Human Resources to develop and nurture characteristics that cannot be easily imitated by the organisation's competitors. Barney and Wright (1998) recognise the significance of 'socially complex phenomena' here, such as an organisation's unique history and culture, which can be used to identify niche practices and behaviours which enable organisations to 'leapfrog' their competitors.

Alchian and Demsetz (1972) also identified the contribution of *social complexity* in providing competitive advantage, in their work on the potential *synergy* that results from effective teamwork. They found that this ensured a rare and difficult-to-copy commodity for two reasons: firstly, it provided competitive advantage through its *causal ambiguity*, as the specific source of the competitive advantage was difficult to identify; secondly, through its *social complexity*, as synergy resulted as team members were involved in socially complex relationships that are not transferable across organisations. So characteristics such as trust and good relationships become firm-specific assets that provide value, are rare and are difficult for competitors to copy.

The extract above (Box 2.3) demonstrates the strength of *inimitability*: SW Airlines exemplifies the role that socially complex phenomena, such as culture, can play in gaining competitive advantage. Top management attribute the company's success to its 'personality', a culture of 'fun' and 'trust', that empowers employees to do what it takes to meet the customers' needs. This is reinforced through an extensive selection process, and a culture of trust and empowerment reinforced by the CEO. SW Airlines attributes its strong financial success to its 'personality', which CEO Kelleher believes cannot be imitated by its competitors. So the human resources of SW Airlines serve as a source of sustainable competitive advantage, because they create value, are rare and are virtually impossible to imitate.

- Organisation

Finally, to ensure that the HR function can provide *sustainable* competitive advantage, the VRIO framework suggests that organisations need to ensure that they are *organized* so that they can capitalise on the above, adding value, rarity and inimitability. This implies a focus on horizontal integration, or *integrated, coherent systems of HR practices* rather than individual practices, that enable employees to reach their potential (Guest, 1987; Gratton *et al.*, 1999; Wright and Snell, 1991; Wright *et al.*, 1996).

This requires organisations to ensure that their policies and practices in the HR functional areas are coordinated and coherent, and not contradictory. Adopting such a macro-view, however, is relatively new to the field of SHRM, as 'each of the various HRM functions have evolved in isolation, with little coordination across the disciplines' (Wright and McMahan, 1992). Thus there is much best-practice literature focusing on the microperspective, for example on identifying appropriate training systems, or conducting performance appraisals, or designing selection systems.

Although this literature has now evolved and recognised the ‘strategic’ nature of the functional areas, it has tended to focus on vertical integration at the expense of horizontal integration, thus there is still limited development in the interplay between employee resourcing, employee development, performance, reward and employee relations strategies. This discussion is explored in more detail in the next section: best-practice SHRM.

So, to conclude on the VRIO framework, if there are aspects of human resources that do not provide value, they can only be a source of competitive disadvantage and should be discarded; aspects of the organisation’s human resources that provide value and are rare provide competitive parity only; aspects that provide value, are rare but are easily copied provide temporary competitive advantage, but in time are likely to be imitated and then only provide parity.

So to achieve competitive advantage that is sustainable over time, the HR function needs to ensure the organisation’s human resources provide value, are rare, are difficult to copy and that there are appropriate HR systems and practices in place to capitalise on this. Mueller (1998), in advocating the resource-based view of SHRM, argues that ‘the existing theorising in strategic HRM needs to be complemented by an evolutionary perspective on the creation of human resource competencies’.

He echoes Mintzberg’s concerns (1987) that an overly-rationalistic approach to strategy-making tends to focus too much attention on past successes and failures, when what is really needed is a level of strategic thinking that is radically different from the past. He identifies a lack of theoretical and empirical evidence to justify the emphasis on rational, codified policies of HRM, and reflects Bamberger and Phillips (1991) in describing human resource strategy as an ‘emergent pattern in a stream of human-resource related decisions occurring over time’.

Thus the strategic planning approach may be viewed by some as a ‘metaphor employed by senior management to “legitimise emergent decisions and actions”’ (Gioia and Chittipeddi, 1991). Unlike contingency and universalist theorists (Schuler and Jackson, 1987; Miles and Snow, 1978; Kochan and Barocci, 1985; Pfeffer, 1994, 1998; Huselid, 1995), Mueller is more wary of the claimed relationship between strategic HRM and the overall financial performance of an organisation. He recognises that enlightened best-practice HR activities do not automatically translate into competitive superiority but rather require more complex and subtle conditions for human resources to become ‘strategic assets’.

He defines these as ‘the social architecture’ or ‘social patterns’ within an organisation which build up incrementally over time and are therefore difficult to copy. The focus on ‘social architecture’ rather than culture is deliberate as it provides an emphasis on developing and changing behaviours rather than values, which are notoriously difficult to change (Ogbonna, 1992). Mueller identifies an organisation’s ‘social architecture’ as a key element in the resource-based view of SHRM, together with an embedded ‘persistent strategic intent’ on the part of senior management and embedded learning in daily work routines, which enable the development of ‘hidden reservoirs’ of skills and knowledge, which in turn can be exploited by the organisation as ‘strategic assets’. The role of Human Resources is then to channel these

behaviours and skills so that the organisation can tap into these hidden reservoirs. This thinking is reflected in the work of Hamel and Prahalad (1993, 1994), discussed below.

Applying the Resource-Based view of SHRM

In adopting a focus on the internal context of the business, HR issues and practices are core to providing sustainable competitive advantage, as they focus on how organizations can define and build core competencies or capabilities which are superior to those of their competitors. One key framework here is the work of Hamel and Prahalad (1993, 1994) and their notion of 'core competencies' in their 'new strategy paradigm'. They argue that 'for most companies, the emphasis on competing in the present, means that too much management energy is devoted to preserving the past and not enough to creating the future'.

Thus it is organisations that focus on identifying and developing their core competencies that are more likely to be able to stay ahead of their competitors. The key point here is not to anticipate the future, but *create* it, by not only focusing on organisational transformation and competing for market share, but also *regenerating strategies* and competing for *opportunity share*. Thus in creating the future, strategy is not only seen as learning, positioning and planning but also forgetting, foresight and strategic architecture, where strategy goes beyond achieving 'fit' and resource allocation to achieving '*stretch*' and *resource 'leverage'*.

The level of both tacit and explicit knowledge within the firm, coupled with the ability of employees to learn, becomes crucial. Indeed, Boxall and Purcell (2003) argue that there is little point in making a distinction between the resource-based view and the knowledge-based view of the firm, as both approaches advocate that it is a firm's ability to learn faster than its competitors that leads to sustainable competitive advantage. Alternatively, Boxall and Purcell present Leonard's (1998) similar analysis based on 'capabilities'.

These are 'knowledge sets' consisting of four dimensions: employee skills and knowledge, technical systems, managerial systems, and values and norms. In this model, employee development and incentive systems become a key driving force in achieving sustainable competitive advantage through core capability. Interestingly, Leonard emphasises the interlocking, systemic nature of these dimensions and warns organisations of the need to build in opportunities for renewal, to avoid stagnation.

Hamel and Prahalad's notion of 'core competency'

When organisations grow through mergers or acquisitions, as they appear increasingly to do (Hubbard, 1999), it has been argued that the resource-based view takes on further significance. When mergers and acquisitions fail, it is often not at the planning stage but at the implementation stage (Hunt *et al.*, 1987) and people and employee issues have been noted as the cause of one-third of such failures in one survey (Marks and Mirvis, 1982). Thus 'human factors' have been identified as crucial to successful mergers and acquisitions.

The work of Hamel and Prahalad (1994) indicated that CEOs and directors of multidivisional firms should be encouraged to identify clusters of 'know-how' in their organisations which 'transcend the artificial divisions of Strategic Business Units' or at least have the potential to do so. Thus the role of Human Resources shifts to a 'strategic' focus on 'managing capability' and 'know-how', and ensuring that organisations retain both tacit and explicit knowledge (Nonaka and Takeuchi, 1995) in order to become more innovative, as organisations move to knowledge-based strategies as opposed to product-based ones.

The resource-based view of SHRM has recognised that both human capital and organizational processes can add value to an organisation; however, they are likely to be more powerful when they mutually reinforce and support one another. The role of Human Resources in ensuring that exceptional value is achieved and in assisting organisations to build competitive advantage lies in their ability to implement an integrated and mutually reinforcing HR system which ensures that talent, once recruited, is developed, rewarded and managed in order to reach their full potential.

This theme of *horizontal integration* or achieving congruence between HR policies and practices is developed further in the next section, best-practice approach to SHRM.

Limitations of the Resource-Based view

The resource-based view is not without its critics, however, particularly in relation to its strong focus on the internal context of the business. Some writers have suggested that the effectiveness of the resource-based view approach is inextricably linked to the external context of the firm (Miller and Shamsie, 1996; Porter, 1991). They have recognized that the resource-based view approach provides more added value when the external environment is less predictable.

Other writers have noted the tendency for advocates of the resource-based view to focus on differences between firms in the same sector, as sources of sustainable competitive advantage. This sometimes ignores the value and significance of common 'base-line' or 'table stake' (Hamel and Prahalad, 1994) characteristics across industries, which account for their legitimacy in that particular industry. Thus in the retail sector, there are strong similarities in how the industry employs a mix of core and peripheral labour, with the periphery tending to be made up of relatively low-skilled employees, who traditionally demonstrate higher rates of employee turnover.

Thus in reality, economic performance and efficiency tend to be delivered through rightsizing, by gaining the same output from fewer and cheaper resources, rather than through leverage, by achieving more output from given resources. The example of B&Q in the UK, employing more mature people as both their core and particularly their peripheral workforce, is a good example of how an organisation can partially differentiate themselves from their competitors, by focusing on adding value through the knowledge and skills of their human resources.

Unit 2

Staffing: Concept, Nature and Importance of Staffing

Staffing

The managerial function of staffing involves manning the organization structure through proper and effective selection, appraisal and development of the personnel's to fill the roles assigned to the employers/workforce.

According to Theo Haimann, "Staffing pertains to recruitment, selection, development and compensation of subordinates."

CONCEPTS:

1. **Staffing is an important managerial function-** Staffing function is the most important managerial act along with planning, organizing, directing and controlling. The operations of these four functions depend upon the manpower which is available through staffing function.
2. **Staffing is a pervasive activity-** As staffing function is carried out by all managers and in all types of concerns where business activities are carried out.
3. **Staffing is a continuous activity-** This is because staffing function continues throughout the life of an organization due to the transfers and promotions that take place.
4. **The basis of staffing function is efficient management of personnel's-** Human resources can be efficiently managed by a system or proper procedure, that is, recruitment, selection, placement, training and development, providing remuneration, etc.
5. **Staffing helps in placing right men at the right job-** It can be done effectively through proper recruitment procedures and then finally selecting the most suitable candidate as per the job requirements.
6. **Staffing is performed by all managers** depending upon the nature of business, size of the company, qualifications and skills of managers, etc. In small companies, the top management generally performs this function. In medium and small scale enterprise, it is performed especially by the personnel department of that concern.

Nature of Staffing

Staffing is an integral part of human resource management. It facilitates procurement and placement of right people on the right jobs.

The nature of staffing function is discussed below:

(i) People Centred

Staffing is people centred and is relevant in all types of organizations. It is concerned with all categories of personnel from top to bottom of the organization.

(ii) Responsibility of Every Manager

Staffing is a basic function of management. Every manager is continuously engaged in performing the staffing function. He is actively associated with recruitment, selection, training and appraisal of his subordinates. These activities are performed by the chief executive, departmental managers and foremen in relation to their subordinates. Thus, staffing is a pervasive function of management and is performed by the managers at all levels.

It is the duty of every manager to perform the staffing activities such as selection, training, performance appraisal and counseling of employees. In many enterprises, Personnel Department is created to perform these activities.

But it does not mean that the managers at different levels are relieved of the responsibility concerned with staffing. The Personnel Department is established to provide assistance to the managers in performing their staffing function. Thus, every manager has to share the responsibility of staffing.

(iii) Human Skills

Staffing function is concerned with training and development of human resources. Every manager should use human relations skill in providing guidance and training to the subordinates. Human relations skills are also required in performance appraisal, transfer and promotion of subordinates. If the staffing function is performed properly, the human relations in the organization will be cordial.

(iv) Continuous Function

Staffing function is to be performed continuously. It is equally important in the established organizations and the new organizations. In a new organization, there has to be recruitment, selection and training of personnel. In a running organization, every manager is engaged in various staffing activities. He is to guide and train the workers and also evaluate their performance on a continuous basis.

Importance of Staffing

It is most importance for the organization that right kinds of people are employed. They should be given adequate training so that wastage is minimum. They must also be induced to show higher productivity and quality by offering them incentives.

In fact, effective performance of the staff function is necessary to realize the following benefits:

1. **Efficient Performance of Other Functions**

Staffing is the key to the efficient performance of other functions of management. If an organization does not have competent personnel, it can't perform planning, organization and control functions properly.

2. **Effective Use of Technology and Other Resources**

It is the human factor that is instrumental in the effective utilization of latest technology, capital, material, etc. the management can ensure right kinds of personnel by performing the staffing function.

3. **Optimum Utilization of Human Resources**

The wage bill of big concerns is quite high. They also spend money on recruitment, selection, training and development of employees. In order to get the optimum output from the personnel, the staffing function should be performed in an efficient manner.

4. **Development of Human Capital**

The management is required to determine the manpower requirements well in advance. It has also to train and develop the existing personnel for career advancement. This will meet the requirements of the company in future.

5. **Motivation of Human Resources**

The behaviour of individuals is shaped by many factors such as education level, needs, socio-cultural factors, etc. that is why, the human aspect of organization has become very important. The workers can be motivated through financial and non-financial incentives.

6. **Building Higher Morale**

Right type of climate should be created for the workers to contribute to the achievement of the organizational objectives. By performing the staffing function effectively, management can show the significance it attaches to the personnel working in the enterprise. This will increase the morale of the employees.

Training and Development

At the enterprise level, employee **training and development** are main areas of human resource development. The efficiency of an organisation depends directly on the capability and talent of its personnel, and how motivated they are. Capability of a person depends on his ability to work and the type of training he receives. While his personal capability is evaluated through proper selection procedure, his training is taken care of by the organisation after he has been employed

by the organisation. After employees have been selected for various positions in an organisation, training them for those specific tasks to which they have been assigned assumes great importance. It is true in many organisations that before an employee is fitted into a harmonious working relationship with other employees, he is given adequate training. Training is the act of increasing the knowledge and skills of an employee for performing a particular job. The major outcome of training is learning. A trainee learns new habits, refined skills and useful knowledge during the training that helps him improve performance. Training enables an employee to do his present job more efficiently and prepare himself for a higher level job.

Training, Education, Learning and Development

Training

Training is an act of increasing knowledge, skill and attitude of an employee for improving his performance on the job.

Training is concerned with imparting specific skill for doing particular job. For example, a clerk on typing. It is task-oriented activity. It is for job related purpose and short-term.

Education

Education is concerned with increasing general knowledge and understanding of an employee's total environment. Education is directed more towards the future of an individual. It prepares him for future challenges of life, shapes his career and grooms him for social responsibilities.

Learning

Learning is the process of accumulation of knowledge, skills and attitudes by whatever means. Learning is a broad one which includes both training and education. Learning is observable modification of behaviour as a result of some experience. Learning may be through experience, reading, observation, discussions, electronic media including internet, experimentation, facing the new challenges, travel and exploration, etc.

Development

Development has a broader meaning. Its aim is to grow or improve the overall personality of an individual. It is a continuous process and is on the initiative from individual. Development is to meet an individual's future needs. Efforts towards development often depend on personal drive and ambition. It helps individual's in the progress towards maturity and actualisation of their potential capacities. Development is whole process by which employee learns, grows, improves his abilities to perform variety of roles within and outside the organisation. He acquires socially desirable attitudes and values.

Difference between Training and Development

Training	Development
Short term process.	Long term process.
Knowledge and skills for a specific purpose.	For overall development.
Primary related to technical skills learning.	Related to managerial, behavioral and attitude development.
Training is a reactive process to meet current need.	Development is a reactive to meet future needs.
From management management-external motivation.	From individual himself-internal motivation.
Develops specific job related skills.	Develops total personality.
Training is for non-managerial personnel.	Development is for managerial personnel.

Need for Training

- Employees selected for a job might lack the qualifications required to perform the job. In some cases, the past experience, attitudes and behaviour patterns of experienced personnel might not be appropriate to the new organisation. Remedial training should be given to such people to match the needs of the organisation. New employees need to be provided orientation training to make them familiar with the job and the organisation.
- Rapid technological innovations impacting the workplace have made it necessary for people to constantly update their knowledge and skills.
- Training is necessary for preparing employees for higher-level jobs (promotion).
- Existing employees require refresh training so as to keep abreast of the latest development in job operations. In the phase of rapid technological changes, this is an absolute necessity.

- Training is necessary when a person moves from one job to another (transfer).
- Training is necessary to make employees mobile and versatile. They can be placed on various jobs depending on organizational needs.
- Training is needed for employees to gain acceptance from peers.
- Training is needed to make employees more productive and useful in the long run.

Types of Training

Training is required for several purposes. Accordingly, training programmes may be of the following types:

1. Orientation Training

In orientation training, new hires get a first hand view of what the company stands for, how the work is carried out and how to get along with colleagues. In short, they learn the specific ways of doing things in proper manner. When a new employee is from different country and culture, this initial training is important in helping new employees adjust in the company.

2. Job Training

It refers to the training provided with a view to increase the knowledge and skills of an employee for improving performance on-the-Job. Employees may be taught the correct methods of handling equipment and machines used in a job. Such training helps to reduce accidents, waste and inefficiency in the performance of the job.

3. Safety Training

Training provided to minimize accidents and damage to machinery is known as safety training, It involves giving instructions in the use of safety devices and in safety consciousness.

4. Promotional Training

It Involves training of existing employees to enable them to perform higher level jobs .Employees with potential are selected and they are given training before their promotion, so that they do not find it difficult to shoulder the higher responsibilities of the new positions to which they are promoted.

5. Refresher Training

Rapid changes in technology may force companies to go in for this kind of training. When existing techniques become obsolete due to the development of better techniques, employees have to be trained in the use of new methods and techniques. By organizing short-term courses which incorporate the latest developments in a particular field, the company may keep its employees up-to-date and ready to take on emerging challenges. It is conducted at regular intervals by taking the help of outside consultants who specialize in a particular descriptive.

6. Remedial Training

Such training is arranged to overcome the shortcomings in the behavior and performance of old employees. Some of the experienced employees might have picked up appropriate methods and

styles of working. Such employees are identified and correct work methods and procedures are taught to them. Remedial training should be conducted by psychological experts.

Steps to Identify Training Needs

All training activities must be related to the specific needs of the organization and the individual employees. A training programme should be launched only after the training needs are assessed clearly and specifically. The effectiveness of a training programme can be judged only with the help of training needs identified in advance. In order to identify training needs, the gap between the existing and required levels of knowledge, skills performance and aptitudes should be specified. The problem areas that can be resolved through training should also be identified. Training need can be identified through the following types of analysis :

i. Analysis of objectives

This is the study of short term and long term objectives and the strategies followed at various levels to meet these objectives.

ii. Resource utilization

How the various organizational resources (human, physical and financial) are put to use is the main focus of this study. The contributions of various departments are also examined by establishing efficiency indices for each unit. This is done to find out comparative labour costs, whether a unit is undermanned or over-manned.

iii. Environmental scanning

Here the economic, political, socio cultural and technological environment of the organization is examined.

iv. Organisational climate analysis

The climate of an organization speaks about the attitudes of members towards work, company policies, supervisors, etc. Absenteeism, turnover ratios generally reflect the prevailing employee attitudes. These can be used to find out whether training efforts have improved the overall climate within the company or not.

2. Task or role analysis

It is a systemic and detailed analysis of jobs to identify job contents, the knowledge skills and aptitudes required and the work behaviour. On the part of the job holder, particular attention should be paid to the tasks to be performed, the methods to be used, the way employees have learnt these methods and the performance standards required of employees. Also called operations analysis, the purpose is to decide what should be taught. Questionnaire, interviews human resource records, reports, tests, observation and other methods can be used to collect information about jobs in the organisation.

3. Manpower Analysis

Here the focus is on the individual in a given job. There are three issues to be resolved :
i. It is necessary to decide whether performance of individual is sub-standard and training is required.

- ii. Whether the employees is capable of being trained .
- iii. Whether poor performers on the job need to be replaced by those who can do the job.

Other options to training such as modifications in the job or processes should be looked into. Personal observation, performance reviews, supervisory reports, diagnostic tests help in collecting the required information and select particular training options that try to improve the performance of individual workers.

Strategic Options of Human Resource Development

Developing your small business's human resources strategies and tactics can seem an especially daunting task. In many smaller organizations, the HR function is handled by the business owner or by a senior manager without the support of a large team of professionals. There are a number of tried and true human resource development strategies that can enable your business to manage its most valuable resource its people without overwhelming your time or energy.

Recruitment and Hiring

The recruitment and hiring of employees is often seen as one of the necessary evils of running a business. The hiring process can take valuable time away from other important tasks, and training new employees is an intense process. Nonetheless, the recruitment tactic an organization adopts can be of utmost importance in setting its long-term growth and productivity strategy. This is because hiring the right employees for the right jobs makes the business's operations run more smoothly and effectively over time. The key to recruitment is in determining exactly where your business has needs. Do you need a specialist IT person? If so, don't hire someone with expertise in marketing to fill this position. Do you need a generalist who can take on a number of different tasks? Then look for someone who's managed projects or has experience working in a fast-paced environment.

Training

Once you've hired employees, training them to do the work as your business requires it to be done is an important tactic in human resource development. While all organizations ideally want to hire skilled people to fill open positions, almost all employees need some level of on-the-job training. Your business might have particular ways of processing invoices, or it might have its own systems for information technology. These particular policies and procedures have to be communicated to new employees, and current employees have to be periodically retrained on key areas. This is important for any company's long-term strategy of efficiency and growth. Employees who work smartly and on the same page eliminate waste and save the organization money.

Benefits and Compensation

Providing benefits and compensation goes without saying for the HR function. However, there are novel tactics and strategies that your organization can think about initiating to help it attract the very best employees. Offering work-life balance programs such as flexible working hours, paternity leave, work-at-home options and extended holiday time for good performance are all ways to reward your employees above and beyond the traditional model of pay-for-service HR. These innovative strategies help keep your employees engaged and it helps them feel like they are valued by the business.

Evaluation and Professional Development

Evaluating employee performance is a final key strategy for human resource development. Some organizations institute annual evaluation procedures while other businesses only evaluate employees when something seems to be going wrong. However, regular evaluation of your workforce can help to spot areas where additional training is needed or where rewards and benefits can be levied. It also gives the business owner or manager an opportunity to offer professional development programs to its employees. Professional development includes any training or further education plan that isn't normally available to employees as part of their on-site training. Sending employees to conferences or networking events, staff retreats and tuition reimbursement are forms of professional development. They train your employees to sharpen their skills, which they will ultimately use to contribute back into your organization.

SHRM: Definition, Need and Importance

Strategic human resource management or SHRM is a branch of HRM. It emerged from the discipline of human resource management and is a fairly new field. Strategic HRM is defined as “the linking of human resources with strategic goals and objectives in order to improve business performance and develop organizational culture that foster innovation and competitive advantage.” SHRM in an organization means “to accept and involve the functions of HR as a strategic partner in formulating and implementing the company’s strategies through human resource activities which may involve recruiting, selecting, rewarding and training company personnel. In spite of the similarity in names, HRM and SHRM are two different practices; SHRM is basically a part of the complete HRM process. Besides that SHRM focuses more on long-term objectives rather than the in-house objectives with employees dealt by HRM. In the late 1980’s writers started stating strong opinions for a much more strategic approach to managing people than was the standard practice of that time. They clamored for the change of traditional management practices of industrial relations and people to the modern more improved ones.

The center point of SHRM is to address and solve problems that effect management programs centering on people in the long run and more than often globally. We can say that the main goal

or objective of SHRM is to increase productivity not only in the employees but in the business overall, it achieves this by focusing on business problems and obstacles outside of the human resources range. SHRM identifies important human resource areas where strategies can be implied for the improvement of productivity and employee motivation. To achieve good results communication between human resource and top management of the organization is of utmost importance as cooperation is not possible without active participation.

KEY FEATURES OF SHRM

The key features of strategic human resource management are given below:

- Some organizing strategies or schemes link individual human resource interventions so that they are 'mutually supportive'
- A great amount of responsibility is transferred down the line for the management of HR
- There is a precise link between overall organization strategy, organization environment, HR policies and practices.

DEVELOPMENT IN SHRM

In recent times HRM professionals have been facing challenges with employee participation, performance management, employee reward systems, high commitment work systems and human resource flow because of globalization. Traditional models and techniques have no place in today's business world; also local companies which go global cannot use the same tactics in the global business world. Top managements and HR professionals that are involved in strategic human resource management face a wide range of issues which include some of the following:

- Rapid change in technology
- Introduction of new concepts of general management
- Globalization of market integration
- Increased competition, which may not necessarily be local
- Resultant corporate climates
- Constantly changing ownership

Compensation

Compensation is a systematic approach to providing monetary value to employees in exchange for work performed. Compensation may achieve several purposes assisting in recruitment, job performance, and job satisfaction.

Compensation is a tool used by management for a variety of purposes to further the existence of the company. Compensation may be adjusted according to the business needs, goals, and available resources.

Compensation may be used to:

- Recruit and retain qualified employees.
- Increase or maintain morale/satisfaction.
- Reward and encourage peak performance.
- Achieve internal and external equity.
- Reduce turnover and encourage company loyalty.
- Modify (through negotiations) practices of unions.

Recruitment and retention of qualified employees is a common goal shared by many employers. To some extent, the availability and cost of qualified applicants for open positions is determined by market factors beyond the control of the employer. While an employer may set compensation levels for new hires and advertise those salary ranges, it does so in the context of other employers seeking to hire from the same applicant pool.

Morale and job satisfaction are affected by compensation. Often there is a balance (equity) that must be reached between the monetary value the employer is willing to pay and the sentiments of worth felt by the employee. In an attempt to save money, employers may opt to freeze salaries or salary levels at the expense of satisfaction and morale. Conversely, an employer wishing to reduce employee turnover may seek to increase salaries and salary levels.

Compensation may also be used as a reward for exceptional job performance. Examples of such plans include: bonuses, commissions, stock, profit sharing, gain sharing.

Components of a compensation system

Compensation will be perceived by employees as fair if based on systematic components. Various compensation systems have developed to determine the value of positions. These systems utilize many similar components including job descriptions, salary ranges/structures, and written procedures.

The components of a compensation system include

- **Job Descriptions** A critical component of both compensation and selection systems, job descriptions define in writing the responsibilities, requirements, functions, duties, location, environment, conditions, and other aspects of jobs. Descriptions may be developed for jobs individually or for entire job families.
- **Job Analysis** The process of analyzing jobs from which job descriptions are developed. Job analysis techniques include the use of interviews, questionnaires, and observation.
- **Job Evaluation** A system for comparing jobs for the purpose of determining appropriate compensation levels for individual jobs or job elements. There are four main techniques: Ranking, Classification, Factor Comparison, and Point Method.
- **Pay Structures** Useful for standardizing compensation practices. Most pay structures include several grades with each grade containing a minimum salary/wage and either step increments or grade range. Step increments are common with union positions where the pay for each job is pre-determined through collective bargaining.

- Salary Surveys Collections of salary and market data. May include average salaries, inflation indicators, cost of living indicators, salary budget averages. Companies may purchase results of surveys conducted by survey vendors or may conduct their own salary surveys. When purchasing the results of salary surveys conducted by other vendors, note that surveys may be conducted within a specific industry or across industries as well as within one geographical region or across different geographical regions. Know which industry or geographic location the salary results pertain to before comparing the results to your company.
- Policies and Regulations

Types of compensation

Different types of compensation include:

- Base Pay
- Commissions
- Overtime Pay
- Bonuses, Profit Sharing, Merit Pay
- Stock Options
- Travel/Meal/Housing Allowance
- Benefits including: dental, insurance, medical, vacation, leaves, retirement, taxes.

Employee Separation

The termination of employees from membership of the organization is referred as employee separation. The rate at which employees leave the organization is measured by the rate of employee separation.

The Costs of Employee Separation

The employee separation is always resulted in some costs. The intensity of the incurring costs varies on the basis of the decision of the management that either the empty position of separated employee is replaced by a new employee or the position may be eliminated permanently. Following are the costs that are linked with the employee separation.

- Recruitment Costs
- Selection Costs
- Training Costs
- Separation Costs

Benefits of Employee Separation

On one hand there are costs attached with the employee separation, but on the other hand there are some resulting benefits too. Following are some of the Employee Benefits that are associated with the employee separation.

- The labor cost is reduced
- The employees who perform poorly, are replaced
- The innovation is increased in the organization
- The diversity is enhanced in the organization

Types of Employee Separation

There are two main types of employee separations on the basis of the initiation of the employment relationship termination. These two types of employee separations are as follow.

1. Voluntary Separation

When an employee terminates the employment relationship, then this form of employee separation is known as voluntary separation. Voluntary separation is further divided into two categories.

- Quits
- Retirements

2. Involuntary Separation

When employer of an organization ends the employment relationship with any employee, then this employee separation is called involuntary separation. There may be a number of reasons for involuntary separations like the employee does not fit with the requirements of a particular job or due to economic necessity. Involuntary separation is further divided into the following categories.

- Discharges
- Layoffs
- Rightsizing or downsizing

Process of Strategic Management

The strategic management process means defining the organization's strategy. It is also defined as the process by which managers make a choice of a set of strategies for the organization that will enable it to achieve better performance.

Strategic management is a continuous process that appraises the business and industries in which the organization is involved; appraises it's competitors; and fixes goals to meet all the present and future competitor's and then reassesses each strategy.

Strategic management process has following four steps:

1. **Environmental Scanning:** Environmental scanning refers to a process of collecting, scrutinizing and providing information for strategic purposes. It helps in analyzing the internal and external factors influencing an organization. After executing the environmental analysis process, management should evaluate it on a continuous basis and strive to improve it.
2. **Strategy Formulation:** Strategy formulation is the process of deciding best course of action for accomplishing organizational objectives and hence achieving organizational purpose. After conducting environment scanning, managers formulate corporate, business and functional strategies.
3. **Strategy Implementation:** Strategy implementation implies making the strategy work as intended or putting the organization's chosen strategy into action. Strategy implementation includes designing the organization's structure, distributing resources, developing decision making process, and managing human resources.
4. **Strategy Evaluation:** Strategy evaluation is the final step of strategy management process. The key strategy evaluation activities are: appraising internal and external factors that are the root of present strategies, measuring performance, and taking remedial / corrective actions. Evaluation makes sure that the organizational strategy as well as its implementation meets the organizational objectives.

These components are steps that are carried, in chronological order, when creating a new strategic management plan. Present businesses that have already created a strategic management plan will revert to these steps as per the situation's requirement, so as to make essential changes.