ABIT

STRATEGIC HUMAN RESOURCE MANAGEMENT

Understanding Strategic HRM (Module-1)

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SHRM or Strategic human resource management is a branch of Human resource management or HRM. It is a fairly new field, which has emerged out of the parent discipline of human resource management. Much of the early or so called traditional HRM literature treated the notion of strategy superficially, rather as a purely operational matter, the results of which cascade down throughout the organisation. There was a kind of unsaid division of territory between people-centred values of HR and harder business values where corporate strategies really belonged. HR practitioners felt uncomfortable in the war cabinet like atmosphere where corporate strategies were formulated.

Strategic Human Resource Management is a combination of Strategy and Human Resource Management (HRM). The Human Resource Management part involves the use of different techniques. These include:

- Personnel techniques, like the hiring, promoting and rewarding of employees;
- Structural techniques, like organizational design; and
- Cultural techniques, like building and maintaining high-performance work cultures

The second part of the definition is Strategic where the goal of this all is to achieve a competitive advantage. A competitive advantage is what distinguishes an organization from its competitors.

Strategic Human Resource Management became increasingly popular in the 2000s. This was triggered by Dave Ulrich's challenge for the HR profession. HR had become "often ineffective, incompetent, and costly; in a phrase, it is value sapping".

According to Ulrich, HR needed to become value adding – and thus more strategic. This means that HR needed to become a better fit with the business strategy in order to provide value.

Strategic HRM is the result of this call to action. It aims to align the focus of HRM with the focus of the business. As such, strategic HRM is all about achieving business objectives through smarter Human Resource Management.

EVOLUTION OF SHRM

Exhibit 1: Paradigm Shift in People Management

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

Compiled for Class Discussion: FTA

Definition of SHRM

Strategic human resource management can be 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, flexibility and competitive advantage.

In an organisation SHRM means accepting and involving the HR function as a strategic partner in the formulation and implementation of the company's strategies through HR activities such as recruiting, selecting, training and rewarding personnel.

Difference between traditional and strategic HRM

	Traditional HRM	Strategic HRM
Responsibility for HRM	Staff specialists	Line managers
Focus	Employee relations	Partnerships with internal and external customers
Role of HR	Transactional, change follower, and respondent	Transformational, change leader and initiator
Initiatives	Slow, reactive, fragmented	Fast, proactive, integrated
Time horizon	Short term	Short, medium, long (as necessary)
Control	Bureaucratic-roles, policies, procedures	Organic-flexible, whatever is necessary to succeed
Job design	Tight division of labor, independence, specialization	Broad, flexible, cross-training, teams
Key investments	Capital, products	People, knowledge
Accountability	Cost center	Investment center

How to make a difference with SHRM

1. Creating a Human Resource strategic plan that follows the business

The first step towards making a strategic impact with Strategic HRM is to create an HR strategic plan. Remember, Strategic HRM follows the business. This means that the HR strategy should follow the broader business strategy.First, you need to understand the broader business strategy. Then, you need to align what we're doing in HR with this business strategy. The HR strategy should aim to build the capabilities that are defined in the business strategy.If the business strategy is one of cost leadership, where the aim is to minimize costs, the HR strategic plan will be different then when the business strategy is one of differentiation, where the product is unique and more expensive. In these cases, the HR strategy and subsequent policies will be very different.

2. Aligning HR activities

Once the HR strategy is set, the real work starts. All HR activities should be aligned with the HR strategy. These include recruitment, selection, performance management, compensation and benefits, organization and function design, and more.All these activities should be aligned with each other.

For example, the qualities that you evaluate someone’s performance on should also be the criteria you use to hire people. In addition, these should also be the qualities you look to develop in your workforce. This way hiring, performance evaluation, rewards, and learning and development all align with what the business strategy is trying to achieve.

In research, these groups of HR practices are referred to as *bundles*. An example of such a bundle is employee retention, which is associated with several HR practices, including good job design, employee involvement, and equal opportunities.

Another bundle is innovation. Innovation is associated with performance appraisal, employee involvement, teamworking, job design, training and development, and provision of information.Aligning these HR practices with each other will create a compound effect and help in achieving the business strategy. This is what makes HRM truly strategic.

3. More emphasis on data

One of the key requirements of making an impact with HR is being able to show that impact.An emphasis on data is key in measuring the impact of HR policies. It is very common for the business to track its success using Key Performance Indicators (KPIs). KPIs are metrics that are aligned with the strategy of the organization.

Finance has a large set of financial KPIs, and so has Marketing. If the company is public, an important KPI for the board of directors is the stock price. Decisions are influenced based on their impact on these strategic KPIs.

HR departments, however, are often not data-driven.Metrics are ill-defined and are scarcely tracked. HR KPIs are even rarer. These are the HR metrics that will have a direct impact on the Key Performance Drivers (KPD) of the business. KPDs are the drivers of business KPIs, like customer satisfaction, product quality, innovation, and so on.In addition to tracking progress, people analytics can be used to measure which people policies contribute to business goals.This can make the contribution that HR makes very tangible.

For example, Best Buy, an American consumer electronics retailer, found that a 0.1% increase in engagement leads to an increase in revenue of $100,000 per store. People analytics thus helps to make a very concrete business case for HR investments.

4. Don't forget HR's other responsibilities

We started off pointing out that the push for Strategic HRM originated with Ulrich's critique of the lack of strategic contributions of HR. This doesn't mean that HR should only focus on its strategy, there are other elements to focus on.Ulrich defined 4 HR roles. These include HR strategy, enabling change, efficient administration, and developing and engaging employees.The risk of Strategic HRM is that we focus too much on the HR strategy while forgetting other tasks. HR should not forget to focus on flawless employee operations and employee intimacy.

5. Taking an outside-in approach

A critical next step to being strategical is taking an outside-in HR approach. Who are the customers of HR? These are sometimes employees. However, they are also other stakeholders, including shareholders and customers.These outside stakeholders include customers, investors, key suppliers, government agencies, and communities. HR can become a lever for those external factors.This requires further integration. Not only are different HR practices aligned with strategy, but the strategy is also aligned with these outside stakeholders.The best way to do this is by focusing on value creation. HR shouldn't focus on what it does but on what it creates.

Nature of SHRM

1) **Long-term Focus** - As business strategies have a long-term orientation, therefore, focus of SHRM is also long-term probably more than one year.

2) **Associated with Goal-Setting** - SHRM is highly related with setting of objectives, formulation of policy and allocation of resources and it is carried out at all levels of top management.

3) **Interrelated with Business Strategies** - There is an interrelation between business strategies and SHRM. e.g. it gives significant inputs when business

strategy is formulated, and human resource strategies (like recruitment, staffing, training and performance appraisal).

4) **Fosters Corporate Excellence Skills -** SHRM considers employees as the strategic potential of the organization and on that basis makes effort to differentiate the organization from its competitors present in the markets. It also promotes learning of modern skills.

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

Importance of SHRM

a) Helps firm in achieving cost-effective engagement of Labour

b) Enables firm to meet changing needs

c) Provides clear-cut goals, direction, and future focus

d) Helps Organization in Planning and Executing Organizational Changes

e) Ensures Optimum Utilization of Organizational Resources

f) Develops, Manages and Sustains Skills and Knowledge

Benefits of SHRM

1. Identifying and analyzing external opportunities and threats that may be crucial to the company's success.
2. Provides a clear business strategy and vision for the future.

3. To supply competitive intelligence that may be useful in the strategic planning process.
4. To recruit, retain and motivate people.
5. To develop and retain of highly competent people.
6. To ensure that people development issues are addressed systematically.
7. To supply information regarding the company's internal strengths and weaknesses.
8. To meet the expectations of the customers effectively.
9. To ensure high productivity.
10. To ensure business surplus thorough competency

Barriers of SHRM

Barriers to successful SHRM implementation are complex. The main reason is a lack of growth strategy or failure to implement one. Other major barriers are summarized as follows:

1. Inducing the vision and mission of the change effort.
2. High resistance due to lack of cooperation from the bottom line.
3. Interdepartmental conflict.
4. The commitment of the entire senior management team.
5. Plans that integrate internal resource with external requirements.
6. Limited time, money and the resources.
7. The statusquo approach of employees.
8. Fear of incompetency of senior level managers to take up strategic steps.
9. Diverse work-force with competitive skill sets.
10. Fear towards victimisation in the wake of failures.
11. Improper strategic assignments and leadership conflict over authority.
12. Ramifications for power relations.
13. Vulnerability to legislative changes.
14. Resistance that comes through the legitimate labour institutions.
15. Presence of an active labour union.
16. Rapid structural changes.
17. Economic and market pressures influenced the adoption of strategic HRM.
18. More diverse, outward looking approach.

Challenges of SHRM

i. Absence of Long-term orientation
ii. Lack of Strategic Reasoning
iii. Lack of adequate support from top management
iv. Resistance from Labour Unions
v. Fear of Failure
vi. Rigidity of HR Practices

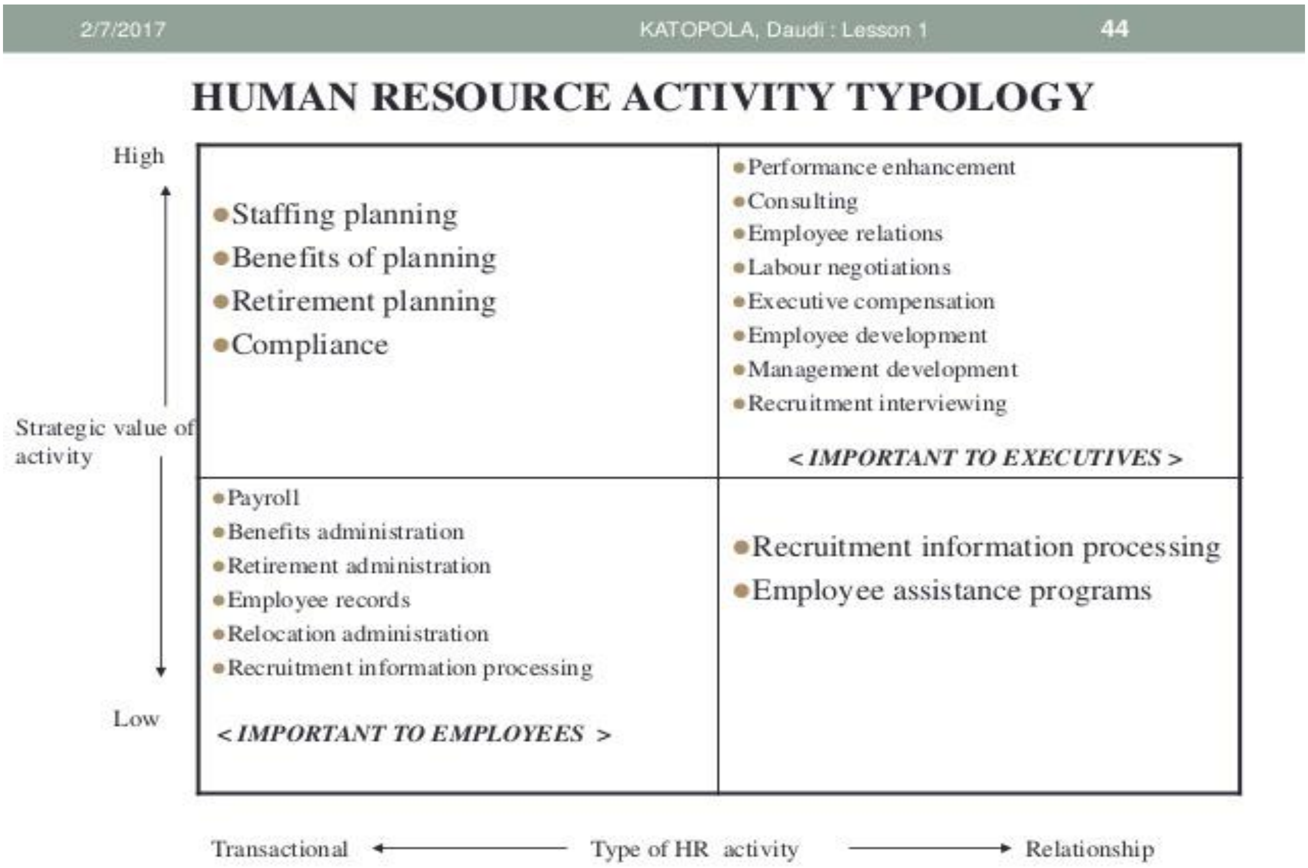
Overcoming the Challenges of SHRM

i) Conduct a rigorous initial analysis
ii) Formulate Strategy
iii) Gain Support
iv) Assess barriers
v) Manage Change
vi) Project Management and Implementation
vii) Follow-up and Evaluate

Typology of HR Activities

It was developed by Alan Speaker. The typology categorizes HR activities in 2X2 matrix according to two dimensions:

i) The extent to which activities are relational or transactional
ii) Whether they have high or low strategic value



Quadrant 1 – Low Strategic Value / Transactional

This includes tasks like payroll, benefit administration, employee records, relocation administration. These activities do not have immediate impact on the firm's ability to implement strategies.These are however important to employees. These activities need to be performed accurately and in a timely manner with cost efficiency.These may not be strategically important but poor performance of these activities leads to problems.These activities can be outsourced.

Quadrant 2 – Low Strategic Value / Relational

It includes activities such as employee assistance programmes. These activities require substantial trust, confidentiality, genuine concern for employees' welfare.These activities help in the retention of employees for a longer term, positive contribution towards employee morale and good corporate citizenship.However, these have less strategic value.

Quadrant 3 – High Strategic Value / Relational

These activities in this quadrant have a direct impact on the firm's ability to successfully implement its competitive strategy. Includes activities such as employee assistance programmes.These activities include performance enhancement, employee relations, labour negotiations, executive compensation etc.Excellence in these activities provides the firm with a source of competitive advantage.

Quadrant 4 – High Strategic Value / Transactional

Several planning related or transactional activities fall in this quadrant. These include staffing planning, benefits planning, retirement planning and compliance.These activities affect the firm's ability to implement strategies in future.

SHRM Models

These models attempt to identify the methods by which the firms can combine HRM practices with border strategic goals.Two significant SHRM models are:

i) Integrated system model

ii) Devanna et al's SHRM 'matching model'

i) Integrated System Model

Bamberger developed a model which emphasized on the basic philosophy of strategy i.e managerial control (Control based model).Meshoulam developed a model which lays emphasis on the exchange between efforts and rewards (Resource based model).Individually these models did not offer a framework which has the capability to incorporate the rise and fall of the direction and intensity of HR strategy.Hence, they developed an Integrated System Model that indicates the two major aspects of the HR strategy which are:

a) Acquisition and Development

It focuses on the degree to which HR strategy enhances human capital present in the organization in contrast to its external recruitment. This means that organizations can 'make' their employees through intensive training in comparison to 'buying' their employees from outside labour market. This is the 'make – or – buy' aspect of HR strategy by Bamberger and Meshoulam.

b) Locus of Control

It focuses on how much the HR strategy lays emphasis on observing compliance of employees with process-based standards in contrast to establishing a psychological contract which develops social relations, motivates respect and trust among each other, and ensures the focus on the results. Walton gave this model which distinguishes control strategies and commitment.

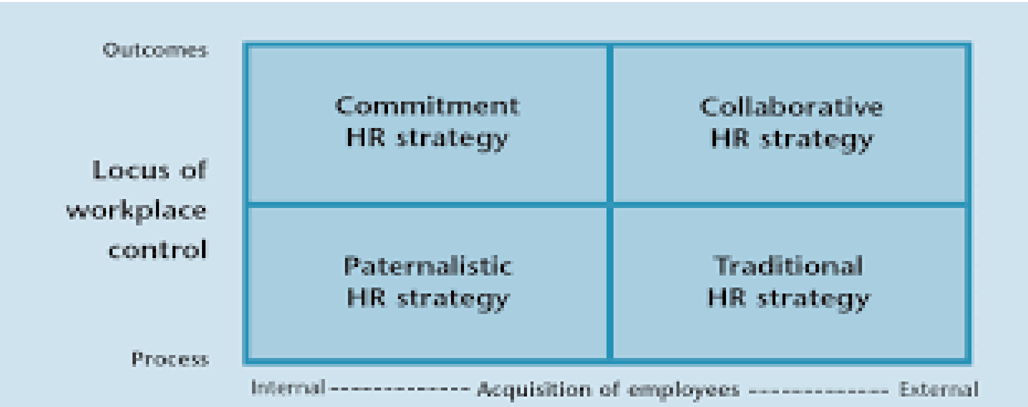
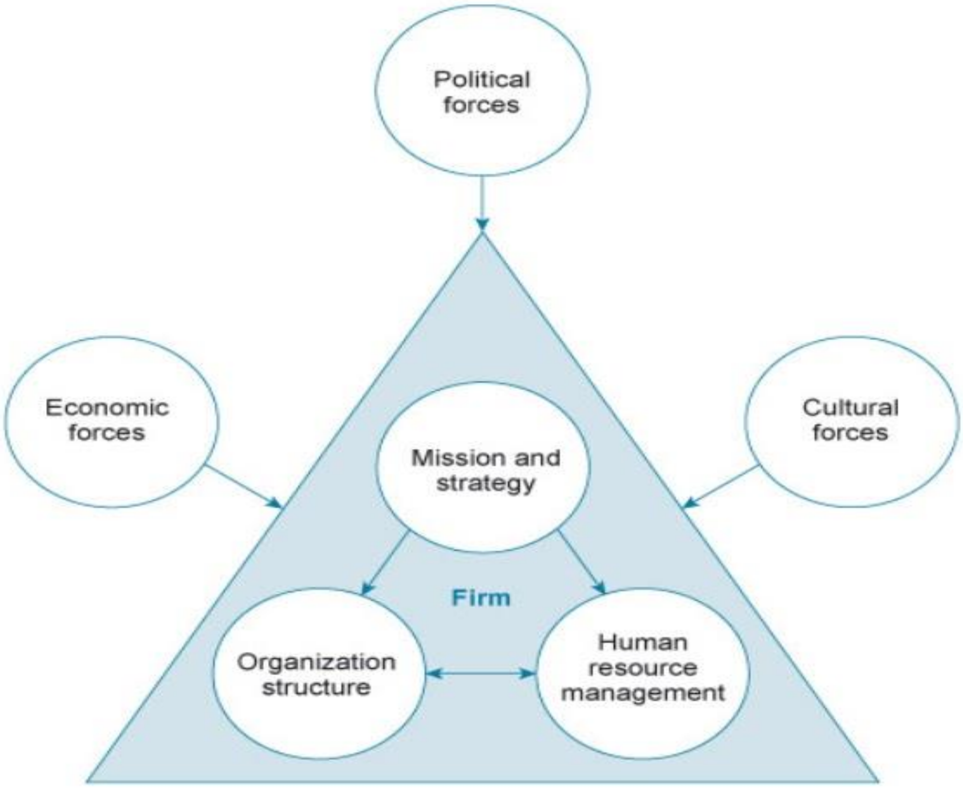


Figure 2.8 Categorizing human resource management strategies
Source: Based on Bamberger and Meshoulam (2000)

1. Commitment HR Strategy – It implies emphasizing on the internal development of capabilities and result controlling skills of employees.
2. Collaborative HR Strategy – It is concerned with the outsourcing of organizational work to the outside professionals like contractors and consultants. (Also called as "**Free agent strategy"**)
3. Paternalistic HR Strategy – This strategy provides internal promotion to workers and chances of learning, when they can adhere to the process-based control mechanisms.
4. Traditional HR Strategy –In this there is more emphasis on recruitment of skills and abilities from outside the organization and. Also known as the **"Secondary HR Strategy"**.

ii) Devanna et al's SHRM 'Matching Model'

It was developed at Michigan Business School. It focuses on the strategic features of HRM. The core theme of this is that organizational strategies and organizational policies have to be handled in such a manner which is consistent with organizational strategy, and a tight "fit" among the business and HR strategies form the basis of effectiveness of the organization. It means that HR practices have to be coordinated with the competitive status, which the organization wishes to achieve. Also, it is essential that behaviours that are recognised to be needed for a specific business position needs to be recognised and those HR practices that help reinforce such beahviour needs to be adopted.



This model shows that the Organization's Mission & Strategy, its structures, its HRM and the external environment are the focus of SHRM. This means that you need to combine the HR policies with the strategy, structures, mission of the organization alongwith the external forces i.e the cultural, political & economic forces. This model suggest it is important to focus on the management of individuals among all other business objectives of the firm.

Strategic Fit

Strategic fit expresses the degree to which an organization is matching its resources and capabilities with the opportunities in the external environment.

Fit as strategic interaction indicates the relationship between external circumstance and human resource management. In other words, HR practices should fit the strategies and activities responding to the environment. For instance, when a firm considers the development and expansion of foreign market, the department of HR will recruit the employees with cross-cultural and foreign background and foreign market experiences.

There are five different types of fit as identified by Guest

1. **Fit as a strategic Interaction (Best Fit Approach)** – Linking HR Practices to the external context.
2. **Fit as a Contingency**–Approaches which ensure that internal practices should respond to external factors.
3. **Fit as an Ideal Set of Practices** – The view that there are “Best Practices” that all firms can adopt to their advantage.
4. **Fit as Gestalt** – Finding an appropriate combination of practices.
5. **Fit as ‘Bundles’** – The search for distinct configurations or ‘bundles’ of complementary practices in order to determine which is likely to be the most effective.

Approaches for Development of HR Strategy

Delery and Doty (1996) proposed and distinguished three major views on the relationship between HRM and performance, which contains the universalistic, contingency and configurational perspectives. Richardson and Thompson renamed these as follows:

A. Best Fit Approach - Universalistic Approach
B. Best Practices Approach – Contingency Approach
C. HR Bundles Approach – Configurational Approach

A. Linking Corporate Strategy with HR Strategy / HRM – Best Fit Approach

This strategy emphasizes on aligning HR strategies with the strategies of the organization. It aligns the HR process with the organizational goals.HR strategies need to be aligned with the business strategy. The steps involved are :

i. Identifying the organization Business strategy

ii. Deducing the organizational capabilities needed to implement the strategy

iii. The recruitment & selection process that focus on candidate who can work with the org. goals

HR Strategy classifications

There are a no. of bases of categorising HR strategies which are discussed below:

1) **Based on business strategy** – Different types of approaches are adopted under different strategies. The strategy of compensation for employees will vary for companies with low-cost product vs innovative products.
2) **Based on phases in the Product /Business Life Cycle**- HR practices are linked with the phase in which the company is in – Introduction, growth, maturity or decline. For eg. More no. of employees are recruited during growth phase whereas many people leave during the declining phase.
3) **Based on the kinds and number of goods** – The product focus i.e the kind and number of products being produced by a company decides the HR strategy of the organization.

1) The most popular classification is determining the HR strategywhich matches with the business strategy.

Business Strategy	**HR Strategy**
Cost Leadership 1) Appropriate for foreseeable and repetitive behaviour. 2) Deals with quantities and short term focus 3) Focussed on results	**Utilisation HR Strategy** 1) HR strategy concerned mainly about measures of short-term performance / outcomes. 2) Clear job descriptions, rule of efficiency, specialised job projects 3) Hierarchical salary, few incentives 4) Limited career paths and restricted training 5) Limited job security 6) Limited involvement
Differentiation 1) Long-term emphasis 2) Innovative job behaviour 3) Moderately concerned with quality & quantity	**Facilitation HR Strategy** 1) Extensive career paths 2) Substantial training 3) Impartial and just pay 4) Long-term measures of performance 5) External recruitment and appointment of innovative individuals 6) Great employee involvement 7) Some job security

Focus 1) High emphasis on quality 2) Moderately concerned with quantity 3) Long / medium -term emphasis	**Accumulation HR Strategy** 1)Unbiased and fair pay with lots of incentives 2) Appointing workers belonging to the target market 3) Wider career paths with substantial training 4) High employee involvement 5) Some job security

2) Another method is linking the HR strategy with the organizational features. This was given by **Miles and Snow**. This model states that organizations will be more effective if they adopt a policy of strategic configuration by matching their strategy to one of the ideal types defined by theories. Miles and Snow (1978) identified four types of organizations, classifying the first three types as 'ideal' organizations:

1. **Prospectors -** which operate in an environment characterized by rapid and unpredictable changes. They react to this environment by focusing on the development of new products, markets and technologies. They create change in their markets and are the forces to which competitors must respond. Prospectors have low levels of formalization and specialization and high levels of decentralization.

2. **Defenders -** which operate in a more stable and predictable environment than prospectors and engage in more long-term planning. Their emphasis is on defending their markets, and they do little research and development. Defenders focus on efficiency by relying on routine technologies and economies of scale. They have more mechanistic or bureaucratic structures than prospectors and obtain coordination through formalization, centralization, specialization and vertical differentiation.

3. **Analysers -** which are a combination of the prospector and defender types. They operate in stable environments like defenders and also in markets where new products are constantly required like prospectors. They are usually not the initiators of change like prospectors but they follow the changes more rapidly than defenders. Analysers seek effectiveness through both efficiency and new products or markets. They are usually not the initiators of change, as are prospectors, but they follow the changes more rapidly than defenders.

4. **Reactors** - which are unstable organizations existing in what they believe to be an unpredictable environment. They lack consistent, well-articulated strategies and do not undertake long-range planning.

Table 7.2 The Miles and Snow Typology

Strategy Type	Definition	Examples
Prospector	Innovative and growth oriented, searches for new markets and new growth opportunities, encourages risk taking	Amazon.com 3M Rubbermaid
Defender	Protects current markets, maintains stable growth, serves current customers	BIC eBay Mrs. Fields
Analyzer	Maintains current markets and current customer satisfaction with moderate emphasis on innovation	DuPont IBM Yahoo!
Reactor	No clear strategy, reacts to changes in the environment, drifts with events	International Harvester Joseph Schlitz Brewing Kmart Montgomery Ward

Miles & Snow's Classification of Business Strategy with HR strategy

Dominant culture of organization (Business Strategy)	HR strategy
Defenders **▪ Find change threatening** **▪Favour strategies which encourage continuity & security**	▪ Bureaucratic approach ▪ Planned & regularly maintained policies ▪ Build human resource
Prospectors **▪ Thrive on change** **▪ Favour strategies of product or market development**	▪ Creative & flexible management style ▪ Have high quality human resource ▪ Little opportunity for long term HR planning. ▪ Emphasize on recruitment,selection & performance based compensation
Analyzers **▪ Seek to match new ventures with the present business set-up** **▪ These firms are followers- the ventures are not new to the**	▪ Low level of monitoring & coordination ▪ 'Buy' as well as 'Make' key human resources ▪ Emphasize on HR planning

3) The third most used strategy is the implementation of HR strategy based on the phase of the life cycle of the organization.

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HR Practices corresponding to the stages of an organization's life cycle

Life Cycle Stages	HR Practices
Start-up	• Flexible patterns of work • Recruitment of highly motivated & committed employees. • Competitive pay •Little formality
Growth	• More sophisticated recruitment & selection • Training & development • Performance Mgmt process • Reward systems • Developing stable employee relations
Maturity	• Attention to the control of labour cost • Focus on increasing productivity • Control compensation
Decline	• Emphasis on rationalization of workforce & downsizing • Retraining & career consulting services

Besides these, there are other frameworks which connect business strategy with HR strategy. These are:

4) **Golden & Ramanujan** recommended four kinds of connections among HRM and strategic planning procedure.There are four stages in the evolution of linkages between strategic business planning and HRM.

1st stage - **Administrative Linkage** — Lowest level of integration; HRM function's attention is focused on day-to-day activities. No input from the HRM function to the company's strategic plan is given.

2nd stage - **One-Way Linkage** — The strategic business planning function develops the plan and then informs the HRM function of the plan. HRM then helps in the implementation.

3rd stage - **Two-Way Linkage** — Allows for consideration of human resource issues during the strategy formulation process. The HRM function is expected to provide input to potential strategic choices and then help implement the chosen option.

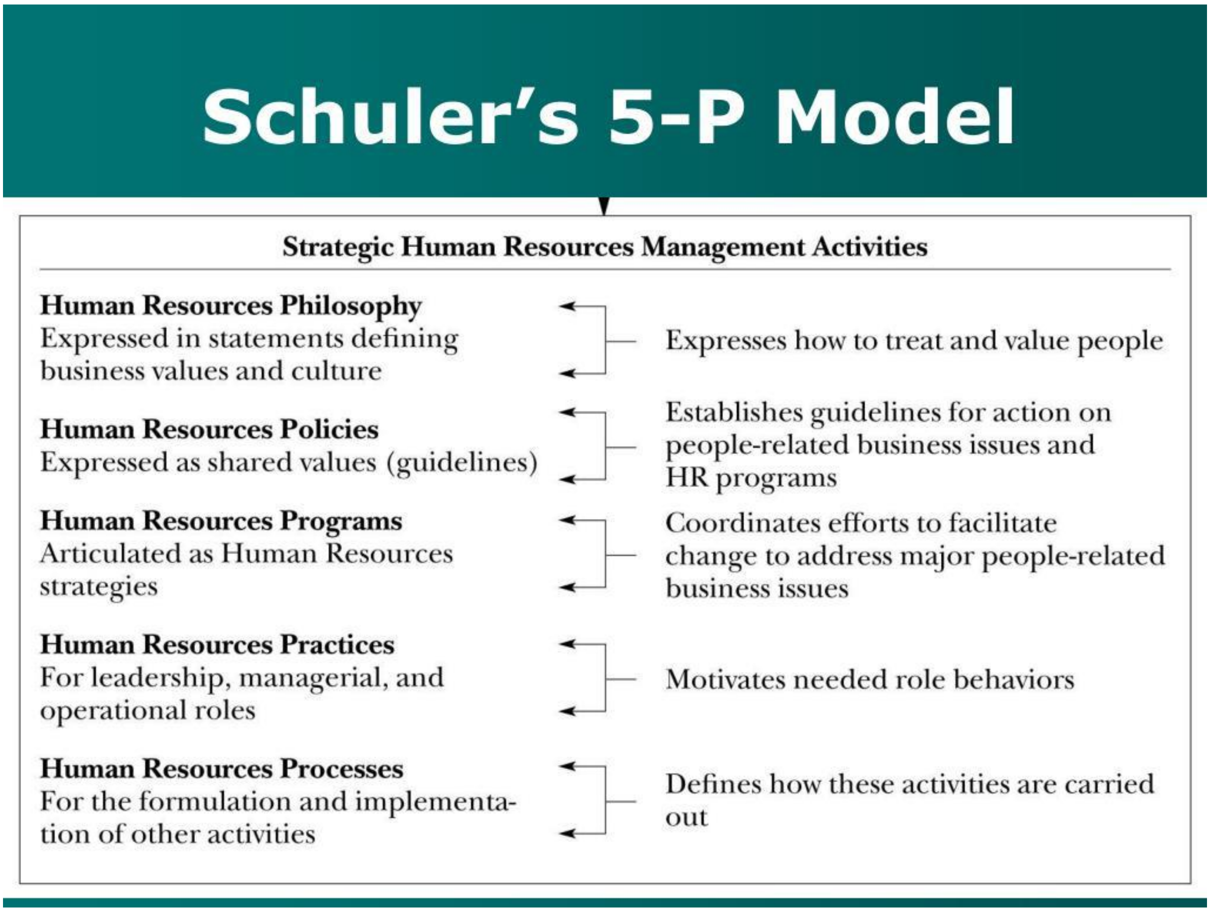
4th stage - **Integrative Linkage** — Is based on continuing, rather than sequential, interaction. The HR executive is an integral member of the strategic planning team.

HR and Business Policy Linkages

- Golden and Ramaujam(1985) proposed four level model in the context of linkages between human resources and business policy

Administrative Linkage	**One Way Linkage**	**Two Way Linkage**	**Integrative Linkage**
Little or not	Exist but not highly integrated HR as a resource but not as a strategic business partner	Info flows both to business and HR planners.	Dynamic, frequent, formal and informal interaction HR is involved strategic decisions.

5) Another model by **Schuler called 5 P model** connects strategic HRM practices with the strategic organizational requirements.



B. HR Bundles Approach

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

As **Richardson and Thompson** (1999) comment, 'A strategy's success turns on combining "vertical" or external fit and "horizontal" or internal fit.' They conclude that a firm with bundles of HR practices should have a higher level of performance, provided it also achieves high levels of fit with its competitive strategy. Emphasis is given to the importance of '**bundling**' – the development and implementation of several HR practices together so that they are interrelated and therefore complement and reinforce each other. This is the process of horizontal integration, which is also referred to as the adoption of a 'configurational mode' (Delery and Doty, 1996) or the use of 'complementarities' (MacDuffie, 1995).

Dyer and Reeves (1995) note that since employee performance is a function of both ability and motivation, it makes sense to have practices aimed at enhancing both. Thus there are several ways in which employees can acquire needed skills (such as careful selection and training) and multiple incentives to enhance motivation (different forms of financial and nonfinancial rewards). Astudy by Dyer and Reeves (1995) of various models listing HR practices which create a link between HRM and business performance found that the activities appearing in most of the models were involvement, careful selection, extensive trainingand contingent compensation.

The aim of bundling is to achieve coherence, which is one of the four ‘meanings’ of strategic HRM defined by Hendry and Pettigrew (1986). Coherence exists when a mutually reinforcing set of HR policies and practices have been developed that jointly contribute to the attainment of the organization’s strategies for matching resources to organizational needs, improving performance and quality and, in commercial enterprises, achieving competitive advantage.

The process of bundling HR strategies (horizontal integration or fit) is an important aspect of the concept of strategic HRM. In a sense, strategic HRM is holistic; it is concerned with the organization as a total entity and addresses what needs to be done across the organization as a whole in order to enable it to achieve its corporate strategic objectives. It is not interested in isolated programmes and techniques, or in the ad hoc development of HR practices.

The problem with the bundling approach is that of deciding which is the best way to relate different practices together. There is no evidence that one bundle is generally better than another, although the use of performance management practices and competence frameworks are two ways that are typically adopted to provide for coherence across a range of HR activities. Pace the findings of MacDuffie, there is no conclusive proof that in the UK bundling has actually improved performance. Also there is a lot of complexity in aheieving Internal Fit.

C. Best Practice Approach

This approach is based on the assumption that there is a set of best HRM practices and that adopting them will inevitably lead to superior organizational performance.

They are universal in the sense that they are best in any situation. A number of lists of 'best practices' have been produced, the best known of which was produced by Pfeffer (1994).

List of Best Practices

1. Employment security
2. Selective hiring
3. Self-managed teams
4. High compensation contingent on performance
5. Training to provide a skilled and motivated workforce
6. Reduction of status differentials
7. Sharing information

Criticisms

- Disconnection from company's goals and context
- Disregard of national differences such as management practices
- Difficulty arises when we go beyond these straightforward practices.

Best Fit Approach Vs Best Practices Approach

The best-fit model emphasizes that HR strategies and organizational strategies must be aligned. In other words, it is important to make sure the HR strategies are suitable in different circumstances along with the culture and operational process as well. Thus, according to Armstrong, it is an idea that different HR strategies have to focus on a given needs of both the organization and its employees.

The management should come up with strategic changes from lesson learnt by what might be applicable and relevant in order to fit the organization overall. It can be seen that culture, structure, technology, behavior and process of work indication are treated as the criteria in the analysis of the business needs of the organization.

On the other hand, this models also suffers from several limitations. Boxall and Purcell criticizes this model limits the strategy such that they are subject to multiple alternating contingencies and it will be difficult to handle new challenges as the HR system could not be adjust entirely. Moreover, its flaws focus on the limitation of the search for contingency as well as the difficulty in showing their interconnection.

The Best-practice model claims that certain bundles of HR activities exist which universally support companies in reaching a competitive advantage regardless of the organizational setting or industry (Redman and Wilkinson 2009). Which means that it contemplate those bundles of HR practice that can be applied in most of the organizational context to increase performance that helps produce better outcome. It implies a strong connection between HR practices and organizational performance that requires high commitment management (Paauwe &Boselie 2003). The best-practice model are based on the idea of superiority of the organizational performance and Pfeffer's model is a good example of the set. His model shows seven important HR practices which are employment security, selective hiring, self-managed teams, high compensation contingent on performance, training, reduction of status differentials and sharing information.

However, this model is also subject to sever criticism. Firstly, it might result in a deterioration of employee collaboration. Since implementing this practice will introduce mutual prohibitive combinations like team working and compensation based on individual performance are running a huge risk (Delery 1998 in Redman and Wilkinson 2009). Moreover, it is also hard to have a universal best practice, since discussions with regard to the appropriate choice of best practice did not and will not come up to a conclusion due to insufficient methodology and theoretical definition. Even a practice have been successful for popular and successful organization, it does not necessarily work on the others.

To put everything under consideration, both models offer organizations powerful tools for shaping human resource management processes. There will not be any absolute judgments on which approach works best, but best-fit models works better in overall, as it has a huge appeal to the HR practitioners due to the fact that it positions them as the first-level strategic partners in the process of management decision-making.

Investment Perspective of Human Resources

HR practitioners and management scholars have long advocated that Human Resource should be viewed from investment Perspective. In current practice, many organizations indicate that employees are viewed as valuable investments,however some still view that their employees are variable cost of production while their physical assets are treated as investments.

When the employees are viewed as variable cost then: There is little recognition of the firms contribution to their Training or the Cost of recruitment & Training their replacement. A focus purely on the investment of Physical resources is short-sighted. Strategists believe that Superior Production facilities or superior product are usually not enough to sustain an advantage over competitors.Physical and Capital assets in organizations such as plant, property, machinery and technology are acquired and subsequently managed most effectively by treating them as investments.

Adopting a strategic view of HR in large part involves considering employees as human "Assets" and developing appropriate policies and programs as investments in these assets to increase their value to the organization and to the market place.

When an organization plans to invest in Human Resource there is considerable risk and returns associated to it. For example-an organization needs to consider not only the out-of-pocket costs for the training but also the related opportunity cost such as lost time on the job etc. against the enhanced performance, potential increased loyalty and motivation.

The physical resources / assets such as facilities, products and services, technologies and markets can be easily cloned or imitated by the competitors. Human assets cannot be duplicated and therefore become the Competitive advantage that an organization enjoys in its market.

Rapid and ongoing advances in technology have created a workplace where laborers are being replaced by knowledge workers. An organization technology is invested in people than in capital. becoming more as an example consider an organization whose primary strategic objectives involves innovation. An organization pursuing an innovation strategy cannot afford high level of turnover within its rank. It needs to retain employees and transfer among employees, the new knowledge being developed in- house. It also cannot afford to have its employees develop innovative products, services and then take this knowledge to a competitor for implementation.

The significant investment in research and development ends up having no return. Because the outcome of the expenditure (research & development) is the knowledge the employees have developed. It should be the strategy of the organization to retain these employees and their knowledge bases until an “new knowledgebecomes owned by the organization itself.

An organization invests in its HR needs to ensure that these investments are not lost. For e.g. Well-trained employees become more attractive in the marketplace, particularly to the competitors who may be able to pay the employee more because they have not had to invest in the training that the employee has already received. Although an organization’s ‘Physicalassets can’t “walk” its human assets can and making the later a much more risky investment. An organization can certainly buy or sell their physical assets because it has ownership of them,but it does not own its HR.

Consequently, an organization needs to develop strategies to ensure that employees stay long enough to get the maximum returns on its investment related to the employees. This requires to value its employees, valuation of HR has implications for compensation, advancement opportunities and retention strategies as well as how much should be invested in each area for each employee.

There are five aspects of Investment on Human Resources. These are:

A) Human Resource Investment Considerations
B) Investment in Training & Development
C) Investment Practices for Improved Retention
D) Investment in Job Secure Workforces
E) Non-Traditional Investment Approaches

A) Human Resource Investment Considerations

- **Management Values-**When senior managers formulate and implement strategies, their value and philosophies are communicated to the members of the organization through the HR policies and practices.
- **Risk and return on HR investment -** Investing in human resources is inherently more risky than investing in physical capital because the employer doesn't own the resource. In order for investment in human resources to be attractive, the returns must be great enough to overcome the risks. Decision makers must be ready to trade off current costs for long term strategic benefits such as a more flexible and committed work force.
- **Economic rationale for investment in training** – Employers generally invest in specific training because employees cannot readily transfer such skills to other employers.
- **Utility theory -**This theory attempts to determine the economic value of HR programs, activities and procedures.
- **Outsourcing as an alternative to investment in HR**–Unless there is a potential to build capabilities that provide an advantage over competition, cost considerations often lead to the rational decision of outsourcing.

B) INVESTMENT IN TRAINING & DEVELOPMENT

- **Investment in employability** – Since employment security is declining, companies are now investing in their human resources by making employees more employable. These include giving them more training, higher level exposure, learning environment, multi- skilling & growth opportunities etc.

- **Investment in training** – For future strategies and competitive advantage, investment in employees training and development is required to enhance skills to face rapid technological changes.
- **On job training** – In this the investments are made in such a way so that employees learn as they work. This includes Job Instruction Training, Apprenticeship, Job Rotation, Coaching, Understudy, Mentoring.
- **Investment in management development -**Due to lesser hierarchies in organizations and better educated and skilled professionals there is a need for these people to participate in decision making. Different management development approaches are being used for the same like job rotation, executive development programmes, in-house programs for project managers, sensitivity training, simulation, role-playing etc.
- **Prevention of skills obsolescence –** Technological change is often the cause of skill obsolescence. This is done by providing challenges of a technical nature at all stages on one's career. Also responsibility, authority, participation and employee interaction is often seen to be related to prevent obsolescence. Periodic reassignments, discouraging over specialiization and incorporating knowledge acquisition activities also help in preventing skills obsolescence.
- **Reduction in career plateauing (Stagnation)-** Career plateaus occur when employees have occupied a job in an organization over a period of time, have mastered all aspects of the job, and have low prospects of promotion. Unless these plateaus are eliminated or reduced, it will lead to resentment and a sense of futility leading to reduction in productivity. Plateaus can be avoided by more deliberate identification of stars (outstanding performers with high potential) and solid citizens (satisfactory or outstanding performs with less potential). More developmental assignments, challenges, lateral movements, job rotation, recognition and appreciation, job enrichment and mentoring assignments can lead to reduction in career plateaus.

C) Investment practices for improved retention

- **Organizational culture emphasizing interpersonal relationship values –** One of the important determinants of employee retention is the organization's culture. By investing in HR practices that ultimately affect the organization's culture, firms can influence retention. Research says that higher retention is found in organizations with interpersonal relationship value, fearless culture, positive relationships, absence of conflict – laden relationships, information sharing and support for employees.
- **Effective selection procedures -** When firms hire employees that match well with the organization there is a higher chance of retention. Careful selection procedures, valid tests, improved interviewing processes and the use of realistic job reviews go a long way in increasing retention.
- **Compensation and benefits–**Equitable compensation is important for employee retention. Greater compensation equity occurs with fair appraisal reviews, exclusion of politics in compensation decisions, fair compensation structures, performance based compensation and pay incentives.
- **Job enrichment and job satisfaction –** Job enrichment practices such as those building in increased responsibility or autonomy, knowledge of results, meaningful work, skill variety etc have been found to reduce turnover. Job satisfaction is equally important for employee retention.
- **Practices providing work life balance –** This is extremely important and is achieved to a major extent by alternative work schedules, child-care services, flexitime, generous time – off practices medical care etc.
- **Organizational direction creating confidence in the future –** When employees are confident about their organization's future direction, they are more likely to stay.
- **Retention of technical employees –** Technical employees or specialists are always in great demand and hence extra efforts needs to be put in to retain them. Innovative practices are adopted in this case like increasing amount of communication with technical employees,, giving red carpet treatment to these employees, allowing them dual career options etc.
- **Other practices in facilitating retention –** Opportunities for training, new learning, growth and promotion also have positive impacts on retention. Liberal transfer policies, effective management of diversity and prevention of sexual harassment are other practices which facilitate retention of employees.

D) Investment in job-secure workforces

- **Recognition of the cost of downsizing and lay-offs –** Downsizing and layoffs are a part of corporate life that people have come to accept. These can be caused due to variety of reasons. However data shows that it is more cost effective not to lay off workers but to retain them even in lean periods. A major inefficiency or cost associated with downsizing or lay-off is that the firm becomes less attractive as a potential employer. Many employees quit immediately after this. When a firm downsizes or lays off employees there are severance, administrative and intangible costs.
- **Avoiding business cycle-based lay-offs –** It is not advisable to lay-off employees during economic downturns but to utilise them in innovative ways by sharing the financial burden of the lay-off together.
- **Alternatives to layoffs -** When companies avoid lay-offs they preserve their investments in employees' skills and are able to avoid the expense of hiring and training new employees once the recovery begins. Pay-cuts, shutting the inflow of personnel, redeployment of current employees, unpaid leaves of absence, fewer work days etc are alternatives to layoffs.
- **Employment Guarantees –** These are defined as agreements to avoid lay-offs or no lay-off policies. The tactics used here are understaffing, flexibility in job assignment, work sharing and redeployment.
- **The Work Effort and Job Security Relationship –**In many cases where there is job security it leads to complacency among the employees where they are shielded from the harsh realities of the market. Data shows that an appropriate level of job insecurity is needed to make the employees work harder.

E) Non-traditional investment approaches

- **Investment in disabled employees -** Frequently companies deal with employees who have become disabled by relying on the company's long-term disability insurance policy to provide economic support. However, efforts should be made to allows these employees to return to work. This not only has humanitarian benefits but is also an attractive source of labour.

- **Investment in employee health–**These investments increase the productivity of employees. These include increasing quality of nutrition, providing basic medical care, reduction in smoking, setting up fitness centres and on-site health clinics. These activities have lead to better mental health, decreasing stress, increased commitment, increased productivity, lower absenteeism and lower turnover.
- **Countercyclical hiring -** This involves hiring a limited number of managers and professionals during economic downturn. In this way companies will be keeping highly technical / skilled for future use when company will have normal operations.

Planning & Implementing Strategic HR Policies

Human Resource Planning (HRP) - HRP provides input into higher-level strategic processes. The process of HRP in sequential order includes :

B) Strategic role of HRP
C) Overview of HRP
D) Managerial issues in planning
E) Selecting forecasting technique
F) Forecasting the supply of human resources
G) Forecasting the demand for human resources

Implementation of HR Policies - There is so much emphasis of strategy planning that its implementation is not given required importance. However, in practice it is the implementation of strategy that is more challenging. In this regards we can consider the following points for effective work force utilization and employment practices.

A. Efficient utilization of human resources
B. Dealing with employee shortages
C. Selection of employees
D. Dealing with employee surpluses

Benefits of Strategic HR Planning

1. Encouragement of proactive rather than reactive behaviour
2. Explicit Communication of Company Goals
3. Stimulation of Critical Thinking
4. Identification of gaps between current situation and future vision

5. Encouragement of Line Manager’s Participation
6. Identification of HR Constraints and Opportunities
7. Creation of Common Bonds

Challenges of Strategic HR Planning

1. Maintaining a Competitive Advantage
2. Reinforcing Overall Business Strategy
3. Avoiding excess concentration on day-to-day problems
4. Developing HR Strategies suited to Unique Organizational Features
5. Coping with the environment
6. Securing Management Commitment
7. Translating Strategic plan into action
8. Combining Intended and Emergent Strategies
9. Accommodating change

Strategic HR Choices

The areas in which the firm faces strategic choices are as follows:

1. **Work Flow** – Firms have to make a choice on what to emphasize on in terms of work-flow (ways organized to meet production or service goals) like :

i) Efficiency or Innovation
ii) Control or flexibility
iii) Explicit job descriptions or broad job classes
iv) Detailed work planning or loose work planning

2. **Staffing**– This is getting the right employee at the right place at the right time. This includes making strategic HR choices in recruiting, selecting, inducting etc. the challenges are:

i) Internal recruitment or External recruitment
ii) Selection by immediate supervisors or centrally by HR
iii) Informal Vs formal hiring process

3. **Employee Separation** – Strategic choices involved when employees leave the organization voluntarily or involuntarily:

i) Downsizing (early retirement, freezing hiring) Vs layoff
ii) Providing support to laid-off employees or leaving them to their own means
iii) Rehiring terminated employees in better times vs no such special treatment

4. **Performance Appraisal**–Some of the strategic choices concerning employees appraisals are:

i) Customised P.A system Vs Standarised P.A system

ii) Using appraisal data to provide training & development to low performers or using it to throw them out of the organization

iii) Designing the P.A system with multiple objectives in mind like training, promotion, selection etc or using it only for pay decisions

iv) Going in for 360 degree appraisal or an unilateral method

5. **Training & Career Development**–These include:

i) Individual training Vs team training

ii) On the job training vs external training

iii) Job-specific training or generic training

iv) Buy skills 9readymade talent) vs make skills (train them)

6. **Compensation** – The issues to be kept in mind here are:

i) Fixed salary or variable salary

ii) Paying on the basis of the designation or contribution

iii) Rewarding employees for the time spend on the job or their performance

iv) Centralizing pay decisions vs decentralizing it

7. **Employee & Labour Relation** – Relationship between employees or labour and management faces strategic choices such as:

i) Top-down to bottom-up approach

ii) Suppressing demand vs recognising unions

iii) Responding to employees needs vs taking a negative stand with them

8. **Employee Rights** – Relationship between organization and individual employees faces the following strategic choices:

i) Enforcing discipline vs encouraging appropriate behaviour

ii) Protecting employees' interest vs protecting employers' interests

iii) Informal ethical standards vs formal and explicit ethical standards

9. **International Management**–Managing HR at a global level involves choices such as:

i) Creating a common company culture or allow other cultures to be dominant

ii) Sending domestic employees to manage foreign subsidiaries or hiring locally at foreign locations

iii) Giving commitment to expatriates who want to come back VS not giving them any commitment

iv) Establishing universal company policies or decentralizing policy formulation

Strategy

Definition – Strategy is defined as a unified, comprehensive and integrated plan designed to assure tat the basic objectives of the enterprise are achieved.

Nature of Strategy

1. Provides structure
2. Integrated approach
3. Relates an organization with the environment
4. Set of actions
5. Future oriented
6. Combination of external and internal factors
7. System – oriented
8. Involves Contradictory actions

Levels of Strategy

There are 3 levels of strategy:

1. **Corporate levelstrategy-** This level answers the foundational question of what you want to achieve. Is it growth, stability, or retrenchment?

Corporate level strategy defines the business areas in which your firm will operate. It deals with aligning the resource deployments across a diverse set of business areas, related or unrelated. Strategy formulation at this level involves integrating and managing the diverse businesses and realizing synergy at the corporate level. The top management team is responsible for formulating the corporate strategy. The corporate strategy reflects the path toward attaining the vision of your organization. For example, your firm may have four distinct lines of business operations, namely, automobiles, steel, tea, and telecom. The corporate level strategy will outline whether the organization should compete in or withdraw from each of these lines of businesses, and in which business unit, investments should be increased, in line with the vision of your firm.

2. **Business unit level strategy:** This level focuses on how you’re going to compete. Will it be through customer intimacy, product or service leadership, or lowest total cost? What’s the differentiation based on?

Business level strategies are formulated for specific strategic business units and relate to a distinct product-market area. It involves defining the competitive position of a strategic business unit. The business level strategy formulation is based upon the generic strategies of overall cost leadership, differentiation, and focus. For example, your firm may choose overall cost leadership as a strategy to be pursued in its steel business, differentiation in its tea business, and focus in its automobile business. The business level strategies are decided upon by the heads of strategic business units and their teams in light of the specific nature of the industry in which they operate.

3. **Functional level strategy:** This strategy level focuses on how you’re going to grow. Will it be through market penetration, market development, product or service development, or diversification?

Functional level strategies relate to the different functional areas which a strategic business unit has, such as marketing, production and operations, finance, and human resources. These strategies are formulated by the functional heads along with their teams and are aligned with the business level strategies. The strategies at the functional level involve setting up short-term functional objectives, the attainment of which will lead to the realization of the business level strategy.

For example, the marketing strategy for a tea business which is following the differentiation strategy may translate into launching and selling a wide variety of tea variants through company-owned retail outlets. This may result in the distribution objective of opening 25 retail outlets in a city; and producing 15 varieties of tea may be the objective for the production department. The realization of the functional strategies in the form of quantifiable and measurable objectives will result in the achievement of business level strategies as well.

Linkage of Corporate Strategy with HRM

This means combining organization's strategy with the company's HRM policies. Refer "Best Fit Approach".

Linkage of Core Competencies with HRM

Core Competency - A Core Competency is a knowledge, skill, or ability that contributes to the successful completion of a task on the job. All employees use multiple competencies to perform their job. It is the unique capabilities of employees in an organization that create high value and that differentiate the organization from its competition. It is the source of an organization's sustainable competitive advantage.

Linkage of Competitive Advantage with HRM

Competitive Advantage – It is an advantage over competitors gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and service that justifies higher prices.

Competitive Advantage in HR – HR system can contribute to sustained competitive advantage through facilitating the development of competencies that are firm specific and generate implicit organizational knowledge. Human Resource Management can help a firm attain competitive advantage by lowering the cost, by increasing sources of product and service differentiation or by both. All these activities should be managed from strategic perspective.

HR Practices Enhancing Competitive Advantage

1. Employment Security: Guarantee of employment
2. Selectivity in Recruiting: Selecting the right employee in the right way.
3. High Wages: Higher wages than competitors
4. Incentive Pay: Extra pay for better performance
5. Employee Ownership: ESOPs, profit sharing programs
6. Information sharing: More transparency and information to employees
7. Participation & Empowerment: Encouraging employees for better participation and empowering them by giving them more control.
8. Teams and Job Redesign: Use of interdisciplinary teams that coordinate and monitor their own work.

9. Training as Skill Development: Providing workers with the skills necessary to do their jobs.
10. Cross-Utilization & Cross Training – Training people to perform several functions at the same time.
11. Equal treatment of employees
12. Wage Compression – Reducing the size of pay differences among employees.
13. Promotion from within: Filling up of job vacancies from within
14. Long term perspective
15. String underlying philosophy

Linkage of Business Strategy with HRM: Aligning HRM with Business Strategy

This is the ability of the a HR person to connect HR initiatives to the strategic initiatives of the business. This can be done by following the five process:

1. Define Success in terms of business goals
2. Align and set HR goals with specific business objectives
3. Formulate specific actions to achieve those goals
4. Get everyone to accept the proposals
5. Measure the progress of the initiatives

Importance of Strategy

1. Provides direction
2. Facilitates decision-making
3. Ensures proper allocation of resources
4. Synchronizing activities
5. Improves communication & commitment
6. Helps accomplishing goals

Emerging Issues in SHRM

Various issues or challenges related to SHRM implementation are as follows:

1. Absence of Long -term Orientation
2. Lack of strategic Reasoning
3. Lack of Adequate Support from Top Management
4. Resistance from Labour Unions

5. Fear of failure
6. Rigidity of HR practices
7. Fear of attrition
8. Absence of measurement techniques

ABIT

STRATEGIC HUMAN RESOURCE MANAGEMENT

Aligning HR Systems with Business Strategy

(Module-2)

Mitrabinda Nayak

It is essential that the HR of a company thoroughly understands the goals and objectives of the company. This is required so that they can align the business strategies accordingly. In the HR environment there are the following elements:

i) Some overarching, broad elements like HR architecture, HR principles or HR philosophy that provide general direction for the management of human capital

ii) Some mid-range elements like HR policies or HR programmes that provide alternative approaches to align HR practices with HR architecture and strategic objectives, and

iii) Some lower-range elements like HR practices and HR processes that reflect the actual HR activities implemented in specific circumstances.

HR Systems

HR Systems are the electronic tools used to access HR-related information and perform HR-related functions. As HR started playing a more crucial roles in the organization it was necessary to evolve the way in which it worked. The factors were the necessity to track and cut costs of the HR function, the need to timely information in decision making process.

The original HR systems were mostly concerned with personnel record keeping and payroll. Gradually more sophisticated means were adopted which now allows the HR systems to address all kinds of HR needs of the organization.

Human resource information system (HRIS) can be defined as a software or online solution that is used for data entry, data tracking, and the data management of all human resources operations of an organization. With the world of work in a state of continuous, digital flux, HR systems and processes need to adapt to a world that is datafied, technology-driven, and people-centric. Human resource information systems have evolved over the last decade as well to embrace these new trends at work.

The goal of any HR software is to help you manage your HR initiatives and to better support your company's objectives. There are 8 steps which are required to be undertaken to ensure a successful implementation.

1. **Identify your current HRIS needs and plans for future growth** - Know what you want your HRIS software to do. Having a clear goal in mind will help you to set your expectations for the new platform. Are you seeking to reduce time spent on manually processing tasks or eliminating paperwork? Does the new system need to work seamlessly with your existing ATS, international Payroll or other software in your HR/IT/Finance ecosystem? What must the new system do that your current HRIS cannot manage? Answering these and other questions early in the process will help you to develop your Request for Proposal and to assess your prospective vendors.

2. **Establish your HRIS budget** - Be clear on which features are the most critical for your team and for the company. Would employee self-service cut down on tracking PTO requests? Does leadership need access to advanced reporting to make data-driven people decisions? Do you want to accelerate time to productivity for your new hires with structured onboarding? Include an additional budget for IT, additional staff training time and possible budget over-runs.

3. **Send out a Request for Proposal (RFP), interview vendors and then select an HRIS platform**- Do your research by connecting with industry peers, reviewing what HR blogs and other sites are saying about best-in-class HRIS vendors. Invite your shortlisted vendors to give a presentation to both you and your team. Aside from the sales pitch, ensure that the vendors have aligned their systems' capabilities with your expressed current and future plans while staying within established budget and timeline for implementation. Discuss whether the system can be integrated with the tools you already use, and develop an understanding of their Professional Services Program to ensure you're set up for success.

4. **Partner with the chosen vendor to create a comprehensive implementation project plan -** Identify both your internal and external implementation project teams and garner support from your company stakeholders and sponsors. If possible, have a skilled in-house project manager be the liaison between the vendor and your internal teams. Establish dedicated resources (IT, consultants, etc.) at both the technical and the functional level, who are available throughout each implementation phase.

5. **Next up, implementation kick-off -** Work with your chosen vendor and your internal and external stakeholders to establish a multi-phased approach to implementation. This can ensure that sufficient time and resources are allocated at each phase, and day-to-day work can continue without major disruptions.

Phases may include IT and connectivity, security, systems integration, data migration, testing, super-user training, and usability testing. Communicate the implementations progress to sponsors and stakeholders on a regular basis.

6. **Communicate the HRIS Company-wide rollout** - Establish a communications plan for company-wide messages as you move toward your rollout date. Your plan can include specifically timed and focused messages to super-users, stakeholders and end-users. Identify and promote internally information on technical support, functional support, and end-user training.

7. **Identify challenges and provide support** - Once your HRIS system is fully functional, have additional resources in place to support late or slow adopters. Have a 2-way communication system in place to gather feedback from super-users, stakeholders and end-users. Continue to work with the vendor, internal and external resources to make any necessary technical adjustments.

8. **Evaluate Implementation Success** - Once you've reached the end of your implementation, spend time reviewing the process with both your internal stakeholders and your HRIS vendors. Identify the impact of any cost over-runs, unexpected delays, and additional resources. Ensure that your vendor has addressed all outstanding issues. Have a plan in place for future add-ons, new technology or upgrades to the HRIS system.

Implementing an HRIS and executing it effectively require forethought, communication, and project management. But the results will lead to higher productivity and engagement from your team.

Components of HR Systems

There are different kinds of HRIS systems and software. Because an HRIS encompasses all the functionalities for HR, all separate functionalities are part of the system. These functionalities include:

- **Applicant Tracking System (ATS).** This software handles all the company's recruiting needs. It tracks candidate information and resumes, enables recruiters to match job openings to suitable candidates from the company's application pool, and helps in guiding the hiring process.

- **Payroll.** Payroll automates the pay process of employees. Contractual data is often entered into this system – sometimes combined with time & attendance data – and at the end of the month, payments orders are created.

- **Benefits.** Another functionality of the HRIS is benefits management. Employee benefits are an important aspect of compensation and are also managed in this system. More advanced systems offer an employee self-service model for employee benefits. In this case, employees can select the benefits they are looking for themselves. One may want more paternity leave, the other one a more expensive company car. This self-service approach to benefits is also called a *cafeteria model*.

- **Time & Attendance.** This module gathers time and attendance data from employees. These are especially relevant for blue-collar work where employees clock in and out. Back in the day when I worked in a supermarket, we wrote the time worked down on a piece of paper, which was then manually entered into the time tracking system by the manager. Based on this data, payment orders were generated and paid to all employees.

- **Training.** Learning and development is a key element when it comes to employee management. This module allows HR to track qualification, certification, and skills of the employees, as well as an outline of available courses for company employees. This module is often referred to as an LMS, or Learning Management System, when it's a stand-alone. An LMS usually includes available e-learning and other courses to be followed by employees.

- **Performance management.** Performance management is a key part of managing people. Performance ratings are generated once or multiple times a year by the direct manager or peers of the employee.

- **Succession planning**. Creating a talent pipeline and having replacements available for key roles in the organization is another key component of an HRIS.

- **Employee self-service.** Employee self-service was already mentioned. Organizations are focusing increasingly on having employees and their direct supervisors manage their own data. Requests like holidays can be asked for by the employee him/herself. After approval, these are then immediately saved into the system (and registered to track for payroll and benefits purposes).

- **Reporting & Analytics.** A much rarer module in HRIS systems is reporting and analytics. Modern systems enable the creation of automated HR reports on various topics like employee turnover, absence, performance, and more. Analytics involves the analysis of this data for better-informed decision making. We'll explain more about this in the section below.

Functions / Role of HR Systems

- **Record-keeping.** An HRIS is a record-keeping system that keeps track of changes to anything related to employees. The HRIS can be seen as the one source of truth when it comes to personnel data.

- **Compliance.** Some data is collected and stored for compliance reasons. This includes material for the identification for employees in case of theft, fraud, or other misbehaviors, first contact information in case of accidents, citizens identification information for the tax office, and expiration dates for mandatory certification. All this information can be stored in the HRIS.

- **Efficiency.** Having all this information in one place not only benefits accuracy but also saves time.

- **HR strategy.** The HRIS enables the tracking of data required to advance the HR and business strategy. Depending on the priorities of the organization, different data will be essential to track. This is where the HRIS comes in.

- **Self-Service HR.** A final benefit is the ability to offer self-service HR to employees and managers. This enables employees to manage their own affairs. When done right, the HRIS can offer a good employee experience. Keep in mind that not all HRIS systems offer this in a user-friendly manner!

Competitive Advantage through HR Activities:

Here are some of the many ways the HR team can help create and maintain a competitive advantage for the organization:

- **HR can use data to analyze turnover rates and determine where problems may lie,** thus allowing the company to more quickly find issues and get them resolved. For example, if the data show that most turnover is from new hires, the team can focus on what problems may be the cause of that. Or if the data show that one group has a higher turnover rate than the rest of the business, focus can be turned there.

- **HR can help managers source the right talent to get the skills the company needs to grow and be competitive.** HR expertise can allow the organization to know where to look for specialized talent when needed. (If your organization doesn't already assess which talent streams are best utilized for different types of candidates, you can start now!)

- **HR can provide insight into the going market rates for talent** and what it might take to get high-quality hires on board. HR can review the competitive talent landscape and determine what compensation strategy will be best aligned with company goals.

- **HR can give insights into how other organizations within your industry are structured—**there may be information that can be useful in determining which positions the company still needs to create or fill to become or remain competitive.

- **HR can use data to show how the skill sets of the employees are evolving over time,** and to show business leaders where skills gaps may exist so those gaps can be addressed proactively.

- **HR can also design employee development pathways that take into account the strategic and long-term needs of the organization,** ensuring that key employees get the right training before it must be utilized. This impacts retention and improves the skill sets for the organization as a whole, all while ensuring the organization is addressing big-picture competitive issues proactively.

- **HR can use data to find potential employee issues before they become problematic.** By tracking employee engagement scores over time, for example, HR can discover when engagement levels are waning—hopefully before they have a significant impact on morale and turnover—so the organization can take action sooner rather than later.

- **HR can put together succession plans that take into account the organization's strategic goals.** This can allow the organization to remain competitive even when there is turnover in key roles. (This is a critical time when a less organized company may falter.)

- **HR can analyze which employees are high performers and alert the management** about who should be fast-tracked for promotions and new projects.

- **HR guidance on legal issues can keep the organization out of costly legal problems.** This not only saves the company money but it can also save the company from major setbacks.

Sustained Competitive Advantage through HR activities

Sustained competitive advantage is distinct from the concept of competitive advantage.Within the resource-based view, a sustained competitive advantage exists only when other firmsare incapable of duplicating the benefits of a competitive advantage (Lippman &Rumelt, 1982).Thus, a competitive advantage is not considered sustained until all efforts by competitors toduplicate the advantage have ceased. A sustainable competitive advantage occurs when an organization acquires or develops an attribute or combination of attributes that allows it to outperform its competitors. These attributes can include access to natural resources or access to highly trained and skilled personnel human resources.

Resource-Based View of the Firm

In 1991, Jay Barney established four criteria that determine a firm's competitive capabilities in the marketplace. These four criteria for judging a firm's resources are:

1. Are they valuable? (Do they enable a firm to devise strategies that improve efficiency or effectiveness?)
2. Are they rare? (If many other firms possess it, then it is not rare.)
3. Are they imperfectly imitable (because of unique historical conditions, causally ambiguous, and/or are socially complex)?
4. Are they non-substitutable? (If a ready substitute can be found, then this condition is not met?)

When all four of these criteria are met, then a firm can be said to have a sustainable competitive advantage. In other words, the firm will have an advantage in the marketplace which will last until the criteria are no longer met completely. As a result, the firm will be able to earn higher profits than other firms with which it competes.

Linking HRM Practices to Organizational Outcomes

HRM is related to organizational outcomes into three primary groups related to HRM:

i) **HR Outcomes** – It refers to those most directly related to HRM in an organization, such as employee skills and abilities, employee attitudes and behaviours and turnover.

ii) **Operational Outcomes**–These are related to the goals of an organizational operation, including productivity, product quality, quality of service and innovation.

iii) **Financial Outcomes**–It reflects the fulfilment of the economic goals of an organization. Typical financial outcomes include sales growth, ROI and return on assets.

Dimensions of HRM Practices

HRM practices generally falls under any one of the following dimensions:

i) **Skill-enhancing HR Practices** – These include practices that are designed to ensure appropriately skilled employees, such as comprehensive recruitment, rigorous selection, extensive training etc.

ii) **Motivation-Enhancing HR Practices** – These include those practices that are implemented to enhance employee motivation like developmental performance management, competitive compensation, incentives and rewards, extensive benefits, promotion & career development, job security.

iii) **Opportunity – Enhancing HR Practices** – These practices empower employees to use their skills and motivation to achieve organizational objectives. These include flexible job design, work teams, employee involvement, information sharing etc.

All these HR practices have different degrees of impact on organizational outcomes. The skills enhancing HR practices ae the most prominent among them.

Alternative HR Systems

If traditional Human Resource Management (HRM) covers the areas of recruitment, training and development, rewards, and performance measurement while proposing practices to manage these fields, SHRM is concerned with developing and integrating strategies based on HRM practices that can lead the organisation to achieve the set strategic goals.

In this context, there are different approaches to theorising SHRM. Today, researchers are inclined to focus on four approaches that are used to explain the basic features and principles of SHRM. These approaches, or models, are the

universalistic perspective, the contingent perspective, the configurational perspective, and the contextual.

SHRM PERSPECTIVES

A) The Universalistic Perspective

- Universalistic or “best practices” approaches assert that some HR practices are always better than others and all organizations should adopt them.
- Under a universalistic approach, strategic HR practices are those that are found to consistently lead to higher organizational performance, independent of an organization’s strategy.
- Some human resource practices are always better than others and that all organisations should adopt these best practices.
- There is a linear relationship between HRM practices and the changes in the organisational performance.
- Examples of such practices are formal training systems, profit sharing, job definition etc. The other practices deal with training and development, compensation, security, and employee involvement as important to achieve high performance.
- Nevertheless, the problem is in the fact that the supporters of the universalistic perspective do not “study either the synergic interdependence or the integration of practices”.
- Researchers that choose the universalistic approach are inclined to measure only one HRM practice at a time, in order to determine how effective this practice can be at influencing organisational performance or the employees‟ attitudes to their jobs.

B) The Contingency Perspective

- In contrast to the universalistic approach, the proponents of the contingent approach state that the relationship between HRM practices and the performance of organisation cannot be discussed as linear because it is necessary to achieve a match between HRM practices and the stages of the organisation’s development.
- Certain HRM practices cannot be totally effective at different stages of the organisation’s progressand matching the practices and the organisation’s needs is key to success.

- Contingency means the consistency of using certain practices in different situations when the company takes different strategic positions.
- Here attention is required on certain variables that can influence the effectiveness of HRM practices in specific contexts.
- The organisational and environmental factors can influence not only the choice of HRM practices necessary at different stages of the company's life cycle, but also the effectiveness of the practices' implementation.
- So, importance is paid to a range of external factors that influence the implementation of HRM practices and their fit to the business strategy like innovation, product quality, and customer satisfaction in order to achieve the higher performance.

C) The Configurational perspective

- The proponents of this theory identify configurations, or unique patterns of factors, that when taken together can be maximally effective in order to promote the performance of the organisation.
- There are a set of configurations, which are properly selected to be implemented as a unit in the organisation called "bundles" in which certain HRM practices support the other practices in order to lead the organisation to completing its strategic goals.
- The HRM practices should be perceived as a system wherein the focus is on the horizontal fit and on the vertical fit that reflect the internal effectiveness of HR practices, and the match of the HR practices with the strategy.
- Furthermore, according to the researchers a particular business strategy requires a specific approach to SHRM.
- The configurational approach to SHRM is a holistic approach because the focus on configuration means the choice of multiple bonds and non-linear interactions between the specific strategy followed in the organisation and the set of HRM practices.
- It emerges from the contingency approach that the relationship between SHRM and performance is contingent upon the business strategy.
- Therefore, the configurational approach is the expansion of the contingent approach that is associated with the ideas of fit, synergy, and integration.

Synergy - is a specific state, or combination of practices to gain the benefits, that is "achievable only if HRM policies and practices perform in combination and better than the sum of their individual performances.

Internal fit - refers to the specific situation when the company can work "to develop interconnected and mutually reinforcing HRM policies and practices".

External Fit - When the organisation tries to develop a bundle of HRM practices "that comes fit with the businesses' strategies even beyond the scope of HRM" then there is external fit.

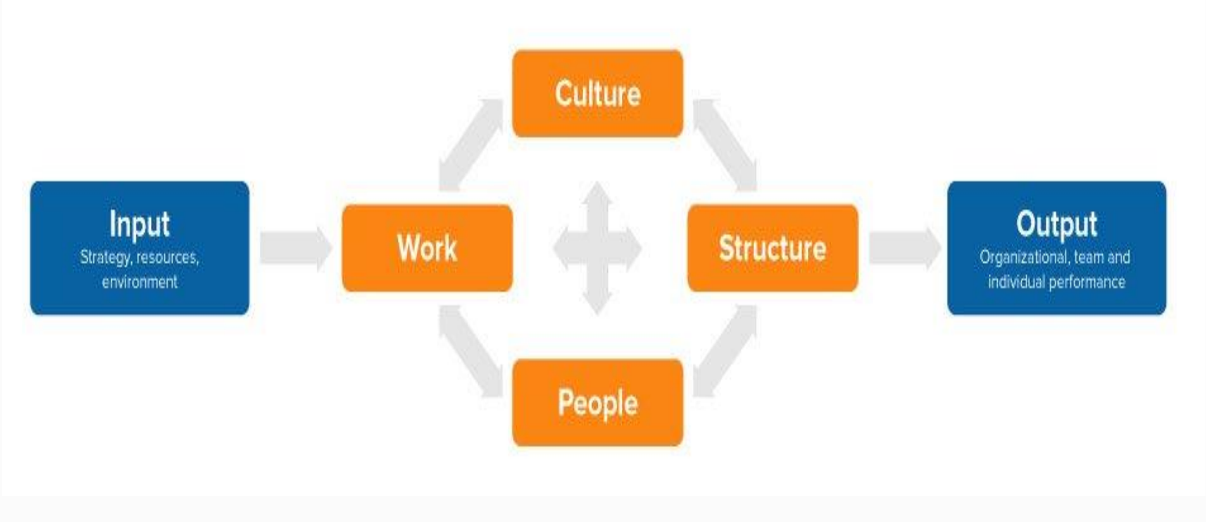
D) The Contextual Perspective

- Another group of researchers chooses to focus on the broader perspective, such as the contextual approach, and analyses different contexts within which an organisation can develop.
- While the rest of the perspectives, at best, considered the context as a contingency variable, this approach proposes an explanation that exceeds the organizational level and integrates the function in a macro-social framework with which it interacts.
- The important features of the contextual approach shifts a level of analysis to a wider network of stakeholders to social, institutional and political forces
- In this context, the selected HRM strategies can influence, and be influenced by, both the internal and external factors.
- Moreover, the role of environmental factors such factors as culture, ownership structures, labour markets, the role of the state and trade union organisation in affecting the implementation of HRM practices in organisations is emphasised because it is important to focus on the broader organisational context.

Congruent HR system

The Congruence Model was developed in the early 1980s by organizational theorists David A. Nadler and Michael L. Tushman. It's a powerful tool for identifying the root causes of performance issues. It can also be used as a starting point for identifying how you might fix them. It's based on the principle that a team or organization can only succeed when the work, the people who do it, the organizational structure, and the culture all "fit" together – or, in other words, when they are "congruent". Where there is incongruence, or a poor fit, between these four critical elements, problems will arise.

The Nadler-Tushman Congruence Model is based on four elements. These elements are work, people, structure, and culture. According to this model, then, an organisation's performance is the result of the way these elements work together.



For example, you may have brilliant people working for you, but if your organization's culture is not a good fit for the way they work, their brilliance won't shine through. Likewise, you can have the latest technology and processes, but decision making will be slow and problematic if the organizational culture is bureaucratic. The Congruence Model offers a systematic way to avoid these conflicts.

As can be seen from the image, an organisation in fact consists of four elements that work together in order to process input into output. This process is referred to as the transformation process: natural resources, components or other means are processed and turned into something new. This includes the financial means, used to purchase all the other means.The finished products or services are then delivered to the external market. The market's reaction is important to the organisation, which will always consider and process it in the form of feedback.

The four elements are discussed in detail as follows :

Work - Work refers to the tasks carried out by employees. It's important that the result of these tasks are aimed at the company objectives. It should be apparent which skills or knowledge are required for tasks and company activities, and these should be present to a sufficient degree within the organisation.

People - People are an important part of the organisation and the congruence within itand form an important part of the Nadler-Tushman Congruence Model. A company aimed at innovation is looking for pioneering, fast-thinking people. A sales company is mostly focused on finding sales talent. It should be known of employees which skills and knowledge they possess, whether they have experience, and what education they have followed. It should also be known how they would like to be individually rewarded and compensated for their work. For motivated staff, it's also important that they should be able to develop potential within themselves.

Structure - Although aligning the work from the first of the four elements is important, aligning the organisational structure is even more important. Structure is the third component of the Nadler-Tushman Congruence Model. It creates consistency between what an organisation wants and what it does. A company that responds to new market developments needs a flexible corporate structure that is able to quickly adjust to the changing market. A company chain with outlets in various regions would benefit more from a hierarchical structure with regional managers.

Culture - The corporate culture consists of values and norms, behavioural patterns and rules, both written and unwritten. The corporate culture also has great influence on the way it supports and stimulates the corporate results. Sometimes, an organisation's culture needs to change before the organisation is able to adjust to a new business focus. A relaxed, informal corporate culture may work well for a startup, but will need to become somewhat more mechanical upon growth. There are also organisations where the focus is on employees and their well-being. This happens in altruistic organisations.

Integrated HR System

The HR strategy should be aligned to the business strategy. Better still, HR strategy should be an integral part of the business strategy, contributing to the business planning process as it happens.

The concept of strategic fit believes in vertical and horizontal integration. Vertical integration aligns the HR strategy with the business strategy and also makes the former an integral part of the latter. Vertical integration helps in building a rationale for every HR action or policy, since directly or indirectly the same helps in the furtherance of the business strategy.It is also called External fit.

Vertical integration is necessary to provide congruence between business and human resource strategy so that the latter supports the accomplishment of the former and, indeed, helps to define it.

Horizontal integration with other aspects of the HR strategy is required so that its different elements fit together. The aim is to achieve a coherent approach to managing people in which the various practices are mutually supportive. Horizontal integration implies that various HR strategies are aligned so that there is congruence and they have a cumulative positive effect on business. This is also called Internal Fit.

Strategic fit is a combination of vertical and horizontal integration or external and internal fit.

Designing congruent HR Systems

We may derive several steps from the Nadler-Tushman congruence model, which can be gone through in order to achieve congruence and improved performance in the organisation.

1. Identify symptoms

Collect data that show possible failings in the organisation's functioning. These may be disappointing results, undesirable behaviour on the part of employees, or something else. Make sure all symptoms are noted down.

2. Note down input

Investigate the exact means used in the organisation. Consider the organisation's environment in the assessment as well, and note down important aspects relating to financial input, human resources, and history.

3. Identify output

Then, identify what the organisation is producing as its output on various levels. Investigate individual, departmental, and organisational performance. In the next step, compare the performances achieved to the desired performances.

4. Identify problems

Assessing and comparing performance, one may find various causes for problems. In this step of the Nadler-Tushman Congruence Model, use the root cause analysis to identify the causes. It's important to compare the results achieved to the desired results, as well as selecting areas where the difference is substantial. For each problem, the consequences it brings should be noted down. This means direct costs, indirect costs, and opportunity costs.

5. Describe company elements

In this step of the Nadler-Tushman Congruence Model, the four elements explained above are described. Make sure the descriptions are clear, concrete, and focused on the element's core functions. If needed, use corporate models like the Business Model Canvas.

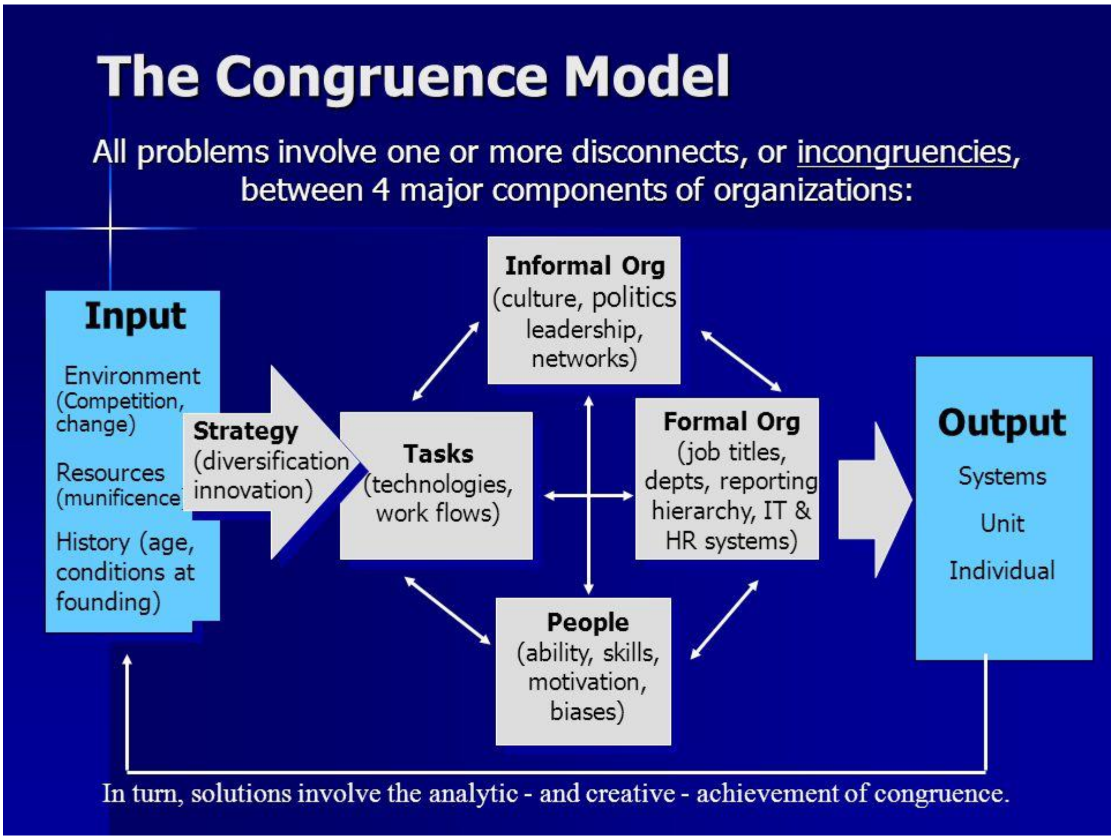
6. Assess congruence

Assess the relative congruence between the various elements of the company. Think of how information streams flow, what the communication structure looks like, who has been invested with which powers, and which people are responsible.

Carefully consider the various ways in which the elements interact. Tasks and people, people and cultures, structure and culture, they all relate to one another and may provide useful insights into the manner and degree of efficiency of working.

7. Make action plan

Note down how the problems from step 4 of the Nadler-Tushman Congruence Model may be anticipated and how problems should be dealt with in the future. By linking the problems to output and finding out what's causing the discongruence, the exact cause may be traced. Then, use Business Process Re-engineering (BPR) in order to reshape the processes.



Human Resource Strategy Formulation

HR in today's world is playing an important strategic role by working with the top management to formulate the company's strategic plans. Globalization means more competition, more competition means more performance, and most firms are gaining that improved performance in whole or part by boosting the competence and commitment level of their employees. That makes HR's input crucial.

Sources for Formulation of HR strategy

1. Internal HR Practices
2. Workshops
3. Employees
4. External HR Practices
5. Job Applicants
6. Managers
7. External Hr Consulting Company

Steps in Formulating HR Strategies

1. HR Information Planning
2. Organizational Development Information
3. HR Workshops
4. HR Managerial Workshops
5. Preparation of HR Strategy
6. HR Strategy Feedbacks
7. HR Strategy Approval

Challenges in Formulation of HR Strategies

- Support from the overall business strategy
- Developing HR Strategies for unique organizational characteristics
- Securing management commitment
- Integration with organization's strategic plan
- Accommodating change
- Maintaining a competitive advantage

HR Strategy in Workforce Utilization

What is Workforce utilization – A utilization method that attempts to maximize the efficiency of a company's employees. This can be accomplished by a variety of methods, including training an employee in multiple areas so that they can switch from one role to another depending upon where they are most needed at a given time. This way, employees are not wasting time on less-profitable tasks.

Implementation of HR Policies

There is so much emphasis of strategy planning that its implementation is not given required importance. However, in practice it is the implementation of strategy that is more challenging. In this regards we can consider the following points for effective work force utilization and employment practices.

E. Efficient utilization of human resources
F. Dealing with employee shortages
G. Selection of employees
H. Dealing with employee surpluses

A. Efficient utilization of human resources – Several managerial practices have more flexibility in workforce utilization. This is obtained by the following practices :

1. Cross training

It is defined as the instructions strategy in which each team member is trained in the duties of his or her team mates.

- Flexibility in work assignment is the key to efficient utilization of human resources.
- Cross-training of employees in different function also leads to the employees widening their range of skills leading to maximum utilization.
- The efficiencies obtained through flexible work assignments and broadened jobs need to be accompanied by corresponding changes in involvement in decision making, compensation, informality and education.

Advantages

- Saves Cost
- Provides replacement workers
- Motivates and retains employees
- Encourages teamwork
- Increases skill set
- Empowers employees

Steps in Cross Training

1. **Task identification** - Identify the tasks performed for various jobs and designate which ones could be successfully performed by other people.

2. **Voluntary participation** - Identify who is interested in participating in the program. It may be counterproductive to force someone to participate. Decide how to deal with this situation.

3. **Cross-train** - Cross-train members of the same team. Also, it's a natural learning process for one team member to pick up skills from another.

4. **Specialized skills** - Identify who has the competencies to perform the tasks designated as cross-trainable in step 1. Specialized skills in some professionals (engineers, scientists, programmers, lawyers, accountants) may be less available for

cross-training than others. Determine what proportion of a team member's job can be reasonably shared with other team members.

5. **Coaching** - Apply coaching skills to the process. Cross-training is at the challenging end of the learning curve, involving major portions of employees' jobs rather than a task or two. Those who do the training – whether it is a fellow employee or the manager – need to understand the appropriate coaching behaviors to apply at each stage in the process.

6. **Reduce workload** - Reduce workload during training and while tasks are being performed. Otherwise, the people involved may feel resentful about the process.

7. Recognize and reward - Recognize and reward employees that have new skills and/or responsibilities.

8. Development plan - Incorporate the cross-training process into an overall development plan for an employee.

2. Using work teams

Several conditions must be present before teams are likely to be effective. The requirements for effective teams are as follows :

i) A compelling purpose and objectives and frequent reinforcement of the purpose
ii) Complementary skills of team members so careful selection of team members is essential
iii) Compatibility in personal characteristics and technical skills.
iv) Substantial training
v) Trust among team members
vi) Compatible organizational systems which include compensation, rewards and performance appraisal systems.
vii) Frequent feedback on their performance

Teams go through various phases before they reach their peak performance with corresponding behaviour in different phases. These are:

i) Forming – Organizational issues regarding who will perform what is attended to in this phase.

ii) **Storming –** In this phases there is conflict among the team members as they work through procedures dealing with various issues.

iii) **Norming –** This phase involves the establishment of understanding of how things should operate and what conduct is acceptable behaviour.

iv) **Performing –** When the team has worked through these phases and developed team skills, it reaches the performing stage.

Advantages of using Work Teams

1. Improves Productivity
2. Greater Synergy
3. Increases Innovation
4. Engages Employees
5. Enhances Flexibility
6. Overcomes Obstacles
7. Improves Service levels
8. Gain Fresh Perspectives
9. Builds Trust
10. Simplifies Conflict Resolution

3. Using Flexible Work Assignments

Flexible Work Assignments are voluntary work schedules that are approved by managers and allows the employees a certain degree of freedom and flexibility in how they will do the work.

Types of Flexible Work Assignments

1. Flexitime
2. Telecommuting
3. Compressed Work week Schedules
4. Job Sharing

1. Flex time

- Flex time is an arrangement where employees work a full day but they can vary their working hours. These arrangements may include specific guidelines so that a "core" working day exists. Flex time is usually arranged in advance with the employee and employer or supervisor and a set range of start and finish times are established. The total hours of work are not usually affected by this arrangement.

- For example, the employee may choose to start between 7:30 and 9:30 AM, and finish between 3:30 and 5:30 PM. This arrangement establishes that core hours are between 9:30 AM and 3:30 PM when all employees will be at work. Lunch periods are usually required by law and for a set length (30 minutes or more). Employees may wish to maintain their start/finish times so that a routine is established and co-workers can become accustomed to each others' schedules.

2. Compressed work week

- Compressed work week occurs when an employee works for longer periods of time per day or shift in exchange for a day off. Employees may start earlier or finish later than the normal work day. Compressed work weeks are often initiated by the employee, but sometimes the employer may initiate the option to improve operational efficiency, to maximize production (lower daily start up costs) or to establish longer business hours which can enhance customer service.
- Common arrangements for a 40 hours work week are working 10 hours per day, 4 days a week; working an extra hour a day with 1 day off every 2 weeks; or working an extra half hour a day and having one day every 3 or 4 weeks off.

3. Telework/Working Remotely/Telecommuting

- Telework or working remotely occurs when people do at least some of their regular work from home instead of going into the office or work at a different location. Details such as hours of work, and how communications between the teleworker/remote worker, co-workers and customers need to be outlined.

4. Job sharing

- Job sharing occurs when two or more employees share one or more positions or set of duties. It should be clear before starting how these arrangements affect pay, benefits, and holidays. It is very important that those in a job sharing arrangement work effectively as a team, and communicate well. Job sharing may be an option when few part-time positions are available within the company.

4. Operating on a Non-union Basis

This strategy is used by companies to gain greater flexibility and avoid disturbances in the daily operations of manufacturing setups.

Advantages

1. Reduced costs
2. Increased productivity
3. Increased creativity
4. Ease of management
5. Improved well-being
6. Staff retention
7. Attracting talent

Disadvantages

- Isolation for people who work from home
- Issues regarding trust and supervision
- Fairness for all staff and feelings of jealousy when some staff feel they have to work regular hours while others get to work "whenever they want"
- Distractions and non-work related tasks in a home environment

B) Dealing with employee shortages

The combination of demographic influences, globalisation and a sound economy leas to severe labour shortages in certain industries. Upturns and downturns are normal features of the economy and employers may find it difficult to source qualified personnel and particular points in time. The following strategies can be employed to deal with employee shortages.

1. Strategic recruiting

Strategically oriented recruitment companies are likely to perform than their counterparts who do not do strategic recruiting. There are several methods in which the HR Deptt looks implements the recruiting process from a strategic point of view. These are :

i) Intelligent use of the opportunities and sources provided by the Internet.

ii) More importance on the sources which give more desirable employees.

iii) Extent to which the company relies on the mix of internal and external recruiting.

iv) Use of methods lie overtime and temporary firm helps can help deal with shortage in labour.

2. Special recruiting for minorities and women workers

The recruiting of minorities and women workers often lead to positive public image of the company. These companies attract diverse work forces by providing support systems like child-care facilities leading to less turnover. Proper management of diversity leads to removing of barriers and limitations on individual employee contribution thereby increasing productivity.

3. Flexible retirement as a source of labour

This can be dealt with by extending the age of retirement or by giving the option of flexible retirement to older employees. Another creative way of doing it is phased-in retirement where the number of working hours or working days are reduced instead of total retirement. This option can be given to employees who are fit to continue employment and are willing to do so.

4. **Managing vendors of outsourced functions**

Many HR functions have been outsourced which results in a change of role of the HR manager from supervisory to manager of a vendor relationship. This requires a different set of skills which are discussed as below.

- Making the outsourcing decision – Except the core competencies, all HR activities can be considered for outsourcing. Outsourcing these activities should result in some value. The outsourcing company should customise its solution according your organizational requirements.
- Selecting and negotiating with outsourcing vendors – The reference check of the potential vendor should be done. The costs and benefits should be weighed before making the decision.
- Managing the outsourcing transactions – The internal HR team is likely to resist the outsourcing decision and this has to be managed internally.
- Managing vendor relationships – Long-term relationships with vendors should be encouraged and HR managers should be trained to manage these relationships.

- Monitoring and evaluating vendor performance – Regular evaluation and reporting need to be done. In case of poor performance, alternative vendors should be considered.

C. Selection of employees

Excellent selection procedures are essential for obtaining a workforce that can become a source of critical advantage. The following points are to be considered in this regard.

1. Reliability and validity

Selection procedures need to have the psychometric properties of reliability and validity.

Reliability means that the procedure, be it a test or an interview, needs to produce approximately same result when the procedure is repeated.

Test-retest reliability – When this test is used, an applicant's score from one administration of the test should correlate well with his / her next score on the next administration of the test.

Interrater reliability – Interviews are reliable when there is agreement between the interviewers about an applicant, which means that their ratings are corelated.

Selection procedures also must be valid. Validity means that the procedure predicts what it is supposed to predict. In case of selection procedures, it means that the test or interview predicts job performance in the position for which the applicants are being selected. In order for selection procedures to be valid, they must first be reliable. There are several forms of reliability relevant to selection. These are -

- **Predictive validity –** In this, the potential selection procedures like a battery of tests are given to job applicants. However, during the validation procedure, the selection is based on procedures other than the tests. After sufficient time for those hired to have learned their jobs, their performance is then corelated with test scores. Tests having a significant correlation with job performance is said to have predictive validity.
- **Concurrent validity –** In this the tests are given to current employees and their test scores are compared with their job performance.

- **Content validity –** The content validity is established by having a panel of subject matter experts review the test items so ensure that the test covers all domains of the subject.

2. Job analysis

Job Analysis provides the foundation for good selection by identifying the knowledge, skills, abilities and other requirements (KSAs) necessary to perform a job. Job Analysis leads to job descriptions. Job Analysis is done by direct interviews or through the PAQ method.

3. Interviews

Interviews are universally applicable in all selection systems. Research has shown that a more structured interview increases its validity. Also one needs to restrict the range of dimensions to ne assessed to a smaller no. of KSAs needed for the job. To guarantee unbiased interviews, the amount of information given to the interviewer about the candidate should be restricted. Use of multiple interviewers increases the predictive validity.

4. Behavioural interviews

In behavioural interviews, a candidate is asked to describe how he / she dealt with a situation in the past. This increases the predictive validity of the process. Also asking the same set of situations to different candidates improves the interrater reliability and validity of the selection procedure.

5. Testing

There are several types of tests that are relevant to selection. Some of the examples of tests are:

- **Cognitive Ability tests** – These are commonly used to asses an applicant's capability to perform a job. They have high predictive validity.
- **Personality tests** – These tests evaluate a person on the "Big Five " personality dimensions which are extroversion, agreeableness, conscientiousness, emotional ability and openness to experience.
- **Performance or Work sample tests** – These require the job applicants to perform some of the actual tasks required for the job.

6. Assessment centres

Assessment centres are intensive selection procedures that may last one or two days, in which multiple assessors observe the abilities of applicants in a wide range of settings. These include both traditional selection procedures (like job interviews and tests) combined with contemporary procedure (like in-basket exercises, role plays, business games etc)

D. Dealing with employee surpluses

Companies need to find ways of reducing the likelihood of lay-offs. Some of the ways are discussed below:

1. Redeployment and retraining

Retraining is required where the present skills become obsolete. Companies also use retraining to redeploy employees.

2. Early retirement

Companies offer early retirement incentives to employees who are ineligible to receive retirement benefits. In this these employees usually receive a bonus payment that enhances pension benefits. Research reveals that employees who opted for early retirement were people who were less motivated with their work, perceived lower likelihood of promotions, didn't give much priority to work life, didn't get along with supervisors and were generally dissatisfied with work.

3. Retreat from employment security policy

Over the years the security policies of companies have been coming down in terms of its coverage.

4. Downsizing and layoffs

It is not advisable to lay-off in response to short-term losses. An appropriate balance needs to maintained between short term and long term demands. Downsizing is effective when the most effective workers are retained. You need to follow certain guideline before conducting layoffs like :

- Give early warnings / announcements to layoffs
- Soften the impact with compensation &benefits
- Utilize the services of outplacement firms
- Supply retraining services
- Provide equitable and decent treatment of laid-off employees
- Ensure supportive treatment of survivors

- Maintain a cooperative approach with unions
- Uphold obligation to the community

5. Termination strategies

Termination becomes necessary in the following conditions:

i) Where managers cannot change themselves with a corresponding change in structure.

ii) Where the founding members who worked as entrepreneurs effective in founding companies could not make the transition to the next level.

iii) When the performance of employees is substandard or there in inappropriate behaviour.

Some points to be considered while terminating employees:

i) Make the process litigation free.

ii) The termination should be justified where efforts in terms of performance appraisal, training, coaching and counselling given earlier have failed.

iii) Career counselling and meaningful exit interviews need to be conducted.

iv) The conditions of separation, benefits etc should be explained.

v) The entire process should be conducted humanely and with dignity for the employee.

E. Special Implementation Challenges

1. Career Paths for Technical Professionals

A technical professional finds its difficult to come back to his area of expertise once he makes a transition to management positions. A solution to this is dual-career path system that allows advancement on a separate technical ladder as the employee acquires more expertise and experience. Technical professionals need not move to the management path in order to move ahead in compensation, designation or challenging work assignments.

2. Dual – Career Couples

Companies are facing challenges in transferring employees because of the rising no. of dual-career couples.

Training & Development

1. On the Job Training

- Job Instruction Training (JIT)
- Apprenticeship
- Job Rotation
- Coaching
- Understudy
- Mentoring

2. Off the Job Training

- Lectures
- Simulations
- Case Study
- Role Play
- In-basket exercises
- Conferences
- Seminars
- Group Discussions
- Sensitivity Training
- Syndicates

Methods of Management Development

1.On the Job Methods

- Coaching
- Understudy
- Mentoring
- Committee Assignments
- Planned Progression

- Temporary Positions

2. Off the Job Methods

- Case Study
- Incident Method
- Role Playing
- In-basket exercises
- Business Games
- Sensitivity Training etc

HR Strategy for T&D

1.Behavioral Strategy - This training strategy is best for building skills. It draws on well established behavioral learning theory, where participants move in small carefully reinforced steps from present performance level to a clearly operationalized goal. The assessment calls out for demonstration and observation and pre and post-test measures to see if the learning of specific skills has occurred.

2. Cognitive Strategy - This employee training strategy works best participants need to understand and remember information. It draws on well-established principles from cognitive psychology regarding the ways people attend to, process, and remembers information. The assessment usually uses paper and pencil tests to discover how well participants understand and remember the desired information.

3. Inquiry Strategy - This training strategy is used to develop abilities in critical, creative, and dialogical thinking. It draws on well-established theories about thinking processes and creativity. An appropriate assessment involves a critical analysis of what someone else has written, such as a report or proposal, or the generation of similar work. One hopes for a sound analysis that identifies some of the problems in thinking, the way the argument is being made, the assumptions, the evidence, and the fallacies.

4. Mental Models Strategy - This employee training strategy works best for training that involves problem-solving and decision making and draws on cognitive overload, that is, to keep from boggling the mind. After participants are introduced to various useful models or rules of thumb, they are given opportunities to practice. The assessment involves using appropriate hypothetical or deal problems or decision situations to see if participants can actually solve problems or make intelligent decisions.

5. Group Dynamic Strategy - This strategy is used for improving human relations and building skills needed for teamwork. It draws on well-established theory regarding group communication and is valuable for re-examining opinions, attitudes, and beliefs and for cultivating teamwork. In addition, to standardized measureless of attitude, assessment can involve self-reports of attitude change or observations of human relations or team behaviour.

6. Virtual Reality Strategy - This strategy is used for practice before going into real-life situations where there could be financial loss, injury, or fatality. The learning theory is based on what is known about role play, dramatic scenarios, and simulation. The assessment involves a final practice run to see if the participant can demonstrate near to perfect behaviour before entering the real world.

7. Holistic Strategy - This employee training strategy is used when there is a potentially educative experience available from which personal learning can be derived through reflection on experience. Experience-based learning is grounded in recent brain research, politics learning theory, and constructivist psychology. Assessment relies heavily on what the participant is able to say about the experience and the depth of understanding that grows out of sustained reflection.

Strategic performance management

Performance Management - Performance management is the process through which managers ensure that employee activities and outputs are congruent with the organization's goals. The purpose of Performance Management can be strategic, administrative or developmental.

Strategic performance management helps you apply your strategy throughout your organization to ensure that all your goals are being met. The idea is that if you communicate simple, realistic, and appropriate guidelines and expectations, you can better ensure that your employees will adopt and nurture your goals.Successful performance management is always powered by research. The information drawn from this research can help a company craft better goals and carry out its purpose.

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

Objectives of Strategic Performance Management

- Formulate strategy, determining the objectives of the organization.
- Manage the implementation of strategies
- Challenging assumptions- ensuring the content is still valid.
- Sustain excellence in performance by motivating employees to setting goals that align with organizational strategies.
- Monitoring whether the expected performance results are achieved or not.
- Ensuring that the organization is complying with the minimum legal, environmental requirements.

Advantages of strategic performance management

1. Employees will be more motivated.

2. Management will improve exponentially.

3. Better communication will be fostered.

4. A culture of excellence will be created.

Tools for Strategic Performance Management

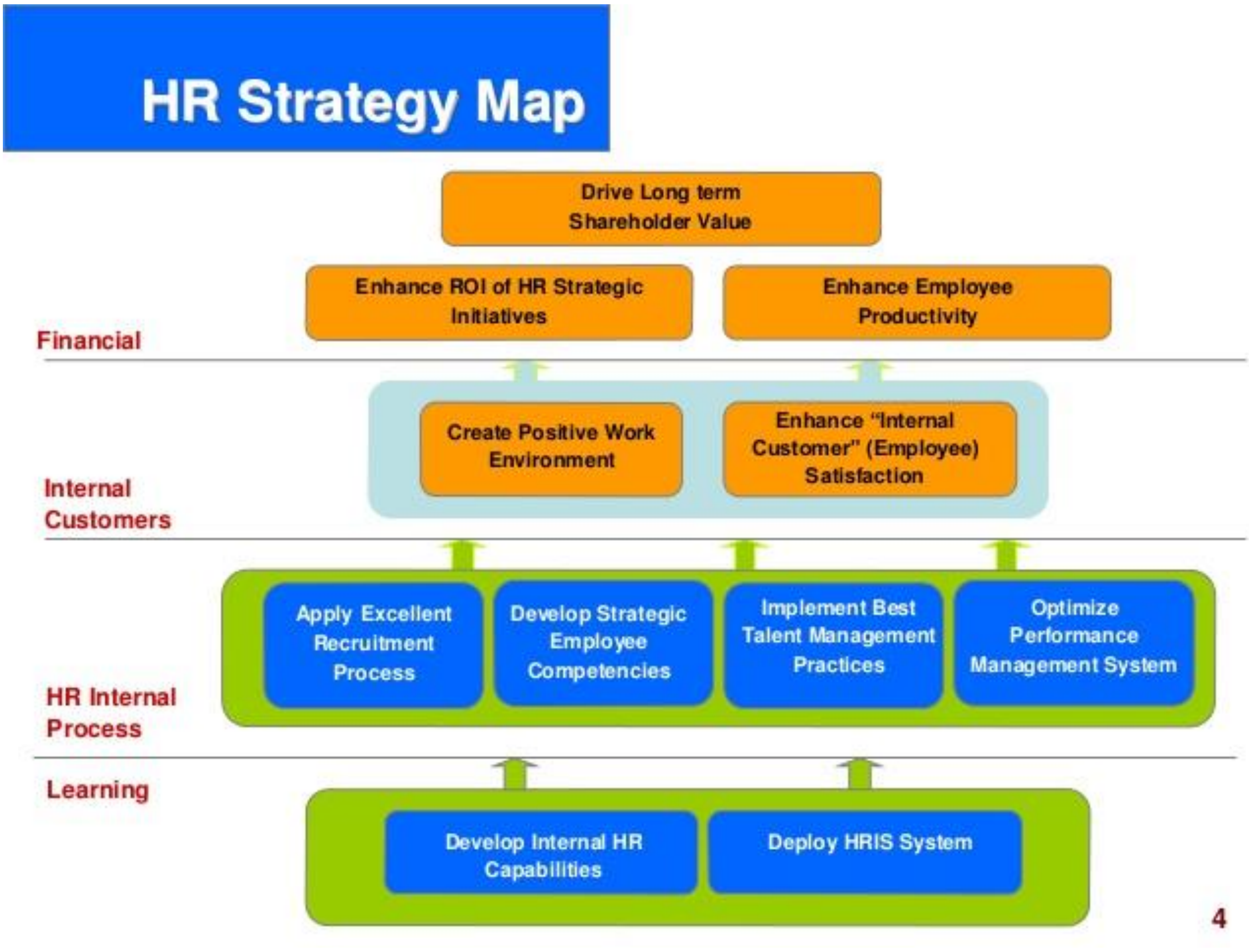
The HR scorecard is a strategic HR measurement system that helps to measure, manage, and improve the strategic role of the HR department.The HR scorecard is meant to measure leading HR indicators of business performance. Leading indicators are measurements that predict future business growth. These are called HR deliverables. They are also known as HR metrics, and more specifically HR KPIs, as they are metrics that are linked to the business strategy.

There are five steps to create an HR scorecard:

1. Create an HR strategy map
2. Identify HR deliverables
3. Creation of HR policies, processes, and practices
4. Aligning HR systems
5. Creating HR efficiencies

1. HR Strategy map

The strategy map helps to identify how HR is driving these business outcomes.



2. Identify HR deliverables

The question here is: what HR practices drive the strategic goals of the company?To measure this, HR deliverables or KPIs are created. Some examples are given below:

HR Scorecard

Strategic Objectives	Key Performance Indicators
Drive Long term Shareholder Value	• Shareholder value • Shareholder value growth
Enhance ROI of HR Strategic Initiatives	• ROI of HR Strategic Programs and Initiatives
Enhance Employee Productivity	• Profit per Employee • Revenue per Employee

HR Scorecard

Strategic Objectives	Key Performance Indicators
Create Positive Work Environment	• Ranking in "Best Place to Work Annual Survey" (conducted by *Fortune Magazine*) • % of Employee Turn Over
Enhance "Internal Customer" (Employee) Satisfaction	• Employee Satisfaction Index

HR Scorecard

Strategic Objectives	Key Performance Indicators
Apply Excellent Recruitment Process	• Average lead time to recruit employees • Recruiting cost per employee • Performance of New Recruits during the First Two Years of Employment
Develop Strategic Competencies	• Average Lead Time to Develop Strategic Competencies • Average Lead Time to Close Strategic Competencies Gap • % of Strategic Competencies Available within the Organization

HR Scorecard

Strategic Objectives	Key Performance Indicators
Implement Best Talent Management Practices	• Number of Qualified Talents per Strategic Positions • Progress of Talent Development Plan (actual vs. plan) • % of Senior Managers who Have Been Promoted Internally
Optimize Performance Management System	• Average Competency Assessment Scores • Number of Performance Feedback Session Conducted per Year

HR Scorecard

Strategic Objectives	Key Performance Indicators
Develop Internal HR Capabilities	• % of HR Employees who Develop Individual Development Plan • % of HR Employees who Fully Execute Their Individual Development Plan
Deploy HRIS System	• Progress of HR Portal Implementation (actual vs. plan) • Accuracy Level of HR Database

3. HR policies, processes, and practices

Another element of the HR scorecard is concerned with policies, processes, and practices. Here we look at what we could do to ensure that HR is successful when it comes to their key deliverables.

The idea here is that HR should create a number of**High-Performance Work Systems (HPWS).** An HPWS is a group of separate but interconnected HR practices designed to enhance effectiveness. These deliverables can be supported through policies, processes and practices. HR policies, procedures and practices establish a framework to help to manage people. They cover everything from how the business recruits its staff through to ensuring employees are clear about procedures, expectations and rules, are how managers can go about resolving issues if they arise.Creating policies, processes, and practices that create synergies is referred to as ‘bundles’ of practices. These practices act together to create synergy for the HR deliverables. This is also the core focus of the next step in the scorecard, aligning HR systems.

4. Aligning HR systems

System alignment is not about software systems. Rather, it is about aligning the different HR practices to create synergy.Aligning these HR systems is key in performing on the HR deliverables.

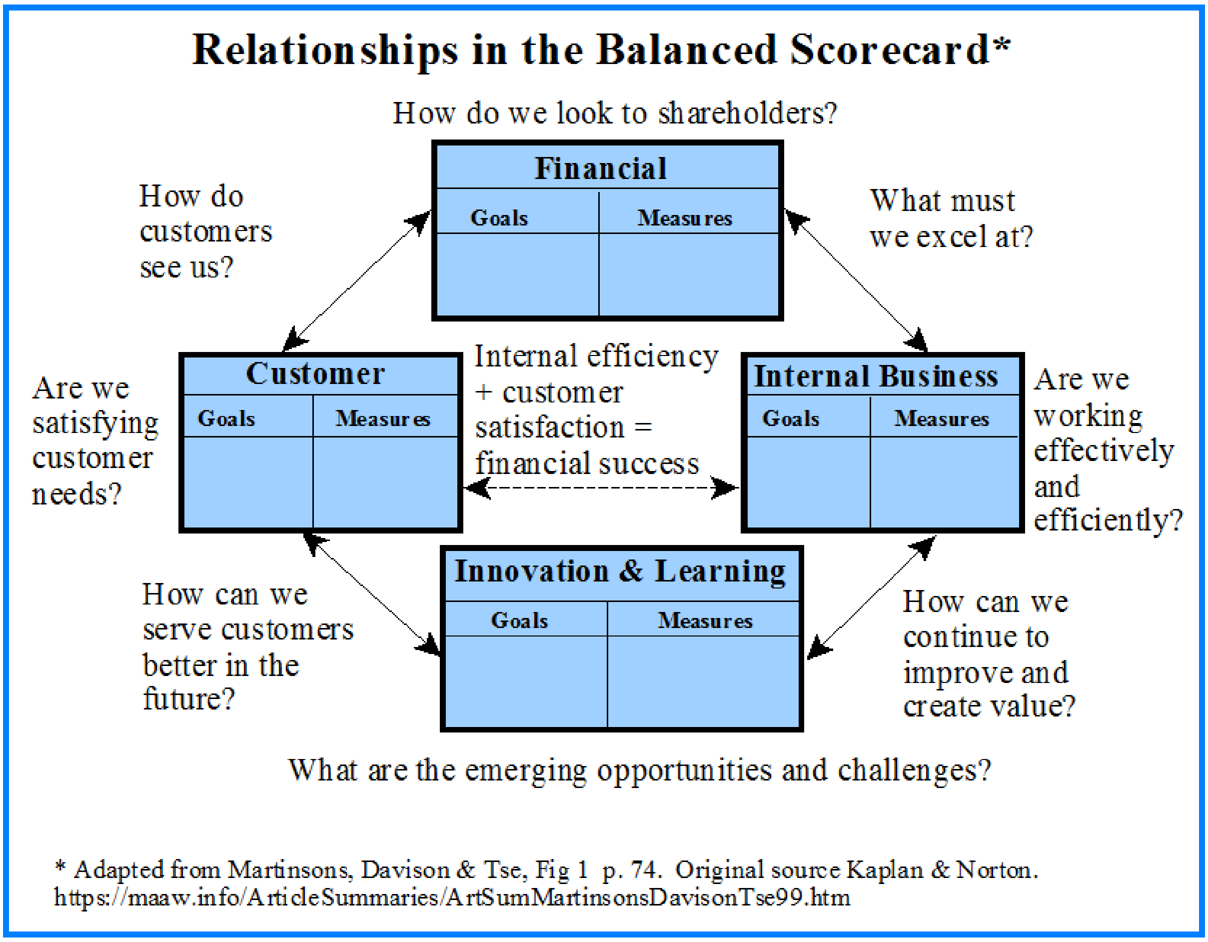
5. Creating HR efficiencies

Traditionally, HR has focused a lot on creating efficiencies. But from a strategic point of view some efficiencies have to be left out. The simple reason here is that to get, for example, a higher quality of hire, your cost to hire someone might go up. In our example, the quality of hire is a strategic HR measurement. Investing money into increasing the quality of hire is well worth it. This justifies investments in assessments, employer branding projects, and other HR initiatives that boost the main HR deliverables.

The HR balanced scorecard

A common misconception is that there is an HR balanced scorecard. The HR balanced scorecard is a mix-up of the HR scorecard and the balanced scorecard.

The **balanced scorecard** is a strategy performance management tool. The scorecard lists financials goals, customer goals, internal business goals, and innovation & learning goals. These four goals give a good overview of what the company tries to achieve, i.e. the company strategy.



As we know, the [HR strategy] follows the business strategy, so the HR scorecard is heavily influenced by the business scorecard. Indeed, the HR scorecard takes the strategy as defined in the balanced scorecard as the starting point and then identifies the HR deliverables that drive these outcomes. However, do keep in mind that both are different documents.

ABIT

STRATEGIC HUMAN RESOURCE MANAGEMENT

International &Comparative Strategic HRM

(Module- 3)

Mitrabinda Nayak

Managing Global Human Resources

With the advent of globalization, organizations - big or small have ceased to be local, they have become global. This has increased the workforce diversity and cultural sensitivities have emerged like never before. All this led to the development of **Global Human Resource Management.**

The preliminary function of global HRM is that the organization carries a local appeal in the host country despite maintaining an international feel. To exemplify, any multinational / international company would not like to be called as local, however the same wants a domestic touch in the host country and there lies the challenge.

We may therefore, enumerate the objectives of global HRM as follows:

1. Create a local appeal without compromising upon the global identity.
2. Generating awareness of cross cultural sensitivities among managers globally and hiring of staff across geographic boundaries.
3. Training upon cultures and sensitivities of the host country.

The **strategic role of Human resources Management** in such a scenario is to ensure that HRM policies are in tandem with and in support of the firm's strategy, structure and controls. Specifically, when we talk of structures and controls the following become worth mentioning in the context of Global HRM.

- **Decision Making:** There is a certain degree of centralization of operating decision making. Compare this to the International strategy, the core competencies are centralized and the rest are decentralized.
- **Co-ordination:** A high degree of coordination is required in wake of the cross cultural sensitivities. There is in addition also a high need for cultural control.

- **Integrating Mechanisms:** Many integrating mechanisms operate simultaneously.

Effect of globalization on HR

Globalization provides opportunities for businesses to invest in foreign markets and to gain access to new capital. A key concern in achieving financial results through globalization is the effect it has on your business. Bringing employees together despite distance and cultural differences is a challenge company leaders and human resources professionals must tackle.

- Language - One of the more obvious effects of workforce globalization is the need for language services such as translation. Employees from foreign countries who speak different languages often must travel to meet or communicate with others inside the organization. This has caused more companies to hire foreign language translators. Translators help employees from different countries communicate during meetings or at events.

- Culture - Developing a global organizational culture is much more complex than building one domestically. The point of a common culture is that employees share norms and values. When your employees come from varying cultures themselves, they inherently have distinct differences in their own view of work, communication and other aspects of the company. Thus, HR must work diligently to train employees on cultural sensitivity and find common points shared by employees throughout the organization. Virtual work teams often are used to promote cross-cultural teamwork.

- Diversity - Diversity has become commonplace in workplaces. With a global company, ethnic, racial, gender and age diversity is even greater. Thus, you have to create a culture that promotes equality and fairness in hiring and promotion opportunities. Global companies often have HR managers in each country that oversee diversity training and management. Again, virtual teams and cross-cultural work groups are used to create a culture that leverages benefits of diversity versus struggling with conflicts.

- Localization - Even while trying to create a global culture, HR professionals often have to emphasize localization in each country. This correlates with strategies used by companies as they enter foreign markets and try to build good rapport with local communities. This means having strong hiring and training processes at national and local levels and compensation and motivation systems that fit well with each country of operation.

Features of GHRM

- Employment of the right people at the right positions, irrespective of global locations.
- Development of a long-term HR plan to align HR strategies with corporate objectives.
- Development of a wide range of skills of employees
- Determination of compensation related issues
- Centralised reporting relationships
- Integration of different parts of the business globally
- Development of a well-organized PMS
- Integrate the cultures of different nations
- Maintaining good communication across different locations

Objectives of GHRM

1. Create a local appeal without compromising upon the global identity.
2. Generating awareness of cross cultural sensitivities among managers globally and hiring of staff across geographic boundaries.
3. Training upon cultures and sensitivities of the host country.
4. To be capable of transferring learning across globally dispersed units.
5. To manage diversified human capital.

Approaches of GHRM

A) Ethnocentric Approach

B) Polycentric Approach

C) Geocentric Approach

A) In **ethnocentric** policy, all key management positions are filled by parent company nationals and foreign subsidiaries are being locally staffed or what is termed as HCNs (Home Country Nationals). The reasons given for following ethnocentric planning policy include lack of managerial talent in the host country, desire to maintain a unified corporate culture and tighter control and desire to disseminate the parent firm's core competencies across foreign subsidiaries. This policy is usually followed at an early stage of "internationalisation". This limits promotional opportunities of HCNs which may lead to reduced productivity. PCNs unfamiliarity with local conditions, on the other hand, could be the negative factor.

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

C) In **geocentric approach**, the importance is on ability rather than on nationality. This approach seeks the best people for key jobs throughout the organization regardless of nationality. This approach seems to identify with the spirit of the times and enable a firm to develop an international executive cadre and reduce the tendency of national identification o managers with units. The drawbacks of this approach, if any, are it faces conflict with polices of local governments who desire foreign subsidiaries to employ their citizens, cumbersome paperwork, and increased relocation and training costs.

Scope of GHRM

- **Recruitment and Selection:**Recruitment and selection functions of HRM are performed to ensure right man on right job at right time and right place. However, this is not so easy, more especially in case of MNCs. 20% to 25% of all overseas assignments fail mainly due to recruitment reason. Selectors usually play safe by placing a heavy emphasis on technical qualifications and little on the individual ability to adapt to a foreign environment that is, drastically and culturally different, Foreign placements make demand on expatriate employee that are different from what the employee would face if posted in his or her home country. For example, the expatriate employee will have to cope with new work force, with colleagues with drastically different cultural inclinations, coupled with, if the spouse and children also accompany, the problems of adjustments with new place and people, making new friends, shopping in strange surroundings, learning language, and attending new schools.

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

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

These are:

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

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

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

Level IV- Provides skill building in areas like language, adjustment and adaptation skills.

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

The success of the Japanese MNCs is attributed, to a large extent, to their strong training practices. Japanese companies impart different kinds of training to their employees. Some send them for graduate programmes, some send them abroad to train in business law and engineering and familiarize themselves with foreign principles of management. There is also the Institute of International Studies and

Training in Japan, established as a joint venture among business, government and academic circles, to promote training activity in the country.

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

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

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

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

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

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

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

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

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

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

4. Modify if required, the performance criteria used for a particular job to fit the overseas position and characteristics of that particular locale. For example, ,maintaining and improving labour relations might be more important in India which is characterized by labour instability, than it would be in another country like United States.

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

- **Safety &Health :**It is important to understand and follow the safety and health environments and rules and regulations of different countries.Necessary provisions have to be made to protect workers from hazardous work environments.

- **Labour elations :**Approaches to labour relations management varies from country to country. There is division of power between the labour and management and this decides the way in which labour agreements are negotiated.

To summarise :

Compensation

- Devising an appropriate strategy to compensate expatriates
- Minimising difference in pay between parent, host & third country nationals
- Issues relating to the re-entry of expatriates into the home country

Performance Management

- Constraints while operating in host countries need to be considered.
- Physical distance, time differences & cost of reporting system add to the complexity.

Industrial Relations

- Handling industrial relations problems in a subsidiary.
- Attitude of parent company towards unions in a subsidiary

More Involvement in Employee's Personal Lives

- More involvement for both parent-country & third-country nationals
- Housing arrangements
- Health care
- Remuneration packages
- Assist children left behind in boarding schools

Changes in emphasis as the workforce mix of expatriates and locals vary

- Need for parent-country & third-country nationals decrease as more trained locals become available.
- Resources reallocated to selection, training & management development

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

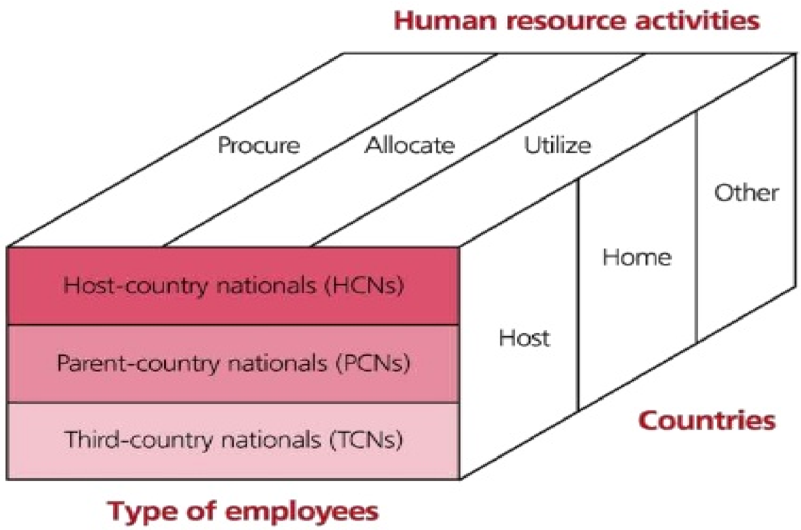
Reasons for Emergence of GHRM

- Rapid growth of internalization and Global Competition
- Need for effective management
- Need for International managers
- Traditional hierarchical organizational structures are becoming redundant
- Developing Different Organizational Cultures
- Increasing strategic alliances, international mergers and acquisitions
- Knowledge Management
- Expatriation in International firms

Factors Influencing GHRM

- Cultural Factors
- Economic Factors
- Industrial Relations / Labour Relations Factors
- Political / Legal Factors

P. Morgans Model of IHRM



- Morgan defines IHRM as the interplay among 3 dimensions:
  - Human resource activities
  - Types of employees
  - Countries of operation

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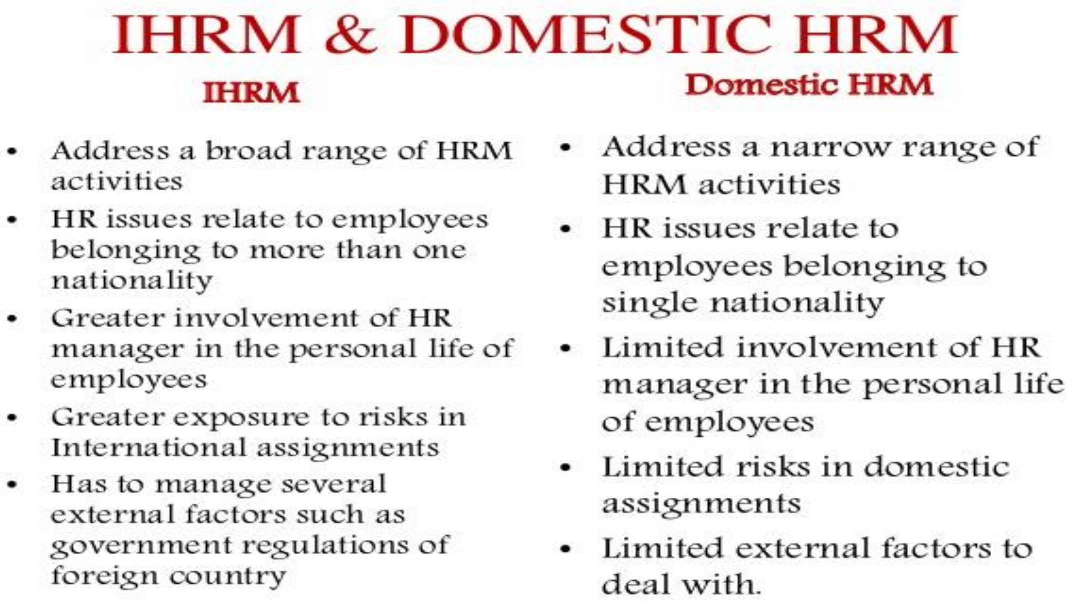
Challenges to GHRM

- Managing Cultural Diversity
- Managing Complexity of Workforce
- Managing Resistance to Change
- Managing Communication Channels
- Managing different Economic Systems
- Managing Legal & IR Issues
- Managing Social & Political Circumstances



IHRM & DOMESTIC HRM

IHRM	Domestic HRM
• Address a broad range of HRM activities	• Address a narrow range of HRM activities
• HR issues relate to employees belonging to more than one nationality	• HR issues relate to employees belonging to single nationality
• Greater involvement of HR manager in the personal life of employees	• Limited involvement of HR manager in the personal life of employees
• Greater exposure to risks in International assignments	• Limited risks in domestic assignments
• Has to manage several external factors such as government regulations of foreign country	• Limited external factors to deal with.

Multinational, Global & Transactional strategies

Due to increasing globalisation the past decades, even smaller companies have been able to cross national borders and do business abroad. Consequently, many terms have been given to companies operating in multiple countries: multinationals, global businesses, transnational companies, international firms et cetera.

An oftenused framework to distinguish multiple forms of internationally operating businesses is the **Bartlett & Ghoshal Matrix** (1989). Bartlett and Ghoshal clustered these businesses based on two criteria: **global integration** and **local responsiveness**. Businesses that are highly globally integrated have the objective to reduce costs as much as possible by creating economies of scale through a more standarized product offering worldwide. Business that are highly locally responsive have as extra objective to adapt products and services to specific local needs. It seems that these strategic options are mutually exclusive, but there are companies trying to be both globally integrated and locally responsive as can be seen in some examples below. Together these two factors generate four types of strategies that internationally operating businesses can pursue: **Multidomestic**, **Global**, **Transnational** and **International** strategies.

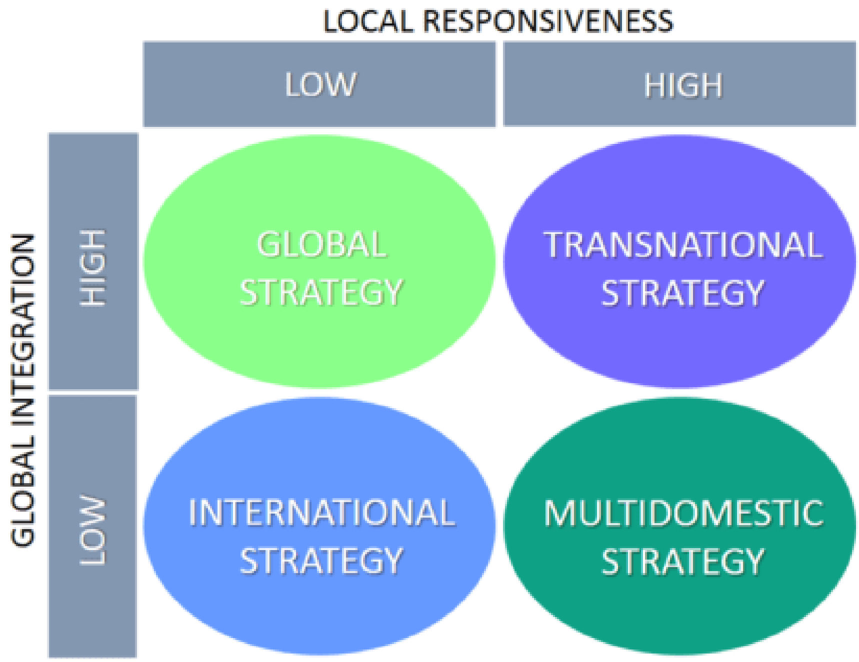


Figure 1: Bartlett and Ghoshal's Typology of Multinational Companies: Global, Transnational, International and Multidomestic Strategy

Multidomestic: Low Integration and High Responsiveness

Companies with a multidomestic strategy have as aim to meet the needs and requirements of the local markets worldwide by customizing and tailoring their products and services extensively. In addition, they have little pressure for global integration. Consequently, multidomestic firms often have a very decentralized and loosely coupled structure where subsidiaries worldwide are operating relatively autonomously and independent from the headquarter. A great example of a multidomestic company is Nestlé. Nestlé uses a unique marketing and sales approach for each of the markets in which it operates. Furthermore, it adapts its products to local tastes by offering different products in different markets.

Global: High Integration and Low Responsiveness

Global companies are the opposite of multidomestic companies. They offer a standarized product worldwide and have the goal to maximize efficiencies in order torecude costs as much as possible. Global companies are highly centralized and subsidiaries are often very dependent on the HQ. Their main role is to implement the parent company’s decisions and to act as pipelines of products and strategies. This model is also known as the hub-and-spoke model. Pharmaceutical companies such as Pfizer can be considered global companies.

Transnational: High Integration and High Responsiveness

The transnational company has characteristics of both the global and multidomestic firm. Its aim is to maximize local responsiveness but also to gain benefits from global integration. Even though this seems impossible, it is actually perfectly doable when taking the whole value chain into considerations. Transnational companies often try to create economies of scale more upstream in the value chain and be more flexible and locally adaptive in downstream activities such as marketing and sales. In terms of organizational design, a transnational company is characterised by an integrated and interdependent network of subsidiaries all over the world. These subsidiaries have strategic roles and act as centres of excellence. Due to efficient knowledge and expertise exchange between subsidiaries, the company in general is able to meet both strategic objectives. A great example of a transnational company is Unilever.

International: Low Integration and Low Responsiveness

Bartlett and Ghoshal originally didn’t include this type in their typologies. Other authors on the other hand have attributed the name to the lower left corner of the matrix. An international company therefore has little need for local adaption and global integration. The majority of the value chain activities will be maintained at the headquarter. This strategy is also often referred to as an exporting strategy. Products are produced in the company’s home country and send to customers all over the world. Subsidiaries, if any, are functioning in this case more like local channels through which the products are being sold to the end-consumer. Large wine producers from countries such as France and Italy are great examples of international companies.

Strategic Choices to Compete in International Markets

- Global Strategy: standardized product, economies of scale, cross-cultural learning.
  - Examples : Texas Instruments, Caterpillar, and Otis Elevator
- Transnational Strategy : move material, people, ideas, across national boundaries; economies of scale; and cross-cultural learning.
  - Examples : Coca-Cola, and Nestle.
- International Strategy : import/export, or license existing product.
  - Examples : US steel, and Harley Davidson.
- Multi-domestic Strategy : use existing domestic model globally, Franchise, JV
  - Examples : Heinz, McDonald's, The Body Shop, and Hard Rock Cafe.

Strategic Alliances

Definition: Strategic Alliance refers to the agreement between two or more firms that unite to pursue the common set of goals but remain independent after the formation of the alliance. In other words, when two companies come together to achieve the common objective by sharing the particular strengths (resources) with each other is called as a strategic alliance.

The partner firms in the strategic alliance share the benefits and control over the performance of the assigned task but are less involved and less permanent than the joint venture. Unlike joint venture where the partner firms pool their resources to form a separate business entity, in a strategic alliance, the firms to the agreement remain independent and come together just to capitalize on the strengths of each other.

Strategic alliances happen when two or more businesses work together to create a win-win situation. For example, Company A and Company B may decide to combine their distribution facilities so they can share mutual resources and cut the costs associated with shipping.

You can form a strategic alliance with any company and for any reason. Often, businesses seek out strategic alliances in the areas of **design, product development, manufacturing, distribution or the sale of goods and services**, but you can enter into an alliance to further any business objective.

Some Strategic Alliance Examples

To give you an idea of the scope and breadth of strategic alliances, here are some examples:

- An adhesives manufacturer forms a strategic alliance with a research laboratory to develop a next-generation adhesive that runs clean on production lines.
- A commercial design company forms a strategic alliance with a digital marketing agency to improve its marketing efforts.
- A clothing retailer forms a strategic alliance with a single manufacturer to ensure consistent sizing and quality.
- A commercial maintenance company partners with a commercial real estate agent to write a regular column in the real estate agent's newsletter, adding value to readership and expanding the maintenance company's marketing reach.
- A coffee shop partners with a bookstore so people can browse the latest bestsellers and take a coffee break all in one go, thus expanding the customer base for both partners. This alliance actually happened between **Starbucks and Barnes &Noble**, and has stood the test of time.

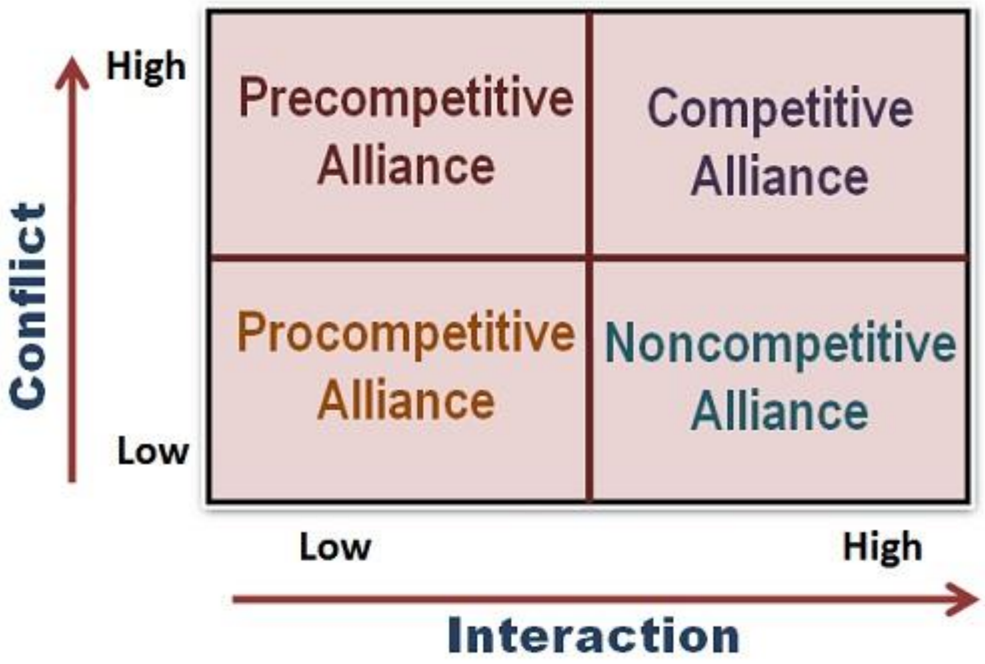
There are **four types of strategic alliances.** These are:

1. Procompetitive Alliances
2. Noncompetitive Alliances
3. Competitive Alliances
4. Precompetitive Alliance

Extent of organizational interaction and **conflict potential among the alliance partners**. Through this classification, the strategists try to explain two things to the alliance partners:

- The extent to which the partners must interact to have the alliance work effectively.
- Understand the potential of conflict that may arise out of being competitors in the market.

On the basis of these, four types of strategic alliances emerge:



1. **Precompetitive Alliances:** The procompetitive alliance is characterized by **low interaction and low conflict**. Such alliances offer the benefits of vertical integration, i.e. a relationship between the manufacturer and its suppliers or distributors, without the firms actually investing the resources in the manufacturing firm or distributing the semi-finished or finished goods.
2. **Noncompetitive Alliances:** Such alliances are characterized by **high interaction and low conflict.** The noncompetitive alliances are formed between the companies that operate in the same industry but do not consider each other as rivals. Their business operations do not coincide and are quite distinctive due to which the feeling of competitiveness does not emerge. Often, the companies that have expanded geographically within the industry adopt the noncompetitive alliance.
3. **Competitive Alliances:** As the name suggests, these alliances are characterized by **high interaction and high conflict**. Here, two competing firms that perceive each other as rivals come together to form an alliance and. Therefore, the intense interaction between the two is necessary. Such alliances could be intra- or inter-

industry. Often, the foreign companies operating in India forms a competitive alliance with the local rival companies for specific purposes.

4. **Precompetitive Alliance:** The precompetitive alliance is characterized by **low interaction and high conflict**. Such partnership brings two firms from different, most often unrelated industries to work towards a specific activity, such as new product development, new technology development, or creating awareness among the potential customers about the use of new product or idea. The joint R&D activities and advertising campaigns are the examples of a precompetitive alliance.

   Thus, the strategic alliance types are classified on the basis of interaction and the potential of conflict between the partners to the contract.

Benefits of Entering into Strategic Alliances

Cooperating with a good strategy partner can be a powerful way for small business owners to grow their businesses. Strategic alliances can get you more leads, more customers and more profits; they can also help you to cut costs. Here are just some of the ways a strategic alliance can add value to your business:

- Improve the quality and efficiency of your operations
- Economies of scale from combining resources
- Knowledge-sharing
- Gain access to restricted markets

Who Makes a Good Strategic Partner?

The key word here is "strategic" — you need to find someone who works as hard as you do to achieve common goals. The idea is for all partners to benefit, and benefit equally, for the duration of the alliance. Another term for alliance here is "**symbiotic relationship**." If the alliance is not working for both partners, then it is not truly strategic.

How do you know if a partner will be truly strategic to your business? Generally, it will meet one or more of the following criteria:

- It is important to the **success of a business goal**, such as reaching new customers, developing strong industry relationships, developing new products or cost reduction

- It can help you **develop or scale a core competency**. Does the partner fill your gaps?
- It **blocks a competitive threat**, such as the airline alliances that share routes to stop lower-cost competitors gaining a foothold
- It **reduces a serious risk to your business**, such as the threat posed by online retailers to bricks-and-mortar stores who do not have a national shipping and distribution capability.

At first glance, you may not have much in common with a proposed strategic partner — few people would have imagines how successful a partnership between a coffee store and a bookstore could be. But if there's scope for you to give something, as well as getting back, then the relationship could be worth exploring.

Risks of Strategic Alliances

No business arrangement is entirely risk-free, and there are certain challenges to consider when establishing a strategic alliance:

- Partners may exaggerate or misrepresent the benefits they bring to the table. Are you giving more than you are getting?
- One partner may commit more than the other, leading to frustration and conflict. Is the alliance only strategic to one partner in the alliance?
- Differences in how the two partners operate can cause conflict, even if the goals of the alliance are clear.
- With long-term alliances, the parties will become mutually dependent. What impact does this have on your autonomy? What if you become more dependent on the partner than the partner is on you?
- The alliance stops adding value to your business and becomes no more than a conventional business relationship. Can you get out?
- Partners may fail to use their complementary resources effectively. This can harm both parties; at the very least, it will hinder the performance of the alliance's goals.

Even a short-term alliance will require you to open your business and proprietary information to another party. Do this lightly at your peril. The bottom line is, there must be **a great deal of trust** between the two partners.

Sustainable Global competitive Advantage

Sustainable competitive advantage is the key to business success. It is the force that enables a business to have greater focus, more sales, better profit margins, and higher customer and staff retention than competitors.

It is the major driver of long-term business value and is what purchasers will place the most value on when looking to acquire a business. Without a sustainable competitive advantage, you risk being another ‘me too’ business that muddles along achieving less than satisfactory results.

Definition :Sustainable competitive advantages are company assets, attributes, or abilities that are difficult to duplicate or exceed; and provide a superior or favourable long term position over competitors.

At its most basic level, there are three key types of sustainable competitive advantage.

1. **Cost advantage**: the business competes on price.
2. **Value advantage**: the business provides a differentiated offering that is perceived to be of superior value.
3. **Focus advantage**: the business focuses on a specific market niche, with a tailored offering designed specifically for that segment of the market.

Factors Contributing to Sustainable Advantage

1. Value
2. Rareness
3. Imperfect Imitability
4. Non-Substitutability

Most small businesses don’t have the market share and buying power to effectively compete on price and are not big enough to be all things to all customers in a market.

Types and Examples of Sustainable Competitive Advantages

1. Low Cost Provider/ Low pricing- Economies of scale and efficient operations can help a company keep competition out by being the low cost provider. Being the low cost provider can be a significant barrier to entry. In addition, low pricing done consistently can build brand loyalty be a huge competitive advantage (i.e. Wal-Mart).

2. Market or Pricing Power - A company that has the ability to increase prices without losing market share is said to have pricing power. Companies that have pricing power are usually taking advantage of high barriers to entry or have earned the dominant position in their market.

3. Powerful Brands - It takes a large investment in time and money to build a brand. It takes very little to destroy it. A good brand is invaluable because it causes customers to prefer the brand over competitors. Being the market leader and having a great corporate reputation can be part of a powerful brand and a competitive advantage (i.e. Coca-Cola (KO).

4. Strategic assets - Patents, trademarks, copy rights, domain names, and long term contracts would be examples of strategic assets that provide sustainable competitive advantages. Companies with excellent research and development might have valuable strategic assets (i.e.IBM).

5. Barriers To Entry - Cost advantages of an existing company over a new company is the most common barrier to entry. High investment costs and government regulations are common impediments to companies trying to enter new markets. High barriers to entry sometimes create monopolies or near monopolies (i.e. utility companies).

6. Adapting Product Line - A product that never changes is ripe for competition. A product line that can evolve allows for improved or complementary follow up products that keeps customers coming back for the “new” and improved version (i.e. Apple iPhone) and possibly some accessories to go with it.

7. Product Differentiation - A unique product or service builds customer loyalty and is less likely to lose market share to a competitor than an advantage based on cost. The quality, number of models, flexibility in ordering (i.e. custom orders), and customer service are all aspects that can positively differentiate a product or service.

8. Strong Balance Sheet / Cash - Companies with low debt and/or lots of cash have the flexibility to make opportune investments and never have a problem with access to working capital, liquidity, or solvency (i.e Nike). The balance sheet is the foundation of the company.

9. Outstanding Management / People - There is always the intangible of outstanding management. This is hard to quantify, but there are winners and losers. Winners seem to make the right decisions at the right time. Winners somehow motivate and get the most out of their employees, particularly when facing challenges. Management that has been successful for a number of years is a competitive advantage.

Globally competent managers

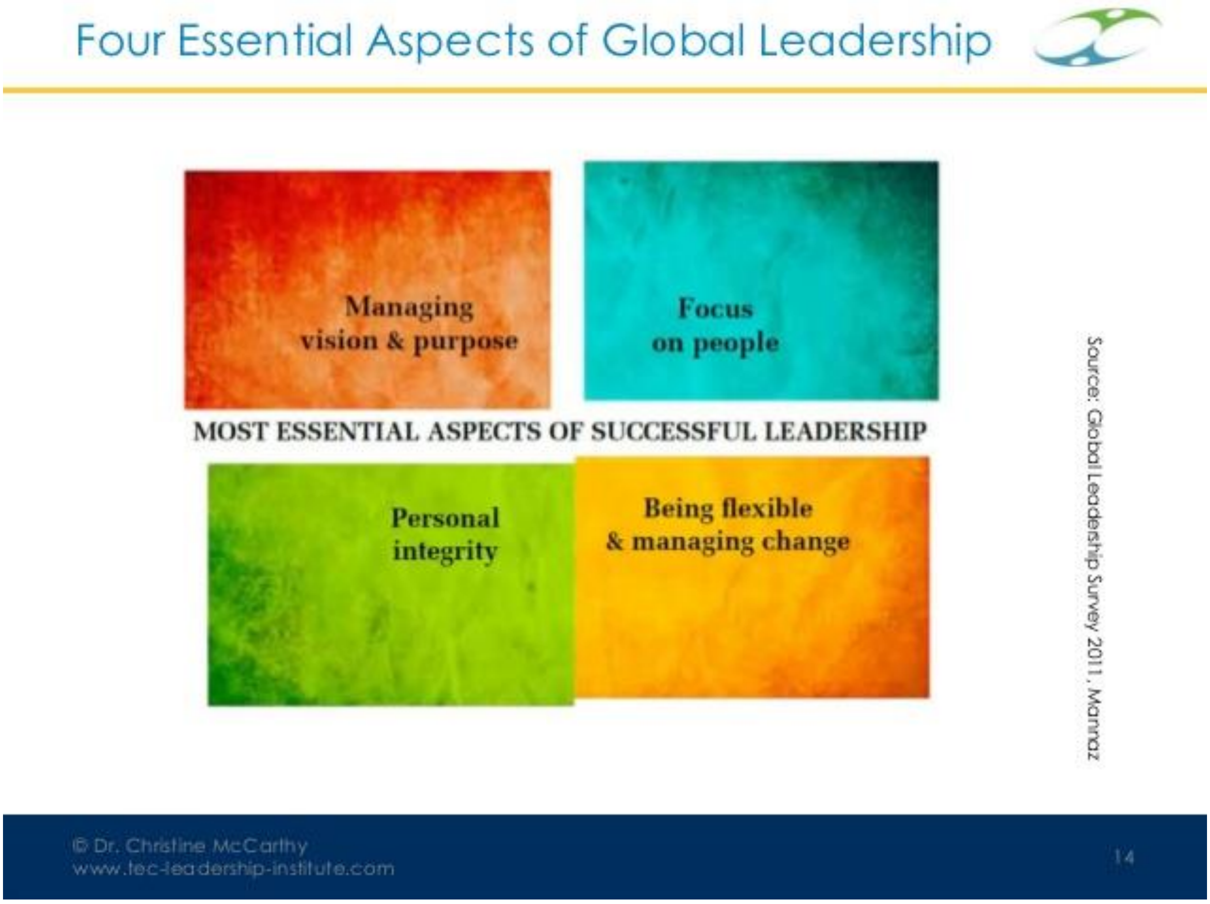
A globally competent individual has the right attitude, knowledge, skills and functional business expertise to effectively work within and across cultures.Global leaders act as bridge builders, connectors of resources and talent across cultural and political boundaries - dedicated to finding new ways of creating value

Why do we need Globally Competent Managers?

The challenges in the 21st Century require adaptable leadership. This can be enumerated as follows:

1. Shift of economic activity between and within regions
2. Growing number of consumers in emerging economies /changing consumer tastes (Asia, LatAm, MENA)

3. Development of technologies that empower consumers and communities
4. Competition of talent has intensified and become more global
5. Adoption of increasingly data-driven management techniques
6. Shifting industry structures/emerging forms of organization
7. Organizations are becoming larger and more complex
8. Increasing and faster availability of knowledge to exploit
9. An aging population in developed economies
10. Geopolitical instability and increasing interdependencies cross regions
11. A faster pace of innovation



Qualities of globally competent managers

- Multicultural sensitivity and awareness
- Ability to communicate effectively
- Strategic thinking
- Leadership and the ability to influence others
- Respect for differences

- Ethics and integrity
- Flexibility and willingness to change
- Adaptability in new environments
- Collaborative
- Decision-making ability

Barriers to meet the demands for Global Managers

1. Lack of available talent mobility
2. Lack of global mindset and experience
3. Lack of flexibility in orgs. / matrix structures / Leading without line authority
4. Lack of top management support
5. Developing an ethnocentric culture – from HQ to regional offices
6. Lack of information exchange and networking between the organization HQ and regional offices
7. Reluctance to build virtual roles / organizations

Expatriation and Repatriation management in global HRM

Expatriates are employees of organizations in one country who are assigned to work in other countries on long- or short-term business projects. λ

Functions of expatriates

i) Help their companies in establishing operations in other countries

ii) Enter overseas markets or transfer skills and knowledge to their companies' business partners

iii) Helps organizations develop their management skills base and their ability to succeed in a global marketplace.

For an individual, an expatriate position has the following advantages :

i) Opportunities for personal and professional development
ii) A higher salary (often comparative to the local cost of living)
iii) A good life experience
iv) Greater employability for future assignments

Expatriate failure – The rates vary from 10% - 50% depending on the country. Emerging countries are at higher risk than advanced nations.

Reasons for Expatriate Failure –

- Cultural adjustments
- Language differences
- Foreign Service hardship
- Length of assignment
- Schools
- Living Accommodations
- Health Care Access

Stages of Expatriate Adjustment

a) Honeymoon – lasting 2 to 6 weeks
b) Culture Shock – lasting 6 – 8 months
c) Gradual Adjustment – lasting 1 – 2 years
d) Basic Competence - 2 to 4 years
e) Mastery – 5 to 7 years

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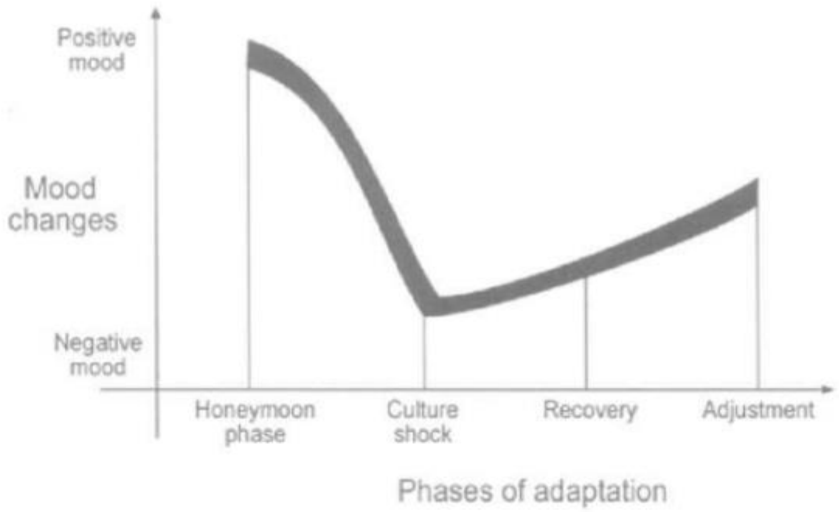

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Characteristics of a Successful Expatriate

ii) Ability – can be trained

iii) Knowledge – can be trained (including language)

iv) Personality – more innate, difficult to manipulate

v) Emotional – Coping ability

vi) Developmental Goals for the Expatriate

vii) Focus on international business

viii) Increasing ability to function in another culture

ix) Increasing openness and flexibility

x) Decreasing ethnocentrism

Steps for Successful Expatriation

- Develop comprehensive, culturally appropriate corporate plans
- Establish clear, realistic, international objectives with bicultural strategies for implementation
- Selection process should be streamlined
- Accurate and adequate information to be shared
- Communicate frequently and clearly
- Training and Orientation&Support Services

Training Expatriation

- Pre-Move Training
- Continual Training
- Repatriation Training

Types of Expatriation Training

1. Cultural Awareness Programme or CCT (Cross Cultural Training)
2. Language Training
3. Diversity Training
4. Sensitivity Training

Benefits & Limitations of using expatriates

- Benefits

1. Better Operational Control &Coodination
2. Better Information Gathering
3. Better Managerial skill development

- Limitations

1. Costly
2. Adaptation Issues in the new environment
3. Adjustment Problem

Repatriation

Repatriation is a process of returning back from an international assignment to a home country after completing the assignment or some other issues. Repatriation is the last step in the expatriation cycle and it involves readjustment and re-entry of international managers and their families back to their home country.

This is also very important, because there can be difficulties in returning to the home country Returnees experience a reverse culture shock and this time it can be more severe than when meeting the host country and culture. Expats repeatedly cite repatriation as the area of highest dissatisfaction with respect to organizational policies.

Repatriation Issues

- The No. 1 issue for expatriates is career management support.The company should involve the assignee in discussions regarding possible or likely positions and opportunities to which they might return.
- Keeping in Touch - Expats often come home to a company that has undergone significant change.
- Reduce Reverse Culture Shock - If they‘ve adapted well in the host country, then going home is not really going home.
- Don‘t assume the repatriation is finished when the person is back home and has started the new role.

Repatriation Management

This consists of the following things:

a) Repatriation Process

1. Preparation
2. Physical Relocation
3. Transition
4. Re-adjustment

b) Repatriation Strategies

- Organizational Strategies
- Linking Overseas Assignments to Career Plans
- Utilization of the acquired skill set of repatriates
- Individual strategies for each repatriate
- Support system for each repatriate

c) Repatriation Training

- Dealing with reverse culture shock
- Transferring knowledge
- Mentoring Expatriates
- Conducting Expatriate Forums
- Providing Career Paths

High Performance Work Practices

- **High**-**performance work practices** (HPWPs) can be defined as **practices** that have been shown to improve an organization's capacity to effectively attract, select, hire, develop, and retain **high**-performing personnel.
- We refer to a set of specific HPWPs within an organization as a **high**-**performance work** system.
- A specific combination of HR practices, work structures, and processes that maximizes employee knowledge, skill, commitment, and flexibility.
- These are systems composed of many interrelated parts that complement one another to reach the goals of an organization, large or small.

Principles of HPWS

a) **The Principle of Shared Information**

- A shift away from the mentality of command and control toward one more focused on employee commitment.
- Creating a culture of information sharing where employees are more willing (and able) to work toward the goals for the organization.

b) The Principle of Knowledge Development

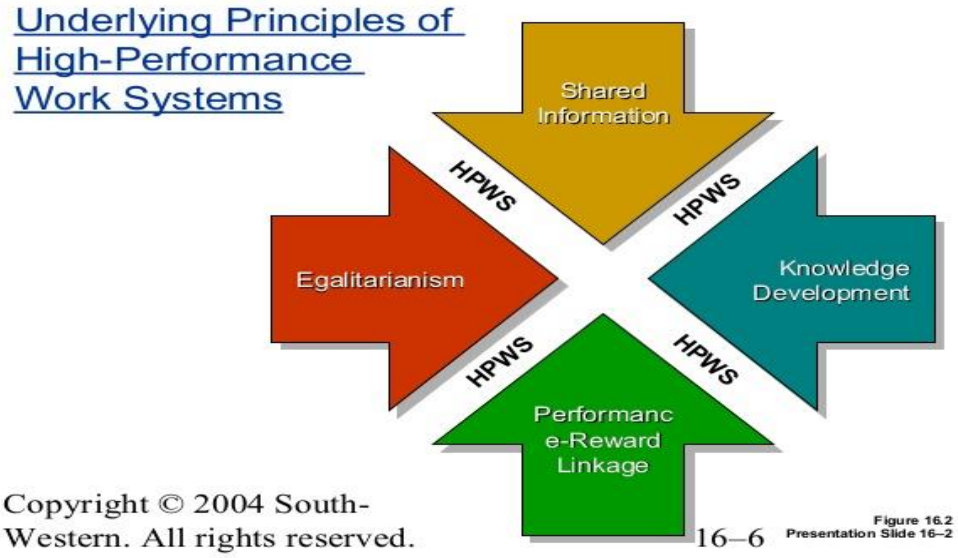
- Employees in high-performance work systems need to learn in "real time," on the job, using innovative new approaches to solve novel problems.
- The number of jobs requiring little knowledge and skill is declining while the number of jobs requiring greater knowledge and skill is growing rapidly.

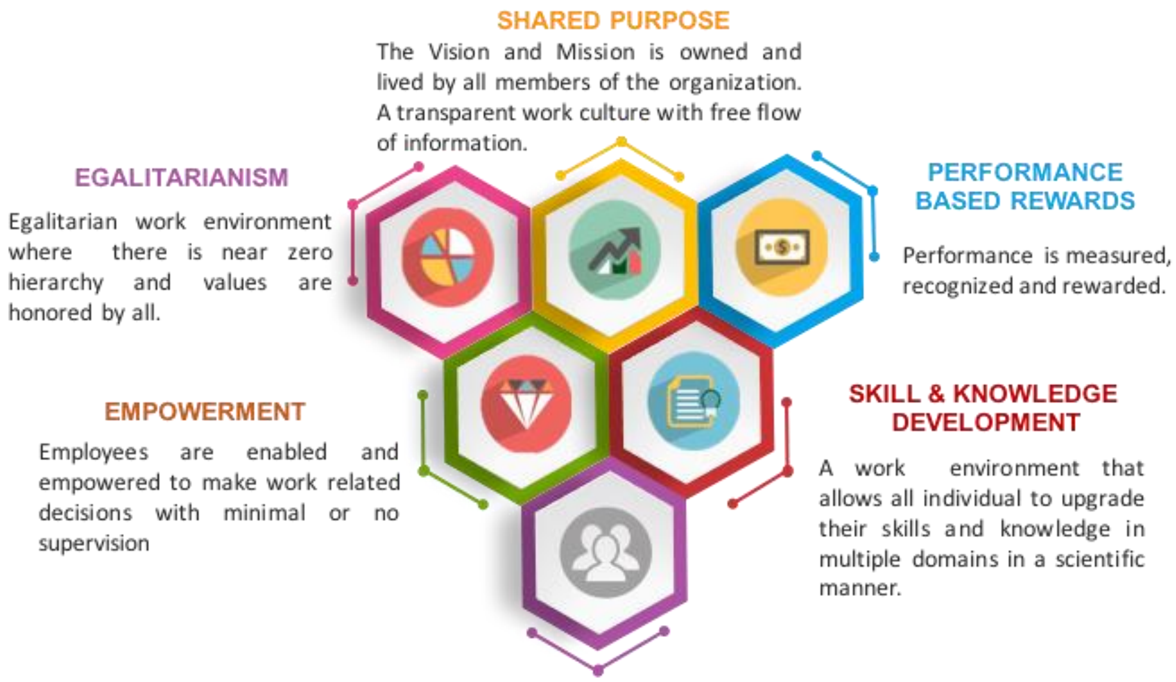
c) The Principle of Performance-Reward Linkage

- It is important to align employee and organizational goals. When rewards are connected to performance, employees will naturally pursue outcomes that are mutually beneficial to themselves and the organization.

d) The Principle of Egalitarianism

- Egalitarian work environments eliminate status and power differences and, in the process, increase collaboration and teamwork.
- When this happens, productivity can improve if people who once worked in isolation from (or opposition to) one another begin to work together.





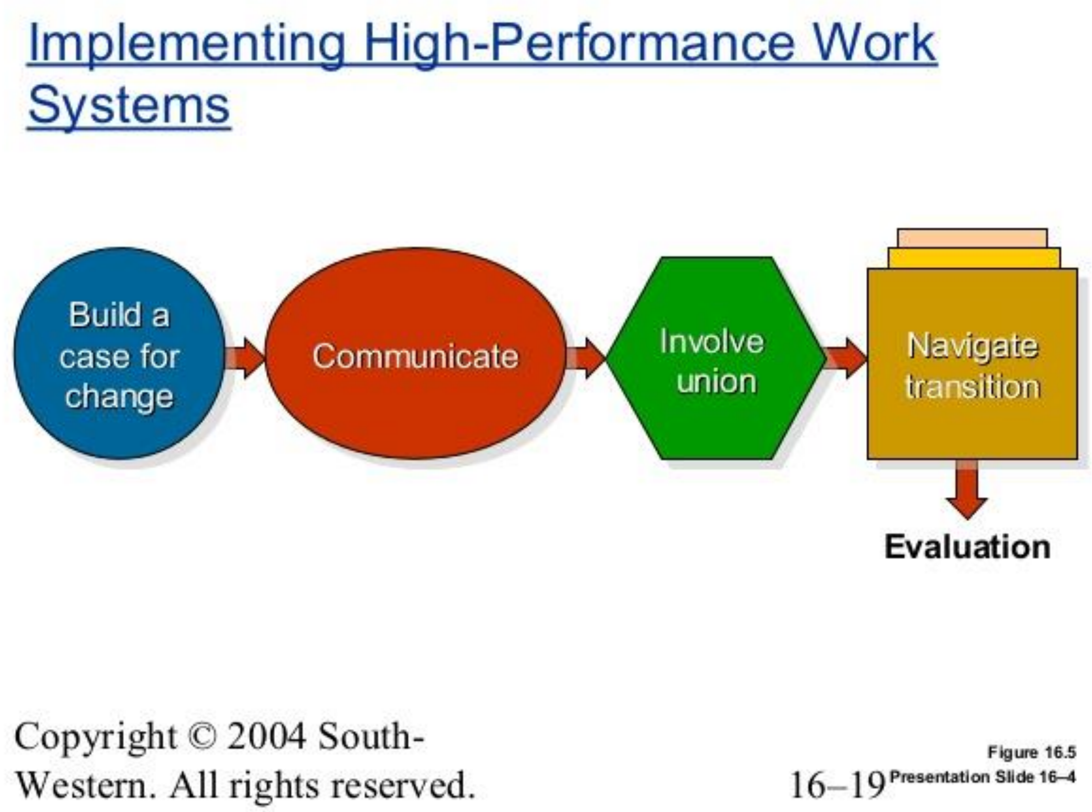
Necessary Actions for a Successful HPWS

- Make a compelling case for change linked to the company's business strategy.
- Make certain that change is owned by senior and line managers.
- Allocate sufficient resources and support for the change effort.

- Ensure early and broad communication.

Navigating the Transition to High-Performance Work Systems

- Build a Transition Structure
- Implementation of High-performance Work
- Incorporate the HR Function as a Valuable Partner



Components of HPWPs

1. Ensuring Employee Security
2. Selective Hiring
3. Decentralized Decision Making
4. High Result Based Compensation
5. Training by Commitment
6. Reduced Status Barriers
7. Sharing Key Information

Benefits of HPWPS

i) Employee Benefits

- More involved in work, more likely to be satisfied and find that needs for growth are more fully met.
- More informed and empowered, they are likely to feel that they have a fuller role to play in the organization and that their opinions and expertise are valued more.
- Greater commitment comes from higher skills and greater potential for contribution

ii) Organizational Outcomes and Competitive Advantage

- Higher productivity
- Lower costs
- Better responsiveness to customers
- Greater flexibility
- Higher profitability