



STRATEGIC HUMAN RESOURCE MANAGEMENT

MBA Rural Management

Code: 9510

Units: 1-9



Department of Business Administration
Faculty of Social Sciences & Humanities
ALLAMA IQBAL OPEN UNIVERSITY, ISLAMABAD

Study Guide

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**Department of Business Administration
Faculty of Social Sciences & Humanities
ALLAMA IQBAL OPEN UNIVERSITY - PAKISTAN**

PREAMBLE

Welcome to the Study Guide for Strategic Human Resource Management (SHRM), a comprehensive exploration into the dynamic and integral domain of managing human capital strategically within organizational settings. This guide is designed to be your companion on a transformative journey, delving into the intricacies of SHRM and providing insights that will empower you to navigate the ever-evolving landscape of organizational management.

In the contemporary the business world, the conventional boundaries of Human Resource Management (HRM) have evolved into a strategic imperative known as SHRM. This paradigm shift recognizes the critical role that human resources play in shaping the destiny of organizations. As you embark on this study, grasp the significance of aligning HR practices with the broader organizational strategy, contributing not only to the efficiency of daily operations but also to the long-term success and sustainability of the entire enterprise.

This study guide will lead you through the fundamental concepts that form the bedrock of SHRM. From the alignment of HR practices with organizational goals to the strategic management of talent, you will explore how each facet contributes to creating a dynamic and resilient workforce. Delve into proactive planning, the cultivation of a positive workplace culture, and the strategic deployment of human capital that defines SHRM in practice. Understand how HR professionals contribute to organizational success by aligning their practices with the ever-changing dynamics of the business environment.

The field of SHRM is marked by continuous evolution and adaptation. This study guide encourages a mindset of continuous learning, urging you to stay updated on emerging trends, best practices, and innovations within strategic HR. Equip yourself with the tools to analyze, strategize, and implement HR practices that contribute not just to organizational efficiency but also to a thriving and engaged workforce.

As you engage with this study guide, embrace the complexity and richness of SHRM. Consider it not merely as a collection of theories but as a guide to unlocking the potential of human capital within organizations. May this journey inspire you to think strategically, act decisively, and contribute meaningfully to the dynamic world of Strategic Human Resource Management.

Best wishes on your learning journey!

Prof. Dr. Nasir Mahmood
Vice Chancellor

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Disclaimer

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Introduction to the Course

Strategic Human Resource Management (SHRM) is a crucial aspect of organizational management that aligns human resources practices with the strategic objectives of the company. In today's dynamic and competitive business environment, the effective management of human capital has become a key determinant of organizational success.

Strategic Human Resource Management can be viewed as the deliberate linking of human resources practices with strategic business objectives to improve organizational performance and foster a culture of innovation and flexibility. It goes beyond traditional HR functions, transforming HR from a support function to a strategic partner in the achievement of organizational goals. SHRM involves integrating HR strategies with the overall business strategy. It requires a deep understanding of the organization's mission, vision, and goals to ensure that HR practices contribute directly to the achievement of these objectives.

Unlike traditional HR, which reacts to current needs, SHRM involves proactive planning. It anticipates future talent needs, identifies skill gaps, and develops strategies to attract, retain, and develop a high-performing workforce.

SHRM emphasizes the strategic importance of talent management. This includes recruitment, training, and development initiatives that align with organizational objectives. It aims to build a workforce that is not just skilled but also aligned with the company's values and vision.

Recognizing the impact of engaged employees on organizational success, SHRM focuses on creating a positive work environment. This includes fostering a culture of communication, collaboration, and continuous improvement.

SHRM recognizes the inevitability of change in today's business landscape. It involves developing strategies for managing change effectively, and ensuring that the workforce is adaptable and resilient in the face of organizational transformations.

SHRM utilizes metrics and analytics to measure the impact of HR practices on organizational performance. This data-driven approach allows HR professionals to assess the effectiveness of their strategies and make informed decisions.

In essence, Strategic Human Resource Management recognizes the invaluable role of people in achieving organizational success. By strategically managing human resources, organizations can build a sustainable competitive advantage, foster innovation, and adapt to the ever-evolving challenges of the business landscape.

Dr. Muhammad Majid Mahmood Bagram
Course Development Coordinator

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Unit-1

Investment Perspective of Human Resources

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Introduction

The investment perspective of human resources refers to viewing employees as valuable assets and making strategic investments in their development, well-being, and engagement to enhance organizational performance and competitiveness. This perspective recognizes that the skills, knowledge, and commitment of the workforce are critical contributors to an organization's success. Here is an exploration of the investment perspective of human resources:

Human resources are viewed as a form of capital, similar to financial or physical capital. Organizations invest in recruiting, training, and retaining talented individuals to build a pool of human capital that contributes to the organization's long-term value.

Strategic investments are made in the recruitment process to attract top talent that aligns with the organization's goals and culture. Onboarding processes are designed to integrate new employees effectively, ensuring a smooth transition and quicker contribution to organizational objectives.

Investments in ongoing training and development programs enhance the skills and knowledge of employees. Continuous learning opportunities contribute to the growth of individual capabilities, making the workforce more adaptable and resilient in a rapidly changing business environment.

Organizations invest in comprehensive employee benefits packages and well-being programs to foster a healthy and motivated workforce. This includes healthcare, wellness initiatives, work-life balance programs, and other measures that contribute to overall employee satisfaction and retention.

Strategic investments in performance management systems help to align individual and team goals with organizational objectives. This includes regular feedback, goal setting, and recognition programs to motivate employees and drive performance improvements.

Investments in fostering a positive and engaging work environment contribute to higher levels of employee satisfaction, motivation, and commitment. Engaged employees are more likely to contribute discretionary effort and stay loyal to the organization.

Organizations invest in developing leadership capabilities at all levels. Strong leadership fosters a positive organizational culture, guides the workforce toward common goals, and ensures a pipeline of capable leaders for the future.

Investments in diversity and inclusion initiatives contribute to a more innovative and resilient workforce. Ensuring a diverse and inclusive environment enables organizations to tap into a wide range of perspectives and experiences.

Recognizing the costs associated with employee turnover, organizations invest in retention strategies. This includes offering competitive salaries, and career development opportunities, and creating a positive workplace culture that encourages long-term commitment.

Utilizing metrics and analytics, organizations measure the impact of their human resource investments on key performance indicators. This data-driven approach helps in making informed decisions and optimizing future investments.

The investment perspective of human resources emphasizes that the value of employees goes beyond operational costs. Strategic investments in the workforce contribute to organizational growth, innovation, and sustained success in a competitive business landscape. Organizations adopting this perspective understand that a well-managed, engaged, and skilled workforce is a crucial driver of long-term profitability and competitiveness.

Learning Objectives

After studying this unit, you will be able to:

- a) Define HR Investment Considerations
- b) Explain investments in training and development
- c) Describe investment practices for improved retention
- d) Explain investments in job-secure workforces
- e) Understand non-traditional investment approaches

Unit-1

Investment Perspective of Human Resources

1.1 HR Investment Considerations

Decisions about strategic human resource investments will take into account several factors. The management's values, perspectives on risk, utility theory, the financial justification for training expenditures, and alternatives to investing in human resources are among them. Because they are essential to the development of human capital and training investments. With the hope that these investments will affect performance and financial returns, businesses also engage in a variety of other HR procedures.

A company's decision regarding which human resources (HR) to invest in depends on several factors. Any organization's success is largely dependent on its human resources department, and making strategic investments in this field can improve employee satisfaction, productivity, and overall business performance.

HR expenditures that support both the organization's general performance and the welfare of its workforce. Establishing a work environment that encourages creativity, teamwork, and employee happiness is crucial, as is matching HR strategies with the business objectives of the organization.

1.1.1 Management Values

Many issues related to human resources, especially those that are part of significant strategic initiatives, require consideration of fundamental values. Senior managers use human resource policies and practices to communicate their beliefs and philosophies to employees when they develop and carry out strategies. Senior managers who are dedicated to safeguarding the organization's human resources, for instance, can control the anxiety surrounding significant strategic events by handling rumours and giving correct information, for example, preventing the detrimental effects of false information on staff members.

These values are reflected in the way that employees are treated after big strategic events, like mergers and acquisitions, and they also convey the organization's investment versus employee viewpoint. Those who take an investment stance aim to increase their human capital's worth or, at the absolute least, stop its decline.

1.1.2 Risk and Return on Investment

Even though investing in human resources has many significant advantages, there is some risk involved. Because the employer does not own the resource, investing in human resources carries an inherently higher level of risk than investing in physical capital. Workers are free to quit, but their freedom to do so may be restricted by their contracts. Investments in human resources need to be appealing if the potential rewards outweigh the associated risks. Decision-makers must be willing to forgo short-term financial gains in favour of long-term strategic advantages like a more adaptable and dedicated workforce and associated advantages of the organisation.

1.1.3 Economic Rationale for Investment in Training

It is important to think about the distinction between particular and general training because training is a common component of HR investments. Economist Gary Becker, a Nobel laureate, has written a lot about this topic. Knowing when employers will offer training is made easier by

his differentiation in human capital theory between specific and general training. The decision to invest in training and development is influenced, at least in part, by whether the education transmits broad abilities that may be used to other jobs or by specialized talents that are unique to the employing firm (generic training). Due to the difficulty of employees transferring such skills to another employer, employers typically invest in or partially cover the cost of specialized training. Companies recover their training costs by paying staff only a portion of the total amount spent.

The conventional human capital theory, on the other hand, states that since employees can transfer skills acquired at the expense of their employers to other employers, employers should bear no financial burden for general training. Because of this, hiring managers prefer to work with candidates who possess the necessary general skills. The employer must pay for general training when hiring candidates lacking the necessary general skills because there is no guarantee that the untrained worker will be hired for a sufficient amount of time to recover the cost of the training. Employers most likely spend more on general training than the particular and general training justification would indicate in practice. New research discovered that the company may split the costs under certain circumstances (using employment contracts and retaining staff based on productivity).

Both official programs like tuition reimbursement and on-the-job training offer general training. It can also happen accidentally as a result of employees learning job skills that they can use for different employers, which is a natural byproduct of the work environment. Employers who wish to invest in general training for their staff members may do so by paying a wage that has been reduced by the training expenses. Because employees incur costs associated with mobility, such as those associated with moving and finding new employment, employers can also recover some of their general training investments. When moving costs, real estate commissions, the emotional toll of relocating children, and other associated costs mount up, an employer may choose to pay less than what the employee's newly acquired general skills would otherwise justify.

Example:- Japan Urges Business Leaders to Invest More in Employee Training and Development

The labour force in Japan is beginning to feel the effects of the digital revolution. The development of workers' skills is a joint effort between Japanese employers and employees to achieve higher labour productivity. The Japanese government encourages businesses to increase their investments in their employees' growth as the country's economy continues to grow and demands that workers become more digitally literate.

Based on an estimate found in the draft report, Japanese companies pay an average of about 280,000 yen (\$2,536) per year for internal and external training and seminars per employee. Since the amount can reach 360,000 yen for listed companies, the budget may be higher. Then, the yen figures include the direct costs of training and seminars along with the wages that correspond to the number of hours worked by employees in these sessions.

Additionally, according to the draft, a 1% increase in talent development spending could result in a 0.6% increase in labour productivity, which would increase the value of the company due to the improved skills of the talent. The productivity of the business will increase by an additional 0.68 percent if employees' self-development efforts are supported.

1.1.4 Utility Theory

It is necessary to have a way to assess the financial viability of human resource investments before making decisions about hiring new hires or investing in the training of existing staff members to implement specific strategies. A plan for "selling" the investment to senior management needs to be in place as well. These jobs can be completed by using cost-benefit analytical techniques like utility analysis to ascertain the returns on these investments. The economic worth of human resource policies, practices, and activities is sought after using utility theory.

Utility analysis is the name given to a collection of cost-benefit models that were first created by industrial psychologists to help with selection. More recently, these models have been applied to other human resource decisions and programs. The word "utility" refers to usefulness, and the models' goals are to forecast, clarify, and enhance the utility of various HRM choices.

It hopes that those in charge of human resources management (HRM) will use cost-benefit and utility concepts to analyze and present their decisions, improve communication with managers, supervisors, and line managers, make more effective HRM decisions, and increase organizational productivity and competitiveness. When supervisors, line managers, and top managers continue to downplay the importance of human resource management, those who don't implement these ideas may find themselves in a difficult situation.

1.1.5 Using Outsourcing Instead of Investing in Human Resources

As previously mentioned, the organization's strategies should be supported by investments in HR. Cost concerns frequently lead to the sensible choice to outsource through specialized firms rather than invest in HR unless there is the opportunity to develop capabilities that give an edge over competitors. Strategic outsourcing is generally recommended in the following situations:

- it is not possible to develop world-class capabilities and strategic advantage.
- it would require more resources to perform the service internally than it would to outsource it.
- it is possible to avoid an undue reliance on suppliers.

The misallocated resources resulting from an internal activity carried out at a higher cost will place the company at a competitive disadvantage.

The rate at which businesses are outsourcing their human resource operations is astounding. In addition, they have outsourced a lot of different tasks. Companies frequently contract out tasks like payroll processing, benefits administration, employee assistance programs, plan administration, executive search, human resource information systems, and outplacement. The need for outsourcing has given rise to a whole new sector of the economy: personnel service providers.

1.2 INVESTMENTS IN TRAINING AND DEVELOPMENT

Specific investment approaches will be examined in this section, beginning with new approaches, which result in enhanced "employability" of employees.

1.2.1 Investments in Employability

Employment security plans have become considerably less common, but some businesses are making investments in their HR by giving workers growth opportunities that will increase their employability if their employment relationship ends. A learning environment, growth

opportunities, training, and retraining are a few examples of these developmental investments. It's likely a requirement for business survival to have a widely employable workforce.

Example of General Electric Company: The experiences of General Electric serve as an illustration of the new employability strategy. Chief Executive Officer (CEO) Jack Welch realized that the corporation would need to attract excellent personnel with attractive advancement prospects rather than relying solely on job security policies following General Electric's 25% staff reductions. He became known as "Neutron Jack" after being demonized for being ruthless in his desire to change the company by removing jobs. The story went that when Welch departed from a GE facility, the building remained intact, but the people had vanished. Interestingly, Welch claimed that in the current climate, capable managers like him provide the only true job guarantee. His justification was that these managers, by often eliminating unnecessary positions, bring about the significant structural adjustments required to boost their organizations' competitiveness and eventual survival. On the other hand, he maintained that incompetent managers who fail to take such measures jeopardize their companies' ability to compete, which eventually results in job losses.

These experiences valuable learning opportunities and increasingly difficult assignments are usually the outcome of deliberate developmental programs rather than random events, and as such, they involve the allocation of resources or financial outlays and will be referred to in this discussion as investments.

Example of Pfizer Pharmaceutical Company:- Former Pfizer vice president of human resources Bruce Ellig offers an alternative perspective on employability and the duties that employers and employees have to one another. It is difficult to argue against the idea that employers must make sure they are getting the best performance out of every employee before firing them, and that individuals must improve their employability by being the best versions of themselves. This implies that in addition to offering suitable training programs, the employer must mentor and counsel employees. Training programs offer the chance to develop new skills and hone current ones. These kinds of opportunities must be provided by the employer, and the employee must seize them.

1.2.2 Present Methods for Training Investments:

Large spending on training will be required for future approaches and advantages in competition, as previously mentioned. Still, American businesses appear to be lagging behind those in several other developed nations. For instance, according to a study conducted by the Congressional Office of Technology Assessment, Japanese auto workers receive more than three times as much annual training as employees of American-owned assembly plants in the United States. American workers who do not continue their education to a college degree do not receive the same training as their colleagues in other developed nations. The training that workers in other industrialized nations receive is not provided to American workers who choose not to pursue higher education. On the other hand, technically skilled labourers in other developed nations are frequently trained through sophisticated apprenticeship programs. An apprenticeship program has trained about 59% of the workforce in Germany.

Example of Corning Inc. Technology American company:- Corning, Inc. offers one of the most forward-thinking instances of investing in the training of production and technical staff. A corporation can invest in human resources and receive significant returns, as demonstrated by Corning's experience. Corning had to deal with a problem that many American businesses encountered at one point: its overseas rivals had obtained the same technology that had allowed it to rule the market in previous years. It had no choice but to change course or relocate its production facilities abroad given the lower labor costs of its competitors. Corning determined that it would require a workforce of the highest calibre to compete on a global scale. It restarted a plant in Blacksburg, Virginia, and hired 150 workers for production out of an applicant pool of eight thousand. During the first year of operation at the facility, twenty-five percent of the working hours were devoted to training. The empowered employees of the plant collaboratively use their diverse skill sets to take on responsibilities that were previously handled by management. Employees must complete three skill modules in two years to keep their jobs, maintaining a strong emphasis on skills. The Corning facility only has four job classifications, as opposed to the traditional restrictive job definitions found in many U.S. facilities. The workers' wide range of skills allows the plant to quickly retool. As a result, the plant turned a \$2 million profit in its first eight months of operation, compared to an anticipated \$2.3 million start-up loss. Owing to these achievements, Corning is implementing the same strategy in 27 additional factories. Several other exemplary American businesses have also made significant investments in teamwork training. These businesses consist of A. O. Smith, General Motors, Boeing, Cummins, and Ford.

Examples of Fortune's Best 100 Companies:- Businesses included among Fortune's finest 100 companies offer comprehensive training as well: Thus, the 100 Best are heavily funding staff education at facilities costing millions of dollars and with extensive tuition reimbursement schemes. Each employee at the 100 Best received an average of 43 hours of training. A few businesses have started promoting these learning laboratories in their hiring materials. At the brokerage firm Edward Jones (No. 11), new brokers must pay between \$50,000 and \$70,000 per head for 17 weeks of training and study sessions. "We view training as an investment rather than a cost," the St. Louis company's principal, Dan Timm, says."

1.2.3 On-the-Job Training

Employers can also invest in human capital necessary for strategic advantage through on-the-job training. The structure of a job that allows employees to learn while they work can be one way to make such investments. Learning how to operate new machinery or carry out new tasks, for instance, can help employees' skill sets grow. Jobs may be designed by employers in a way that allows for peer learning of these abilities. Additionally, they could allow staff members to self-instruct in using new software, read technical manuals, or learn how to operate new equipment or processes. The costs of decreased productivity may also fall on employers while workers without the necessary skills pick them up through processes of trial and error or by interacting with more experienced workers.

1.2.4 Investments in Management Development

In most businesses, maintaining the growth of managerial staff is a crucial strategic problem. Given the significant changes in strategy, this is an especially challenging task. It is helpful to rapidly analyze some emerging and anticipated trends in the managerial environment before thinking about management development. It is evident that middle management positions have been

abolished and that businesses are becoming less hierarchical. Furthermore, a greater proportion of workers have advanced degrees and are professionals. They anticipate taking part in decision-making more as a consequence. It is anticipated that in the future, a greater amount of work will be done in task forces or project teams; power will be shared; managerial status will be less important; and leadership duties may be alternated.

These job rotation programs often involve cross-functional or interdepartmental assignments to give participants a broad perspective of the company. Job rotational programs are most common in the transportation and communications sectors and are least common in the service sector. Their use is positively connected with the size of the company. Developing generalists, avoiding overdependence on one supervisor, taking on new challenges, avoiding dead-end career paths, cross-fertilizing ideas from other settings, increasing interdepartmental cooperation due to the development of personal networking, and being evaluated by various superiors in various settings are some benefits of job rotation.

Additional drawbacks include lost productivity as a result of the time needed to learn on each new job assignment and the difficulties associated with rotating dual career families' geographic transfers. In addition to employing job rotation strategies, top executives and less experienced but highly skilled managers can also be developed through executive development programs offered by prestigious universities. Shorter internal training courses are typical for more junior high-potential managers and fewer senior managerial staff. Research has shown that the financial industry is the most likely to use residential university programs, while the services sector is least likely to do so. Human resource professionals and academics have suggested more methodical ways to internally and outside the building development for management programs. These kinds of approaches are visible in some organizations. based on the author's observations of internal initiatives.

Management development is considered less of an investment and more of an avoidable expense in many organizations. If management development needs to be "sold," it's critical to include a number of the previously mentioned elements, such as a description of the desired outcomes and a methodology for measuring them. Finding the returns on investment will be crucial, especially considering the cost of some programs, like executive MBA programs. Unfortunately, the majority of studies on the cost-effectiveness of development programs have either used subjective measures of organizational impact or have only looked at the effects on individuals, ignoring the impact on organizations.

1.2.5 Prevention of Skill Obsolescence

In science, engineering, and other professions, technological advancement is frequently the root cause of skill obsolescence. The knowledge half-lives in computer science and electrical engineering are two and a half years and five years, respectively, due to the rapidity of change. Furthermore, managers and other professionals face the risk of having their skills rendered outdated by advancements in technology and methodology. Individuals seem to be affected by technological change in different ways; while some keep up with the latest advancements in technology, others seem to lag. Technology obsolescence can be disastrous since it can reduce an organization's strategic options, hence businesses should be strongly encouraged to invest in ways

to avoid it. To account for these variations, a model that incorporates both human capital theory and expectancy theory has been created.

There are several recommendations out there for avoiding obsolescence. One recommendation is to give technical specialists challenges at every stage of their careers, especially those of a technical nature. Those who overcome these obstacles are less likely to become outdated as their careers progress. Similarly, it seems that employee interaction, authority, participation, and responsibility are all connected to preventing obsolescence. Regular reassignments that necessitate fresh knowledge also aid in preventing obsolescence and promoting growth. It's critical to stop workers from becoming overly specialized.

Example of Hewlett-Packard(HP)American information technology company:- Company that has made significant efforts to avoid obsolescence. The company has established cooperative programs with universities as part of its workforce strategy for engineers. Two hundred employees of Hewlett-Packard attended California State University, Chico, and one thousand were able to attend classes at Stanford University in just one year. While Hewlett-Packard is at the forefront of rapidly evolving technology, it will also be critical for other businesses in less technologically advanced sectors to invest in their present workforce. The issue of obsolescence will require ongoing attention as long as technology changes at such a fast rate.

1.2.6 Reductions in Career Plateauing

When workers have been employed by a company for a while, mastered every facet of the work, and have little chance of advancement, they reach a career plateau. As plateaus can breed bitterness and a sense of futility, it's critical to eradicate or minimize their occurrence. Consequently, there might be a decline in output. A lack of organizational change or growth inevitably leads to plateaus. They also arise as a result of organizational rigidity and pyramidal structure. Other, more employee-specific reasons for plateaus include the individual decisions made by the staff, a lack of career skills brought on by gullible views of organizational realities, and a lack of necessary skills for advancement. Workers might also be lacking in the necessary abilities due to changes. One thing to learn from these kinds of circumstances is that funding developmental initiatives alone will not prevent plateaus. Instead, to have promotable managers, alternative future strategic scenarios need to be taken into account when planning developmental assignments. Developmental programs are another reason for plateaus. Organizations occasionally make rigid choices regarding which workers should be put on a fast track or kept in management development programs. These choices are occasionally made in light of an employee's early career performance. Additionally, the decision might be made in the manner of a single-elimination tournament, in which a manager could be removed following one poor performance or inability to progress.

1.3 Investment Practices for Improved Retention

Businesses that pursue policies and create initiatives that boost retention are investing in their employees. They incur the high costs of turnover by not making these kinds of investments. According to coarse-grained estimates, turnover costs represent 175 percent of non-exempt employees' compensation and 150 percent of the compensation of exempt employees. Because there has been a lot of research on the subject, the factors that influence turnover are generally well understood. Employers can therefore adhere to sensible procedures to keep their staff members.

1.3.1 Interpersonal Relationship Values are Prioritized in Organizational Cultures Values:-

The culture of the company is one of the key factors that determines staff retention. Businesses can impact retention by investing in HR procedures that ultimately impact the culture of the company. Nine hundred and forty-four recent college graduates employed by public accounting companies were the subject of a six-year longitudinal analysis. The study discovered a variation in retention that was connected to the company cultures. Employee retention in companies with interpersonal connection values—such as respect for individuals and a team mentality—was on average fourteen months higher than in companies with task values—such as stability and detail. It's interesting to note that the benefits of the culture that prioritizes interpersonal values seemed to apply to all employees and were independent of their traits. According to other studies, "fearless cultures"—where workers can speak up and question the existing quo without fear of retaliation—have greater retention rates. Positive relationships with superiors, the lack of conflicting relationships, having a say in choices, less emphasis on formal authority, information sharing, and employee support are all linked components of culture that increase retention.

1.3.2 Effective Selection Procedures

The likelihood of retention increases when employers hire workers who mesh well with the company, the job, and their coworkers. According to recent survey research, the most popular strategy for keeping front-line workers is careful selection. Realistic job previews (RJPs) are a useful tool for increasing retention in addition to selection techniques like valid exams and enhanced interviewing techniques that yield better job matches between employee job qualifications. RJPs make an effort to provide candidates with a realistic image of the work. Consequently, there is a decreased chance that candidates will take positions that don't meet their standards. Since several factors can affect RJPs' ability to affect retention, there is some controversy regarding the precise mechanism by which they do so. Still, in a lot of situations, RJPs are a helpful way to boost retention. Moreover, retention is increased by the use of biodata, which are records of objective attributes like years of experience, bilingualism, and college degrees.

1.3.3 Compensation and Benefits

Equal pay is crucial for keeping employees on board. Fair evaluation reviews, equitable input-to-output ratios (such as effort, skill, and education) and rewards, fair pay structures, fair compensation exclusion from political influence in compensation choices, and transparent compensation procedures all contribute to increased compensation equity. Pay incentives, performance-based pay, and benefits that employees value all contribute to higher retention rates. Remarkably, the most common strategy for keeping senior executives on board is to increase their pay and benefits.

Examples of Fortune's top 100 listed companies:- Large benefits and competitive pay are common offerings from companies in Fortune's top 100 list. Merck, on the other hand, pays the highest salary and offers exceptional benefits. While nonexecutives at Cisco Systems have averaged a \$150,000 stock option gain over the last ten years, Merck employees have received \$60,000 in stock options. Health care is provided to employees of WRQ Software at no cost to them. (Within J. M. Smucker).

The jelly maker's voluntary turnover was only 5% in the previous year. One benefit offered by the company is a savings plan, to which it contributes 50% of the matching funds. Retention bonuses offer a clear illustration of how compensation is applied to retain quality personnel at the company: "Retention bonuses" have emerged as the go-to tactic for many businesses looking to retain staff. Employee retention bonuses range from 15% to 50% of a year's salary, distributed over three years,

according to the [oil] industry. Because employee turnover is so high, employers must "bolt their back doors," that is, ward off recruiters and keep staffing levels low. Experts like those at the Hay Group consulting firm calculate that 50% to 60% of the departing employee's yearly salary will be spent on finding and training a replacement.

1.3.3 Job Enrichment and Job Satisfaction: It has been discovered that job-enrichment strategies, such as those that incorporate greater autonomy or responsibility, knowledge of outcomes, meaningful work, understanding of how assigned tasks contribute to the larger organization's activity, and skill variety, result in moderate drops in turnover. Employee retention benefits from practices that increase job latitude and job satisfaction. On the other hand, high-performing workers typically have greater turnover rates when they feel underappreciated.

An additional Fortune 100 organization offers a noteworthy illustration of the retention benefits of job happiness and enrichment:

According to Floyd Williams, a senior production manager at sports gear manufacturer K2 (No. 52), working on up to 25 projects at once is an amazing opportunity to be at a solid company. He compares it to having a nice wife. "You don't want to leave once you get used to a certain level of excitement and freedom." Williams' 28-year employment with the corporation has outlasted all three of his marriages combined. A wife informed me that it was either me or K2. "Well, I'm not leaving K2!" I exclaimed.

1.3.4 Practices Providing Work-LiFE Balance The ability to strike a balance between work and home life has a positive effect on retention in addition to aspects related to the job and the workplace. Retention is further aided by flexible work schedules, childcare options, and family leave policies. Minimum requirements for family leave are outlined in the Family and Medical Leave Act. On the other hand, excessive workloads are linked to employee turnover. The fact that so many businesses in Fortune's list of the top 100 companies to work offer these perks comes as no surprise.

Examples :- Numerous strategies for striking a balance between work and family life are implemented by top employers. Deloitte and Touche, for instance, have embraced telecommuting and flextime policies. Janus Investments offers a generous policy for paid time off. For workers making less than \$40,000 per year, Unum offers subsidized child care. During tax season, Saturday child care is offered by Plante and Moran, an accounting firm. The statistical software developer SAS Institute offers its staff child care at a monthly cost of \$250 and works a 35-hour work week. In addition, it offers twelve holidays annually and free on-site medical care. Ninety-one percent of workers at First Tennessee Bank utilize flextime.

1.3.5 Organizational Guidance Establishing Future Confidence

Employee retention is higher when they are optimistic about the future course of the company. Therefore, improving retention should be aided by establishing a clear course for the future and fostering trust in that goal. An illustration of this kind of guidance can be found in the following passage from *Built to Last: Successful Habits of Visionary Companies*.

Example of Merck & Co. American Pharmaceutical company :- Merck is the perfect example of the pragmatic idealism and ideological nature of highly visionary companies. Our study revealed that a key component of a visionary company's "ticking clock" is a core ideology a set of guiding principles and values that go beyond profit maximization—that motivates and inspires employees across the board and is largely stable over time. We describe, support, and illustrate this essential component, which exists in paradox given that visionary businesses are also extremely successful at turning a profit.

1.3.6 Retention of Technical Employees

Employers in particular are concerned about keeping on board IT specialists and other technical staff. Businesses have become very creative in their retention strategies because of the high demand for these specialists and other highly skilled workers. To learn new computer languages and other technical skills, for instance, Burlington Northern Santa Fe has established a career development institute for its employees. Along with improving communication, the organization has assisted in the growth of the technical staff members' business awareness and knowledge.

Example of Alcon Ophthalmology (Swiss-American pharmaceutical and medical device company):- Alcon Laboratories has also put extra safeguards in place to aid in keeping IT staff members on board. The organization has earned a solid reputation as a reliable employer. It also provides employees with the "red carpet" treatment and extremely alluring benefits and compensation packages. For its information technology professionals, the company also offers a dual career ladder or track program. Alcon has adopted creative work schedules, such as letting employees work 80 hours in nine days to earn an extra day off, and, like many other companies, it permits casual attire.

1.3.7 Additional Strategies for Encouraging Retention

Possibilities for advancement, growth, promotion, and new learning improve loyalty. Liberal transfer regulations also have the effect of lowering staff turnover. When workers have the option to move, they can get out of sticky situations and are less likely to quit the company. Furthermore, successful diversity management and sexual harassment prevention often result in higher retention rates.

Examples :- More than half of Marriott International's workforce is made up of minorities, making it one of Fortune's top 100 employers. Despite operating in a low-wage industry, the company has a stellar reputation for providing training and possibilities for promotion, and its voluntary turnover rate is at 37%. Additionally, Enterprise Rent-A-Car offers fantastic prospects for growth since it swiftly places recent college graduates in management positions.

1.4 INVESTMENTS IN JOB-SECURE WORKFORCES

When they continue to pay their employees during economic downturns, businesses are also investing in their human resources. However, it became evident by the 1980s and 90s that employment security laws were frequently unworkable, and downsizing started to appear regularly in business publications. But, different businesses varied in how much they used layoffs or downsizing because many of the top ones used little to none at all. Employers who offer job security do so for a variety of workforce benefits, not just to increase their chances of avoiding unionization.

Examples :- Companies are discovering that they must function in settings characterized by rapid technological advancements, abbreviated product life cycles, and a laser-like focus on quality. In many of these situations, businesses benefit from increased job security because it makes it easier for them to find the commitment, flexibility, and motivation that their workforce needs. Hewlett-Packard has long been at the forefront of workforce security, and three of the 100 best companies to work for according to Fortune have formal no-layoff policies in place: FedEx, Harley-Davidson, and Southwest Airlines.

1.4.1 Appreciation of Downsizing and Layoff Expenses: Downsizing is a common occurrence in the United States, albeit with numerous expenses involved. Layoffs usually coincide with economic downturns. During the late 1980s and early 1990s, a robust labour market prevented the majority of cyclical layoffs; however, downsizing has persisted regularly into the twenty-first

century. While it can also be brought about by a company's desire to reduce expenses, downsizing is frequently associated with structural changes in an organization propelled by competition. However, a greater understanding of the costs associated with layoffs and downsizing is emerging. For instance, a study of about 100 scenarios involving surplus labor found that it would have been more economical to not have made any layoffs in 30% of the cases and to have made fewer layoffs in 20% of the cases. Due to their occasional inefficiency in comparison to other cost-cutting measures, layoffs have come under fire. Reductions in size or layoffs can have a huge negative impact on a company's ability to attract new employees, as their policies may deter them from applying. An additional 10-15% of employees in a firm will frequently resign following layoffs as a common outcome of downsizing. A substantial number of the more mobile and better employees frequently quit due to uncertainties about their future jobs. The acquiring company wants to retain these individuals.

1.4.2 Avoiding Business Cycle–Based Layoffs

Some businesses and management academics have questioned whether it is wise to fire employees during recessions. While it is common knowledge that companies like Southwest Airlines and Lincoln Electric have no-layoff policies, there are other examples from recent history, such as in Germany, where 68 skilled workers were loaned to Daimler-Benz for a year by a financially struggling shipbuilding company.

Examples :- The Sony Corporation offers another illustration. In the years that followed, Sony's decision to keep staff in its San Diego plant despite a drop in sales paid off in the form of higher employee commitment and improved output. According to Sony Chairman Akio Morita, American management views employees as little more than a means of generating profit. You know, they hire more people when the economy is doing well, and they fire people when the recession hits. However, as you may know, workers are not the cause of recessions. Famous American companies that have historically guaranteed employment include Johnson Wax, Nucor Corporation, Worthington Industries, Hewlett-Packard, and Hallmark.

1.4.3 Alternatives to Layoffs

Alternatives to layoffs are frequently possible at times of lasting structural change when a downturn is anticipated to last only briefly. Companies can protect their investments in workers' talents and save the cost and delay of recruiting and onboarding new staff once the recovery picks up steam when layoffs are avoided. Employee turnover results in a certain amount of productivity loss because, if they work for a company for more than a short while, they develop specialized abilities that are not transferable to the new employer.

Even though layoffs are common, empirical data suggests that businesses try to prevent them from protecting their investments in human resources. According to manufacturing research, during recessions, companies tend to hold onto 8% more workers than what is required for output. Roughly 4% of labour is hoarded even after some excess labour is diverted to other tasks like equipment upkeep and training.

An alternative course of action entails compensating for the financial loss by offering incentives for early retirement or work sharing. (The latter approach is not always accepted and can be highly costly.) It should come as no surprise that non-union businesses prioritize hour reductions over layoffs, as evidenced by the manufacturing companies' survey mentioned earlier (69 percent versus 37 percent).

1.4.4 Employment Guarantees

Employment guarantees are a somewhat elastic concept that may go beyond no-layoff policies, despite the possibility that the distinction between them is artificial. " "verbal deals to move heaven

and earth to prevent job losses" is how the popular management literature defines employment guarantees. Many of the same steps that enable no-layoff policies also enable employment guarantees. One of the most crucial strategies is to understaff.

Examples :- Businesses like IBM and Motorola staff portions of their operations with 70–85% of the total number of permanent workers required to meet average demand levels. Usually, overtime, temporary workers, subcontracting, or short-term hires make up the difference in the amount of labour required. A second strategy is job assignment flexibility, which is made possible by workers who are multitasking and by the lack of labour-restrictive procedures like task definitions that are too strict.

1.4.5 The Work Effort and Job Security Relationship

Employers with employment security policies may find that their staff members are unwilling to be as flexible in their work assignments as they would otherwise be. This is something that some companies have painfully learned. Regrettably, by implementing these sophisticated or progressive HR practices, high-standard businesses that previously offered such job security may have jeopardized their ability to adapt and survive. Not only have some workers not reciprocated by making the necessary personal changes for the company's well-being, but workers may have grown too complacent in the face of fierce competition and protected from the realities of the market.

It's interesting to note that workers might put in more effort if there is a suitable amount of job insecurity. Work effort and job insecurity have an inverse "U"-shaped relationship, according to a recent field study. When levels of insecurity rise from low to moderate, effort increases, but when levels of insecurity reach high levels, effort decreases. The ramifications for human resource investment policy include the possibility of trade-offs between the costs and advantages of employment security laws, including the potential effort required of workers. Nevertheless, this relationship is merely an average tendency with many exceptions.

1.5 NONTRADITIONAL INVESTMENT APPROACHES

1.5.1 Investments in Disabled Employees

Supporting initiatives that get disabled workers back into the workforce is one unconventional use of human resources. When an employee becomes disabled, companies often turn to their long-term disability insurance policy for financial support. Sadly, there isn't much focus on making it easier for the worker to return to their job. On the other hand, businesses like 3M and Eastman Kodak have created initiatives that let disabled employees find new jobs.

Examples :-The supervisor of 3M's rehabilitation program states, "It makes financial sense to put an employee back to work. Today's electronic tools and assistance allow us to put nearly every worker back to work in almost any capacity. The law offers extra incentives for investing in disabled workers in addition to the financial ones. Employers are required by the Americans with Disabilities Act of 1990 (ADA) to provide these workers with reasonable accommodations. Apart from safeguarding the organization's investment in the staff members, there are also evident humanitarian advantages.

Strangely, medical technology advancements might make it possible for even more disabled people to enter the workforce. A disease or injury may now allow some people to live, but it may also cause them to become disabled. Additionally, people are more likely to suffer from a disability as their life expectancy rises.⁹⁸ When there is a labour shortage, disabled workers could become even more desirable as a source of labour.

1.5.2 Investments in Employee Health

Investing in the health of employees is another unconventional strategy. Employee productivity may rise as a result of these investments. Improving the standard of nutrition and offering basic healthcare, for instance, can boost worker productivity in developing nations and is therefore an investment in human resources. It has been discovered by businesses running maquiladoras in Mexico that they need to provide two meals a day to guarantee that their employees are getting enough food. High-quality food service and medical services are therefore highly valued by some of the better employers.

Examples :- Businesses from the US and other developed nations with maquiladora plants in Mexico frequently run medical clinics there that offer care to the workers and their families. Since it is commonly known that smoking causes health problems, other health-related programs aim to reduce smoking. It has been discovered that smokers have absenteeism rates that are roughly 50% higher. Mortality and early disability rates are roughly 300 percent higher. Companies lose an additional \$2,500 annually per smoker as a result of these factors combined with the side effects of smoking. Several employers have implemented strict policies prohibiting smoking due to the associated costs and negative effects on worker productivity.

Additionally, empirical data suggests that smoking bans on corporate property have led to employees quitting. A telephone company's implementation of such a policy had the following effects: In all, 21% of the participants who were smokers at the time of learning about the policy had given up; among those who had given up, 42% claimed that the policy was the reason behind their cessation.

1.5.3 Countercyclical Hiring

Businesses may adopt countercyclical hiring methods during economic downturns, which involve employing a small number of executives and specialists in addition to not laying off as many workers as technical production requirements might dictate. In essence, companies would be holding onto a small pool of excellent key personnel for use in plans requiring particular human competencies. In downturns, one can find good deals, unlike in economic upturns when competing companies are fighting for the same employees.

Countercyclical hiring may lead to several additional advantages. A more even age distribution without the highs and lows associated with irregular hiring could be one advantage. Employers with a workforce that is disproportionately older are becoming concerned about age distributions due to the sharp rise in health insurance costs. In addition to the advantages of counter-cyclical hiring, there are clear drawbacks, like hiring workers who are overworked and having problems with equity in the workforce. Several implementation challenges also exist, such as the need to accurately project future demand for human resources to pursue this course of action. Successful businesses use systematic methods to HR management and are more likely to invest in human capital by hiring during downturns, according to empirical studies on countercyclical hiring.

Self-Assessment Questions	
1.	What are the potential benefits and challenges of considering human resources as a form of capital investment?
2.	How can ongoing training and development programs be aligned with organizational goals and contribute to the organization's success?
3.	What are some key performance indicators that organizations can track to evaluate the success of their human capital strategies?
4.	In what ways can performance management strategies be tailored to enhance human capital investment?

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Unit- 2

Human Resource Environment

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INTRODUCTION

The Human Resource (HR) environment is a multifaceted and dynamic space where organizations navigate through various internal and external factors that influence the management of their workforce. It encompasses the broader context in which HR functions operate, shaping policies, practices, and strategies to meet organizational objectives. Understanding the HR environment is crucial for effective workforce management and organizational success.

In the contemporary business landscape, the HR environment is marked by complexity, diversity, and continuous change. It extends beyond the traditional administrative functions of HR to encompass strategic considerations that align with broader organizational goals. The environment in which HR operates is shaped by a variety of internal and external factors, each playing a significant role in influencing how organizations attract, develop, motivate, and retain their employees.

The culture and structure of an organization play a pivotal role in shaping HR policies and practices. HR professionals must align their strategies with the core values and structure of the organization to foster a cohesive and supportive work environment.

The leadership and management styles within an organization influence HR decision-making. Effective collaboration between HR and organizational leaders is essential to ensure that HR initiatives align with overall strategic objectives.

The demographic composition, skills, and diversity of the workforce impact HR practices. Understanding the needs and expectations of a diverse workforce is crucial for creating inclusive and effective HR policies.

The economic environment, including factors like inflation, unemployment rates, and market trends, influences HR decisions on compensation, benefits, and workforce planning.

HR operates within a legal and regulatory framework that governs employment practices. Compliance with labor laws, workplace safety regulations, and equal employment opportunity guidelines is fundamental for HR professionals.

Rapid technological changes impact HR practices, from recruitment and onboarding to training and performance management. Adapting to technological advancements is crucial for enhancing HR efficiency and effectiveness.

Globalization:

Organizations operating on a global scale face unique HR challenges related to cultural differences, international labor laws, and talent management across borders. Globalization necessitates a strategic and adaptive approach to HR practices.

Social and cultural shifts, including attitudes toward work, diversity, and work-life balance, shape HR strategies. Adapting to changing societal norms is essential for maintaining an engaged and satisfied workforce.

In navigating the HR environment, organizations are increasingly adopting a strategic approach. Strategic Human Resource Management (SHRM) involves aligning HR practices with overall organizational goals. This strategic orientation positions HR as a key driver of organizational success, emphasizing the importance of human capital in achieving competitive advantages.

The HR environment is a dynamic and influential space that requires HR professionals to be agile, strategic, and forward-thinking. By understanding and adapting to the internal and external factors that shape the HR landscape, organizations can optimize their human resources, foster a positive workplace culture, and achieve sustained success in an ever-evolving business world.

Learning Objectives

After studying this unit, you will be able to:

- a) Explain Technology and Organization Structure
- b) Describe Worker Values and Attitudinal Trends
- c) Understand Management Trends and Trends in Utilization of HR
- d) Illustrate International Developments

Unit-2

The Human Resource Environment

Managers must first survey the environment before developing a strategy, as a conceptual structure indicates, after building an investment viewpoint for strategic decisions related to HR. This section looks at new trends as well as the various components that make up the human resources ecosystem. The legal environment of HR is handled separately due to its complexity and significance.

Without a doubt, the climate surrounding human resources is more unstable now than it has been since World War II. Many domestic and international political developments during the last ten years of the 20th century had a significant impact on human resources. After the Soviet Union's occupation of Eastern European countries ended, civil wars broke out, the Soviet Union split apart into autonomous but unstable states, and East and West Germany were reunited in less than a year. Formerly communist Eastern European nations were quickly transformed into labor providers,

markets for Western goods, and rival businesses. The North American Free Trade Agreement (NAFTA) and the European Community's economic domain materialized.

Technology also had a significant influence. The influence of the Internet alone was enormous. Some of the most skilled professionals in the labor market were employed by dot-com enterprises and already-established businesses that established thousands of online commerce and business operations. Based on their market capitalization, Internet infrastructure providers including Cisco Systems, Oracle, Sun Microsystems, and Microsoft grew to become a few of the biggest companies worldwide.

Events like these have an impact on human resources and business. It appears certain that the economic instability that marked the end of the 20th century will carry over into the 21st. Technological and political contexts are also likely to be dynamic. The challenging tasks of developing workable competitive strategies and organizing for their execution become even more crucial during such periods of rapid change. It was only possible to predict some of the events that occurred at the start of the new century. However, it is likely that firms that conducted environmental scans, created strategies, and established backup plans to deal with shifting conditions performed better than those that did not.

2.1 ORGANIZATIONAL STRUCTURE AND TECHNOLOGY

2.1.1 Broad Influences of Technology

Information technology is greatly impacting how firms are structured and what kinds of tasks managers perform. The main business domains—manufacturing, sales, finance, supply-chain management, and human resources—have been integrated through the use of enterprise software systems. Businesses have gained enormously from these information systems, which have increased productivity, sped up reaction times, improved inventory control, boosted coordination, and improved decision-making. Compared to just \$1 billion in 1990, businesses today spend \$23 billion annually on enterprise software like Oracle, SAP, and PeopleSoft. Many middle management positions are no longer necessary because of information technologies like these and others. Many of the tasks performed by middle management have been digitized as they frequently entail information distribution and coordination. This level of the organizational hierarchy has been removed, eliminating a crucial opportunity for top leaders to receive training.

To be successful in these kinds of settings, managers need to acquire new abilities. Not only has the quantity of managerial positions shifted, but other innovations have also altered the essence of

management in numerous contexts. Thus, new job assignments and opportunities are necessary for the development of tomorrow's high-level managers in information-based, lean, and flat companies.

The tendency for skill and managerial educational needs to rise is another effect of growing technology. To effectively support and guide their subordinates in highly technological workplaces, managers must possess a conceptual understanding of the technology, even while they cannot have a deep comprehension of every component of the technology that they work with.

Technology is also having an impact on manufacturing, as more shorter development cycles are seen in production. Concurrent or simultaneous engineering methods for new product development circumvent the delays associated with sequential developmental techniques. Starting in the early stages of product development, engineers, designers, buyers, marketers, software developers, hardware developers, field service personnel, and manufacturers collaborate in parallel processes. Highly skilled professionals with the ability to function well in these kinds of settings must be readily available. It is necessary to organize training courses and developmental tasks to guarantee the availability of these workers.

2.1.2 Impact of Information Systems on Human Resources

As previously mentioned, businesses have made significant investments in the deployment of business or integrated software, including PeopleSoft, SAP, and Oracle. These information systems give decision-makers instant access to data regarding the organization's human resource capabilities. They comprise components of the human resource information system (HRIS). These enterprise software solutions have had a significant impact on human resource departments and the work they do. Executives can now factor in additional human resource data when making operational or strategic choices.

HR departments, positions, and procedures have all undergone rearrangement as a result of the adoption of technologies like SAP and PeopleSoft. Procedures have been changed to meet information systems requirements. Computerization has also resulted in a redesign of jobs with fewer transactional tasks.

2.1.3 Staff Redeploying to Operating Units from Human Resources

Specialists in the HR field have been moved from HR departments to specific units of operation as a result of organizational decentralization. Because of this decentralization, the units receive better service because the staff person is on the ground and usually reports to the line management

of the unit while maintaining a functional or dotted line reporting relationship with the HR department. Staff members allocated to operating units are usually generalists, who are capable of managing a wide variety of tasks. When further experience is necessary for different difficulties, these people can consult with experts in the human resource department.

Some analysts have questioned the benefit of assigning human resource generalists to operating units due to the redundancies and associated expenses. A relevant overview of a conversation between the senior HR directors of two major corporations has been provided by Fred Foulkes. At its 400-employee Texas location, one guy said that his Boston-based company did not have any human resource directors. Instead, when workers needed help with significant concerns like attempts at unionization or sexual harassment, they could call human resource representatives in Boston using a toll-free number supplied by the corporation. By contrast, the other CEO was in favor of the HR specialists being assigned to the operational units. He brought up the difficulty of employees having fruitful discussions about such delicate topics as their manager's dictatorial behavior with random callers on a Boston toll-free number. As a result, even while deployment to the operating units is expensive, it also provides value because it places competent HR staff members in a position to assess the environment and organizational climate on the job. Staff members who are dependable, perceptive, and empathetic are likely to bring significant value to the operating units.

2.1.4 New Organizational Structures

Information technology advancements are causing firms to change as well as the nature of work and management. The divisions between management and labor have grown blurred. Employees are taking greater responsibility for taking action on issues they learn about from computerized information systems. Joint accountability also replaces individual accountability when additional group members have access to the same information while making decisions. Many of the businesses of today are not well-suited for the future due to the knowledge power of competent technology personnel. Whatever its precise shape, hierarchical structures have become significantly less common in many businesses. Task force teams and project-focused work groups are handling more work. Task forces and other transient groups demand distinct managerial competencies.

Different managerial abilities are needed in light of changes that include rotating leadership roles, de-emphasizing managerial status, increased genuine participation, and new forms of superior-

subordinate relations. Depending on what responsibilities are required, power is transferred throughout the organization. A manager's ability to function in such an atmosphere is a skill that most firms cannot take for granted. Because of this, the company needs to prepare for their development and anticipate their skill and number requirements to ensure that there will be a sufficient number of employees available when needed.

Divergent opinions exist regarding the composition of upcoming institutions. In addition to the structural modifications mentioned, four other types of structure are notable: There are four types of organizations: responder organizations, cellular organizations, network organizations, and unbundled companies. The four kinds possess the capacity to adjust to swiftly shifting circumstances that are typical of both the current and probable future.

1. unbundled corporations

In essence, unbundled companies handle their subsidiary businesses using a portfolio or conglomerate strategy. Units are therefore held or sold by risk and profitability standards. With 190 independent operating companies spread over 51 countries, Johnson & Johnson is an example of an unbundled organization. Johnson & Johnson has had remarkable growth and has been profitable for more than a century. Its willingness to add or remove units in response to their performance is shown by the following:

Through continuous mergers and acquisitions over the last ten years, we have added around fifty firms and product lines... Every year, new items that have been on the market for less than five years and established products that have recently entered into new markets account for more than one-third of sales.

Consultants and vendors handle a large portion of the typical bureaucratic support services in unbundled companies. For instance, suppliers handle certain aspects of payroll and compensation administration as well as some traditional HRM tasks like training. The ability to quickly reallocate resources to more lucrative options is advantageous. Additionally, there are more possibilities for growing managers to practice general management abilities in the management of somewhat independent profit-centering business units. There is some job security for a select few fortunate workers who make up the unbundled corporation's core. These units, which could be rather tiny, are made up of highly influential workers who oversee the portfolio of business units, manage change, and organize the work of vendors.

There is less dedication to the workers in the periphery units, even while the core permanent employees' employment is better secured. In essence, the workers in the outlying areas lose out on some of the core employees' job stability.

2. Network Organizations or Virtual Corporations

Organizations that resemble unbundled corporations have been referred to as network organizations by Charles Snow, Raymond Miles, and Henry Coleman. (They refer to unbundled corporations as internal networks; examples include Johnson & Johnson, which is one corporate entity with several independent entities.) The requirement to outsource tasks that can be completed more rapidly or effectively by other businesses, consultants, or joint venture partners is one of the factors influencing the development or formation of network organizations. Similar businesses with a strong emphasis on outsourcing and an urgent demand for speed have also been referred to as "virtual corporations." Companies from all over the world may become members of the network. On the other hand, the network's noncore membership could be dynamic or stable. The broker or core network member may occasionally swap out network components in a dynamic network structure. For instance, if a dynamic network member's production facilities are unable to handle a new product design that customers desire, the member may be replaced in their manufacturing function. On the other hand, the organization keeps its component members for an extended amount of time thanks to the stable network shape.

Network organizations have several particular managerial requirements, which include (1) Referral skills, such as those required to direct issues to network elements where solutions exist; (2) Partnering skills, including resolving issues or bargaining for solutions that benefit both sides; and (3) Relationship management, which includes paying attention to the demands of partners and customers.

3. Cellular Organizations

The cellular organization is another structural structure that resembles classical guilds in several ways. These organizations typically consist of small, technology-focused businesses that have remained friends throughout time. Most of the workers at these companies are technical specialists. Companies within the business collaborate on different projects when their specialized knowledge and expertise are required. Depending on the project's requirements, one company assumes the

lead position. Companies may also participate in initiatives even if their main goal is to become knowledgeable about potential new technologies.

4. Respondent Organizations

The response organization, a different structural form, functions more like an entrepreneurial corporation by filling gaps and offering specialized services to bureaucracies and unbundled firms. Decisions in these kinds of companies are made quickly and usually at the head of the company, the entrepreneur. Sadly, there is a high failure rate and risk associated with these organizations. From the standpoint of the employee, the benefits of participatory decision-making include the possibility of financial gain along with opportunities for generalist development and acquiring skills, despite the higher risk and less individual growth. Respondent firms comprise a portion of the minor Internet players of today.

2.1.5 Stimulus for Entrepreneurial Businesses

The number of jobs held by small, medium-sized, and entrepreneurial businesses is rising while the employment held by the biggest American corporations is falling. A portion of the increase in employment could be attributed to their function in producing parts or offering services to bigger businesses. Some people might be acting essentially like responsive corporations. According to Donald Hicks's research, new enterprises created 61% of jobs in the Dallas metropolitan region, while small businesses that were already in operation accounted for 25% of job development. Nevertheless, new research on small-business implementations of managerial innovations such as team building and open-book management has been published. Additionally, there has been a trend among some creative, smaller businesses to decentralize the HRM function by giving line managers more responsibility for staff. Developing new human resource techniques or modifying current ones for these environments will be a future issue for the managers of these firms. It's interesting to note that several human resource professionals who were laid off due to corporate downsizing now run prosperous consulting companies that provide smaller companies with human resource services.

2.2 WORKER VALUES AND ATTITUDINAL TRENDS

It is crucial to acknowledge that there is a long-standing custom of assigning less focused work ideals to a younger generation before looking at worker attitudes and values. Consequently, there

may be bias in general perceptions regarding the work ethics of younger workers. According to what Seymour Lipset has noticed,

Views on the importance of a strong work ethic differ amongst cultures. Yet, elderly individuals generally have the opinion that things were better—or at the very least, more moral and decent—when they were younger.

There exist multiple arguments bolstering the claim that the work ethic of Americans is robust and has stayed relatively constant over time. One explanation is that workers have been putting in the same amount of hours each week for more than 45 years, and when transportation is taken into account, they are investing more time in work-related activities. As a result, employees are working longer hours and spending less time for pleasure. An additional contention is that a majority of American workers find fulfillment in their work, which makes work appealing to them. As a last point, workers in the United States rank second only to Japanese workers in terms of the percentage of workers who continue to work over the age of 65. Japanese workers' comparatively low retirement benefits could account for their propensity to work longer.

Despite Lipset's caution and arguments, some changes in work values have occurred that are significant for strategic management. Employee values and attitudes toward their employers rank among the most significant of these. As was covered in the last part, unbundled businesses usually show little devotion to the workers in their subsidiary divisions. Additionally, it appears that the attitudes of today's younger generation of employees also exhibit this lack of loyalty. Young college graduates exhibit a lack of commitment toward their corporate employers and anticipate no devotion in return, according to Terence Pare's observations. It might be the ideal fit. After all, employee loyalty to employers is expected to deteriorate, as Daniel Yankelovich and Bernard Lefkowitz warned some time ago. There is no doubt that on both sides, levels of loyalty have decreased, as evidenced by several other core work-related values that have changed. Nonetheless, it is unlikely that younger employees are the only ones who exhibit lower loyalty. “Compared to five years ago, they are less devoted to their employers” was how 57% of survey participants indicated they felt about their employers. Falling employee loyalty can be attributed to several factors, such as CEOs receiving substantial bonuses during budget cuts and management's seeming lack of concern for workers' wellbeing. Cynicism has increased in the workforce; this is likely due to several factors, including executive pay that is excessively high and an overemphasis on the bottom line at the expense of other values.

According to additional studies, American employees who are younger than those in various nations have no signs of greater materialism. A thorough investigation contrasted the work values of participants from the US, Germany, the Netherlands, Israel, Korea, Taiwan, China, and Hungary. More than 90% of the graduate entrepreneurs in the United States sample, who were primarily between the ages of 21 and 39, were working full-time employment in a variety of occupations. When individuals were asked to rank 24 values for work, the following was shown in their responses:

1. The United States ranked fifteenth in terms of pay, roughly where most other nations fell in comparison.
2. For German and Dutch students as well as American students, having an engaging work was the most significant attribute. Job interest was in the top three work values according to subjects from Taiwan, Korea, and Israel as well. Chinese and Hungarian respondents gave less weight to employment interest, placing it at eighth and seventh, respectively.
3. Achievement was scored first or second by subjects from all countries but Germany, and it was the second-ranking work value for the American respondents. Remarkably, German subjects—either business students or small-enterprise managers and employees—ranked achievement in eighth place.
4. German subjects placed significantly more weight on advantages, security, and oversight than did American subjects, who valued growth and responsibility considerably more than the German subjects did.
5. One final point of note is that Chinese respondents put contribution to society at fourth place, far higher than American subjects who ranked it last or second to last. This is likely due to the distinct cultural differences between Chinese and American subjects.

These findings have relevance for strategic management since they show that American workers still hold desired work ideals and are interested in the jobs they undertake. Younger workers, who will make up the majority of the labor force for the remainder of this year and into the future, feel that they should have a meaningful and involved work life.. They desire challenging work, autonomy, growth chances, and a say in decisions that impact them. Although workers' attention would likely not be as focused on wages as in the past, pay will still be significant.

The values of senior employees could also be significant for strategic management. Older workers will need to be encouraged to continue working or enticed back into the labor field if labor

shortages continue. Work satisfaction might be a key factor in their return. Regretfully, there is evidence that prejudice towards senior employees persists in a number of areas related to the working relationship. The empirical data indicates a positive correlation between age and job happiness; however, this connection is curvilinear, indicating a fall in job satisfaction among older workers due to factors including unfulfilled expectations and diminished influence. Older workers may also feel undervalued since downsizing firms have targeted them for voluntary early retirement programs in an effort to save money. Planning for future environmental concerns may require strategic managers to create strategies to stop older workers' job satisfaction from declining.

2.3 TRENDS IN MANAGEMENT

Human resources are being impacted by several managerial trends.

2.3.1 Management of Diversity

Managers need to be ready for the issues that come with such demographic shifts because of the more diverse workforce, which will be covered in more detail later in this section. One way that effective diversity management can boost an organization's productivity is by improving its capacity for problem-solving. Increases in creativity that have been linked to heterogeneity may lead to such productivity. Biculturalism and bilingualism, for instance, have been linked to diverse thinking, which has been hypothesized to be related to creativity. The quality of problem-solving ideas produced in small groups with ethnic variety has been shown to rise recently. Another advantage of increased variety may be the elimination of the "groupthink" problem, which only arises in cohesive organizations. The effectiveness of diversity management will determine whether or not these advantages materialize.

The management of diversity may give businesses a competitive edge through such contributions. A more diverse workforce may help companies better tap into the gender and ethnic-diverse markets, in addition to the creativity and problem-solving benefits associated with diversity. They might also be more well-received in particular markets due to their positive public perception stemming from diversity. The Avon Corporation is one company that has found success using this tactic. Businesses with a strong track record of handling diversity may be able to draw in superior workers. Businesses that effectively handle diversity also typically exhibit greater flexibility as a

result of their expanded rules, increased tolerance, decentralized operations, and improved ability to handle change opposition.

Even though discrimination persists, there is proof that things have changed for the better. It's no longer as difficult for women and members of minority groups to get employment with businesses as it formerly was. Any fear regarding women and minorities, on the other hand, is more likely to stem from opinions about their credentials. Minorities and women generally have lower levels of education and training, which influences these perceptions. Companies are concerned about efficiency and are aware that women and minorities make up a disproportionate number of the undereducated and undertrained, as Roosevelt Thomas put it. Businesses undervalue the worth and involvement that women and minorities can make when they draw incorrect conclusions and apply generalizations from classes to specific individuals. Unsurprisingly, compared to male nonminorities, female minorities' careers typically plateau early.

Two cautions seem appropriate regarding the implications of the diversity literature.

- One is that because there is a nonlinear link between heterogeneity and performance, some empirical literature advises researchers to look for the ideal degree of heterogeneity. The statement, "Groups should pay careful attention to how much they increase diversity... too much diversity can lead to communication problems and unavoidable conflict," is an example of such a proposal. Regretfully, the application of such knowledge to improve performance would result in the particular consideration of gender, color, or ethnicity when assigning tasks, which would seem to violate civil rights laws, if one knew the ideal amount of heterogeneity.
- A second warning is that Hispanics have received relatively little attention in previous studies on racial diversity, with the majority of the focus being on Blacks and Whites. Hispanics are the group in the workforce that is expanding the fastest, as we will cover later in this section. Therefore, managers must be cognizant of concerns related to worker diversity, including gender, ethnicity nationality, and other categories.

2.3.2 Work Teams

Managers at several of the industry's top businesses, including Motorola, Eli Lilly, and Procter & Gamble, have shown a growing interest in work teams. These businesses have gained a great deal of experience using teams. Work teams are defined as "a small number of people with complementary skills who are committed to a common purpose, performance goals, and approach

for which they hold themselves mutually accountable” by John R. Katzenback and Douglas K. Smith. There are several advantages associated with using work teams as an organizational structure. These include enhanced flexibility brought about by the ease of formation and dissolution, as well as better decision-making, performance, and quality. Using teams can also result in lower labor costs, less employee turnover, better service efficiency, the ability to facilitate change due to a decreased threat from individuals, and quicker cycles for developing new products. Work teams can have benefits, but there are drawbacks as well. For example, they can be susceptible to the dysfunctional groupthink phenomena and productivity limitation rules. Furthermore, the literature on work teams reveals a wide range of characteristics that may affect work team success, as researchers Eric Sundstrom, Kenneth P. De Meuse, and David Futrell have noted. However, the literature offers conflicting information regarding the effectiveness of work teams. These comprise the organizational context, team boundaries, and developmental characteristics. There are also instances of struggles with team adoption, like Levi Strauss, when the introduction of teams resulted in drops in morale and productivity.

Effective work teams have some traits, even though the topic of work team efficiency is complicated. These qualities include the team's relatively small size, commitment to a shared goal, adherence to performance standards, readiness to take collective responsibility, fair and efficient work and role-assignment practices, and complementary skill sets. Compensation strategies that incentivize teamwork, such gain sharing or team bonuses, are also necessary for productive work teams.

Although teams can be complex and have drawbacks, there is a lot of curiosity about the potential contributions that they could make. For instance, through simultaneous engineering, cross-functional work teams are successful in reducing the time needed from original product design to final production in design and production scenarios. These teams are best based in the same location and usually include both production and design engineers, besides program managers who handle conflicts. The experience that these teams gain from collaborating across engineering specializations is another advantage.

The utilization of highly autonomous work teams is exemplified by Steelcase, Inc.'s experiences, as they implemented work teams in their recently established Context facility. The forty-seven hourly workers at the plant are divided into work teams, several of which are cross-functional. These teams handle a lot of tasks that would often fall under the purview of management in

addition to regular production work, like planning production, organizing vacations, acquiring supplies, and making purchases of new equipment. Managerial staff is still in charge of conducting performance reviews and compensation reviews.

2.3.3 Virtual Teams

Members of virtual teams collaborate closely despite their varied locations, often even across different time zones and even other nations. In addition to working across organizational boundaries, they usually include people from a variety of functions. The idea of virtual teams has been made possible by advancements in telecommunications, including the Internet, email, cell phones, and videoconferencing. The use of technology to create virtual teams has been fueled by market forces such as shorter product life cycles, quickly changing consumer preferences, and pressure from global competition. A great example of a virtual team is the one seen in a Johnson & Johnson division. Creating a novel surgical product and putting it into production has been given to this team. The team has members in Arlington, Texas, and Juarez, Mexico, the locations of production plants. It is made up of representatives from several functions. The team leader travels back and forth between the various locations often, and team members contact each other via phone, fax, and email regularly.

2.3.4 Human Resource Outsourcing

The outsourcing of HR functions is one of the major factors influencing human resource management. One prevalent understanding of human resource outsourcing is the long-term contracting out of formerly done-in-house tasks. Up to 91–93 percent of responding organizations in recent polls said that their company was outsourcing, demonstrating the significant prevalence of this trend.

Additionally, outsourcing has been pursued for several operational goals, including increased productivity or better function performance. For instance, 401(k) programs are nearly always outsourced by businesses since big financial services firms can handle the plan administration at a relatively low cost and with near-perfect accuracy. Additional instances comprise managing health insurance claims and handling benefit extensions under the Consolidated Omnibus Budget Reconciliation Act (COBRA). Another way to reduce costs has been through outsourcing. While many businesses prioritize cutting costs, research suggests that pursuing outsourcing as part of a coordinated approach that addresses other issues as well, like strategic focus and service quality, increases the likelihood of success. Additionally, outsourcing is being used to acquire specific

knowledge that is not available within. Downsizing over the last 20 years has frequently resulted in fewer human resource specialists working in human resource departments. Organizations that need specialist services, such as test validation or in-depth assessments for leadership development, have to turn to outside suppliers due to staff reductions.

2.3.5 Open-Book Management

Open-book management is the term used to describe the practice of disclosing financial and performance data. The idea behind the approach is that knowledgeable staff members may act in the company's best interests by making decisions and taking appropriate action. Employees are almost forced to act because they are empowered and have access to the knowledge. Open-book management is credited to its creator, Jack Stack of Springfield Manufacturing. By implementing open-book management, Stack, which had purchased an almost bankrupt plant from International Harvester, was able to accomplish a stunning recovery. One of the most important things he did when he implemented open-book management was to assist staff in viewing the company as a business rather than a diesel engine repair company. Remarkably, "He convinced staff members that managing the company was a game they could master and succeed in."

Since it incorporates many strategies including profit sharing, bonus utilization, scoreboard (posting outcomes on scoreboards), and business understanding training for staff, open-book management is more comprehensive than many HR methods. It frequently emphasizes the usage of games where the goal is to overcome an obstacle rather than other workers. Businesses that use open-book management typically give employees training on how to understand different performance metrics and simplify the process of presenting their financials to them. When the company meets its objectives, open-book management typically offers competitive base pay in addition to large bonuses to a large number of workers. These benefits are explained in detail as shown in the following:

In open-book businesses, bonuses are a predetermined—and often substantial—component of each employee's remuneration package. Payment is contingent upon the organization or business unit meeting predetermined and specified goals. The bonus is everyone's compensation for increasing the business's performance—for being successful in the marketplace. There are a few requirements that an open-book bonus plan needs to fulfill right away. It must be generous—generous enough to matter, for starters. Open-book management's fundamental principles are

violated by bonus plans that exclude any category of regular employees. A scheme with wildly different rewards also does... In addition to a competitive base salary, a bonus is paid.

Employee trust occurs by the sharing of such information, which is another benefit of open-book management. High-level executives frequently have exclusive access to financial and performance data in companies that do not use open-book management. The fact that information flow is constrained suggests to other staff members that they shouldn't be trusted with sensitive information. Open-book management can increase employee motivation because of its benefits.

Companies that use open-book management include Carolina Safety Associates, Terminex (North Carolina), and R.R. Donnelly and Sons. In Richardson, Texas, The Bradshaw Group, Inc. is one example of a small business using open-book management. When profit targets are met, the company gives its staff training in accounting and finance terminology and divides ten percent of the profits with them.

2.3.6 Total Quality Management

Total quality management (TQM) is a persistent trend that is significant to management strategists even if it is not new. A comprehensive, methodical strategy for reaching high-quality standards, TQM was developed by Edwards Deming. Several industry leaders have used Total Quality Management (TQM), including Motorola, Cadillac, and Xerox. Their techniques necessitate their survival under the demands of fierce competition. The best way to characterize TQM in a strategic context is probably as a method for implementing strategies that call for high standards of product or service quality. TQM essentially creates a logical and structured framework by combining several well-known management concepts. The systematic technique used for these concepts in TQM can improve quality. TQM principles emphasize:

- Articulation of a strategic vision
- Objective and accurate measurements
- Benchmarking
- Widespread employee empowerment and team building
- Striving for continuous improvement
- A focus on a systems approach to quality that considers the interdependence of quality-related activities
- Leadership committed to quality
- Great emphasis on customer satisfaction

It's interesting to note that TQM initiatives may make the role of human resource management more crucial. Human resource management is essential in establishing team-based incentive systems, empowering employees through changes, supporting more systematic training, and informing staff members of their part in quality. The following is how David Bowen and Edward Lawler have defined the connection between TQM and HRM:

HR departments have a fantastic opportunity because of how important the HR component is to the overall quality equation. To go from HRM to strategic HRM, senior managers and HR executives may find common ground on the "business issue" of quality. HR may directly and visibly impact the bottom line by playing a significant role in the quality improvement effort. This allows HR to add worth to the goods and services offered by the business in the same way that other departments like marketing, finance, and manufacturing do.

High quality needs to be guaranteed inside the human resource function before it can fully support TQM initiatives. Sadly, because of their indirect impacts, measuring the function's contributions is frequently challenging. Still, it is possible to create reliable metrics for assessing the efficacy of human resources. External benchmarking is one method that could be used to achieve this. Benchmarking is a helpful tool for determining areas where resources should be focused as well as for assessing the effectiveness of human resource programs, activities, and impact. This practice is described in the following quote by Wayne Brockbank, Arthur Yeung, and David Ulrich:

HR practices that have the highest value addition can be brought to light through benchmarking, as these are the practices that successful businesses are most likely to implement. Instead of letting low resources force HR professionals to try to do everything perfectly and satisfy everyone, which leaves no one happy, they should utilize benchmarking to concentrate scarce resources on the most important tasks.

A recommended approach to assessment is to prioritize evaluating the most critical elements of human resource management and pay secondary attention to the accuracy with which these attributes may be measured. Curt Reiman, Director of the U.S. Department of Commerce's Baldrige Award, made the following statement, which demonstrates this point: " Making measurements doesn't bring in money for a business." Steer clear of large measurements of unimportant items. You may have to make do with roughly measuring all the appropriate stuff. In keeping with this, TQM proponents support the application of Pareto analysis. Pareto analysis is based on the idea that a small number of factors, such as quality, have a disproportionately big

impact on outcomes. Thus, it is possible to achieve disproportionate quality increases by fixing a small number of important issues.

From the standpoint of human resource management, one of the major effects of TQM is that it emphasizes training heavily. According to TQM, mistakes and errors that lower the caliber of a company's goods and services are an expected consequence of undertrained employees, which is why training is necessary. Control groups and experimental designs are used in some TQM-using firms to evaluate training with an emphasis on measurement.

Performance review is one area where TQM starkly disagrees with traditional HR practice, in contrast to training. Deming contends that the problem with conventional performance evaluation methods is that they focus on the individual rather than the team. Additionally, rather than offering guidance for the future, these systems emphasize blame for previous errors, which may even undermine teamwork. Deming further contended that poor systems and practices, rather than individual employee performance, are typically the root of quality issues. Advocates of Total Quality Management (TQM) assert that incentives ought to be focused on groups rather than individuals. TQM proponents dispute not just about performance evaluation but also about the propriety of team-based compensation. Not even a few businesses that have received the Baldrige Award for quality have implemented Total Quality Management (TQM) in the areas of pay and performance reviews. Rather than focusing on high-risk, low-quality problem areas, TQM-implementing organizations have instead concentrated on low-risk, low-quality problem areas. For instance, many companies concentrate their TQM efforts on enhancing communications and training. Fewer businesses have implemented self-managed teams, given up on performance evaluation methods, or switched from more conventional compensation plans to team-based pay. Cadillac and Motorola are the only two that haven't established these teams.

Like any new managerial concept, TQM is not without its issues. One complaint is that TQM initiatives may result in the relocation of goals, turning TQM into an end in itself rather than a means. In these situations, focus is shifted from productive tasks to obtaining committee permission, completing paperwork, and other bureaucratic processes. The highly humorous challenges faced by Florida Power & Light and the Wallace Company following their receipt of the Baldrige Award for quality serve as excellent illustrations of this issue. Additionally, some businesses have decreased employee empowerment during economic downturns, which is not the fault of TQM. These companies' executives have attributed their slower decision-making to

employee empowerment. This critique, nevertheless, seems a bit naive given that employee empowerment helps to facilitate the implementation of crucial decisions. However, due to its sluggishness, consensus decision-making and employee empowerment strategies have also been questioned in Japan. Consequently, several prominent Japanese corporations have shifted to hiring CEOs who are more focused on top-down strategies. Compatibility issues between some fundamental TQM ideas and downsizing tactics are another issue.

TQM would seem to be undermined by worker insecurity brought on by downsizing or layoffs, despite De Sousa's assertion that layoffs may be avoided, presumably through attrition.

2.3.7 Integrated Manufacturing

Streamlined production has a fresh approach thanks to integrated manufacturing systems. These systems often consist of just-in-time (JIT) inventory control techniques, TQM, and advanced manufacturing technology (AMT). The manufacturing strategy known as AMT focuses on highly automated technology, like computer-aided manufacturing (CAM). Delivering manufacturing components to the production line as soon as possible before they are needed is known as just-in-time (JIT) inventory control.

These technologies have a major impact on human resource management and need knowledge workers with technical and problem-solving abilities that go beyond what was required for previous industrial processes. An empirical analysis of the different kinds of HR practices connected to different IMS components was carried out by Scott Snell and James Dean. Companies that place more of a priority on AMT and TQM also tend to hire more selectively, provide more thorough training, use performance reviews more for developmental purposes, and place more of an emphasis on external pay parity. These outcomes align with businesses' objectives to retain and attract top talent and protect their human resource investments.

2.3.8 Reengineering

Innovation in processes, core redesign of processes, and business process reengineering are other names for reengineering, which has been used since the late 1980s and is frequently employed by businesses that are under a lot of competitive pressure. Reengineering essentially aims to achieve significant cost reductions by combining tasks and getting rid of unnecessary processes. Occasionally, it reroutes tasks across conventional departmental lines to expedite work in cross-functional teams. As a result, incentive structures and reporting linkages may occasionally alter simultaneously. The process's key is understanding the kind of service that clients want.

The use of reengineering at Texas Instruments serves as an illustration. The goal of this application was to shorten the time needed to produce semi-customized semiconductor chips for a client. Increased competitiveness was the motivating factor in another instance. In this instance, GTE redesigned its customer support procedure upon discovering that clients preferred to contact a single number for repair assistance, billing inquiries, or the acquisition of extra services. Before reengineering, clients with service issues called repair clerks, who took down their information and emailed it to the appropriate repair staff member. After that, these tasks were consolidated into a single position, which was carried out by workers known as front-end technicians. These workers also currently run testing and switching equipment that was moved from maintenance staff. Because of this, 30 percent of service calls are resolved by front-end professionals, with the remainder needing to be forwarded to secondary repair staff. A bank is involved in another example. To become a paperless bank, Banca di America e di Italia (BAI) redesigned its retail banking operations to cut operating costs. This number dropped from 64 to 25 following reengineering work related to check depositing. These and other adjustments led to a decrease in staff, from seven to nine before reengineering to three to four following. The bank was able to open 50 new branches with its current workforce because of these labor savings.

Reengineering often requires collaborating across organizational borders and functional barriers. It has a high potential for conflict because it may upset established power dynamics and remove organizational positions. Organizations shouldn't undertake reengineering unless they believe there is an urgent need because the process frequently fails to produce the expected changes and has a high potential for negative outcomes. Reengineering also frequently fails to produce the required level of improvement. It is commonly believed that the organization's strategy, which identifies the primary business functions that require reengineering, should guide the process. Eliminating unnecessary activities related to these business needs is a possible strategy. The organization's culture will play a significant role in the success of this intervention, as it will in any other. The general direction of reengineering should come from top management in many modern organizational cultures, but the details should fall under the purview of those who carry out work.

In conclusion, it is important to acknowledge that certain senior executives remain doubtful about the ultimate benefits of reengineering. Their concerns over the long-term negative effects of such initiatives on people stem from their observation of job losses and the sharp rise in the burden of

the surviving workforce. Reengineering may be used less frequently in the future as a result of these responses.

2.3.9 Management of Professionals

Professionals present a problem for human resource management because of their nature, which calls for a distinct kind of management. Professionals are known for having a high demand for intellectual and technical difficulties, requiring a great deal of autonomy, adhering to standards set by their profession, having little organizational loyalty, and following a code of ethics. It is necessary to ensure that managers possess the necessary skills to oversee the work of experts. These managers should be laypeople or members of the relevant profession themselves, as there has long been debate on the challenges involved. It is obvious that there are issues when managers are not trained to be successful in these kinds of environments.

Creating professional career paths will be a future human resource challenge. Professionals have historically followed an administrative track in order to advance inside an organization. They might not find managerial or administrative work fulfilling because they are frequently ill-prepared for these fields. Dual career ladders are therefore occasionally offered, one in management and the other in professional labor. Professional career progression planning will need to pay more attention to developing alternate career paths that meet the demands of employing businesses and professionals. Prominent public accounting firms offer a striking illustration of professional turnover issues. According to a research conducted on one such company, retention rates varied from 6 to 29 percent after 60 months of employment. Creating career pathways for professionals that will increase organizational loyalty will be a challenge in the future.

2.3.10 Managing in the Aftermath of Mergers and Acquisitions

Even if they are occurring at a lower rate now, mergers and acquisitions are still a constant in the economy. Success in a merger or acquisition is determined by factors other than money. Success frequently hinges on how successfully the human resources of the two firms are linked. Therefore, the level of planning that goes into mergers and acquisitions' human resource components might be crucial. According to Bruckman and Peter:

However, the time and effort required to properly combine two highly developed organizations are more likely to be compared to the preparation and conduct of the Normandy invasion, along with the ensuing clash of cultures from numerous parties trying to cooperate toward a common goal..

There is a lot of evidence that, even when companies are bought for their human resources, problems with their human resources are not resolved. There is also the argument that since human resources will suffer in the event of a merger, preparation is essential. If the company loses a takeover bid, layoffs may be necessary for the newly formed company due to redundant staff. On the other hand, if a business successfully thwarts a takeover, layoffs of employees are typically necessary to cover the expenses of the defensive measures.

2.4 TRENDS IN THE UTILIZATION OF HUMAN RESOURCES

Several technologies, including the Internet, e-mail, fax machines, cable modems, digital subscriber lines, personal computers, other telecommunications, and express mail, have made it possible for many employees to work remotely. Using telecommunications technology, some employees have also been able to move geographically while still doing the same tasks for their companies. The patterns of worker relocation in the US are drastically different from historical migration trends.

2.4.1 Telecommuting

Working from home at least a part of the time is known as telecommuting or telecommunicating, and it need not entail moving. Over 10 million professionals work at least 20% of their work from home, a significant growth in the number of telecommuters in recent years. In the U.S. West, where telecommuters currently account for 16,000 of the company's 54,000 employees, this tendency toward telecommuting is visible. Another illustration is the Private Client Technology Unit at Merrill Lynch, where 19% of workers work remotely. Additionally, employees of U.S. federal agencies like the Internal Revenue Service utilize a service called Flexiplace, which is offered by the government to telecommuters.

Individual benefits of telecommuting are said to include time savings from not having to commute and provide at-home child care, flexibility in working for numerous businesses, employment accessibility for workers with disabilities, and lifestyle benefits. Reducing the number of workers on the highways also benefits the environment. Benefits to the organization include recruitment advantages, lower costs associated with hiring part-time workers, more flexibility in hiring skilled professionals on an as-needed basis, decreased risk of unionization, reduced space requirements for offices, increased productivity, improved morale for employees who have the option to work from home, and employee retention. AT&T claims that because of telecommuting, it can keep a

higher percentage of its workforce. Telecommuters, according to some experts, are more productive.

These arrangements could, however, lead to several issues, such as control issues, career restrictions due to low visibility, workers' worries about lost prospects, social isolation, a diminished sense of belonging, and a decline in loyalty to both the company and the employee. Information that is competitive or secret that is communicated to and from the telecommuter over phone lines raises additional security problems. While encryption technology may lessen these kinds of risks, some businesses are concerned about security. Support for distant offices and information technology is also necessary for telecommuters. Furthermore, some supervisors struggle to trust their staff to operate remotely without their oversight.

2.4.2 Relocation of Work

Information professionals have been allowed to relocate from cities to small towns and rural areas thanks to advancements in telecommunication. The electronic heartland is what futurists Naisbitt and Aburdene refer to as the result of this movement. The heartland has drawn these workers because of its lower cost of living, reduced crime rate, and better quality of life benefits. Owners of home-based enterprises, authors, artists, stock traders, composers, software developers, and engineers are among the workers moving here.

It is becoming more and more typical for hotels and car rental companies to base their reservation operations in regions of the nation with higher wages. Hertz, for instance, operates its accounting and reservation departments in Oklahoma City. Reservations for Budget is located in Carrollton, Texas, while Thrifty and Avis are both based in Tulsa. Omaha, Nebraska is home to Hyatt Hotel reservations operations. These regions pay more than many other parts of the United States, and the type of labor done does not depend on one's location.

California has seen a recent exodus of industrial firms due to the state's strict regulations, high labor and land expenses, and other issues. For instance, because of these circumstances, Applied Materials, a California-based company, constructed a new \$100 million facility in Texas.

2.4.3 Growing Use of Temporary and Contingent Workers

A significant concern with human resources is the growing utilization of contract or temporary labor. The primary purpose of temporary workers is frequently to act as a safety net for the permanent staff members. Moreover, the utilization of these laborers is growing, and future unbundling is probably in store. Contingent workers have temporary relationships with employers,

unlike core employees. Temporary employees, subcontracted laborers, part-timers, consultants, project-life workers, and leased workers are a few examples. Businesses are also using a greater number of "leased" workers, or workers that are long-term "rented" from a temporary assistance provider. It should come as no surprise that unions generally oppose using temporary labor.

Higher-skilled temporary workers are becoming a growing number, although clerical and administrative support jobs still make up the majority of temporary labor. Workers providing industrial assistance, such as laborers, handlers, equipment cleaners, and assistants, represent the second largest category. The benefits to the company are clear because demand for these industrial support workers is seasonal and cyclical. Even x-ray technicians, registered nurses, and practical nurses are employed as temporary laborers in the healthcare sector.

2.4.4 Factors Prompting Use of Temporary or Contingent Employees

The use of contract or temporary workers is encouraged by several factors. A growing number of firms are using contingent labor more frequently instead of hiring permanent staff due to economic instability or uncertainty. Workload fluctuations are another factor. A customer of Norrell Corporation, located in Atlanta, provides an instance of how to adjust to such variations. The client company employs just fifty people, but Norrell provides them with four hundred and fifty temporary workers. The customer employs temporaries because most personnel are only needed for seven months. Previously, the company employed 400 people full-time, but there were periods when they were understaffed and periods when they were overstaffed. By hiring temporarily during times of high demand, businesses can also avoid having to pay overtime. Employing more temporary workers has been observed in both growing and falling businesses. By using temporary workers who are subject to abrupt termination, these businesses can safeguard their core group of permanent workers. However, finding suitable temporary workers may be challenging in competitive labor markets.

The need to avoid paying for the hiring, training, and recruiting of employees who will only be employed temporarily and to minimize severance expenses are further reasons driving the usage of contingent labor. In some instances, the employment of temporaries may have been motivated by the unfavorable consequences of legislation. One law that can encourage the use of temporary labor is the Worker Adjustment and Retraining Notification Act (WARN), which was created to notify full-time employees in advance of plant shutdowns. Flexibility, possible labor cost

reductions, and obtaining labor during hiring freezes are additional benefits for firms when using such people.

Benefits for temporary or contract employees may exist in addition to benefits for employers. These advantages include the simplicity of job searching and the freedom to balance work and family responsibilities with lifestyle choices. The advantages also extend to women, who make up roughly two-thirds of the temporary workforce: exposure to the labor market, chances to gain work experience and skills, and the chance to try out different career scenarios. For women who have been out of the workforce for extended periods, opportunities to regain confidence and professional skills may be appealing. Temporary employment may also draw young people since it offers them the chance to obtain experience in the workforce.

2.4.5 Factors Limiting the Use of Temporary or Contingent Employees

While utilizing temporary workers has many benefits for employers, there are disadvantages also. One drawback is that there is a higher chance of not meeting affirmative action objectives. Employers who restrict recruiting and heavily rely on temporary workers risk not achieving the targeted percentages of female and minority workers in their hired employees. The requirement to teach these employees is an additional drawback. One disadvantage of temporary executives could be their excessive focus on short-term financial performance and lack of devotion to the organization. Temporary workers have fewer options to obtain retirement benefits and health insurance, as well as reduced compensation and fewer opportunities for training and education. But temporary workers often have benefit coverage through their wives' jobs.

2.4.6 Employee Leasing

Since there is no indication that workers would be anything other than full-time and permanent employees, employee leasing differs from the employment of temporary labor. When an employer decides to lease workers, the workers frequently end up working for a leasing company. The original employer then receives these same workers from the leasing company. Similar to using temporary help, employee leasing has some benefits. Leasing is popular because it allows small firms to access more affordable health insurance due to the leasing firm's greater workforce and pooled rates.

A further driving force is that the leasing company handles all payroll and administrative tasks, freeing up the small business management to concentrate on other facets of the operation.

2.5 INTERNATIONAL DEVELOPMENTS

International Competition To achieve the quality required for specific markets, globally competitive companies will need to employ personnel of the highest caliber. As an illustration, the Dana Corporation uses its training initiatives to cultivate workers capable of meeting global standards for competitiveness in production. One of Dana's achievements is turning some of its American employees into elite machinists. A major food business has sourced programming from Mexico and networking tasks from England to acquire specialist, top-notch information services. Transferring foreign nationals across international borders is an additional strategy for highly trained workers. Nonetheless, there may be a decrease in the employment of American expatriates in foreign enterprises. The proportion of American expatriates in certain American corporations with significant foreign assets is comparatively low. For instance, Honeywell employed 27,159 people abroad in a single year, of whom about 200 were citizens of the United States.

2.5.1 Global Sourcing of Labor

There is no doubt that creative labor uses exist globally. One such is a sizable insurance provider in the United States whose claims are processed in Ireland. It is a desirable alternative due to several factors, including a shared language, an educated workforce, labor scarcity, and comparatively affordable wages. Once operations start, electronic transmission and overnight airmail are used to send claims data from the United States. This relationship has an unusual benefit in that work supplied overnight can be completed several hours ahead of the East Coast's regular start time of 8:00 A.M., in addition to the low cost of labor. Furthermore, American businesses occasionally outsource data entry to foreign countries to benefit from wage differences. There are situations where clerical staff members who don't even speak English enter data. For instance, data entry for American Airlines is done in Barbados and China.

Several Asian nations, including Malaysia, Indonesia, Singapore, Korea, and Taiwan, are important commercial and outsourcing partners for the United States. However, the labor supply is also affected by the significant developments in Eastern Europe. Particularly fascinating is Germany.

2.5.2 North American Free Trade Agreement

The United States, Canada, and Mexico have a free trade agreement (NAFTA) that removes tariffs on commodities produced in these nations. The United States' top trading partner is Canada, followed by Mexico in second place. The U.S. Department of Commerce and companies point out

that the legislation has created jobs, while unions argue that jobs have been lost. The act is still controversial. Notwithstanding the different arguments, there is no denying the impact on commerce between the three nations due to the notable expansion. Over the first four years alone, trade between the US and Canada surged by 56%. Even more astounding is the 113% rise in trade with Mexico within the same time frame.

There are several intriguing ramifications for human resource management from NAFTA and potential future trade agreements. Many HR managers travel to Canada and Mexico to work with their companies.

2.5.3 European Community

For American businesses who operate in or do business with European Community (EC) nations, access to this enormous market has significant consequences for human resources. The EC's adoption of uniform standards and the loosening of trade restrictions have resulted in increased efficiency in the cross-border movement of labor and goods, which has ramifications for American enterprises in Europe. However, the European labor market is still heavily unionized, and firing or terminating employees is extremely difficult due to legal restrictions. However, with more unified laws affecting human resources, the EC might be advantageous for American operations in Europe. From a different angle, there's also a chance that a sizable market will respond uniformly, which could have an impact on domestic operations in the United States. For instance, the threat to the EC's Airbus led to the EC's fierce criticism of the Boeing and McDonnell Douglass merger. American takeovers of European businesses have long been seen as a danger to Germany, France, and Italy's national identities. That reaction, in this case, was against a merger that would remain entirely American.

Self-Assessment Questions	
1.	In what ways can HR contribute to shaping and maintaining a positive organizational culture?
2.	What role should HR play in fostering effective leadership development throughout the organization?
3.	What challenges do organizations face in ensuring HR practices comply with the legal and regulatory environment?

4.	How does globalization influence talent management and HR practices in international contexts?
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HR Legal Environment

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NTRODUCTION

The HR legal environment is a critical dimension of Human Resource Management (HRM) that encompasses the laws, regulations, and legal considerations governing the relationship between employers and employees. In this dynamic and complex landscape, HR professionals navigate through a myriad of legal obligations to ensure fair treatment, compliance, and the protection of both organizational and employee rights. Understanding the HR legal environment is fundamental for fostering a workplace that is both ethical and legally compliant.

Navigating the HR Legal Landscape: An Introduction

The legal environment in which Human Resource professionals operate is characterized by a intricate web of statutes, regulations, and judicial decisions that shape the employer-employee relationship. From recruitment and hiring to termination and beyond, every phase of the employment lifecycle is subject to legal considerations that demand diligence, expertise, and a commitment to fairness.

Federal, state, and local laws govern various aspects of employment, including minimum wage, overtime pay, workplace safety, and the right to organize. HR professionals must stay abreast of these laws to ensure compliance and fair treatment of employees.

Laws such as the Civil Rights Act, Americans with Disabilities Act (ADA), and Age Discrimination in Employment Act (ADEA) prohibit discrimination based on race, gender, disability, age, and other protected characteristics. HR plays a crucial role in implementing policies that promote equal opportunity and prevent discrimination.

Organizations are obligated to maintain a safe and healthy work environment. Compliance with Occupational Safety and Health Administration (OSHA) regulations is paramount, and HR is instrumental in developing and enforcing safety protocols.

With the increasing digitization of HR processes, safeguarding employee privacy and complying with data protection laws is a growing concern. HR professionals must navigate laws such as the General Data Protection Regulation (GDPR) and local privacy regulations.

Laws such as the Family and Medical Leave Act (FMLA) provide employees with the right to take unpaid leave for specified family or medical reasons. HR ensures compliance and facilitates the smooth administration of leave policies.

Drafting and managing employment contracts, non-disclosure agreements, and non-compete agreements falls within the purview of HR. Ensuring clarity and fairness in these documents is crucial to avoid legal disputes.

The legal framework surrounding employee termination, including considerations of at-will employment and severance agreements, requires HR to adhere to laws and regulations to avoid wrongful termination claims.

In today's business environment, legal compliance is not just a matter of avoiding penalties; it is a strategic imperative. HR legal compliance contributes to the creation of a positive workplace culture, fosters trust among employees, and mitigates legal risks that could impact the organization's reputation.

As the custodians of the employment relationship, HR professionals play a pivotal role in ensuring that organizational practices align with the legal framework governing the workplace. By navigating the intricacies of the HR legal environment, HR leaders contribute to the establishment of a fair, ethical, and legally compliant workplace that benefits both employers and employees alike.

Learning Objectives

After studying this unit, you will be able to:

- a) Describe Equal Employment Opportunity
- b) Explain Compensation and Employee Relations
- c) Describe Labor Relations and Collective Bargaining
- d) Discuss Strategic Impact of Legal Environment

Unit-3

HR Legal Environment

3.1 Equal Employment Opportunity

The ability of firms to fully utilize their workforces is made possible by competent management in this area, which makes diversity management relevant to the evaluation of HR effectiveness. Thus, diversity management and how well businesses prevent labor shortages can be linked. For example, African Americans tend to have higher employee turnover rates. By addressing the reasons that African Americans are leaving the workforce, businesses should be able to reduce their labor shortages. The turnover of female and minority employees should be taken into account while evaluating the efficiency of this sector.

One company that has had significant success in this area is Corning, Inc. The business has demonstrated remarkable progress in elevating the percentage of female and African-American managers, both in terms of overall figures and executive role participation. This achievement is even more noteworthy considering that the company is headquartered in a little upstate hamlet of New York. Taking the lead in attracting African-American managers and professionals to the area is one particular instance of Corning's strategy in action. Over three years, African-American attrition decreased from 15.3 to 11.3 percent. Furthermore, female attrition decreased from 16.2 to 7.6 percent throughout the same period.

A few recommendations from the literature seem to be useful in helping businesses handle diversity more skillfully. One recommendation focuses on helping women and minorities advance. Information acquired through unofficial networks—from which women and minorities are frequently excluded—is necessary for advancement to higher positions. Organizations should focus more on these nuances because as one rises the organizational ladder, the path to promotion to the highest-level positions inside the company gets increasingly ambiguous and subtle. Before minorities and women achieve success, they must build their networks and get mentors to help them climb the ladder. According to Thomas, this procedure is as follows:

There is also a popular concept that "cream will rise to the top," which was probably absorbed from American culture as a whole. Most businesses have an informal structure of sponsorship and mentorship that pushes or pulls the cream to the top, giving the impression that this is where the best candidates go.

Regretfully, managers rarely receive the feedback they require to move up to the highest levels through performance review procedures. Informal feedback obtained through networks or one-on-one mentorship frequently compensates for this shortcoming of performance rating methods. Performance appraisal methods need to be enhanced for greater efficacy when a person's inability to access networks prevents them from receiving candid input.

Remedial measures should support the growth of all groups of people when the issues facing women and minorities are unrelated to discrimination, according to a second recommendation for increased efficacy. Remedial programs, on the other hand, become extremely time-consuming and contradict the spirit of diversity when they offer special care solely to specific groups.

A third point of contention is that mistakes and failures are unavoidable in diversity management because it is not an exact science. For the sake of justice, managers shouldn't be punished for their efforts.

A fourth suggestion is that age, personality, education, background, and other aspects should all be considered in the management of diversity. Such an open-minded approach should encourage the development of a diverse culture rather than attempting to assimilate those who are different into the dominant culture of white men.

The fifth recommendation is to hold diversity training sessions, which might address issues like variances in communication styles, boost self-awareness, and lessen prejudices by using activities that improve skills. Hewlett-Packard and Ortho Pharmaceuticals are two of the top providers of this kind of training. The previously described methods can be used to assess this kind of training. The sixth recommendation is to recognize managers who do a good job of managing diversity by integrating it into the organization's performance evaluation and reward system. Coca-Cola and Exxon-Mobil are two businesses that lead in this field.

3.2 Compensation

Internal equity is prioritized over external or market-based equity in compensation systems.

Pay equity plays a key role in keeping employees on board. Fair appraisal reviews, fair pay structures, disclosure of compensation methods, the elimination of politics from compensation choices, equitable input-output ratios (such as effort, skill, and education) and rewards, and fair compensation evaluations all contribute to increased compensation equity. Pay incentives, performance-based pay, and benefits that employees value all contribute to higher retention rates.

Remarkably, the most common strategy for keeping top executives on board is to increase their pay and perks. Businesses listed in Fortune's top 100 usually provide substantial benefits in addition to high pay. Merck, for instance, offers exceptional perks and top-notch compensation. Over the last ten years, Merck employees have gotten \$60,000 in stock options, whereas nonexecutives at Cisco Systems have averaged a \$150,000 gain in stock options. Employee health care is provided at no cost by WRQ Software. Just 5% of employees at the jelly manufacturer J. M. Smucker were voluntary in a recent year. One perk offered by the corporation is a savings plan, to which it contributes 50% of the matching funds. Retention bonuses offer a clear illustration of how pay is utilized to retain the best workers at the company:

"Retention bonuses" have emerged as the go-to tactic for many businesses looking to retain staff members. Employee retention in the [oil] sector is rewarded with bonuses ranging from 15% to 50% of a year's salary, distributed over three years. Because employee turnover is so costly, employers must "bolt their back doors," that is, ward off recruiters. Experts such as those at the Hay Group consulting firm estimate that the expenses associated with hiring and instructing a replacement range from 50% to 60% of the outgoing employee's annual salary.

One longer-term approach that can reduce expenses during recessions is to raise the proportion of employee pay that is dependent on company performance. The risk of losing their job would decrease, but workers would no longer be assured of a consistent income. A common component of compensation in many businesses these days is profit sharing and stock options. With profit sharing, stock options, and other variable pay accounting for a bigger portion of employee compensation, layoffs may decrease when the economy deteriorates.

Unlike training, performance reviews are one area where TQM sharply differs from conventional HR practice. According to Deming, the issue with traditional systems of performance evaluation is that they prioritize the person over the team. Furthermore, these systems tend to emphasize blame for past mistakes rather than providing advice for the future and may even be detrimental to teamwork. Deming also argued that the majority of the time, inadequate systems and practices—rather than individual employee performance—are what cause problems with quality. Furthermore, TQM proponents argue that incentives ought to be directed at teams rather than individuals. Advocates of Total Quality Management disagree on team-based incentives as well as performance reviews. A few businesses that have received the Baldrige Award for quality have also not implemented Total Quality Management (TQM) in the domains of pay and

performance evaluations. Instead, businesses that adopt Total Quality Management (TQM) have concentrated on issues that are lower quality, generally simpler to resolve, and don't pose as much risk. For instance, a large number of businesses concentrate their TQM efforts on enhancing communications and training. Fewer companies have moved away from team-based pay, self-managed teams, and traditional compensation schemes in favor of performance assessment systems. Cadillac and Motorola are the only two that haven't established these teams.

For a team to be effective, there are other requirements in addition to those that must exist inside the teams: compatible organizational structures. As team contributions replace individual ones, compensation, other incentives, and performance review processes need to be adjusted to fit the needs of particular teams. As an illustration, several businesses have highlighted team contributions when announcing promotions.

The following team-based pay is offered by TRW:

"We have a project called Earnings Leadership in Tomorrow's Environment [ELITE] where several people get assigned to the effort, and it's expected they'll return to their units or a full-time permanent position sometime in the future," says Harvey Minkoff, director of compensation. For that project, we have set particular targets, and each person has set specific goals of their own. A sizeable amount of their compensation is dependent on both their personal and the organization's success in reaching its objectives. For lower-paid employees, this may be as little as 10%, while for higher-paid employees, it could be as much as 25%. (Why do workers with lesser pay receive less?) It is believed that their overall remuneration packages should expose them to less risk than those of higher-paid employees.

3.3 Employee Relations

The organization's goals about the changes and actions that must be made to the way it handles its connections with employees and their trade unions are outlined in employee relations plans. Employee relations strategies will flow from the business plan and work to support it, just like all other HR strategy components. For instance, the employee relations strategy may emphasize processes of involvement and participation, such as the implementation of programs for continuous improvement and total quality management, if the business strategy is to focus on achieving a competitive edge through innovation and the delivery of quality to its customers. On the other hand, if the goal is to reduce costs to gain a competitive edge or even to survive, then the employee

relations strategy should focus on how to achieve this goal while minimizing negative effects on the employees and organization as well as maximizing cooperation with the unions and employees. It is important to distinguish between employee relations policies and employee relations tactics. Strategies change with time. They offer guidance and a response to the query, "How are we going to get from here to there?" The focus of employee relations policies is mostly on the present. They articulate "the way things are done around here" in terms of handling employees and unions. They will change, of course, but it might not be due to a calculated decision. A strategy for implementing this change must be developed when a conscious decision is taken to change policies. Therefore, the strategy may take into account how involvement and participation processes could help achieve the policy's goal of increasing commitment.

The goals of the employee relations strategy will be to:

- Create organizational cultures based on shared values between management and staff to foster mutuality or a shared interest in accomplishing the organization's goals.
- Develop stable, cooperative relationships with employees to reduce conflict.
- Achieve commitment through employee involvement and communications processes.

The following are some possible directions the organization may follow as a result of the goals stated in employee relations strategies:

- Increasing the degree to which management controls operations in areas like flexibility;
- improving employee relations generally to foster more cordial and cooperative relationships;
- creating a "partnership" with trade unions;
- altering forms of recognition, such as single-union recognition or derecognition;
- changing the form and content of procedural agreements;
- creating new bargaining structures, such as decentralization or single-table bargaining;
- achieving increased levels of commitment through involvement or participation - giving employees a voice;
- purposefully avoiding trade union representatives in communications with employees;

Industrial Relations Services (1993) highlighted four approaches to employee relations:

1. Adversarial – Workers are expected to blend in with the organization's decisions, which are made at its discretion. Workers can only use their refusal to comply as a form of power.

2. Traditional – excellent day-to-day working relationships, but management makes proposals, and employees respond through elected officials.
3. Partnership – While retaining management authority, the company allows its staff to participate in the creation and application of organizational policies.
4. Power sharing – Employees participate in both tactical and strategic decision-making in the context of power sharing.

The use of adversarial techniques has decreased significantly from the 1960s and 1970s. Although the traditional strategy remains the most common, partnerships are receiving more attention, as this chapter will describe. Sharing authority is uncommon.

The employee relations strategy will be implemented with a preference for one of the four previously mentioned approaches, and it will be informed by the organization's perspective regarding the desired and appropriate nature of relationships between management and employees, as well as their unions. A partnership strategy will aim to create an environment for employee relations that is constructive, fruitful, cooperative, and trustworthy.

The following guidelines, which make up the HRM model for employee relations, are the translation of the HRM philosophy:

- a drive for commitment—winning the "hearts and minds" of employees to get them to identify with the organization, to exert more on its behalf, and to remain with the organization, ensuring a return on their training and development;
- An emphasis on mutuality, or using a unitarist approach to convey the idea that "we are all in this together" and that management and personnel have similar objectives;
- the arrangement of supplementary communication channels, including team briefings, in addition to customary collective bargaining, i.e., addressing workers directly, either individually or in groups, as opposed to via their representatives;
- a shift from collective bargaining to individual contracts;
- the use of employee involvement techniques such as quality circles or improvement groups;
- continuous pressure on quality – total quality management;
- increased flexibility in working arrangements, including multiskilling to provide for the more effective use of human resources, sometimes accompanied by an agreement to provide secure employment for the "core" workers;

- emphasis on teamwork;
- harmonization of terms and conditions for all employees

When creating an employee relations strategy, many policy options must be taken into account. Guest (1995) outlined the following four options:

1. The new realism, which places a strong focus on labor relations and HRM. Integrating HRM and industrial relations is the goal. This is how companies like Nissan, Toshiba, and Rover operate. According to an analysis of single-table bargaining (IRS, 1993), new cooperative arrangements are nearly invariably the product of employer initiatives, and both employers and unions appear to be content with them. They have made it easier to be more adaptable, and multiskilled, to blur boundaries, and to enhance quality. Additionally, they can hasten the transition to single status and lengthen consultation procedures.
2. Conventional collectivism: industrial relations take precedence over HRM in this context. This entails keeping the conventional pluralist labor relations arrangements within a system of labor relations that eventually stays the same. In these situations, management can believe that it is simpler to carry on doing business with a union since it offers a helpful, established conduit for managing grievances, disciplinary actions, and safety-related matters.
3. Individualized HRM: HRM is given first attention without regard to labor relations. Guest claims that this strategy is uncommon outside of companies owned by Americans. It is 'fragmented and opportunistic,' in his opinion.
4. The black hole – There are no labor relations in the black hole. This alternative is becoming more common in companies where management does not prioritize HRM policy but does not believe there is a strong enough justification to run an old-fashioned industrial relations system. These kinds of organizations are increasingly choosing not to recognize unions when faced with that choice.

Employee relations strategies can, in the words of Mintzberg (1987), "emerge in response to an evolving situation," just like other business and HR strategies. However, it is still beneficial to take the time to carefully plan out your plans; the goal here should be to develop a shared agenda that will convey a shared understanding of what has to be done. This can be stated in writing, but involvement and communication methods can also help to clarify it. The most effective way to implement employee relations tactics could be through a collaboration agreement.

Businesses without unions need to evaluate the effectiveness of their employee relations divisions. Though the number of union members globally is only 16.5 million, or only 13.9 percent of pay and salary workers, small enterprises should not rule out the potential of unionization. In the private sector, union membership is at 9.4% of pay and salary workers. One explanation for this is that many American workers now prioritize job security, and downsizing and layoffs are commonplace in the country's economy. Several former leaders in the business, including IBM and Hewlett-Packard, had employment security policies and no-layoff practices. These strategies and practices were most likely a big factor in these businesses' ability to continue operating without unions. However, many of these businesses have given up on these measures due to pressure from the competition. Furthermore, employee loyalty has probably been weakened to the point where a higher percentage of workers may be inclined to create a union to secure employment due to the casual attitude that many corporations have regarding downsizing and the emergence of unbundled or network organizations. It is yet unclear whether workers would view unionization as a necessary endeavor or as detrimental to their ability to keep their jobs. Unions were often able to restrict layoffs to the lowest-level employees because most layoffs were previously based on reversed seniority. They were effective enough in industry to force competitors to provide comparable working conditions and pay the same wages by organizing a sizable workforce. To "take wages out of competition" was their plan of action. Then, a major portion of the cost of pay rises, and advantageous job conditions are transferred to customers in the form of price increases. Nonetheless, union power has decreased in the current global marketplace. As failed attempts at multinational union collaboration show, unions are unable to organize all foreign manufacturers in a given industry. Employment security agreements will therefore hurt employment to the extent that they disadvantage domestic producers relative to foreign rivals. Moreover, it appears that unions are powerless to stop domestic manufacturers from moving their production plants abroad. It will be fascinating to observe if unions can come up with plans to assist workers in obtaining more job security.

In many industries, unionization is a fact, regardless of how it ultimately develops in the future. For instance, the percentages of unionized workers in the following industries are as follows: 25.5 percent in manufacturing, 19.1 percent in construction, and 25.5 percent in transportation and public utilities. In addition, 37.3% of government workers belong to a union. Nonunion businesses should constantly assess their organizational culture and human resource

practices to see if they may promote unionization. They should also avoid growing accustomed to the possibility of unionization.

3.4 Labor Relations and Collective Bargaining

Unionized businesses must assess the performance of their labor relations departments and the labor relations practices of their line managers. Several factors indicate how effective labor relations are for unionized companies: the frequency or duration of work stoppages; the degree of restrictiveness in collective bargaining agreements; managerial flexibility in work assignment; the degree of cooperation between the union and management; other management prerogatives; the discretion to promote or lay off employees based on merit or ability; the ease with which the labor agreement can be administered; and the company's grievance experience. Because many possible factors could affect the incidence of grievances, care must be taken when concluding efficacy in the case of grievances. These factors include supervisory conduct, workplace technology, union officials' motivation and personalities, the union-company connection, and individual employee traits.

"The phrase "employee voice" is being used more often to refer to a wide range of procedures and frameworks that allow—and occasionally even empower—staff members to participate directly or indirectly in business decision-making," according to Boxall and Purcell's 2003 definition. According to Millward et al. (2000), "the power of workers to affect the employer's decisions" is one definition of employee voice. The idea includes giving workers the chance to voice their dissatisfaction and alter management's authority. It welcomes engagement and, above all, involvement.

Marchington et al. (2001) have established the framework for employee voice techniques. Individual employees and collective voice, including unions and other forms of representation, are the two elements of voice identified by this paradigm. Upward issue resolution is embodied in the shared agenda of partnership and involvement. This lies along the same axis as the contentious agenda surrounding collective bargaining and complaints. Still, these are not indisputable. It is doubtful that organizations will engage in traditional collective bargaining and partnership at the same time, but they will tend to share or contest objectives and varied degrees of direct engagement. The values of management regarding unions are one of the most influential elements

influencing the choice of employee voice strategy, as noted by Kochan, Katz, and McKersie (1986).

3.5 Strategic Impact of Legal Environment

Businesses in a variety of industries rely on the legal environment to shape their operations and strategic choices. The legal environment can influence strategy in the following important ways:

1. **Compliance Requirements:** Numerous facets of corporate operations, such as taxation, labor practices, environmental preservation, and product safety, are governed by laws and regulations. Significant fines, legal ramifications, harm to one's reputation, and even business closure are all possible outcomes of non-compliance. Thus, compliance with and comprehension of legal standards are essential for strategic planning.
- Risk Management:** Legal considerations are integral to risk management strategies. Businesses must assess legal risks associated with their operations and take proactive measures to mitigate them. This may involve implementing compliance programs, obtaining appropriate insurance coverage, or adjusting business practices to minimize legal exposure.
2. **Competitive Advantage:** Another benefit of following rules and laws is the ability to get an advantage over rivals. Businesses that exhibit moral conduct, adherence to the law, and a dedication to corporate social responsibility may draw in a larger clientele, capital, and business associates. On the other hand, breaking the law can cause a company to lose market share and opportunity by damaging its reputation and undermining stakeholder trust.
3. **Market Entry and Expansion:** The legal landscape affects choices on expansion and market entry tactics. The legal frameworks of target markets must be evaluated by businesses to evaluate the risks and viability of starting or growing operations. Decisions about entering a market can be strongly impacted by elements including contract enforcement, intellectual property protection, and regulatory hurdles.
4. **Innovation and Intellectual Property Protection:** Laws about intellectual property (IP) are essential for encouraging innovation and safeguarding companies' ownership rights to their inventions. IP protection is a factor that influences strategic decisions on partnerships, product launches, and research & development. To protect their ideas and stay competitive,

businesses need to understand and comply with laws about patents, copyright, trademarks, and trade secrets.

5. **Labor and Employment Practices:** Aspects of the employer-employee relationship that are governed by employment laws include pay, working conditions, discrimination, and termination procedures. Adherence to labor regulations is a crucial component of strategic human resource management, as it guarantees equitable treatment of workers, mitigates legal conflicts, and cultivates a constructive work atmosphere..
6. **Government Relations and Advocacy:** In order to influence the legal and regulatory landscape in ways that serve their interests, businesses frequently participate in advocacy and government relations campaigns. This could be working with legislators to address challenges unique to your industry, engaging in regulatory proceedings, or pushing for legislation that will benefit your industry. A positive working environment, the ability to influence policy outcomes, and the ability to anticipate regulatory changes are all made possible by effective government relations.

In general, the legal environment shapes market decisions, labor practices, competitive positioning, risk management techniques, labor practices, innovation strategies, and compliance requirements, all of which have a major strategic influence on organizations. Sustainable corporate success requires proactive involvement with legal matters and a deep awareness of the legal landscape.

Self-Assessment Questions	
1.	What are the key legal principles that form the foundation of the HR legal environment?
2.	What challenges might organizations face in keeping up with changes in legal requirements?
3.	How do HR professionals balance the need for employee privacy with the organization's data protection requirements?
4.	What legal aspects should HR consider when handling employee terminations?

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Strategy Formulation

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INTRODUCTION

Strategy formulation is a crucial phase in the strategic management process where organizations define their goals, identify opportunities and challenges, and develop comprehensive plans to achieve sustainable success. It involves making informed decisions about where to compete, how to compete, and what resources and capabilities are needed to accomplish strategic objectives. Strategy formulation lays the foundation for effective execution and guides the organization toward its desired future state.

In the dynamic and competitive business environment, organizations must be proactive in shaping their future rather than merely reacting to external forces. Strategy formulation is the art and science of making choices that position an organization for success in the long term. It requires a thorough understanding of the internal and external factors that influence the organization, as well as a clear vision of its goals and aspirations.

Organizations begin the strategy formulation process by conducting a comprehensive analysis of the external environment. This includes assessing industry trends, competitor behavior, technological advancements, economic factors, and other external forces that may impact the organization.

Understanding the internal capabilities, strengths, weaknesses, and resources is equally critical. This involves evaluating the organization's core competencies, identifying areas for improvement, and assessing its capacity to respond to external opportunities and threats.

Defining the organization's mission, vision, and core values sets the overarching direction for strategy formulation. The mission clarifies the purpose of the organization, the vision outlines its future state, and core values guide the organization's behavior and decision-making.

Clear and measurable goals provide a roadmap for strategy formulation. Organizations establish short-term and long-term objectives that align with their mission and vision, creating a framework for decision-making and resource allocation.

Based on the environmental analysis, internal assessment, and goal-setting, organizations develop strategies to achieve their objectives. These strategies may include market expansion, product development, cost leadership, differentiation, partnerships, or other approaches based on the organization's unique context.

Efficient allocation of resources, including financial, human, and technological assets, is a critical aspect of strategy formulation. Organizations must prioritize and invest in the areas that will yield the highest impact on achieving strategic objectives.

Identifying and assessing risks associated with the chosen strategies is vital. Strategy formulation involves considering potential obstacles, uncertainties, and competitive challenges, and developing contingency plans to mitigate risks.

Several strategic planning models guide the strategy formulation process. These models, such as SWOT analysis (Strengths, Weaknesses, Opportunities, Threats), Porter's Five Forces, and the BCG Matrix, provide frameworks for analyzing the internal and external factors influencing strategic choices.

In essence, strategy formulation is the intellectual and creative process of making decisions that shape the future of an organization. It requires a forward-thinking mindset, adaptability to change, and a deep understanding of the organization's internal and external dynamics. A well-formulated strategy serves as a roadmap, guiding the organization toward success in a competitive and evolving business landscape.

Learning Objectives

After studying this unit, you will be able to:

- a) Understand the Importance of HR to Strategy
- b) Explain International Strategy and HR Contributions to Strategy
- c) Describe Strategy Driven Roles Behaviors and Practices
- d) Illustrate Strategic HR Activity Topology
- e) Describe Integration of Strategy and HR Planning
- f) Explain HR Manager and Strategic Planning

Unit-4

4. Strategy Formulation

The formulation of a strategy, the fourth element of the conceptual framework, gives the organization direction. The organization must implement efficient organizational methods to fulfill its objective while adhering to an investment viewpoint. The organization is prepared to develop a plan after taking stock of its strengths and weaknesses and monitoring the external environment for opportunities and threats. Human resource planning, as mentioned in the Preface, can also contribute to the formulation of a strategy, even if it comes later in the conceptual framework. First, this part will address the importance of HR management in formulating a strategy. After this conversation, definitions and concepts related to strategy will be introduced, along with the theoretical underpinnings of SHRM. The subject of international strategy, which is becoming more and more important, will next be covered. After that, the section will look at how human resources can support corporate strategy and how strategy and HR work together. Following this conversation, organizational learning, types of HR activities, enterprises, and network organizations will all be looked at. These strategic subjects will be followed by an examination of how strategy and HR planning interact. Finally, the topic of strategically focused roles' human requirements will be covered. All managers can benefit from the strategic principles discussed in this section, even if the content is frequently addressed in the context of human resources.

4.1 IMPORTANCE OF HUMAN RESOURCES TO STRATEGY

Due in large part to its ability to provide a competitive advantage, the need to become competitive, and an understanding of the needs of the highly technologically advanced environment of the future, human resource management has grown in importance to general management. According to strategist Michael Porter, gaining a competitive edge requires effective human resource management. Human resources are now seen as a source of competitive advantage in an increasing number of firms. More people are realizing that highly skilled workers, unique organizational cultures, and effective management procedures and systems are how distinctive abilities are acquired. This is in contrast to the conventional focus on transportable resources, including equipment that rivals may buy. A high-quality workforce can give an organization a competitive edge, allowing it to compete based on differentiated products, technological innovation, and market responsiveness rather than solely on low costs. This realization is becoming

more and more apparent. The efforts of John Deere to automate its manufacturing serve as an illustration of a competitive advantage based on human resources. The corporation formed a technology branch because of the impressive talent and factory automation skills that were developed. ARCO's executive development program offers yet another example, with a greater focus on challenges related to human resource management. Examples like this highlight the significance of today's more strategically focused HRM and its wider responsibilities.

Apart from granting a competitive edge using a superior labor pool, HR management has become increasingly important due to the need to contain labor expenses. General managers are now more conscious of the consequences of wasteful use of human resources due to increased pressure to minimize expenses. To identify the root causes of decreased productivity, managers only need to investigate underutilized employees, distrust, reluctance to change, hostile labor-management interactions, motivation issues, and restricted work practices. Interestingly, investing in plant and equipment may not always be as cost-effective as allocating resources toward improving the use of human resources.

The relevance of human resource management's strategic role has grown in tandem with economic volatility. Unprecedented levels of environmental unpredictability have been brought about by turbulence, globalization, technology, drastically shifting demographics, and disparities in labor values. There is a growing perception that buffering environmental uncertainty can be achieved through strategic human resource management and its subprocess, human resource planning. The integration of human resource management into the process of formulating and planning strategies is not surprising. General management is motivated to make sure that strategy and human resource practices and policies are in line as HRM becomes an increasingly significant part of a company's competitive strategy. First, what kind of people will be needed to lead the company in the next years? is the issue that needs to be answered. This presents an alignment challenge. It is anticipated that improved organizational performance will result from people and procedures that are in line with future strategy requirements. Some recent empirical research has identified a correlation between improved performance and integrated, strategic human resource management, albeit the data on this point is conflicting. The value of human resource management in helping businesses succeed internationally has also been acknowledged. Rewarding foreign involvement and offering international business training increases the likelihood of such success. International experience is also more likely to be included in managerial selection and promotion

criteria. However, before making such contributions, a well-thought-out human resources strategy needs to be created and connected to the organization's overarching plan.

4.2 INTERNATIONAL STRATEGY

Businesses create goods and services that let them compete in the global market using a variety of tactics. These tactics consist of hybrid, global, transnational, multinational, and strategic alliance tactics. However, with all of these techniques, world-class workforces are necessary. However, all of these techniques demand world-class workforces. Planning and source identification of such labor are critical functions of human resource management. Human resource management input is crucial for both strategy design and implementation, even in alliances.

4.2.1 Multinational, Global, and Transnational Strategies

Multinational, global, transnational, or combinations of fundamental strategies can all be considered forms of international strategy. When using a global approach, businesses operate in nations selected based on each one's unique profit margin. Then, every single one of these nations handles all design, production, and marketing-related processes. Value-chain activities are what these are known as.) By using many domestic techniques, a product's marketing is tailored to the specific tastes of every nation. Global strategies, in comparison, result in standardized products. Various operations, including design and production, are situated in various countries based on factors like as labor prices, talents, or other strategic benefits. Organizations employing transnational strategies utilize networks and strategic partnerships to compete in the global market. Dealing with unionized workers is made more difficult by the fact that labor disputes and other production issues only affect the operations of one or a small number of nations, giving multinational or multi-domestic tactics a competitive edge. They do not, however, result in the economies of scale that come with global strategies. Economies of scale are achieved with global strategies by retaining a small number of distinct product models. Lower expenses and better quality are the outcome. Japanese automakers offer an illustration of how to implement this tactic successfully. One drawback of this strategy is that standardization does not take into account the preferences of every consumer. Similarly, marketing could be less successful, and more cooperation is needed. The global approach has implications for human resources in that talent and resources are focused on just a few types of tasks. Determining the locations of each value-chain activity where world-class labor is available, both in terms of cost and skill level, is crucial for the

global strategy. With a global approach, a business would likely be more susceptible to labor disputes or strikes at any point in the value chain because every step of the process depends on the others. This has further implications for human resources.

4.2.2 Strategic Alliances

Businesses are using strategic collaborations with overseas businesses more frequently. These partnerships give businesses the chance to pool their unique skills to create a competitive edge when creating or promoting a product. American companies usually lower their labor needs through partnerships with overseas firms. However, the past strategic partnership experiences for American businesses suggest that the agreement could not be without risks. David Lei and John Slocum assert that coalitions might be quite risky for businesses that outsource manufacturing. The attraction of low-cost production is especially strong because it eliminates the need to pay for new manufacturing methods and product development. Unfortunately, adopting this approach has usually resulted in American corporations being "hollowed out" or "deskilled" in important skill areas. Despite the potential for significant short-term financial gains from allying, the alliance partner responsible for production usually ends up being the dominant player in the market over time. Due to the manufacturing partner's acquisition of knowledge regarding the key competencies of the other company, and the U.S. partner's decreased manufacturing knowledge, this occurs.

These are the conclusions drawn by Lei and Slocum:

Through collaboration, a company may unwittingly allow its partners to inadvertently invade and learn about the whole range of its key competencies, technologies, and talents. If a partner is unaware of the hazards involved in such arrangements, alliances can be used as a covert strategic weapon to gradually "deskill" them.

The consumer electronics sector is a prominent illustration of this, with American firms like General Electric, RCA, and Zenith holding strong positions across the board. The majority of consumer electronics are now produced outside of the United States, as alliance partners have taken the lead in the sector twenty years after they first formed partnerships. Significantly, their partnership partners have advanced their core strengths and taken the lead in other fields like sensor systems and small lasers by using the expertise they acquired from these American businesses. The scenarios where there is regular communication and contact between the engineering and technical staff of the company provide the biggest risk when it comes to the transfer of such abilities.

Businesses that have outsourced manufacturing in alliances often lose the ability to compete in the manufacturing space and may be forced to focus only on selling the products of their alliance partner. In addition, the rate of deterioration of the dependent company may accelerate due to the integrated design, production, and marketing processes necessary for modern short manufacturing cycles.

According to Lei and Slocum, there's a chance that the significance of domestic production was overlooked. For instance, businesses that have granted licenses to overseas firms to utilize their production technologies have put themselves at a disadvantage going forward. The competitive position of a corporation in an industry can frequently be drastically shifted by licensing decisions, as noted by Lei and Slocum, " Choosing the right license can significantly change a company's competitive position in an industry where technology is becoming a more valuable source of advantage."

Human resource managers must understand how to lessen the possibility of these unfavorable consequences. Measures taken that could stop alliances from ultimately hurting the firm include:

- (1) being aware of the alliance partner's true goals,
- (2) maintaining awareness of the alliance's initial goals to prevent goals from being reinterpreted against the interests of the company,
- (3) Avoiding a fictitious sensation of assurance given by legal control since knowledge transmission is actually what matters most, and
- (4) Retaining alliance interface managers for extended periods can assist stop alliances from ultimately hurting the business. Human resource managers may need to extend job rotation cycles in management development programs because the latter frequently opposes their length.

Sustainable Global Competitive Advantage

It's interesting to note that some commentators' expectations that developing nations would fill the less skilled manufacturing jobs while the U.S. would become an information economy seem to have been inaccurate. These projections have undervalued these nations' intellectual potential and the little financial outlays needed to enter the information sector. For instance, American businesses and businesses from other nations use Bangalore, India, to source top-notch computer programmers for the creation of extremely sophisticated computer software. Indian programmers are known for their extraordinary talent and perseverance, which enable them to create extremely

intricate programs. Furthermore, they are in great demand as a source of top-notch labor due to their lower salary as compared to American norms. It would be wise for strategists to refrain from hastily discounting the long-term capacities of other nations and instead concentrate on the elements that give businesses a genuine and enduring competitive edge in the global economy.

Globalization also affects other strategies concerning human resources. As markets grow more globalized, it will be harder for businesses without human resource planning to compete with foreign businesses that have benefited from similar strategies and planning inputs. For instance, Volkswagen claims that its people resources are responsible for a portion of its managerial achievements. VW continues to take a long-term strategy, as seen by its training initiatives that equip employees for increasingly automated manufacturing systems. Volkswagen also makes significant investments in apprenticeship training programs, which are connected to corporate planning and human resource initiatives. Even though unemployment was quite high in Germany, Volkswagen hired 4,500 apprentices in a year and guaranteed them permanent jobs upon completion of their training. Volkswagen might have a long-term competitive advantage over its competitors because of its pool of highly qualified employees. However, this benefit has been somewhat mitigated by Germany's present high pay rates.

Globally Competent Managers

The recruitment, selection, and development of managers with global competence is becoming an increasingly important area of strategic concern. The HR needs of "globally skilled executives," or those with extensive cultural knowledge and a worldwide understanding of business, have been researched by Nancy Adler and Susan Bartholomew.. These managers are adaptable enough to live in several cultural contexts, engage in multi-cultural interactions at the same time, and value their international coworkers equally. Having a diverse pool of multilingual managers from other nations that adhere to international performance standards would be a goal in terms of staffing. To find these managers, HR managers need to recruit top talent from around the globe, train them through international assignments, get them ready for learning positions like those in strategic partnerships, and eliminate any restrictions on advancement based on factors related to the employee's home country. Regretfully, Adler and Bartholomew discovered that the majority of human resource practices in international companies based in the United States and Canada do not adhere to these standards.

Location of Production Facilities

Choosing where to locate manufacturing facilities and the associated issues of labor productivity and cost raise especially interesting strategy-related issues. The question of whether businesses can succeed abroad by applying their human resource strategies consistently is debatable, even though they may have found success in production with them in a particular nation. For instance, a recent analysis of the global company Alcan looked at its manufacturing facilities in Britain and Canada. The study discovered significant disparities in the degree to which lean staffing and flexible work practices, among other best practices, might be applied in manufacturing facilities. For instance, because seniority had a stronger influence in Britain than in Canada, managers there were able to implement fewer reforms.

In addition, there are increasing concerns regarding the suitability of traditional ideas of hierarchy and control for global operations. As was said earlier on the subject of network organizations, production can take place anywhere in the world. It's interesting to note that increased outsourcing utilization could reduce some of the challenges associated with multinational operations. BP Payroll, benefits, and other administrative tasks are only a few of the many multinational human resource management tasks that Amoco has contracted out. Additionally, Nokia uses outsourcing to manage a portion of its global operations.

Nowadays, choosing a production location usually involves taking into account several Asian locations. The location of production facilities and the growth of markets in Asia, especially in China, have significant ramifications, even though many Asian nations experienced a setback that will last for years. China's industry and private enterprise have grown at an amazing rate. In China, the share of private sector production in the GDP has increased from 0% in 1979 to 60% currently. Additionally, the list of foreign businesses that operate industrial facilities in China is essentially a who's who of international commerce.

Apart from these advancements, the competitive landscape that European businesses currently encounter is distinct from that which existed before the creation of the European Union, the European Monetary Union, and the euro. To reach European markets, American and non-EU businesses have formed strategic partnerships, joint ventures, and mergers. One instance of a joint venture of this type is the one between Whirlpool and Philips, whereby Whirlpool appliances are marketed under the Philips name in European markets. A further strategic concern pertains to the potential entry of many Eastern European nations into the European Union through negotiations. These kinds of memberships are crucial strategic problems in human resources because they

dictate the markets in which businesses can sell their products and how easy it is to use human resources internationally. Currently, many of the ramifications of these advances for human resources are unclear.

The North American Free Trade Agreement (NAFTA) has increased production facility site freedom from a more regionalized standpoint. American automakers set up assembly units in Mexico before NAFTA to gain access to the Mexican market. Tariffs on American cars imported into Mexico are gradually eliminated under a NAFTA timetable, provided that production in North America accounts for 62.5% of the vehicle's total cost. One way or another, there is less motivation to move production facilities to Mexico because NAFTA will allow cars made in the United States to be imported without tariffs. On the other hand, the advantages of having facilities in Mexico and Canada to benefit from reduced labor costs stem from their respective lower labor costs. Many employment needing high skill levels will probably be created and kept in the US, while many occupations requiring lower skill levels will probably be moved to Mexico until its workforce acquires those abilities.

It is clear from this examination of the global components of strategy that businesses cannot build their human resource plans and policies in a vacuum from their global competition. It is insufficient to have HR policies that are better than those of local rivals. To ascertain the effects on human resources, businesses must examine the regulatory frameworks of the nations where they intend to produce and market their goods. Furthermore, they need to be aware of how cultural variations affect even fundamental matters like the pay mix before deciding to locate production plants abroad.

4.3 HR CONTRIBUTIONS TO STRATEGY

Strategic planning and strategy can benefit from the contributions of HR in several ways. Managers are empowered to carry out the organization's strategic strategy using systems including staffing, salary, training, and performance evaluation. Strategic management and business planning are also associated with to these systems through HR planning. It has become less typical for businesses to use distinctive HR capabilities as the main input in strategy simulation, as most models of strategic HRM hold that the function has an implementation role. However, more and more businesses are using HRM while formulating their strategies. When human resource capabilities are distinctive, as was previously said concerning John Deere's establishment of a

technology division, they might act as a catalyst for the formulation of a strategy. Arthur Andersen's exceptional human resource training talents are another example. The training center in Saint Charles, Illinois, which is modeled after a college campus, gives the accounting company a competitive edge. This facility hosts an annual training program for thousands of Arthur Andersen employees, which is conducted by the company's well-recognized instructional team. The company's facilities and internal educators enable it to respond swiftly to the evolving needs of its clientele.

Environmental Scanning and Competitive Intelligence

Similar to the finance and marketing departments, human resource management plays a part in environmental scanning. Scanning operations are especially crucial when market conditions and technology are changing quickly. These kinds of scanning projects usually concentrate on patterns that emerge three to five years ahead of time and encompass advancements in the fields of economics, technology, social problems, demography, and regulations. The responses of rivals to increased access to Mexican labor markets as a result of NAFTA and whether Japanese automakers can figure out a method to assemble vehicles in Mexico and transport them duty-free into the United States are two examples of developments that human resource scanners may find interesting. The creation of low-cost biodegradable plastics by the Battelle Memorial Institute serves as another illustration. While Battelle's new polymers cost between \$1 and \$2 per pound, biodegradable plastics have been known to cost as much as \$250.

The competitive intelligence domain presents an intriguing avenue for the human resource management function to enhance its contributions, given its potential as a valuable repository of competitive intelligence data. For instance, human resource managers are aware of who is moving since they receive resumes from staff members of rival companies in the sector. They are also aware of the kinds of people and capabilities that competitors and headhunters are hiring. Applications submitted by different categories of people and patterns in those applications can reveal information about a competitor's strategy. More precisely, the following information about the company can be obtained from human resources:

Organization charts, employment numbers, and group missions for the various organizational components of each of your main competitors should be easy to generate from publicly available information and legitimate recruiting and interview efforts. You may learn a lot about a competitor's strategic priorities by understanding how brands are

assigned to different sales departments and who answers to whom. You may be familiar with the executives' past performance and defining traits.

Implementation of Resource Reallocation Decisions

Evaluating a strategy's viability for implementation and contributing to its creation are important responsibilities of human resource management. It is necessary to deny resources to particular units, divisions, or product lines because the fundamental goal of the strategy is to concentrate resources to provide the company an advantage over its rivals. Human resource management must stop the demoralization of individuals who are denied resources as a result of this denial. Sometimes, areas that don't get funding are nevertheless vital to the company's development and prosperity—at least initially. For instance, the corporation will allocate more resources to the "star areas," or business areas with possibilities and corporate strengths. These resources would come from sectors where the organization has now strength and is profitable but where industry possibilities are predicted to shrink in the future (cash cows). Additionally, resources would originate from regions that are typified by low company strength (dogs) and unappealing sector opportunities.

Lead Time for Managing Surplus and Labor Shortages

The advanced time generated by human resource planning is another possible benefit of HR management. The longer lead time offers options for handling labor shortages or excesses. Furthermore, as temporary and contingent labor is occasionally viewed as a variable cost, these workers offer a tool for strategic maneuvering if the company has included their utilization in its staffing plan. Employers are therefore able to exercise options with greater degrees of freedom and flexibility. Unfortunately, many firms still do not consider human resource management to be strategically important, and as a result, many businesses do not offer enough lead time. According to a poll conducted among HR managers of industrial enterprises in the Midwest, 94 percent of them had less than 60 days to plan downsizing due to financial difficulties or threats from fierce competition. As a consequence, these companies hardly ever examined other options.

4.4 STRATEGY-DRIVEN ROLE BEHAVIORS AND PRACTICES

Diverse role behaviors and human resource techniques are necessary for competitive tactics. The rationale behind the connection between competitive strategies and HR practices is provided by the role behaviors that employees within a business must exhibit. Some competitive strategies that can be used to illustrate why diverse employee behaviors are necessary for the successful implementation of different strategies include (1) creativity, (2) improving quality, and (3) cost reduction. These are roles that transcend knowledge transcend competencies, expertise, and capacities.

Employees that successfully implement an innovative approach typically have to be cooperative due to the interdependencies involved, highly creative, long-term oriented, risk-takers, and at ease with ambiguity. Hewlett-Packard, 3M, and Johnson & Johnson are among the businesses using these tactics. When implementing quality enhancement initiatives, staff members must prioritize risk mitigation, predictability, and production or service procedures. Corning Glass, Toyota, and L.L. Bean are a few businesses that use quality improvement techniques. Conversely, individuals who are results-driven, risk-averse, short-term minded, and at ease working alone should not be a hindrance to the successful implementation of cost-reduction methods.

Different human resource techniques are needed for every set of tactics and role behaviors. These HR practices fall under general categories and include planning, staffing, evaluation, pay, and training & development. It has been hypothesized that under innovation strategies, the appropriate role behaviors will be more likely to be obtained with

- (1) long-term, group-focused evaluation methods;
- (2) wide career paths and general development of skills;
- (3) approaches to compensation that emphasize internal equity; and
- (4) flexible benefits plans that include equity ownership.

It has been proposed that human resource practices for quality-enhancement techniques should include:

- (1) assurances of secure employment,
- (2) comprehensive training courses, and
- (3) making decisions through involvement.

With cost reduction, it has been hypothesized that desired role behaviors are more likely with (1) systems of performance evaluation that prioritize immediate results,

- (2) almost no training courses,

- (3) extremely specialized occupations,
- (4) limited and specialized pathways for careers, and
- (5) methods to continuously monitor labor market wage rates.

4.5 STRATEGIC HR ACTIVITY TYPOLOGY

Senior Vice President of Synhrgy HR Technologies Alan Speaker established a conceptual typology that might help improve understanding of the importance of distinct HR tasks. The typology uses two dimensions to classify human resource tasks in a 2×2 matrix according to two dimensions:

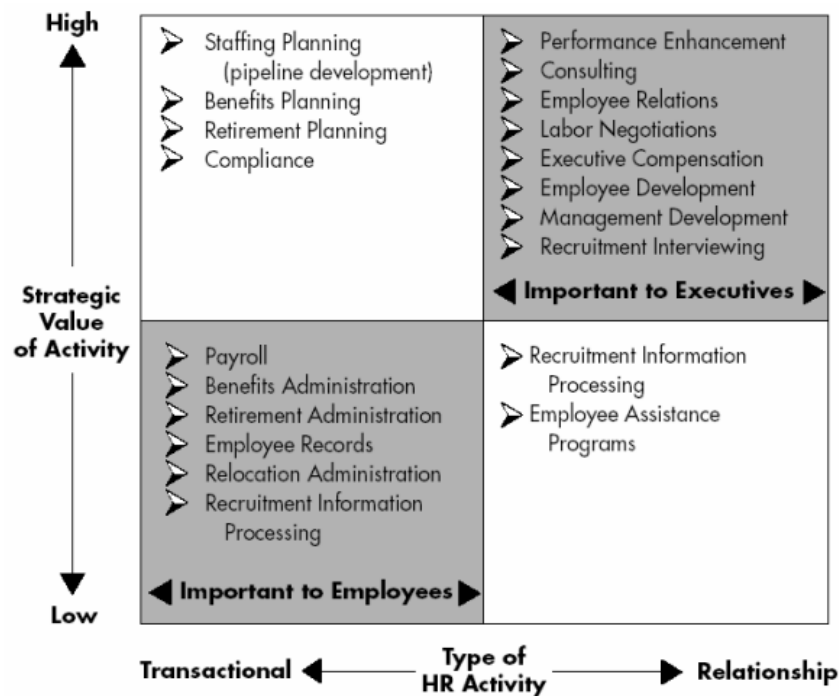
- (1) how much of these activities are transactional or relational and
- (2) if their strategic importance is high or low.

Transactional actions that are mostly administrative and impersonal are at one extreme of the transactional and relationship continuum. Many of these tasks may be completed by machine, and performing them doesn't call for a significant degree of interpersonal skill. Activities requiring a great degree of sensitivity, political knowledge, and interpersonal competence are at the other extreme of the continuum. Activities that directly affect a company's capacity to carry out its competitive strategy are located at one end of the spectrum for the strategic-value dimension. Activities with a more indirect or less strategic impact fall at the other end of the continuum. Figure 2-2 shows the model in its entirety. Figure 2-2 offers several instances, even though no survey of practitioners has shown consensus regarding the placement of tasks in particular quadrants. It should be mentioned that depending on the unique circumstances each company faces, the strategic value of the activities may change.

The low strategic value/transactional quadrant encompasses a range of functions, including payroll, benefits administration, employee records, and relocation administration. The firm's capacity to use other strategies, such as those that emphasize new product innovation, great product quality, or cheap costs, is not immediately impacted by these actions. However, these kinds of activities are crucial since workers worry a lot when they don't get paid enough or when they have trouble using benefits like health insurance. These tasks must be executed precisely, promptly, and economically. Executives at the company don't think these actions are strategically significant and only get worried about them when something goes wrong. Human resource executives, however, soon find themselves in difficulties when such tasks are poorly performed. Before they can assume

more strategically involved roles, HR departments must make sure that the tasks in this quadrant are completed effectively. These tasks are frequently excellent candidates for outsourcing, allowing HR departments to reallocate their attention and personnel to more strategically important areas.

FIGURE 2-2
Strategic Typology of Human Resource Activities



Source: Slight modification of model developed by Alan W. Speaker, Synhrgy HR Technologies, Alpharetta, GA, 2000.

According to the growing body of knowledge in strategic human resources, the top right quadrant is where the function may contribute most. Executives in human resources believe that their departments must shift toward making more contributions in this area. The company's ability to successfully execute its competitive approach is more directly impacted by activities in the high strategic value/relationship quadrant. The company may find it challenging to execute a low-cost plan, for instance, if bad relations with its unionized employees result in tight work regulations and reluctance to more flexible work schedules.. Similarly, a company with a poor executive compensation plan is likely to see more political infighting and have a harder time persuading its leaders to work together for the benefit of the business. In light of these circumstances, the company's differentiating strategy—which calls for better customer service—is unlikely to be

successful. These tasks are unlikely to be outsourced since doing them well can provide businesses a competitive edge and because some of them depend on dependable connections that have grown over time. Executives tend to place a higher value on these activities than other employees of the company.

Several design- or planning-related tasks are in the high strategic value/transactional quadrant. These actions can affect the company's future strategy implementation capabilities. Planning for staffing or human resources, for instance, is likely included in this area. Such preparation is required to guarantee that important personnel will be available to carry out the company's strategies in the future. Another transactional activity with significant strategic significance is adhering to laws and rules. For instance, to guarantee equal employment opportunities, businesses must assess and track their hiring procedures as well as the upward mobility of their minority and female staff members. Businesses risk financial penalties for breaking these rules, which may keep them from implementing their plans successfully.

4.6 INTEGRATION OF STRATEGY AND HUMAN RESOURCE PLANNING

Long-term planning initiatives especially benefit from the convergence of business and HR strategy and planning. Moreover, line managers are now more accountable for these planning initiatives due to the realization of the potential benefits of HR planning. The reasons why there should be more process integration are vividly described in the following way:

Long-term human resource planning is becoming more popular as people realize that an organization's workforce cannot be changed overnight. Integrating the expertise of the HR planner with that of all other executives in charge of planning a strategy is necessary for this task.

4.6.1 Strategy Evolution and Integration with HR Planning

The connection between business strategy and HR management has most likely evolved across four stages..

- There is no actual relationship in the first step, which is called an *administrative linkage*. Senior executives treat the human resource department like it processes paperwork and acts as though there is always qualified labor accessible in the market.
- The HR function plays a role in deployment during the second stage, which is a *one-way linkage*.

- A *two-way linkage* exists in the third stage. This involves a mutually beneficial relationship whereby the human resource department contributes to the formulation of strategies and assists in carrying out strategic business plans.
- "*Integrated linkage*" refers to the last phase. This phase transcends the mutually beneficial partnership to equally engage other corporate functional areas in the creation of strategic plans for the company, encompassing matters beyond the responsibility of HR. Remarkably, an entirely combined connection may be characterized as unofficial.

4.6.2 Determinants of Integration

Strategy for human resources and strategy several reasons impact linkage, including changes in the workforce's composition, technological advancements that necessitate new skill sets for employees, and severe competition that frequently calls for increased productivity and staff reductions. In stable circumstances, there's probably less integration. The degree of diversity also has an impact; compared to diversified organizations, those with a single, dominant core business have higher levels of integration. On the other end of the spectrum, a decentralized structure would be more common when an organization's divisions are engaged in distinct primary businesses. Greater integration also happens when the chief human resource executive has reputable line experience and equal standing with the heads of the other functional areas. In areas with acute shortages of skills, more integration is also required. Where remuneration plans honor the accomplishments of CEOs, there is also more integration. Similarly to this, it happens when line managers believe HRP can assist them in putting company-advancing ideas into action. The following helpful guidance from Corning Glass's Director of Human Resource Planning and Development illustrates several ways that the advantages of human resource planning might be shown: "Explain how effective HR planning can assist address some of the difficulties that are making life more difficult for line managers."

As previously mentioned, shifting skill requirements may also have an impact on how closely strategic and HR planning are integrated. Employee skills are in more demand because of the growth of services and the fall in the manufacturing sector's share of employment. In the service sector, the customer simultaneously creates and consumes the service. Service employees therefore need to take a more active role in quality control, be accountable for more of their monitoring, and make the necessary adjustments when standards are not met. Employee involvement and commitment to the company must increase in light of these developments.

Future planning and strategy links may become stronger as a result of mergers and acquisitions. Planning out human resource issues before the merger may help them improve their miserable track record in terms of both financial performance and negative consequences on personnel. Human resource managers at businesses with recent merger or acquisition experience state that the most crucial human resource factor to take into account before a merger is a firm to be acquired's top-level managerial talent. However, the documented inability to take these very concerns into account before mergers or acquisitions suggests that the process of strategic planning has not been integrated with human resource planning.

Table 2-3 lists several advantages of linkage and integration.

Table 2-3

Benefits of Integrating Human Resource Planning with Strategic Planning

-
1. Generates more diverse solutions to complex organizational problems
 2. Ensures consideration of human resources in organizational goal-setting processes
 3. Ensures consideration of human resources in assessment of organization's abilities to accomplish goals and implement strategies
 4. Reciprocal integration prevents strategy formulation based on personnel rigidities/preferences
 5. Facilitates concurrent consideration of strategic plans and managerial succession
-

Sources: Adapted from Cynthia A. Lengnick-Hall and Mark L. Lengnick-Hall, "Strategic Human Resources Management: A Review of the Literature and a Proposed Typology," Academy of Management Review.

4.6.3 Conditions Under Which Integration May Not Be Appropriate

It is only appropriate to integrate strategically once the HR management function has advanced through earlier stages of growth.. In fact, according to Baird and Meshoulam, how well an organization's HRM fits the stage at which the organization is developing is a determining factor in its efficacy. Strategic integration attempts will be ineffective without a managerial understanding of processes including environmental scanning, strategy development, and managerial succession. Furthermore, a lack of developed administrative processes and information needed for the operation of a complex compensation scheme can lead to its failure. It therefore implies that the parent organization's development stage and the human resource management stage should coincide.

The following are the five phases of organizational growth.:

1. The *initial phase*, often known as the startup or entrepreneurial stage, is marked by informality
2. The stage of development known as functional growth is when functional specialization and a more structured organization emerge.
3. *Controlled growth* is the phase in which new product lines are introduced, professional management is brought in, and an emphasis is placed on cost and productivity control.
4. *Functional integration* is the stage where there is a greater emphasis on strategy and improved coordination to address interdependencies between functions
5. *Strategic integration* is the pinnacle of development, characterized by workforce adaptability and flexibility, a heavy emphasis on teamwork, a wide distribution of HR roles, and HR participation in strategic process of decision-making.

Table 2-4 outlines the developmental scope of multiple strategic elements of HR management, such as the management's recognition of the potential benefits of human resources, the control and organization of the HR function, the programs offered by HR management, the staff's skills, information technology, and environmental scanning and awareness.

Table 2-4
*Strategic Components of Human Resource Management
Relevant to Internal Fit*

1. *Management Awareness.* Ranges from a focus on administrative needs, such as hiring and firing, to a full integration of human resource considerations in all management decision making.
2. *Management of the Function.* Includes the structure of the human resource function and the planning, allocation, and control of its resources. The structure may vary from very loose or nonexistent through matrixed and decentralized.
3. *Portfolio of Programs.* Ranges from simple salary administration and record-keeping programs to very complex and sophisticated flexible compensation, environmental scanning, and long-range planning programs.
4. *Personnel Skills.* Personnel professionals need appropriate skills. Basic programs and simple information systems require basic skills. The addition of complex programs and growth in size requires more advanced, differentiated, and specialized skills.

5. *Information Technology.* Information tools range from manual record keeping to sophisticated distributed systems with modeling capabilities. Information technologies range from the absence of formal analytical tools to advanced forecasting and simulation based on statistical tools.
6. *Awareness of the Environment.* In the initial stage, because of pressures involved in start-up, management does not systematically assess and react to the environment. At the strategic integration stage, management is very aware of the internal and external environments and their impact. They remain flexible and adjust to opportunities and risks that arise.

Source: Extracted from Lloyd Baird and Ilan Meshoulam, "Managing Two Fits of Strategic Human Resource Management," *Academy of Management Review* 13, no. 1 (1988): 122-23. Reprinted with permission of *Academy of Management Review*.

4.7 THE HR MANAGER AND STRATEGIC PLANNING

Due to HR executives' poor planning, the human resource function occasionally isn't able to contribute significantly to the organization's strategy creation process. Nonetheless, these leaders are not the only ones that face planning challenges. Managers indeed encounter difficulties with strategic planning across all functional domains. This section will go over these broad issues and discuss how they specifically affect human resource management.

4.7.1 Planning Problems

Managers are recognized to be action-oriented, frequently favoring conversations involving decision-making. In contrast, a portion of the planning procedure is carried out alone. Long periods pass with no feedback or results knowing. Furthermore, the time required for preparation is hard to explain in comparison to pressing issues that need to be solved right once. Thus, despite its benefits, planning is disliked by many managers. Strategic planning presents additional challenges in addition to these fundamental planning issues since it frequently leads to resource reallocations that establish status and power.

Mismatches between the planning responsibilities and the abilities of individual managers are among the other reasons why the strategic planning process has issues. Strategic planning necessitates considering the organization as a whole as well as the interactions between the organization and the various environmental elements that impact it. Finding the answers to micro-

level issues requires the ability to recognize patterns at a larger scale than it does to comprehend discrete pieces of information. A tendency to revert to operational problems and the incapacity to finish tasks are two signs of such mismatches. The absence of senior management support for the strategic planning process is the last issue. One sign of this issue is when managers try to figure out what upper management thinks about how important the process is by reading between the lines. The usual lack of rewards for exceptional planning performance exacerbates these issues.

4.7.2 Requirements for Strategic Human Resource Managers

Executives in charge of human resources occasionally lack the credentials necessary to play a significant part in the company's strategic planning procedures. Functional competency is only one prerequisite for people who can work in strategic human resource management. Studying the role attributes reveals the following individual requirements for such participation:

- (a) The skills required for information management include research, statistics, analysis, and planning;
- (b) planning knowledge and methods;
- (c) environmental analysis and skills in managing various business functions;
- (d) integration knowledge and skills in evaluating the organization, setting priorities, and managing organizational interfaces; and
- (e) change management knowledge and skills in organizing, facilitating, and generating organizational activity.

In addition to choosing HR executives based on these attributes, deficiencies in the current workforce can be remedied, even in cases where there are cognitive skill mismatches. The impact of individual cognitive deficiencies may be reduced, for instance, by utilizing planning teams and matching planners with complementary abilities. Planning tasks can also be divided into phases, some of which can be completed by people whose cognitive abilities are not optimal for developing strategies. For example, people whose abilities do not align with strategic thinking may be given more responsibility for obtaining information. " The "universal management team configuration" appears to have gained traction, notwithstanding the possibility that the "universal manager" has lost credibility," suggests that using teams to counterbalance deficiencies may be appealing.

Self-Assessment Questions

1.	What external factors should organizations consider when conducting an environmental analysis for strategy formulation?
2.	What criteria should organizations consider when setting short-term and long-term strategic goals?
3.	What role does innovation play in strategy formulation, and how can organizations foster a culture of innovation within their strategies?
4.	Why is efficient resource allocation critical in strategy formulation, and how can organizations prioritize their resources effectively?

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Strategic Role of HR Planning

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INTRODUCTION

Human Resource (HR) planning plays a strategic role in aligning an organization's workforce with its overall business objectives. It involves forecasting future workforce needs, identifying talent gaps, and implementing strategies to ensure that the organization has the right people with the right skills at the right time. The strategic role of HR planning is integral to achieving long-term success and organizational effectiveness. Here are key aspects highlighting its strategic importance:

HR planning ensures that the human capital needs of the organization are in harmony with its strategic objectives. It aligns workforce planning with the broader business strategy, ensuring that HR initiatives contribute directly to the achievement of organizational goals.

Strategic HR planning involves forecasting future talent needs based on organizational growth, changes in technology, market trends, and other factors. This foresight enables organizations to proactively address potential skill gaps and talent shortages.

When organizations plan to expand into new markets or launch new products/services, HR planning becomes a critical component. It helps in determining the workforce requirements for expansion, identifying necessary skills, and ensuring a smooth transition.

In rapidly evolving industries, HR planning allows organizations to adapt to technological advancements, regulatory changes, and shifts in market demands. This adaptability ensures that the workforce is equipped with the skills required to navigate industry transformations.

HR planning contributes to effective talent management by identifying high-potential employees, developing succession plans, and ensuring a pipeline of skilled individuals for key roles. It enables organizations to nurture and retain top talent.

By identifying and addressing gaps in skills and competencies, HR planning enhances workforce productivity. It ensures that employees have the necessary training and development opportunities to perform at their best, contributing to organizational success.

Strategic HR planning helps in optimizing resource allocation, preventing overstaffing or understaffing situations. This efficiency contributes to cost management by aligning workforce size and structure with organizational needs.

Proactive HR planning considers factors such as career development, employee satisfaction, and work-life balance. This, in turn, contributes to higher levels of employee engagement and retention, crucial for long-term organizational stability.

Facilitating Change Management:

HR planning is essential during periods of organizational change, such as mergers, acquisitions, or restructuring. It helps manage the transition by assessing the impact on the workforce and developing strategies for a smooth transformation.

Strategic HR planning includes efforts to foster diversity and inclusion within the workforce. This aligns with broader organizational goals related to corporate social responsibility and enhances creativity and innovation.

In summary, HR planning is not merely a reactive function but a proactive and strategic one. It empowers organizations to anticipate, prepare for, and respond to changes in the business environment, ensuring that the workforce remains a competitive advantage and a driver of sustained success.

Learning Objectives

After studying this unit, you will be able to:

- a) Explain Developmental Planning for Strategic Leadership
- b) Understand Assessment of Strategic Alternatives
- c) Explain Contribution to Strategic HRM
- d) Explain Strategic Salary Planning
- e) Describe how to Select Forecasting Techniques

Unit-5

5.THE STRATEGIC ROLE OF HR PLANNING

Even though the concept of HR planning was previously defined in brief, a more thorough description is necessary for a detailed discussion of the procedure. Planning for human resources includes the following actions:

1. collaborating with strategic planning and conducting an environmental scan
2. compiling a list of the company's available HR
3. Projecting the need for human capital
4. Projecting the organization's internal and external labor market supply of human resources
5. Comparing supply and demand estimates;
6. Organizing the necessary steps to address expected shortages or overages
7. Feeding such data back into the process of strategic planning

The actual process of human resource forecasting will be the main focus of this section.

Planning in a Context of Change

A longer-term temporal perspective has been used because the main themes of this article are related to the strategic aspects of human resource management. Planning and strategy are vital duties of general managers since they are primarily forward-looking endeavors. Though current needs might occasionally cause planning and strategy to be neglected, these activities can sometimes take on an unjustified sense of significance and divert managers' attention from the organization's true objectives. The process's logical and proactive character, free from the very real implementation issues, could make the planners forget they are working with dynamic phenomena. It's common knowledge that plans that are set in stone and other less flexible forms can be dangerous. Not to be overlooked is the significant impact that environmental changes, both in terms of speed and extent, can have on human resource strategy and plans. Cisco Systems, for example, had an increase in annual sales from \$1.2 billion in 1994 to \$13 billion in 1999, during which the company made 41 acquisitions. Furthermore, the business intended to acquire up to 25 more companies in 2000. Despite its impressive acquisition track record, one of Cisco's main competitive advantages has been its ability to successfully integrate acquired businesses. Cisco has a flexible planned approach for integrating new hires from acquisitions, which contrasts with the experiences of many other firms that have botched acquisitions, typically because they failed

to plan for human resource challenges. Additionally, the company's early adoption of the Internet by its HR division emphasizes the critical role that change is playing at Cisco. Although Cisco's growth story is exaggerated, it nevertheless shows how adaptability is necessary in a variety of settings..

Responsibility for Human Resource Planning

Human resource specialists were frequently in charge of human resource planning in the past. Other members of the organization were not always heavily involved in this planning. It should come as no surprise that when planning was done this way, the data provided for predicting was frequently wrong. It was requested that managers take the time to provide information on topics they were unclear about. They did not see the importance of projections since they could not see how they would improve their performance at work. These past experiences show that managers do not always see the value of a complex and laborious planning process, which is more common when it occurs on a centralized basis. In addition, the concentration of planning within a lone corporate planning unit may demotivate other management staff members who are left out of the strategic planning process. Large organizations with a variety of operating divisions exhibit the drawbacks of centralized planning even more. Decentralized HR planning appears to be far more appropriate in these businesses.

Thankfully, human resource planning's main focus has evolved. There is proof that line management has a far bigger strategic impact and is more involved in HR planning. Planning practice surveys indicate that a higher focus is being placed on the use of simple forecasting procedures with line management interaction, as opposed to largely depending on centralized planning and forecasting methods based on complex quantitative forecasting methodologies. Large-scale staff involvement is still necessary to support the process, even in cases where line management has taken a strong "ownership" role in it and recognizes its importance. In the subsequent two remarks, Martin Greller and David Nee have highlighted the need for a balance of responsibility between line and staff:

1. Real progress may take place since the manager is in charge of daily tasks and is aware of what has to be done.
2. The implementation of human resource planning necessitates continuous attention to detail, not simply during times of emergency.

Failure to implement Human Resource Planning

There are several instances where organizations have suffered greatly as a result of inadequate human resource planning. For instance, there was a time when General Electric struggled due to a mismatch between the engineering staff's skill set and the required task. During that period, General Electric employed 30,000 electromechanical engineers, but the company was increasingly requiring electronics engineers to fulfill their talents. As a result, their expertise was becoming less and less valuable. The business eventually realized that its problems stemmed from past years' lack of planning. The chairman of General Electric urged his managers to undertake human resource planning in response to issues like these. Another example is a multinational firm that designed a state-of-the-art smelter that was to be built in Brazil. The firm neglected to assess the availability of computer technicians and service staff in the area, which resulted in expensive modifications to its plans to match the plant with the current labor supply. Public accounting companies offer yet another illustration. Failure to plan for the succession of senior management has been cited as a contributing factor in some of the problems facing public accounting companies. A portion of this planning failure seems to be connected to these organizations' special partnership structure.

The public sector is not exempt from these issues. The building of a costly, cutting-edge jail complex in Fort Worth, Texas, as a response to serious issues with prisoner overcrowding, serves as an illustration of a failure to plan. Because the design required a lot of employees, the building, which combined current architectural developments, would be substantially more expensive to operate than officials had anticipated. This revelation came as a shock well into the project's actual construction phase. The consequences of this error were significant as labor costs are the biggest expense associated with running a jail.

Inadequacies in more comprehensive strategic management processes are linked to other reasons why plans fail or fail in the planning process. According to a poll, imprecise corporate operational plans are the most frequent issue in human resource planning. The vice president of personnel of Quaker Oats Company gave the following example: "Little is gained by grafting an HR plan to an unreliable business plan."

An executive has reportedly responded similarly, according to Quinn Mills:

" I have instructed my employees to stop discussing human resource planning with me."
Due to our poor business planning, we are unable to plan for people. Furthermore, I don't want the corporation to hire any more strategic planners.

For a long time, practitioners lacked passion for human resource planning, despite the literature's advocacy that businesses should prioritize this process more. Nevertheless, it seemed that more work was being done on human resource planning by the late 1970s. Many observers of the turning point pointed to a more proactive response to the need to follow equal employment opportunity legislation and an increased recognition of the importance of human resources to an organization's productivity and profitability. A little planning is a practical requirement in order to adhere to affirmative action goals and timelines. Comparing the experiences of the U.S. Navy's shipyard operations, where a staff of 80,000 was cut to 72,000, with the just-described jail project, highlights certain differences. Only 58 employees had to be let go by the Navy in order to accomplish these reductions because to forecasts and alternative measures. In a similar vein, survey data shows that businesses who engage in thorough HR planning have been able to reduce layoffs during a downturn.

There are multiple connections between the development and execution of strategies and human resource planning. The developmental role of it is one such linkage.

5.1 Developmental Planning For Strategic Leadership

According to a management development specialist, succession planning is becoming more popular than it has been in the previous thirty years. It's feared that in the twenty-first century, there won't be enough people with the necessary abilities and skills to lead businesses due to the quickly evolving environments in which companies must compete. Having competent substitutes for high-level executives is crucial, considering the substantial financial consequences of leadership errors at the top organizational levels. An important part of the successorship problem solution is succession planning, a type of human resource planning that will be discussed later. The formulation and effective implementation of strategies increasingly depend on this kind of planning as well as other types of HR planning. In the ever-evolving world of today, succession planning can be difficult due to the lack of clarity surrounding the abilities that will be required in the future. However, succession planning has significant potential strategic benefits.

5.2 Assessment of Strategic Alternatives

Evaluation of Strategic Options Human resource planning and forecasting will play a bigger role in the strategic planning process as businesses increasingly turn to their workforces as sources of

competitive advantage. Executives in charge of human resources or other departments will need to be able to predict when workers with expertise in vital fields like technology will be available. If businesses can develop a critical mass of employees who are knowledgeable about or skilled in a specific technology, they may be able to gain a competitive advantage. In a similar vein, data on essential staff knowledge bases contributes significantly to the development of strategies. Conversely, knowing in advance how many human resources will be needed to execute a given strategy in light of a particular strategic option is useful for executives, including those in the human resources field.

5.3 Contribution to Strategic HRM

In addition to anecdotal evidence, surveys of business practices show that HR planning is becoming more and more important for strategic applications. Human resource executives from 137 companies were asked to respond to a survey with questions about their organizations' use of human resource forecasting, a key element of human resource planning. Developing their human resources (77.6%), preventing a staffing shortfall (73.1%), and getting knowledge for decisions (73.1%) were the top three motivations. Budgeting (62.1 percent), career planning (59.7 percent), and affirmative action (63.6 percent) comprised a second group of justifications for human resource forecasting. As previously said, predictions are most likely required to produce estimates of the possible dates for the achievement of affirmative action targets. A similar study has discovered a link between human resource planning and the creation of affirmative action plans.

5.4 Strategic Salary Planning

As previously said, the findings of the survey show that more than 60% of businesses use human resource planning to create budgets. Strategic pay planning is a related fiscal concern. It's interesting to note that one of the few company systems that hasn't changed much is remuneration. Nevertheless, if such systems conflict with organizational strategies, they must be modified for effective deployment. Although it is well acknowledged that having compensation plans that align with company objectives is crucial, in practice this alignment is frequently not achieved. Beyond only making sure that salaries work together, strategic compensation planning also takes into account the fundamentals of strategy. Strategic management, at its core, argues for resource

concentration and opposes the idea of allocating resources in a way that rivals. The following examples illustrate the reasoning behind strategic pay planning:

Employers can scarcely rationalize hiring above-average candidates for every role. The business strategy of a company influences the staffing strategy, which in turn serves as the foundation for creating the compensation plan. Only a few crucial roles may require "world-class" specialists. Higher compensation levels in this role may be justified, for example, if the organization's success depends on its marketing competence.

Thus, another instance of the strategic function of HR planning is strategic compensation planning, which is predicated on data from HR plans.

5.5 Selecting Forecasting Techniques

Numerous factors impact the methods employed to predict the availability or demand of human resources.

5.5.1 Purpose of Planning

The goal of human resource forecasting is one such aspect. Replacement charts or Markov analysis may be utilized when the goal is to predict the supply of human resources to locate and remove obstacles from prospective managers' development pathways. On the other hand, it would be preferable to use some type of renewal analysis in which specific employee numbers in various particular job categories, or job families would be relatively unimportant if the goal is to forecast the future age distribution of a company's workforce to estimate its likely health care costs. In the first scenario, comprehensive information on transitions between the various jobs would be needed; in the second scenario, the information needed might only be related to employment statistics, age distributions, turnover, and retirement patterns.

5.5.2 Organizational Characteristics

The choice of forecasting methods is influenced by various other considerations as well. The organization's size is one such element. To establish the trustworthy probability of transitions from one position to another, for instance, minimum numbers of occupants in each position are required. Even so, businesses with as low as 2,000 workers have created efficient HR forecasting models. The association between size and forecasting technique sophistication is also evident, with larger organizations often exhibiting higher levels of sophistication; however, the relationship is also influenced by industry and planning horizons. Additionally, the sophistication of human resource

forecasting differs throughout large company divisions. The complexity of the organization plays a role in the forecasting methodologies selection process. More complexity results in more variations in the parameters of the model and less generally applicable presumptions. Additionally, there is a propensity to employ more complex forecasting approaches when longer-range forecasting horizons are used.

5.5.3 Industry Characteristics

The application of methodologies varies depending on the industry, with regulated industries typically using more advanced forecasting approaches. Since there is typically less fluctuation in these businesses, projections can be very accurate. It should come as no surprise that forecasts made by railroads, insurance firms, and utilities have frequently been very accurate. This precision may be compared to a sector of the economy, such as high-end womenswear, where estimates can vary significantly. Planning in general is paradoxical in that, regardless of the method used, it is most likely the hardest to carry out when it is most required. The industries that are most affected by environmental change have the highest need for planning since human resource planning is done to mitigate uncertainty.

5.5.4 Environmental Turbulence

There are also some obvious general tendencies in the application of different HR forecasting methods. In keeping with the decentralization idea discussed earlier, a Quinn Mills assessment of forecasting approaches shows that the most widely used techniques are generally simple ones that line managers can easily understand and use. The degree of uncertainty that forecasters perceive in the environment also contributes to the explanation of many of these correlations. A perceived uncertainty model created by Thomas Stone and Jack Fiorito explains why forecasting strategies are chosen. In situations with relatively high and highly considered uncertainty, their model predicts a decreased use of advanced methods like computer simulation, operations research, and Markov analysis. These predictions align with Mills' findings. According to their hypothesis, advanced methods are essentially ineffective in these kinds of settings since they need more stability to produce reliable predictions. Such circumstances may account for the tendency toward the use of less complex approaches and characterize the contemporary environment in which many organizations operate. The earlier mentioned empirical research findings by Huselid support the hypotheses of Stone and Fiorito. According to Huselid, businesses that experience moderate labor volatility are more likely to use human resource planning.

It's interesting to note that people with low workforce volatility presumably don't think this kind of preparation is necessary, whereas people with significant workforce volatility certainly think it is.

The 1980s saw the start of a trend toward more economic instability, which has persisted into the twenty-first century. Forecasters of the economy have also encountered challenges due to the degree of volatility. Remarkably, economic forecasting started to lose credibility in the 1980s after flourishing in the considerably more stable 1950s and 1960s. Many businesses, including Xerox, Citibank, Equitable Life, Eastman Kodak, and Xerox, had lost their economic forecasting staffs by the 1990s. The findings of research conducted by Stephen McNees demonstrate this lack of trustworthiness:

Comparing economic forecasters' predictions with actual events has been a specialty of Stephen McNees. According to his research, approximately every significant economic turning point in recent memory—both recessions and recoveries—has been greatly miscalculated by forecasts.

Even though macroeconomic forecasting is becoming less credible, many economists have successfully shifted to more micro-level applications, such as predicting the behavior of particular industries or businesses. Therefore, even while macro-level forecasting may no longer be as valuable, additional micro-focused applications—like HR forecasting—currently have more value and validity.

5.5.5 Other Considerations

Those who have to choose which forecasting technique to use may find it difficult due to the vast array of available techniques. Making these decisions should take into many variables, such as the time horizon, the cost, the availability of relevant data, the stability of the data that will be used to make forecasts, the degree of expertise or mathematical expertise required of the forecaster, and the amount of detailed data needed. Accuracy, the method's ability to recognize turning points, the presence of a measure of central tendency in the forecast output, and a representation of the range of possible outcomes are further considerations. When it comes to forecasting horizons, one should exercise caution and acknowledge that the procedure will get more complex and time-consuming as long as the projection is extended far into the future. Additionally, the costs can rise at a rate that is not in line with the prediction. The most common suggestion for enhancing prediction,

which seems to have a lot of merit, is to combine strategies to counteract each one's unique drawbacks. The following account reveals the rationale behind this recommendation:

Comprehensive, convincing, and consistent research has been done on integrating forecasts to gain improvements (especially in accuracy). The combined forecasts' outcomes far outperform the majority of experts' projections, methods, and assessments. Combining projections, especially with different approaches, gives the manager a certain means of raising quality.

Robert Murdick and David Georgoff have created a broad guide on choosing forecasting methodologies. Their guide covers twenty distinct strategies and asks a series of questions, the answers to which are provided by the forecaster, to help the user choose the best technique. More information on several methods that may be useful in forecasting and planning for human resources can be found in the sections that follow. We'll start the talk on the supply side because supply and demand forecasting can be interchanged throughout the planning process and because supply forecasting might be simpler to comprehend.

Self-Assessment Questions	
1.	How does HR planning contribute to the alignment of human resources with overall organizational goals and strategic objectives?
2.	How can HR planning help organizations identify and address potential skill gaps before they become critical?
3.	How does HR planning enable organizations to adapt to changes in technology, market trends, and industry regulations?
4.	In what ways can HR planning contribute to enhancing workforce productivity by addressing skills and competency gaps?

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Unit-6

Strategy Implementation: Workforce Utilization and Employment Practices

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INTRODUCTION

Strategy implementation involving workforce utilization and employment practices is a pivotal aspect of turning strategic plans into actionable and tangible outcomes within an organization. This process is about aligning the organization's human resources with the strategic goals and objectives to ensure that the workforce contributes effectively to the overall success of the business.

Strategic Alignment of Workforce: Strategic implementation starts with ensuring that the organization's workforce is strategically aligned. This involves assessing the skills, competencies, and capacities of the existing workforce and identifying any gaps that need to be addressed to meet the strategic goals. The goal is to create a workforce that is not only capable of executing the strategy but is also motivated and engaged in the process.

Talent Acquisition and Recruitment Strategies: Effective strategy implementation requires having the right people in the right positions. Organizations need to develop recruitment strategies that align with the skills and qualities essential for successful strategy execution. This involves attracting talent that not only possesses the required technical skills but also shares the organization's values and vision.

Skills Development and Training Programs: Investing in skills development and training programs is integral to enhancing workforce capabilities. As strategies evolve, employees need to be equipped with the necessary skills to adapt to changing circumstances. Training initiatives should align with the strategic direction, ensuring that the workforce has the knowledge and competencies to contribute effectively.

Performance Management and Key Performance Indicators (KPIs): Clear performance management systems and well-defined Key Performance Indicators (KPIs) are essential for monitoring and evaluating the progress of strategy implementation. These mechanisms help align individual and team performance with strategic objectives, providing a means to measure success and make informed decisions.

Flexible Work Arrangements: Incorporating flexible work arrangements is increasingly recognized as a crucial element in strategy implementation. These arrangements can enhance employee satisfaction, work-life balance, and productivity, contributing positively to the overall success of strategic initiatives.

Succession Planning and Leadership Development: Succession planning is essential for ensuring a pipeline of talent ready to assume key roles as part of the organization's growth and evolution.

Leadership development programs play a crucial role in preparing individuals to take on leadership positions aligned with the strategic goals.

Employee Engagement and Motivation: An engaged and motivated workforce is more likely to contribute positively to strategy implementation. Employee engagement initiatives, such as recognition programs and fostering a positive workplace culture, can enhance commitment and enthusiasm among employees.

Inclusive Employment Practices: Inclusivity is a critical consideration in modern employment practices. Ensuring diversity and inclusivity in the workforce not only aligns with ethical considerations but also brings a variety of perspectives that can positively impact strategy implementation.

Monitoring Workforce Trends: Staying informed about workforce trends is essential for adapting employment practices to the changing landscape. This involves monitoring industry trends, technological advancements, and demographic shifts that may impact the organization's workforce strategy.

Adapting to Technological Changes: As technology continues to evolve, organizations need to adapt their workforce utilization practices to integrate new tools and methodologies. Ensuring that employees are equipped and comfortable with technological changes is vital for successful strategy implementation in the digital age.

In conclusion, strategy implementation involving workforce utilization and employment practices is a dynamic and integral part of organizational success. It requires a thoughtful and strategic approach to ensure that the organization's most valuable asset—its people—is aligned, motivated, and equipped to contribute effectively to the achievement of strategic objectives.

Learning Objectives

After studying this unit, you will be able to:

- a) Describe Efficient Utilization of HR
- b) Deal with Employee Shortages
- c) Select Employees and Deal with Employee Surplus
- d) Address Implementation Challenges

Unit-6

6. Strategy Implementation: Workforce Utilization and Employment Practices

The implementation of the strategy is the sixth element of the conceptual framework. Organizations create strategies, plan the needs for human resources, analyze the environment for opportunities and dangers, develop requirements for returns on investment, and then implement their strategies to fulfill their missions. Unfortunately, plan formation has frequently taken center stage, overshadowing implementation, which is typically the most challenging aspect of management. Thankfully, there is an increasing body of literature on the subject and a rising knowledge of the steps required for strategy execution. The first of several implementation topics discussed in this section will be the effective utilization of human resources through workforce flexibility and the widespread use of teams. The need to reduce labor expenses has made these kinds of efficiency more crucial. We'll then talk about strategies for handling staff shortages and the associated subject of outsourcing human resources. A thorough analysis of selecting procedures comes after this talk. Following this analysis, strategies for handling employee surpluses are examined. Finally, strategies for addressing a few unique implementation issues are covered in this section.

6.1 Efficient Utilization of Human Resources

Several managerial techniques could lead to increased labor utilization flexibility. Such adaptability has lately been attained by cross-training and other cutting-edge techniques. A more conventional strategy is to conduct business without using unions.

6.1.1 Cross-Training and Flexibility in Assigning Work

One of the keys to effectively using human resources is flexibility in work assignments. Chaparral Steel, located in Midlothian, Texas, provides one of the most extreme instances of attainable efficiency. With only two job classifications in its production operations—one for production activities and the other for maintenance—Chaparral, which was founded in 1973 as a start-up business, has a very flexible workforce. It has achieved worker utilization flexibility by operating on a nonunion basis and by implementing substantial cross-training. Chaparral has incentivized its staff to acquire a diverse set of abilities through skill-based or knowledge-based remuneration, thereby empowering them to execute a broad range of tasks. Even those not involved in manufacturing are fully employed. For instance, security officers fill in as paramedics,

enter computer data, and check fire extinguishers, among other safety duties. In addition to making effective use of its workforce, Chaparral has placed a strong focus on technological innovation and computerization to become one of the most efficient steel producers in the world.

6.1.2 Using Work Teams

Requirements for Effective Teams: For teams to have a chance of success, several requirements must be met. The necessity of a strong goal that is achieved via genuine teamwork is among the most crucial. For team members to feel accountable and committed to the goal, they must buy into it. Additionally, supervisors must constantly encourage their staff to pursue this noble goal. Prudent team member selection is essential since proficient teams consist of individuals whose abilities complement each other. Apart from technical talents, several firms also consider the personality traits of team members when choosing them. The Myers-Briggs Type Indicator (MBTI) and other personality evaluation tools are utilized for this. Certain organizations have also started to guarantee a better fit by utilizing questionnaires to gather data regarding prospective team members' preferred methods of working.

Effective teams also provide feedback to one another. Teams need extensive training, and it is often beneficial for members to learn how to skillfully and honestly deliver feedback to one another. Members of trustworthy teams also have mutual respect for one another. Teams can develop into self-governing entities as they grow older and share leadership roles. The degree of hierarchy required in the bigger organization's structure is decreased by such self-governance. The organization as a whole has more leadership talent because of the leadership that emerges from teams.

An Example of an Effective Team: An outstanding illustration of how well-functioning teams work is the Kansas City, Missouri, Police Department's Murder Squad. Its high percentage of solved homicides compared to other American cities is a result of the squad's collaboration. The majority of the crew consists of seasoned investigators with many years of expertise. Each of them began their career as a patrol officer before becoming a detective. There is a great desire among team members to solve murders. This is in line with team research, as previously mentioned, which indicates that teams need a strong purpose to function well.

6.1.3 Operating on a Nonunion Basis

Companies frequently explore nonunion operating techniques to have more flexibility. These tactics can occasionally have a significant impact on divisional makeup, plant location, and

plant size, all of which affect the organization's structural design. Anil Verma has researched a few sizable multiplant companies with both nonunion and unionized operations. One tactic he discovered used by businesses looking to lower their risk of labour relations issues was to construct tiny, nonunion factories instead of investing in expanding the capacity of already-unionized companies. Emerson Electric is one illustration of these tactics. The business, which operates both nonunion and unionized units, has a productive organizational structure for cost-effective manufacturing. Additionally, this arrangement has lessened the possibility of unionization in a few of its plants. Emerson has subsidiaries that produce well-known product brands, such as Skil tools, In-Sink-Erator kitchen appliances, Dremel hobby tools, and Ridgid tools, in addition to manufacturing industrial goods like Fisher controls. Its decision to organize by divisions with strong brand identification and to locate its factories in small rural regions may result in reduced costs and a higher chance of continuing to operate as a nonunion business. The likelihood of unionism is influenced by a wide range of additional factors in addition to these organizational characteristics. These include perceptions of union instrumentality, union traits, governmental control, macroeconomic factors, and the unique qualities of the workforce, as well as job content, compensation, industry, and job happiness. Due to space restrictions, a detailed description of these factors cannot be presented here.

6.2 Dealing with Employee Shortages

Many occupations may experience acute labor shortages due to the combined effects of demographic changes and a strong economy. The economy always experiences ups and downs, and at any given time, individual firms may find themselves short-staffed with competent managers and professionals. However, there has been a shortage of individuals with technical skills in particular. Companies have worked very hard to meet the need for technical specialists. Burlington Northern Santa Fe, for example, offers its technical staff members an employment referral program in which they might receive \$3,000 for referring a technical staff member who is employed. Most of the 62 recruits made by Palo Alto, California-based software giant VMware Inc. in a single year came from word of mouth. Because they frequently recommend others who are similar to them, employee recommendations are frequently a great source of new hires. A corporation ought to receive positive recommendations if its employees are good. However,

depending just on employee referrals to address the underrepresentation of women and minorities in the workforce tends to prolong the issue.

6.2.1 Strategic Recruiting

It's interesting to note that the Internet has created a new recruiting venue and is meeting a huge need for connecting job seekers with employers. Websites for businesses frequently tell visitors about the goals and methods of the organization. They usually have a section on recruiting and a graphical representation of the company's organizational structure. Typically, there are instructions on job openings, career sectors, and how to email resumes directly to the employer. The Internet offers an additional element that needs to be coordinated with the business's hiring plan and can assist in supplying the right personnel for pursuing particular tactics.

Empirical data supports the significance of this kind of strategic alignment. According to an examination of the HR procedures used by high- and low-performing businesses in the retail sector, the former were far more strategic in their approach to hiring and selection. As part of a significant strategic shift, one of these high-performing businesses broke with its conventional HR procedures by employing a front-end strategy that combined greater selectivity with higher wages. In the past, it had eliminated marginal personnel through attrition and given less weight to hiring quality.

Hiring from sources that yield the highest number of attractive people is one way to make the recruiting process more closely aligned with strategy. Thus, various studies have assessed various sources of recruitment to find variations in significant work-related outcomes like productivity, attrition, attitudes, and absenteeism. One study, for instance, concentrated on research employees of a corporation who held doctoral, master's, or bachelor's degrees in biology or chemistry. When it came to hiring these kinds of workers, those who reached out to the company through college placement offices and newspaper ads performed worse than those who responded to professional journal/convention ads or reached out on their initiative. Workers with higher absenteeism rates were also those who responded to newspaper ads. Moreover, the least satisfied workers were those hired via college placement offices. These findings suggest that college placement offices and newspaper ads are less appealing sources of hiring for research staff. Regretfully, it is challenging to draw broad conclusions from such findings, as is the case with the majority of this research. In this instance, the subjects were highly qualified scientists. Doctorate holders in the workforce are frequently involved in professional societies with robust job

placement programs offered at their conferences. If these workers are unable to comprehend the placement process within their professional discipline, they may be lacking in training.

The study presented a compelling theory as to why differences exist in recruiting source success. One possible explanation is that different recruiting sites offer varying degrees of company and job information. Because self-selection improved candidate and job matching, those sources with more application information yielded superior outcomes. The theory of differential knowledge and self-selection, however, was not supported by a more recent investigation. The same research concluded that due to the ambiguity of the literature and the lack of any evidence linking recruiting sources to performance, it is likely pointless to try to find differences in success rates across different sources of recruits. The study advised employers to instead concentrate on the traits of each applicant that are more reliable indicators of job performance.

The extent to which the company should depend on hiring from within, outside, or a combination of both is another strategy-related employment consideration. Certain competently run businesses solely recruit from outside for entry-level roles, with internal candidates filling all higher-level roles. Merck, 3M, and IBM are a few instances of such businesses. Internal recruitment comes with a lot of benefits. The benefits of using internal applicants include more accurate information about them, the knowledge that promotions will be granted to staff members, lower costs associated with hiring and selecting staff members, faster response times, and a shorter onboarding period due to the staff member's familiarity with the business. Regrettably, internal hiring can result in managerial inbreeding, which can be especially detrimental in quickly evolving contexts where outdated approaches can no longer work. Additionally, hiring outside offers the benefit of bringing in new ideas, reducing the need for internal staff development, and potentially supporting affirmative action.

It's possible that a lack of workers won't even need hiring. Temporary assistance companies offer an additional option to hire in addition to the apparent one of allocating more overtime. Temporary workers offer more flexibility in aligning staffing with workload requirements, as previously mentioned, and also come with fewer recruiting duties. Due to their substantial reliance on temporary labor, several businesses have even established internal programs for temporary workers. For instance, Fidelity Investments employs temporary workers to fill nearly 90% of the company's need for temporary staff. Although it is not guaranteed, Fidelity's scheme offers

temporary employees a significant level of job stability. One of Fidelity's advantages is that it hires competent temporary workers who are familiar with its protocols.

6.2.2 Special Recruiting for Minorities and Females

Minorities and women are frequently underrepresented in organizations. A company's reputation has an impact on hiring in this field. Businesses that have cultivated a positive public image by being pioneers in the development of diverse workforces are better able to draw in female and minority employees. Using positive press, companies like "Merck, Xerox, Syntex, Hoffman-La Roche, and Hewlett-Packard have been aggressively recruiting women and race-ethnic minorities." These businesses typically provide more flexibility in job assignments and offer support services like child care centers, which lower employee turnover. Another business that has prioritized diversity is PepsiCo. Because of this, women and minorities are well-represented in all of its high-level roles. The corporation has made efforts to support talented minority MBA students by offering summer internships and attractive scholarships. After graduation, PepsiCo has had great success in luring these gifted people in. PepsiCo has demonstrated leadership as a corporate citizen in addition to these deeds. PepsiCo has also actively sponsored workshops on diversity management for professors of business.

Numerous businesses are now concentrating on managing diversity instead of adhering to affirmative action regulations. To be a meaningful priority, nevertheless, there must be a sufficient representation of minorities and women, if not at the entry-level.. Affirmative action is therefore necessary. The next challenge facing businesses that have been successful in attracting and retaining female and minority employees at the entry-level are how to help these individuals progress to higher positions. Therefore, companies should identify and remove any barriers that restrict individual employees from participating completely in order to enhance productivity in their workforces. A large portion of the definition of "management of diversity" is focused on boosting output.

6.2.3 Flexible Retirement as a Source of Labor

Given the aging of the population, it appears possible that increasing the number of years employees work before retiring could help alleviate the labor shortage. In the future, a variety of variables might encourage senior employees to continue working. Restrictions on retirement benefits and inadequate retiree health care benefits are a couple of these factors.

There can be a labor shortage as a result of the smaller younger cohorts and larger senior cohorts. It may be necessary to ask elderly individuals to contribute goods and services due to this shortage. This could be a fortunate circumstance since giving older people options for flexible retirement improves their psychological health. This might be accomplished via reduced working days or a phased-in retirement as an alternative to outright retirement. It could be advantageous to be able to continue working given the significance of employment in our lives. Managers and executives who have responded to surveys express a wish to extend their careers through a variety of flexible options, including job redesign, transfers, and phased retirement. However, senior executives are occasionally against flexible retirement approaches, even if most sorts of employees are barred from being forced to retire at a specific age. A portion of this opposition could be attributed to the challenges in deciding who should be permitted to keep working on an individual basis. Performance reviews and medical exams would probably be the basis for determining a person's suitability for further employment. It is simple to imagine how much harder it would be to inform a devoted, long-term worker that performance is inadequate and then have them resign rather than letting a faceless policy set the norm. Along with the reluctance of some executives to flexible techniques, many older workers believe that early retirement benefits both the firm and the individual.

To our surprise, a higher percentage of older respondents than younger ones agreed that senior exempt employees should retire at age 65 or even earlier because it is in their and the company's best interests.

6.2.4 Managing Vendors of Outsourced Functions

Numerous facets of human resource management have been outsourced, as previously mentioned. The responsibility of the human resource executive or manager shifts from overseeing workers who carry out these tasks to managing a vendor relationship when such tasks are outsourced. In contrast to direct supervision, managing these kinds of relationships calls for different abilities, including contract negotiation, sensitivity to more strategic concerns like the necessity of avoiding reliance on a single vendor, and the requirement to sustain service levels through a contractual relationship.

6.3 Employee Selection

Good hiring practices are necessary to have a workforce that can give an organization a competitive edge. Although staff growth and training are equally important, it is exceedingly challenging to overcome the inherent disadvantage of hiring personnel who are either mismatched or poorly qualified. Additionally, while training can compensate for some skill shortcomings, making up for bad selection can come at a financial cost that puts a company at a competitive disadvantage with its clients. Top-performing businesses are extremely picky about who they hire.

6.3.1 Reliability and Validity

For organizations to make informed selection judgments, several prerequisites must be satisfied. The psychometric qualities of validity and reliability must first be present in the selection processes. A test or interview must yield roughly the same result when repeated to be considered reliable. Therefore, if a test is utilized, the applicant's performance on one administration of the test should closely match that of the subsequent administration of the test. Test-retest reliability is the term used to describe this type of reliability. In the same way, if a manager conducts follow-up interviews with job candidates, the assessments they provide should match accurately. Furthermore, using more than one interviewer yields superior findings. When interviewers agree about an applicant, it indicates a correlation between their ratings, and the interview is considered reliable. Interrater reliability is the name given to this type of dependability. When interviewers are trained to collect data from candidates on aspects like communication and interpersonal skills that can be evaluated fairly accurately, greater reliability can be achieved. Using interviews to fill in the blanks on the resume, application, and references gives interviewers more valuable information.

Valid selection processes are also required. When a procedure is considered valid, it can anticipate the expected outcomes. This indicates that throughout the selection process, the results of the exam or interview will be used to forecast how well candidates will perform on the job. Selection processes need to be dependable to be valid. Regarding selection, there are various types of validity. Predictive validity comes first. Job applicants are offered prospective selection techniques, including test batteries, with predictive validation. However, selection is made using methods other than tests during the validation process. Test scores are then associated with the employment success of individuals employed after they have had enough time to learn their roles. Predictive validity is the ability of a test to show a significant statistical association with job performance.

Concurrent validity offers the benefit of not requiring a waiting period before tests can be employed, making it another type of validity. Concurrent validity involves testing present employees and comparing test results with job performance. Predictive and concurrent validation are referred to as "criterion-related kinds of validity" because job performance is the criterion used for their verification. The third category of validity is content validity. There is no statistical basis for the content validity of a test or other selection procedure. Instead, content validity is assessed by a panel of subject matter experts who examine the test items to evaluate whether the exam covers the topic's scope. When selection judgments are challenged, the use of tests can be justified using any one of the three types of validity. Although the specifics of these are outside the purview of this discussion, test developers and testing professionals should be aware of additional forms of validity and reliability.

6.3.2 Job Analysis

Good selection starts with a job analysis, which determines the knowledge, skills, abilities, and other prerequisites (KSAs) required to carry out the work. Selection cannot start unless the KSAs are understood. Job descriptions are derived from the tasks that comprise a job, which are identified through traditional job analysis. Interviewing job incumbents and their supervisors and using task inventory questionnaires are the two methods used to gather data for job analyses. The Position Analysis Questionnaire is a technique that can be used for job analysis. The Position Analysis Questionnaire is a very advanced job analysis questionnaire with 195 items that can be used to gather job-related data in a very structured, quantitative manner. Utilizing the PAQ, pay structures reflecting higher contributions for more difficult professions have been developed. Novel approaches to job analysis are developing to address scenarios including substantial collaboration or flexible work schedules.

6.3.3 Interviews

Every selection system has interviews as a standard component. Interviews can have a significant amount of validity, according to recent studies, especially if they are properly performed and have more structure. When using more structured interviews, the validity coefficient increased from .47 to .62 in one extremely large-scale research investigation. Validity coefficients range from 0 (no ability to predict) to 1.0 (perfect ability to predict). Therefore, the predictive potential of the interview process can be increased by adding more structure to it, such as asking candidates the same questions so that they can be compared along the same dimensions.

Further tips for improved interviews include limiting the range of dimensions to be examined to a limited number of knowledge and skill points that are essential to the work. Another suggestion is to lessen the amount of candidate data the interviewer examines before the interview. By keeping this information to a minimum, the interview maintains its independence as a predictor, and the interviewer's bias from information gleaned from other sources is reduced. Furthermore, using several interviewers enhances predictive validity; however, using panel interviews in which multiple interviewers participate simultaneously may not increase predictive power.

6.3.4 Behavioral Interviews

Behavioral interviews are another technique to enhance selection interviews. Essentially, a candidate may be asked to explain how they handled a specific event in the past during a behavioral interview. For instance, a candidate may be asked to explain how they handled a severe error committed by their company. More predictive data can be gathered during interviews when candidates are asked about prior experiences rather than hypothetical scenarios. Inquiries concerning prior experiences yield greater predictive power because past behavior is typically a reliable indicator of future behavior.

More businesses are adopting behavioral interviews as a method due to their increased predictive power. An excellent example of the procedure's application is Bank One. Candidates at Bank One are advised about the interview process. For instance, Bank One gives candidates a preparatory sheet advising them that questions like "How did you contribute to uniting your team to achieve your goals?" will be asked of them. The validity of the selection process and interrater reliability are enhanced by asking candidates identical questions.

6.3.5 Testing

Another way to enhance the selection process is through the use of selection tests. Numerous test kinds are relevant to the selection process. Work sample or performance tests, integrity tests, personality tests, cognitive or mental ability tests, and work sample tests are some of the more popular test kinds used for selection.

Cognitive ability tests are frequently used to evaluate a job applicant's suitability for the position. Moreover, they frequently possess a rather good capacity for prediction. Research has indicated that, for instance, there is a .57 validity coefficient for mathematical thinking among computer programmers, a .64 validity coefficient for first-line supervisors, and a .33 validity coefficient for mechanical comprehension among petroleum sector operators when it comes to

jobs and cognitive test scores. Another popular selection method is the use of personality tests. The "big five" personality dimensions—as determined by the Personality Characteristics Inventory (PCI) and NEO-Personality Inventory—have been shown by researchers to be highly helpful in the selection process. Conscientiousness, emotional stability, agreeableness, extroversion, and openness to new things are the major five personality dimensions. Extrovert performance is positively correlated with conscientiousness in nearly every kind of employment, and it should come as no surprise that the two traits are associated in terms of job performance. Lastly, despite the possibility of candidates falsifying their answers, research has shown that paper-and-pencil integrity tests help anticipate theft and other undesired behavior.

Job candidates must do some of the real duties needed for the position during *performance or work sample* exams. Jobseekers applying for machinist positions, for instance, might be required to create a part based on a set of blueprints, whereas computer technician candidates might be required to identify a network server issue. Legitimacy is enhanced by work samples and performance assessments, as their relationship to the job is readily apparent. Giving work sample exams to applicants may increase their perception of fair treatment because they are often prospective consumers of the organization. Racial or gender prejudice is typically absent from work samples and performance exams. Candidates for jobs such as business writer, commercial artist, or graphic designer may also be asked to submit portfolios of their work for evaluation to receive work examples from them.

6.3.6 Assessment Centers

Assessment centers are an additional way of selection that has fairly high predictive validity for management and supervisory roles. Several assessors evaluate candidates' talents in a variety of circumstances during intensive selection processes called assessment centers, which can run one to two days. These methods can be applied to selection in the absence of experience to assess, and they are particularly useful for promotions to positions of supervisory authority. They are also a good fit for development. Assessment centers blend several conventional hiring practices, including interviews and exams, with practices that mimic managing employees in a real-world situation. For instance, practically all assessment centers have in-basket activities. During in-basket exercises, candidates are asked to rank the items that they would commonly find in a manager's in-basket and explain how they would prioritize and handle them. Memos, phone messages, staff requests, and brief internal reports are a few examples of these kinds of materials.

6.4 Dealing with Employee Surplus

Businesses can lessen the possibility that they will need to fire employees in several ways. They consist of both long- and short-term strategies. A few of these strategies require more justification. Redeployment and retraining are two of these; the latter is frequently necessary before workers may be redeployed without facing layoffs.

6.4.1 Redeployment and Retraining

We've already talked about preventing skill obsolescence and career stagnation. Retraining could be necessary because obsolescence is not always avoided. Retraining might become increasingly crucial given the accelerated pace of technological advancement and the possibility of skill obsolescence. For managers whose abilities are out of date, many organizations offer retraining. The degree to which managers believe they will be able to acquire new abilities is a crucial factor in determining how successful these programs are. Interestingly, some businesses provide the incorrect impression.

When retraining attempts did not yield the desired results, executives frequently used a "slash and burn" technique, firing managers who did not pick up new skills, behaviors, or attitudes. Layoffs that occur after retraining initiatives could convey to workers that retraining is a pointless exercise.

For workers to be retraining within the organization, IBM is one example of a corporation that offers comprehensive retraining. But most businesses don't offer retraining to the people they fire. According to a Leana and Feldman study, fewer than 10% of laid-off employees receive this kind of support from their previous employers. A large number of companies respond by leaving such training to governmental organizations since they offer a variety of retraining programs. There are certain outliers, though. Take Ford Motor Company, for instance, which runs and finances the National Development and Training Center. Through the Center, laid-off employees receive customized retraining tailored to their individual needs.

6.4.2 Early Retirement

A bonus payment that enhances pension benefits and additional years of credit is given to employees who are not yet eligible for retirement by companies with an excessive number of employees. The repercussions of this strategy on the company's talent pool and early retirement are major causes for concern. Ann Howard investigated these issues in a long-term study of

managerial staff at AT&T and the Bell System. One of the study's main conclusions was that, after 20 years, managers who resigned early did not significantly differ in their performance reviews from those of managers who did not.. The following were the study's findings:

Hence, the early retirements did not result in a loss of high-caliber management talent for the companies; in fact, there is no evidence that the most competent managers quit when they are allowed to extend their employment until their golden years. Naturally, the least competent people are also not the most likely to depart.

6.4.3 Retreat from Employment Security Policies

Many businesses abandoned employment security programs and reduced staff between the late 1980s and the mid-1990s as a result of structural changes in the economy, technological advancements, computerization, and fierce international competition. While layoffs during the crisis were a factor, many layoffs were caused by long-term structural changes as businesses were able to achieve the same or greater productivity with fewer workers. Layoffs were reinstated in several businesses that had previously maintained no-layoff practices. For instance, IBM, which had long upheld a no-layoff policy, declared intentions to cut 10,000 jobs but stated that it would use a financial incentive program to prevent layoffs. Even so, the business discovered in 1992 that it had to lay off 40,000 workers in that one year alone. IBM undertook a strategy known as deconstruction to become more responsive by moving to free-standing or semiautonomous components. In essence, IBM attempted to capture some of the responsiveness and accountability benefits of quickly reacting workstations and personal computer makers like Dell and Sun Microsystems. By the mid-1990s, IBM had drastically reduced its staff. " The prospect of "employment security," which was once a promising solution to America's competitive issues, has dimmed," the business press stated. However, job stability or income security continues to rank highly among employees' priorities.

6.4.4 Downsizing and Layoffs

The long- and short-term implications of layoffs should be carefully considered before implementing them. For instance, if a business fires employees in reaction to temporary setbacks, it can discover that its long-term viability is in jeopardy. Short-term issues could merely be signs of more serious issues, including a lack of flexibility, that cannot be resolved by layoffs. In actuality, a firm may find itself in the situation of mortgaging its future due to layoffs, particularly in the research and development department. Due to its emphasis on tactical short-term decisions

at the expense of strategy, such reductions may hinder a business from pursuing its desired strategies. The objectives of worker stability and organizational agility, as well as short- and long-term demands, should thus be carefully balanced by businesses before implementing layoffs. When the top performers can be kept on board, downsizing tactics also work better. To accurately identify such persons, the performance evaluation system may occasionally need to be improved. And to have the flexibility required to keep them around, the reward structure might need to be changed. Resources are scarce, which frequently leads to downsizing techniques. However, future-focused incentives like profit-sharing and stock ownership can be acquired to achieve this kind of flexibility.

Businesses also need to understand that downsizing might not be able to address even their immediate issues due to the expertise lost when seasoned workers leave and take advantage of severance payouts or early retirement possibilities. This warning has empirical backing since, as the previously cited study of collapsing sectors revealed, "The underperforming businesses failed to take the long-term effects of their decisions, such as early retirements or layoffs, into account." Businesses having prior layoff experience are likely to reduce their workforces using less drastic methods since their managers are believed to have better timely information on surpluses. After realizing this, they ought to act more swiftly to make amends and be better equipped to depend more heavily on attrition or redeployment. Another argument holds that companies are more likely to adopt harsher measures, like layoffs, to reduce employment when they have less slack in their resource base.

One example of the temporary issues associated with layoffs is The Carlson Travel Network, a sizable travel business that has experienced layoffs. One significant client discovered while in Japan that he needed a visa to enter Taiwan, even though he had intended to visit the country after doing business there. Because of this, he had to take a plane back to Minnesota before continuing to Taiwan. An agent with little experience had made a mistake. Carlson's service quality eventually reached the required standards, and the business achieved the intended efficiencies. However, during the learning phase, these and other issues happened. As previously mentioned, businesses must exercise caution when implementing layoffs so as not to lose their unique competencies by exhausting their knowledge base.

In the American economy, downsizing tactics—which frequently include layoffs—along with other tactics like attrition and hiring freezes have become commonplace. However, businesses

occasionally discover that layoffs and downsizing set off a vicious cycle. The more intense rivalry that reduces the company's revenue usually starts the cycle. A response to lower sales is swift cost-cutting measures, which include the layoff of some staff. The company still employs the same number of people, yet the workload doesn't change. "Survivors" frequently suffer from overwork, stress, frustration, and low morale since they function in crisis mode and only deal with pressing issues. Additionally, remaining employees also tend to become more risk averse and narrow-minded. The surviving employees also tend to become more closed-minded and cautious. As a result, there are not enough employees to look into the root causes of issues, and there are not enough resources for research and development. These negative consequences lead to a decrease in consumer satisfaction, which in turn causes sales to drop even further, necessitating yet another round of layoffs to reduce expenses. One further issue with downsizing tactics is that organizations often do not realize the anticipated gains in profitability, lower costs, and higher return on investment. Savings are also squandered when hiring consultants is necessary to replace the knowledge lost due to workforce reductions. According to some analysts, between 10% and 20% of the laid-off employees will eventually need to have replacements hired.

Severance money and extended benefits ought to be provided to those who are laid off. Giving severance compensation can protect the company's connection with the employee and increase the likelihood that the individual will be hired again if business improves, in addition to humanitarian reasons. Furthermore, severance pay may lessen the chance of litigation.

Employees should have access to outplacement services provided by their employers. Layoff employees are often encouraged by placement services to relocate and seek retraining possibilities. Additionally, they offer chances to strengthen social bonds. The usefulness of outplacement services varies depending on the demands and level of the employee, but its function as a hub for reaching out to employers seems to be universal. Additionally, outplacement services undoubtedly improve employees' impressions of equitable treatment. While the effectiveness of outplacement programs in aiding workers to find new employment has not been conclusively demonstrated by research, these programs may also have the significant advantage of assisting employees in adjusting psychologically to the loss of their jobs and in regaining their confidence.

All managers, except the most callous ones, will take into account the human consequences of any layoff approach. The estimated duration of the jobless period can be used to calculate the human cost of a layoff or termination. Long-term unemployment for individuals laid off or fired

will undoubtedly hurt the morale of the remaining staff unless there is extremely severe misconduct. Unfortunately, because there are so many explanatory factors, it is challenging to forecast the average duration of unemployment for employees. Nonetheless, a New York outplacement company has employed a sixty-variable algorithm to forecast its clients' length of unemployment. There is a thumb rule as well. The guideline states that a manager who is fired will be unemployed for "one month for every \$10,000 of income," albeit its accuracy is unknown.

6.4.5 Termination Strategies

Terminations have even been classified as an organizational development process and are frequently necessary for organizational change, even though they may be a sign of flaws in other HRM systems. As a result, firing people may be essential to implementing a change in an organization's strategic direction. Managers who can function well in an informal structure but are unable to adjust to the more formal structure that is needed as an organization grows have had to be fired. In situations where entrepreneurs, while successful in starting businesses, were unable to adjust to the new administrative demands of a bureaucratic setting, terminations have also been employed.

Unfortunately, even when employment security and upholding behavioral and performance standards are properly balanced, the execution of these balanced termination strategies frequently falls short of expectations. Too many terminations have occurred in recent years with insufficient consideration for the employee's dignity. Security personnel routinely inform employees of their termination, accompany them to their desks so they may retrieve their personal belongings, and then lead them to the door. This excuse isn't always valid, even though it's frequently tied to worries that the fired worker would damage a computer system or other business property.

When an employee's work connection ends and they start the job search, they should be assisted in transitioning by providing outplacement services. The employee goes through predictable steps in an adjustment process that is sometimes compared to a grief process. Some observers think that these steps are similar to the five stages of dying identified by Kübler-Ross: acceptance, denial, anger, bargaining, depression, and sadness. When an employee is fired, outplacement counselors can help them move through these stages of acceptance more rapidly, allowing them to make proactive efforts to find new employment. Reducing the time it takes for an employee to find new employment may also be accomplished with the aid of career counseling

and honest evaluations of strengths and limitations. Workers who receive outplacement support perceive that the organization treats them more fairly.

6.5 Special Implementation Challenges

Implementation presents unique obstacles due to several advances in the field of employment practices and legislation. The issue with career paths for technical people is one. Another significant obstacle to methods needing a mobility labor force is dual-career couples.

6.5.1 Career Paths for Technical Professionals

Technical workers, including engineers and IT specialists, frequently have few opportunities to grow in their careers until they transition from their areas of expertise into management roles. Professionals who make these decisions and work in management roles for a while discover that their technical expertise has become outdated, making it challenging to go back to their former profession. To address this issue, businesses have set up a dual-career path system that permits employees to advance on several technical ladders as they gain more knowledge and experience. Technical specialists don't need to pursue the management path to advance in terms of pay, progressively more difficult tasks, and titles. Another strategy to help keep technical professionals is to offer dual career pathways. For instance, Alcon Laboratories offers its information technology experts both technical and management courses. Air Products and Chemicals has also placed its research and development employees on dual-career routes or ladders. The following are some instances of levels on the ladders that correspond: Level 9 consists of a manager and a technical ladder consultant; Level 10 consists of an assistant vice president and a technical ladder senior consultant; and Level 11 consists of a vice president and an executive consultant. Employees on the technical ladder advance in their job titles and are paid equally with their counterparts on the managerial ladder.

6.5.2 Dual-Career Couples

Due to the growing number of couples pursuing two careers, employers are finding it more and more difficult to transfer personnel. Because spouses of 65% of employees work, a large percentage of transfers now include two-income families. Moreover, the employee being transferred is more often a woman. Given that women currently make up a sizable portion of the workforce in professional jobs, it is not surprising that more and more of the employees being

transferred are women. The spouse's capacity to find employment that is appropriate for them is a clear issue that employers have when relocating employees in dual-career circumstances. These worries are justified: When their wives found new employment following the transfer, 51% of them were paid less and had fewer benefits than they had at their prior positions.

When one partner works for a large firm that transfers personnel, dual-career couples face an additional challenge: frequent turnover. Whether true or not, there is a notion among female employees that women are more likely to leave under such conditions. The prevailing view is that a female manager's dual-career position is seen as more of a problem since she is perceived to follow her spouse more frequently when making relocation decisions. One related issue is the need for travel. Caregiving for children and finding time for quality time with one other is challenging when both partners work occupations that require long travel.

When faced with a dual career, most of employees strongly want help finding their spouses a job. Thanks to their regular networking with other local employers and their heightened awareness of job prospects, human resource personnel at organizations are uniquely positioned to offer this kind of support. An employer network with more than 40 firms is one example of this type of network in Columbus, Ohio. To give two concrete instances, General Motors and IBM both offer referrals and counseling services to spouses. Here are some more particular instances of employer support:

Spouses can obtain employment assistance from Atlantic Richfield Company, The Dow Chemical Company, Eastman Kodak, IBM, Merck & Co., Procter & Gamble, US Sprint, and Warner-Lambert. Many will seriously consider employing them.

Couples with two careers often struggle with finding new jobs for their spouses as well as the logistics of transferring. Previously, the wife—who was probably not working—was usually in charge of these matters. Furthermore, more tasks like childcare, housekeeping, and helping aging parents are being taken care of by family support networks. Reestablishing these support structures is necessary when relocating to a new area. The intricacies associated with transfers have grown in complexity for couples with two incomes, making it impossible for one partner to manage them alone. Because of this, the transfers need to take longer, and early notification is needed.

An additional reaction to difficulties like these is the increasing number of businesses modifying their policies to address the unique challenges faced by couples who pursue multiple

careers. According to a survey on nepotism policies (the hiring of relatives), 58% of the organizations seeking to modify their nepotism policy aimed to make them more lenient. High-tech companies are leading the way in relaxing restrictions to allow for dual-career spouses. Given that high-tech businesses need to attract top people and will consequently forego conventional methods, it is not surprising that they have more lenient nepotism policies. Since high-tech companies are always in need of talent, women have profited from their progressive policies and have advanced significantly into the managerial ranks of these corporations.

Self-Assessment Questions	
1.	How can organizations ensure that their workforce is strategically aligned with the overall goals and objectives of the organization?
2.	Can you share examples of organizations that have effectively integrated their recruitment processes with their strategic goals?
3.	How can organizations establish clear Key Performance Indicators (KPIs) that align individual and team performance with strategic objectives?
4.	How does succession planning contribute to ensuring a pipeline of talent that supports the organization's long-term strategic objectives?

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Strategy Implementation: Reward and Development Systems

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INTRODUCTION

Strategy implementation involves translating strategic plans into action, and an integral part of this process is the design and implementation of reward and development systems. These systems play a crucial role in aligning and motivating the workforce, ensuring that employees are recognized for their contributions and equipped with the skills needed to support strategic objectives.

Strategic Importance of Reward and Development Systems: Reward and development systems are not only tools for attracting and retaining talent but also mechanisms for reinforcing the desired behaviors and competencies aligned with organizational strategy. These systems contribute to building a high-performance culture and fostering employee engagement, both of which are vital for successful strategy implementation.

Compensation packages, including salary, bonuses, and benefits, are designed to attract and retain top talent. A well-structured compensation system ensures that employees are fairly rewarded for their contributions.

Non-monetary rewards, such as recognition programs, employee-of-the-month awards, and performance-based incentives, play a crucial role in reinforcing positive behaviors aligned with strategic goals.

Providing opportunities for career advancement and skill development is a key component of reward systems. Employees value organizations that invest in their professional growth and offer a clear path for career progression.

Strategy implementation often requires new skills and competencies. Training and learning programs ensure that employees have the necessary knowledge to contribute effectively to the execution of the strategic plan.

Ongoing performance management, including regular feedback and performance reviews, is essential for employee development. It helps identify strengths and areas for improvement, aligning individual performance with strategic goals.

Succession planning is a strategic component of development systems. It involves identifying and preparing high-potential employees for future leadership roles, ensuring a seamless transition in critical positions.

Well-designed reward and development systems contribute to higher levels of employee engagement by recognizing and nurturing employee potential.

Competitive compensation, recognition, and development opportunities help organizations retain top performers, reducing turnover and maintaining continuity.

Reward and development systems are effective tools for aligning employee behavior with strategic objectives, reinforcing the desired values and competencies.

Employees who feel valued and are equipped with the necessary skills are more likely to perform at their best, contributing to the successful execution of the organization's strategy.

Striking the right balance between short-term incentives for immediate results and long-term development for sustained success is a challenge in designing reward and development systems.

Maintaining fairness and transparency in reward systems is crucial to avoid potential dissatisfaction among employees. Clear communication about criteria and processes is essential.

Development systems need to be flexible and adaptable to changing organizational needs and the evolving skills required for strategic success.

In conclusion, effective reward and development systems are integral to strategy implementation.

These systems not only attract and retain talent but also serve as powerful tools for reinforcing a culture that supports and drives the organization's strategic objectives.

Learning Objectives

After studying this unit, you will be able to:

- a) Explain Strategically Oriented Performance Management Systems
- b) Describe Strategically Oriented Compensation Systems
- c) Understand Employee Development

Unit-7

Strategy Implementation: Reward and Development Systems

The implementation of strategies through the use of reward and development systems is covered in the seventh component of the conceptual framework that is described in the Introduction. While development systems provide the workforce skills necessary for implementation, incentive systems offer rewards and feedback for employees' actions that support the implementation of strategies. The first part of this section covers performance measuring systems, which offer the data needed to determine rewards and areas in need of development. The limits of standard compensation plans are then discussed, and after that, strategically oriented pay plans, such as skill-based pay, team-based pay, broadband, variable salary, and executive remuneration, are covered. The next part covers approaches for worker development, such as different types of training and techniques, internships, approaches to managerial development, management development for overseas assignments, and the strategic fit conundrum of prioritizing manager development over selection.

7.1 STRATEGICALLY ORIENTED PERFORMANCE MEASUREMENT SYSTEMS

The following passage from Clinton Longenecker and Dennis Gioia illustrates the strategic significance of performance-measuring systems:

One executive at a shipping company put his motto into words: "What you measure is what you get.." We may also say, "What you value is what you measure." That's what the firm will measure and achieve if it prioritizes short-term performance. If executive development is valued, a distinct focus becomes apparent.

The degree to which employee conduct at all organizational levels contributes to the implementation of plans can be evaluated using a variety of performance-measuring techniques. Any technique for measuring and assessing performance has the potential to be a helpful way to provide input on how closely actions align with corporate strategies. Additionally, they are all potentially helpful ways to advise incentive systems on how much an employee deserves in terms of pay raises, promotions, recognition, and other benefits, though to differing degrees.

7.1.1 Performance Measurement Approaches

Performance evaluation has historically made use of a variety of assessment techniques. Among the most popular are narratives, graphic rating scales, and management by objectives.

Systems for evaluating performance that uses behaviorally anchored rating scales are the most sophisticated. The next part will address these strategies, starting with management by objectives.

Management by Objectives (MOB)

The performance evaluation method known as management by objectives, or MBO, is prevalent. With MBO, the objectives can be defined as results or checkpoints along the way of the strategy's implementation, making the connection between strategy implementation and MBO easy to understand. In the first phase of an MBO, the subordinate usually develops goals or objectives that need to be completed throughout the following time frame. Part of this process involves the subordinate outlining action plans to meet these goals as well as the metrics by which their completion will be assessed. Additionally, the superior sets goals for the subordinate, and the two then get together to come to a mutually beneficial arrangement. The subordinate is assessed based on how well the goals were achieved after the subsequent period and whether any external circumstances could have impacted the success of the goals. Unfortunately, there are drawbacks to MBO just like there are to any performance evaluation strategy. Writing objectives might be more challenging for some roles, such as staff positions, and poorly thought-out objectives can lead to issues. Moreover, if MBO does not review senior executives, the process could be seen with cynicism.

Despite these drawbacks, a recent poll of Fortune 100 companies revealed that 80% of participants utilized MBO to assess executives and managers, while 70% of participants used the methodology for professionals. Additionally, as is the case with all assessment methods, businesses occasionally combine MBO, visual rating scales, narratives, and other methods to minimize their drawbacks and capitalize on their advantages.

Graphic Rating Scales

The usage of graphic rating scales for nonexempt employees was also covered in the same survey, which revealed that 31% of Fortune 100 responding companies employed them. Multiple-interval response scales with brief descriptive anchors and numerical values are the format used in graphic rating scales. An employee's work quality could be measured, for instance, using a seven-point rating system. A description of "low quality of work" may be used to anchor the blank at the bottom of the scale, which has a value of one, while a description of "high quality of work" would be used to anchor the blank at the top, which has a value of seven. The anchors of graphic rating scales vary depending on whether they are relative or absolute, like in the previously given

example. A productivity scale with relative anchors might have "one of the least productive" at the bottom and "one of the most productive" at the top. This is an example of how the scale would be designed. There are certain indications that relative anchors are more effective than absolute anchors.

Unfortunately, even though using relative anchors can enhance graphic rating scales, these scales usually lack behavioral anchors and contain questions that solely evaluate attributes. Graphic rating scales do, however, have the benefit of not requiring behavioral specificity, which makes it possible to adopt a uniform performance evaluation method for a wide range of employment. Standardized methods are frequently helpful for comparison by organizations, for example, when creating a list of workers who will be let go based only on their performance. However, when assessments are to be utilized for comparison, a method of turning each evaluator's rating into a standardized score is necessary because assessors vary in how strict or lenient they are. Lastly, it is rather simple to convert the outcomes of graphic rating scales into numerical indices that can be utilized to determine raises. They are, however, not very useful when used in developmental therapy.

Narratives

A supervisor's narrative performance summary is another traditional approach to evaluating an employee's performance. These methods, which can be extremely personalized based on the particulars of each worker's position, are occasionally applied to managers and higher-level professionals. This approach has two drawbacks: it takes time to compose intelligent tales, and it requires the evaluator to have writing abilities. Moreover, it is challenging to convert storylines into pay raises. Nevertheless, developmental counseling greatly benefits from their utilization.

Behaviorally Anchored Rating Scales

Behaviorally anchored rating scales are the most sophisticated method of evaluating performance (BARS). Job incumbents are assessed using BARS techniques based on how well they perform on a comparatively narrow range of job aspects. The fact that each dimension has distinct anchor points on the rating scale in the form of apparent actions is a key benefit of this technique. Consequently, the assessor is not compelled to select among the imprecise connotations of adjectives or numerical scale points. For instance, the rater does not have to choose whether to give an employee a score of six or seven on a 10-point scale for their management of credit denials while evaluating their performance as a consumer credit representative. When using the BARS

method, the assessor usually selects the most representative observable behavior from a range of options. These actions could include anything from "tells the customer that he or she is a bad credit risk and that it would be pointless to reapply" to "tactfully informing the customer that credit cannot be extended at this time and encourages the customer to reapply at a later date" in the case of the credit representative." The evaluator may provide findings with greater validity and less chance of bias because they are not concluding the employee's thought processes. Unfortunately, research on behaviorally Anchored Rating Scales yet has not shown that they are better than other systems of ratings in terms of halo errors, leniency, or reliability among partners. (Halo mistakes happen when a high-performance rating on one performance parameter influences ratings on other dimensions.)

Despite the lack of evidence supporting the superiority of behaviorally Anchored Rating Scales, the approach's most significant contribution might come from its function as a feedback mechanism. The use of behaviorally Anchored Rating Scales may be less likely to induce employee defensiveness and the feedback may be received because of its focus on behaviors. Likewise, because the employee is aware of the behaviors that need to be started or stopped, the behaviorally Anchored Rating Scale structure generates ratings that are immediately helpful in developmental coaching. Moreover, its behavioral anchors have numbers attached to them that may be added up throughout performance categories to provide an index that can be used to justify pay raises. Regretfully, the behaviorally Anchored Rating Scales are limited to the particular vocations for which they were designed. As a result of their high development costs and the statistical knowledge needed, it is viable to only utilize them for jobs with a high number of incumbents. This is regrettable since there are typically fewer job holders at the manager and professional levels as one moves up the job hierarchy. Despite this, big businesses might have enough entry-level managers—sales executives, store managers, and the like—to support their expansion. Similarly, behaviorally Anchored Rating Scale may be used to assess numerous employees in smaller-scale professional positions held by numerous businesses, such as staff specialists in accounting, insurance policy adjusters, and nurses who are registered.

Behavioral Observation Scales

Behavioral observation scales (BOS) are a type of rating scale that differs from behaviorally anchored rating scales in that they incorporate visual rating scales alongside the observed behaviors derived from crucial episodes. There are several items for every performance

dimension, and each of these observable actions and associated response scales make up a rating item. A quantitative assessment of performance in each dimension is generated by adding the ratings for each item. Consequently, the evaluator assesses multiple observable actions rather than selecting one that best characterizes an employee's performance within a dimension.

360-Degree Feedback

Peers, bosses, and subordinates can all offer insightful performance reviews that are beneficial for personal growth. Performance is assessed from a single angle, which is one of the issues with assessments of performance wherein only superiors score their subordinates. Even if a manager seems to be doing well from above, a drastically different assessment might be found if the management is looked at from below, from the viewpoint of their subordinate. For instance, a manager can force staff members to meet deadlines rather than inspiring, developing, and guiding them for the long term. Businesses like Shell Oil, Exxon, IBM, Caterpillar, GE, AT&T, and Levi Strauss are among those that use 360-degree feedback systems. For added protection, Otis Elevator has even put in place a 360-degree feedback system that operates over the Internet using encryption. Assessors can easily complete the assessment by visiting the website with the forms and sending an email with the completed forms to the consulting company that compiles the assessments.

In 360-degree feedback systems, peers, large customers, superiors, and subordinates can all serve as evaluators. One can acquire a far more thorough picture of a manager's developmental requirements by utilizing evaluations from each of these constituents. Furthermore, a far more truthful assessment might be achievable because 360-degree feedback systems allow for anonymous grading. The interrelated character of many modern businesses, which are reducing their reliance on centralized control and hierarchical decision making, makes the 360-degree feedback system more appropriate.

360-degree feedback systems can have implementation issues, just like any other system. The 360-degree feedback approach, for instance, is meant to be more suitable for developmental goals than appraisal goals. However, they are occasionally employed in performance reviews, when privacy violations and anonymity can become serious problems. Due to the large number of participants in 360-degree feedback systems, there is a significant risk that assessors will share the ratings with others and infringe upon the manager's privacy. As a result, the system's privacy and secrecy are seriously threatened. When employed for appraisal reasons, anonymous assessors may

purposely give a manager a lower rating than they believe is appropriate to boost their prospects of advancement. This leaves plenty of opportunity for mischief and self-serving behavior. Furthermore, because there are so many evaluators engaged and there is less guarantee that they have all received the necessary training to provide legitimate evaluations, there is a higher chance that rating biases will affect the results of the assessments. Before introducing 360-degree feedback systems, firms should train their raters to prevent this source of error.

Like any assessment system, 360-degree feedback systems have their share of issues, but overall, the method offers a great deal of promise to address the issues with many conventional methods of performance rating and developmental feedback. It may also be possible to get around some of its drawbacks as a method for performance reviews.

7.1.2 Performance Evaluation of Executives

Despite the benefits of performance evaluation systems, Longenecker and Gioia have discovered that CEOs do not often use them. In other words, "one is less likely to receive quality feedback about job performance the higher one rises in an organization." It appears that several dubious notions or myths are to blame for the executive level's lack of respect for performance reviews. These myths are that performance evaluation is

- (1) Not required or preferred by CEOs,
- (2) incompatible with the dignity of a manager,
- (3) very time-consuming for the executives' supervisors' schedules,
- (4) adverse to the independence and inventiveness of the executive,
- (5) irrelevant since CEOs have to fulfill "bottom line" requirements, and
- (6) The executive performance defies explanation because it is so elusive.

However, Longenecker and Gioia discovered that there is no factual foundation for these tales. On the other hand, their research revealed that executives actively seek feedback and that although they place a high value on bottom-line results, they still require process-oriented input. Furthermore, political explanations may step in to fill the explanation gap when executive performance is seen as too ethereal to describe. A few recommendations could be useful in promoting the usage of executive-level performance evaluation. Given the very individualized nature of the executive job, for instance, written narratives should be used in place of standard evaluation forms in the process. Along with this, it should address how success will be measured,

clarify corporate objectives, and evaluate the management style of the leader. The process must be a consistent activity that takes into account both the outcomes and process factors.

7.1.3 Effectiveness of Performance Measurement

Human resource managers have occasionally come under fire for their focus on the evaluation format rather than the administration of the evaluation process. The most advanced evaluation techniques can prove to be worthless, while even the most basic can yield positive results. Employees will "buy in" to the evaluation system when they are aware of the performance dimensions that will be used to evaluate them, when they perceive the evaluation process as legitimate when they believe their evaluations are equitable, and when they recognize that there will be rewards for meeting performance targets. Right now, the strategy implementation can be aided by the assessment system. Furthermore, when evaluators meaningfully distinguish between various performance levels, performance evaluation will have a bigger influence on the execution of strategies. Sadly, political elements have always existed in performance evaluation, undermining its usefulness. Examples include when assessors assign lower ratings to subordinates in an attempt to gain managerial authority, motivate them to quit or create a strong record should the employee be let go.

7.2 STRATEGICALLY ORIENTED COMPENSATION SYSTEMS

Giving rewards to staff members for actions that support organizational goals is a crucial part of how businesses put their plans into practice. In addition to fulfilling the conventional purposes of luring and keeping skilled workers, reward systems offer the capacity to reinforce desired actions. This talk will exclusively cover benefits given through compensation systems because of how important compensation is to strategy. This section's previous paragraph made clear that the workforce's degree of flexibility plays a crucial role in determining whether a strategy is successfully implemented. Numerous companies have introduced novel approaches to remuneration to obtain greater flexibility from their personnel. Four of the more well-known compensation innovations are skill-based pay, broadbanding, team-based pay, and variable compensation.

This section will look at these strategies as well as executive salaries. But before looking at these strategies, it would be beneficial to evaluate conventional pay structures.

7.2.1 Traditional Compensation Systems

Employers pay millions of workers using traditional job-based pay schemes. To ascertain the knowledge, skills, and abilities necessary to execute occupations, such systems usually include the application of *job analysis*. The process of job evaluation, which establishes each job's relative position in the salary or wage hierarchy of a company, then incorporates the information from the job analysis. The *job evaluation* procedure entails analyzing each work to ascertain the degree to which compensable characteristics are present. Job evaluations often focus on a limited number of remunerative criteria, including problem-solving skills, accountability, knowledge, and expertise. A popular method for evaluating jobs is the *point system*, which assigns points to each task based on compensable characteristics using a job evaluation manual. The *factor comparison system* is another method of evaluating jobs; it compares occupations directly to each other using a complex methodology to identify variations in the presence of compensable factors. Additionally popular are *hybrid systems*, which frequently combine the use of factor comparison and point systems. The *Hay Guide Profile Method* is an illustration of a hybrid system. Internal equity, or the fairness of compensation across jobs inside a company, is determined using traditional methods incorporating job evaluation. After that, salary surveys are utilized to calculate external equity using market rates. Then, managers decide on pay scales by weighing internal and external equity factors.

7.2.2 Strategic Inadequacies of Traditional Compensation Approaches

Unfortunately, from a strategic standpoint, standard remuneration schemes fall short severely. A prominent critique is to the assessment of occupations based on remunerative elements like problem-solving skills or expertise. The technique informs job incumbents—whose positions are rated poorly on problem-solving or know-how—that they are not being paid to solve issues or think by allocating differentiating points to distinct jobs based on these qualities. Another complaint is that each employee receives compensation just for completing a certain task as a result of the job-based focus. As a result, the wage structure places limitations on managers' ability to use their workers as they see fit. There are issues when assigning a pay rate to positions if an individual is required to execute tasks that are not within the scope of their job categorization. The existence of a union makes matters more complicated because collective bargaining determines the pay rates for different job classifications. Furthermore, managers and professionals do not function effectively with traditional compensation schemes. The individualized character of their work clashes with traditional systems' job-based orientation when it comes to this personnel. This issue will become more significant as the workforce becomes more professionally trained. In

summary, remuneration structures that restrict workforce adaptability and dissuade employees from applying their knowledge are unable to support the adoption of modern competitive tactics.

7.2.3 Skill-Based Pay

Knowledge- or skill-based remuneration, as opposed to traditional methods of compensation, emphasizes the person rather than the position. Workers who receive skill-based pay are compensated equally for the number of jobs and tasks they complete, regardless of the nature of the work. As mentioned before, Chaparral Steel's manufacturing environment has just two general job classifications when it comes to skill-based pay. Employees can enhance their salary as they gain more diverse skill sets thanks to skill-based pay. They are hence highly motivated to learn. Given the swift pace of transformation in the contemporary company landscape and the requirement for adaptable job assignments, it is evident that employees must enhance or expand their skill sets. The following explanation of skill-based pay's use in a container plant demonstrates its flexibility:

At the top of the competence range, for instance, a plant technician might be assigned to quality assurance, electrical work when necessary, or operating a particular machine in the absence of any electrical issues.

These traits make businesses that face fierce competition from overseas more likely to adopt skill-based pay strategies. Similarly, there is a greater tendency to adopt skill-based remuneration in organizations where organizational structure delays have resulted in fewer prospects for promotions. A poll reveals the scope of skill-based pay utilization, with 51 percent of respondent organizations having adopted the technique. But, businesses often only use this pay strategy for less than 20% of their workforce.

The benefits of skill-based remuneration have led many businesses to implement this strategy. Companies having a lot of experience using skill-based pay include General Mills, Northern Telecom, and Honeywell. In addition to being widely used in high-involvement manufacturing settings, skill-based remuneration systems are also being applied in service environments. Employees usually begin at a base rate and receive increases in compensation as they master a series of skill blocks, albeit there are differences in the ways that skill-based pay is applied. Because skill blocks are typically fairly wide, it typically takes employees several years to learn the material of all of them.

The implementation of semiautonomous work teams is often linked with skill-based remuneration. When workers get proficient at one of these applications, they rotate into another team job until they have mastered the requirements for that position, and so on. The individual can then transfer to another team and rotate through its various roles to get more experience after the rotation is over. Mastery of skill blocks is certified and recertified using a variety of methods of assessment. One way to become certified is through testing methods, which often include written assessments, oral exams, and sample work observations. Alternative methods of certification involve evaluation by several assessors, such as peers, managers, technical specialists, supervisors, and human resource staff. The emphasis on skill-based compensation is also seen in methods for paying professional staff members based on maturity curves. Professionals are paid more when they gain more experience and grow after completing their formal education, according to maturity curve techniques.

Although average salary rates tend to be higher, skill-based pay has certain other favorable consequences in addition to the flexibility advantages already mentioned. One significant benefit is that enhanced productivity and improved quality more than outweigh the expense of higher compensation. Additional benefits of skill development include increased employee incentive for training, more task variety, employee-induced pressure on firms to give training, and boosts in employees' self-esteem. Additionally, skill-based remuneration makes it simple to cover for absences because cross-trained staff members are readily available. Employees who receive skill-based remuneration also typically have a deeper comprehension of manufacturing procedures. Furthermore, seniority is not a factor in determining advancement to higher-paying positions because workers raise their remuneration by developing new skill sets. Due to their ability to do a wider range of activities, employees who get skill-based pay also benefit from increased job stability.

Because improved quality frequently necessitates more highly qualified people, skill-based remuneration is frequently employed in combination with total quality management (TQM) initiatives. It is also commonly used in participatory settings and, as previously mentioned, in conjunction with self-managed teams or semiautonomous work groups. Employees may contribute considerably when there are teams, high levels of involvement, and participative management because they have a deeper awareness of the work environment.

Skills-based pay has many advantages, but like any other compensation strategy, it also has drawbacks. Paying workers who have reached the pinnacle of their skill set presents one issue. Gain sharing, in which employees share in the savings from lower costs or higher production, has been suggested as an incentive for these workers by some commentators. Training is usually insufficient to support skill-based compensation methods, which is another issue. It has been challenging for some managers even to release enough funds from their funds for training to implement salary systems based on skills..

7.2.4 Broadbanding

Unlike skill-based pay, broadband keeps some aspects of the earlier-discussed traditional techniques, namely a job emphasis and the use of job evaluation for essential tasks—visible jobs with discernible market wage rates. Broadbanding, however, might be beneficial in strategy implementation because it aims to achieve more flexibility, much as skill-based pay. Reducing the number of salary bands, or pay grades, is usually the result of broadband. Remarkably, General Electric managed to bring down the number of bands to five per employee. The company may decide to lower its white-collar staff compensation bands to three with broadband. Professionals, for instance, might fall into one of three bands: \$55,000 to \$91,000 for the first band, \$91,000 to \$121,000 for management, and \$121,000 to \$205,000 for leadership. These income levels demonstrate that there is a broad range of compensation within each band's salary ranges. Maintaining fewer bands has the benefit of allowing pay to increase significantly even in the absence of promotions for staff members. Similarly, it is possible to lower employee compensation without having to demote them.

Broadbanding is often employed in conjunction with other modifications that aid in the execution of strategies. It can be applied, for instance, to cross-functional projects, employee empowerment campaigns, organizational hierarchy delays, and reengineering. While this compensation model differs greatly from skill-based pay, it nevertheless promotes skill development and acquisition. An individual who receives the market wage for a job—that is, \$56,000 for the professional band—can increase their income through broadband by developing new abilities. A second-generation broadband approach moves away from a job-focused approach and abandons the majority of the traditional components of the pay system, including job evaluation. The second-generation approach, for instance, would determine a person's market value based on his or her unique skills.

Some guidance from traditional compensation systems is also applicable when adopting a broadbanding strategy. Enough communication, a performance-focused culture, trust, and employee comprehension of the compensation determination process are all necessary. Workers also need to know what abilities are required to advance in their careers and how to get them.

7.2.5 Team-Based Pay

Pay systems are required to incentivize team members for actions that support the execution of strategies, given the previously mentioned increasing significance of work teams. In these kinds of situations, team-based remuneration is becoming increasingly common. To operationalize team-based compensation, a goal or desired outcome is usually specified, and then rewards for reaching the objective are distributed to each team member. Objectives can also involve some kind of subjective executive evaluation. Common examples of objective goals or outcomes are production levels, cost reductions, or project completions. Incentives come in many different ways. A few examples are monetary incentives, ownership of shares, trips, and time off from the office..

One benefit of team-based remuneration is that it gets beyond the challenging issue of calculating individual contributions. It also has the benefit of perhaps encouraging cooperation. Furthermore, bonuses might be granted to teams for completing large projects, for example, very soon after the event, creating a tight relationship between desired behaviors and rewards. When team incentives are correlated with skill growth, there may be an additional benefit to collaborative ways to pay. When the team reward is withheld until every member has received cross-training, individuals who have not yet mastered the requisite skills may assist in training or inspiring others.

A common component of team-based remuneration is gain sharing. The benefits to be shared are occasionally tied to the achievement of strategic goals, in contrast to gain-sharing schemes like the Scanlon Plan or the Rucker Plan. Certain strategic goals are often less clear-cut than tactical goals, necessitating employee engagement because it may be hard to pinpoint what constitutes acceptable performance on their end. Following was the operationalization of the plan:

Over around five years, the Achievement Sharing Program will be gradually implemented. Employees in the Fibers Department will get 6% less base salary after this term than their colleagues in other departments within the organization. Employees will get the 6 percent difference if the department hits its yearly profit target; if earnings fall short of the target by less than 80 percent, they will be eligible for a 3% bonus; and if profits surpass 150%, they will be eligible for a 12% bonus.

Recent studies have examined the effects of gain sharing on white-collar worker productivity due to its wider use. Gain sharing was operationalized by a large public accounting firm office as a percentage of labor savings, which were calculated by deducting authorized labor expenses from actual labor costs. According to the study, employees were more productive and worked "smarter" when they participated in gain-sharing.

7.2.6 Variable Compensation

Many businesses have used variable pay plans, including Xerox, Westinghouse, and Nucor Steel. These programs aim to do this by tying a percentage of employee pay to certain performance indicators. Putting a percentage of an employee's pay "at risk" is a regular feature of these types of schemes. The case for variable remuneration is compelling and appears straightforward at first. These programs do, however, have a level of complexity that needs to be understood.

How variable compensation plans are structured is a crucial factor to take into account. An increase in basic salary, sometimes referred to as an add-on, is the first type. Additional variable remuneration would be in the form of bonuses determined by the performance of the company. The second type of pay is known as at-risk pay, which is typically implemented by taking a set percentage off employees' base pay and granting them the option to obtain extra compensation based on performance metrics. About the second form is the third one, "base pay potential at risk." In circumstances when the organization has a history of consistent raises, say, averaging roughly 6 percent annually, this type of variable compensation may be operationalized. Allocating just 3 percent as a regular raise might alter this practice. If performance goals are reached or beyond, the remaining 3% is reserved for allocation with higher increments. Companies under significant pressure to cut labor expenses are more likely to adopt at-risk variable compensation, while there are no hard and fast rules for determining whether these types of variable pay should be used. Add-on pay may be used by companies with less pressure to set the stage for the eventual implementation of other types of variable compensation. They may also employ bonus money in exchange for exceedingly high-performance levels.

The performance metrics to which pay is to be correlated add another layer of complexity to variable pay. Regretfully, the application of certain performance metrics that appear reasonable at first can have highly dysfunctional effects. For instance, claims representatives might not properly handle client accident claims if their pay is tied to the insurance company's profits. However, if these same agents receive compensation based on client pleasure, they can settle cases

too generously. Whatever the case, the metrics ought to be in line with the organization's overarching plans. A few examples of the spectrum of metrics could be customer happiness, financial ratios, quality enhancements, and profitability. It is advised against defining productivity too narrowly because doing so could result in compensation increases for some units even as the business loses money. Several recommendations regarding measures are presented in the following:

Thus, even though many objectives are employed, it is preferable that these actions not be implemented until the firm achieves tangible financial rewards. New variable pay revolves around this. Teams may employ productivity metrics as long as they don't yield rewards when the company's profitability, performance, and quality haven't increased. Plans should only start to get awards if both profit and productivity metrics are satisfied.

Better labor cost control is one possible advantage of such programs, in addition to fostering a sense of shared destiny. Because variable pay plans deduct a portion of employee compensation from the company's profits, they may contribute to employment security by lowering total labor expenses and preventing the need for layoffs if business conditions and profits drop.

7.2.7 Executive Compensation

The human resource department has come under fire for not offering pay plans that align with business objectives. Creating the executive compensation system is likely the first and most crucial step toward achieving strategy and compensation system alignment.

Executive techniques are essential to strategy execution. Regretfully, issues with executive compensation, especially about chief executive officers, are still very problematic in the US and frequently spark debate among the public and workforce, especially when executive compensation appears excessive. Good CEO compensation schemes are still necessary, regardless of the controversies surrounding them. Executive compensation plans have long included complex benefit plans, stock options, deferred compensation, and bonus structures. However, there is growing doubt about the necessity of separate systems for CEOs. According to Rosabeth Moss Kanter, this issue is as follows:

Regular employee surveys conducted by the company each year reveal a growing lack of trust in the equity of the company's customary pay policies. The numbers appear to be

declining annually, maybe as a result of old policies that encourage ascent to high positions over contributions to organizational performance.

Due to issues with pay and the idea that pay ought to be based on contributions made by workers rather than their positions, Kanter has suggested the following: "Since comparable bonus systems do not yet exist for employees generally, large executive bonuses or stock options should not be permitted at all." With the possible exception of the size of contribution-based differentials, CEO pay plans will be virtually identical to those of lower-level employees if Kanter's recommendations prove to be realistic. However, lower-level employees are also expected to earn a higher portion of their income in the form of variable pay and gain sharing, in line with the compensation innovations discussed in this section.

7.3 EMPLOYEE DEVELOPMENT

There are numerous methods for building workforce competencies required for plan execution. We'll start talking about staff development by talking about training programs.

7.3.1 Training Programs

Companies that approach human resource management from an investment standpoint see training as a chance to boost productivity over the long run. Additionally, training can be seen as the answer to a variety of issues, including subpar quality brought on by skill gaps and employee voluntary turnover in search of more fulfilling positions. It may also lessen the number of workers who lose their jobs involuntarily due to skill gaps and offer a way to keep skills from becoming obsolete. In addition to increasing productivity and assisting businesses in avoiding these issues, training also helps to prevent a labor shortage of skilled workers.

Basic skill training is required for jobs at the bottom of the skill hierarchy. In the modern world, one cannot take for granted even the most fundamental abilities, such as reading and writing. Due to these skill gaps, businesses may engage in remedial instruction more frequently during labor shortages. Moreover, there would be a need to train immigrant workers in American cultural norms, language, values, and job expectations as immigration levels rise. Supervisors might also require instruction on the language and customs of the immigrants. Furthermore, training in fundamental skills like work norms may be necessary for the underprivileged and historically unemployed.

Workers in the information age typically require extra training in thinking or analytical abilities in addition to training at the lower end of the skill hierarchy. Workers must be capable of synthesizing, classifying, generalizing, and drawing conclusions from data. Cambridge University professor Edward de Bono has created thinking skills training programs and has instructed thousands of people, including leaders from large organizations. We will never have enough time to educate all of the material we possess, which is an intriguing byproduct of the information age. Thus, to take advantage of this knowledge, we must improve our ability to think. The following is a summary of this need provided by Naisbitt and Aburdene:

Our requirement to be capable thinkers increases with the amount of knowledge we have. The information society faces this conundrum: Our database is overflowing. However, we are not intelligent enough or capable of thinking through everything. Thinking is now just as fundamental as reading because of this.

Regrettably, training curricula frequently prioritize mid-to-upper-level managers over lower-level staff members. Salespeople, professionals, and first-line supervisors receive the highest amount of training (40.7, 35.5, and 35.4 hours annually), according to the survey data shown in Table 4-3. Additionally, the majority of organizations provide training to CEOs, middle managers, and first-line supervisors (74.9, 73.3, and 67.3 percent, respectively). Conversely, as only 33.3% of firms offer training to manufacturing workers, they are the least likely to acquire it.

Table 4-3
Distribution of Training by Job Category

Job Category	Percent of Organizations Providing Training	Mean Number of Hours Delivered
Middle Managers	75.9	35.1
Professionals	59.6	35.5
Executives	67.3	32.9
Salespeople	40.4	40.7
First-Line Supervisors	73.3	35.4
Senior Managers	58.5	31.2
Production Workers	33.3	30.7
Customer Service People	45.0	33.0
Office/Administrative Workers	66.7	19.0

Source: Extracted from Jack Gordon. "Where the Training Goes," *Training* 27, no. 10 (1990): 52. Reprinted with permission from the October issue of Training magazine. Copyright © 1990. Lakewood, Minneapolis, MN. All rights reserved. Not for resale.

Along with an unequal distribution of training across job categories, organizations often exhibit irregularities in the amount of training they provide over time. In prosperous economic times, many businesses make significant investments in staff training. Despite the widely acknowledged cyclical nature of training, some observers have grown to believe that American businesses are genuinely committed to providing training.

Moreover, at Motorola, these remarks are more than just platitudes. For instance, the company is training its manufacturing staff—including those who have only ever done manual assembly work—in automated production methods. During this training, staff members have practical experience programming robots and learn the principles of computer-integrated manufacturing (CIM). "Motorola wants all of its manufacturing staff to be literate in the concepts of the modern automated factory." Similar to this, Corning, Inc. is spending a lot of money on staff training, especially in an attempt to raise quality. Each year, five percent of Corning employees' work hours are allocated to training, and all employees have undergone two days of quality training. Corning believes that by investing in staff training, the quality of the work has improved.

7.3.2 Training Methods

A wide range of human resource-related tasks are covered by training. Owing to its scope and significance, medium-sized and bigger businesses usually employ specialized training personnel. General managers should be familiar with a variety of general training techniques and instructional approaches, even if training is a specialty. This section covers a variety of training approaches, including as computer-based instruction, computer-assisted instruction, coaching, mentorship, on-the-job training (OJT), socialization of new hires, orientation training, apprenticeships, and experiential learning. One of the components of management development programs will also include job rotation. We'll go into more detail on management development and apprenticeships later on. Many details of management development and on-the-job training were previously discussed as part of an investment perspective on human resources.

Larger companies typically provide new hires with a type of *orientation program*. This training is crucial because it gives new hires their first opportunity to interact with the company in a professional setting and to get a sense of the culture of the organization. Owing to its significance, several businesses take great care in the substance and methodology of their orientation programs to leave a certain impression. Assigning an experienced worker to serve as each new hire's sponsor

is a helpful orientation and socializing tip. The company's standards and ideals are genuinely introduced to the staff throughout this training. It is probably best to focus less on technical information, including the workings of retirement plans and health care programs, and more on communicating the company's values to new hires when creating orientation programs.

The process of *socializing* new hires is crucial since it can significantly affect how well-informed they are about fundamental cultural norms like the performance standards of the organization. Furthermore, because turnover frequently happens in the first few months of employment, socialization is crucial. There is a constant turnover of this kind in work groups because new personnel must wait to be accepted as "lasting" members. As they get to know the organization and build friendships, new hires understand "how things work," gain acceptability and start making genuine contributions to their permanent work groups. Sadly, job rotating tactics for new managerial personnel conflict with fast entry into a permanent work group. Training participants may be switched around between functional areas in rotational program methods following two or three months of assignments. Trainees are not assigned permanently until the rotating period is over. Such methods make sense since they provide trainees with a more comprehensive grasp of the business and how its parts work together. Assigning new trainees to each temporary assignment in pairs or small groups is one way to lower the turnover that comes with rotational programs. They can start forming enduring connections and support networks within their group and have some peer group support in this way. Additionally, they ought to be given challenging assignments or "real" work, and they ought to get fast feedback on a regular basis.

The supervisor of the employee gives daily feedback, guidance, and advice, which is referred to as *coaching*. A worker's career greatly depends on their first supervisor, according to some observers. This is so because the first supervisor establishes fundamental principles, performance expectations, and self-assurance in one's competence and abilities. Sadly, chances are missed and the significance of this task is sometimes disregarded when new hires are paired with subpar supervisors.

Another crucial technique for educating managers and professionals is *mentoring*. Mentoring relationships teach many of the subtle abilities required to move up to the highest levels. Mentors perform important roles in addition to offering guidance, training, candid criticism, advice, insights into the dynamics of the organization, and other forms of support. Oftentimes,

mentors act as sponsors, assisting their protégés in becoming more visible and accountable. The lack of female mentors in areas where males predominate has likely been one of the obstacles preventing women from rising to the top of their firms. Although women can mentor men and men can advise women occasionally, mixed-gender relationships bring unique complexity such as worries about how other people might view the connection. The relationship between Bill Agee, the CEO of the now-Honeywell-owned Bendix Corporation, and Mary Cunningham, a young Harvard MBA, serves as an illustration of perception issues and the severe consequences they can have on all parties involved.

Mentoring can bring a great lot of happiness to the mentor in addition to being a significant resource for the organization and the emerging manager or professional. The junior employee and their mentor are often 8 to 15 years apart in age. It would be expected that mentoring would start in the middle of managers' and professionals' careers due to the age and experience requirements. Yet, in contrast to those in their mid-career, managers over 50 and younger managers in their thirties seem to be more interested in mentoring than mid-career managers. One plausible explanation for why mid-career persons may not be as accessible for mentoring positions could be that they are frequently consumed with midlife crisis and the associated self-doubts and future fears. For a manager who has risen to a pretty high position within the organization but is not slated for future promotion, mentoring can be an especially beneficial job. Likewise, mentorship could play a crucial role for people who are nearing the end of their career cycles and may have left their highest positions. Lastly, contrary to popular belief, mentoring activity actually tends to rise during stressful corporate periods, such downsizing. This is due to the fact that mentoring offers a source of esteem for the mentor that may not otherwise be available due to limited prospects for promotion and other factors. Junior employees may thus look to mentors for coaching and assistance at these times.

In *computer-based training* or instruction, the student interacts with a computer-generated display of content using audio and video media. For instance, the content can be delivered in a way that calls for a response from the students. The computer then provides the learner with positive reinforcement for their accurate responses, diagnoses their incorrect answers, and provides more education until the student learns the correct response.

It's interesting to note that while developing computer-based training or instruction can be costly, delivery expenses are minimal. On the other hand, the lecture method of instruction has

cheap development costs but high delivery expenses. However, there are significant benefits to computer-based learning. Because of its computerized interactive features, it can be easily accessed at any time by the learner, allows for self-paced learning, and encourages active participation. It can be used stand-alone and offers additional features including in-progress assessment, reinforcement, and corrective training based on erroneous responses. Additionally, this kind of training offers standardized instruction that can be extensively distributed throughout an organization and can simulate genuine, practical work scenarios.

Computer-assisted instruction is another method of instruction. With this method, the computer might be utilized to supplement more traditional training rather than serving as the main instructional medium. Sometimes, the names are used interchangeably, making the distinction between them somewhat hazy. However, the term "computer-assisted instruction" seems to have a broader meaning. The management information systems literature has published a significant amount of research in recent years on the topic of designing human-computer interfaces for computer-assisted training that will encourage active participation from students. One noteworthy discovery is that learning efficacy can be significantly impacted by design. The Internet is a fantastic resource for training. Businesses and academic institutions are scrambling to use the Internet's potential and expand their distance learning offerings. Duke University, for instance, currently provides an Executive MBA online. Online master's degrees are also available from several additional universities.

7.3.3 Apprenticeships

In the US, *apprenticeship programs* are not widely utilized. As of right now, they barely account for an estimated 0.16 percent of the workforce. In contrast, 6.5 percent of German workers are engaged in apprenticeships. Germany has the most advanced apprenticeship programs, leading to certification and exams in almost 400 different occupations. "Approximately 65 percent of each class of middle school graduates enter apprenticeship training in fields ranging from skilled manufacturing to office work," according to the institutionalization of this practice in Germany. These prospective apprentices attend a state-sponsored vocational school for at least one day a week and receive four days of on-the-job training over three years. Most students in the apprenticeship program, also known as dual training, start at age 15 or 16 and complete it in three years.

German students who plan to drop out of college understand the importance of maintaining strong marks because one of the things businesses look for when choosing apprentices is academic achievement. Students also understand that finishing an apprenticeship and passing the certification exam results in respectable employment with competitive pay. Large German industrial companies hire 80–90% of their apprentices as regular, long-term workers when they complete their training programs, and placement rates are high for businesses of all sizes.

Moreover, the German government contributes a portion of its investments in apprenticeship training. They frequently pay apprentices less than one-third of the ordinary wage rate instead of the regular wage rate. Apprenticeships also help German businesses by boosting employee productivity and improving the rapport between subordinates and superiors. Having trained in apprenticeship programs, many supervisors and managers have a heightened understanding of the tasks performed by their subordinates.

Unfortunately, there are a lot of obstacles or defenses against the implementation of apprenticeship programs similar to those in Germany in the United States. One issue that is expected is that pupils will have to decide at an early age whether to pursue a university or vocational course. It is obvious that for students to make wise judgments, there will be a need for increased career awareness. There's also the criticism that pupils' educations won't be sufficiently broad due to apprenticeship programs' tighter concentration. The argument against this is that, under the current system, a large number of pupils drop out of school at a young age due to dissatisfaction with their education. Another issue is that the abilities acquired will become outdated too soon due to the training's specificity. Since some skills can be applied in a variety of contexts, this isn't always the case. One other point is that kids from underprivileged backgrounds—who are also more likely to be minorities—will be overrepresented in the vocational route. They will therefore have shorter career pathways and less vocational mobility. Regrettably, the existing state of affairs dictates that the prospects for employment for underprivileged youngsters are already severely constrained and plagued by a lack of networking opportunities for high-paying positions. Apprenticeship programs facilitate the development of positive work habits and self-esteem by offering job contacts, networks, and mentorships.

7.3.4 Management Development

Approaches to management development that promote job rotation through increasingly critical responsibilities are common. Unfortunately, as a result of an earlier organizational change, several

middle-management training positions were terminated. It could be challenging to train managers for positions at the top in organizations where middle management positions have been removed. Thus, more management development projects in the future may utilize the rotating leadership of task forces or product development teams.

Nonetheless, the practice of rotating managers through progressively more important roles or a mix of vertical and horizontal assignments remains one of the most widely utilized methods of management development. Cross-functional assignments are a deviation from these conventional rotating programs..

An important insight into these assignments is provided in the following description:

Despite being the cornerstone of any business, expertise-oriented managers fall victim to Peter Principle pitfalls when they hold positions of leadership. However, if a manager who is viewed as having leadership potential is transferred to a different department, that manager will need to learn how to lead by example by working with individuals who possess greater experience. Unlike what many companies do, this cross-functional position should last for at least three to four years. If not, people will just learn how to start things out rather than how to implement and execute them.

The respondents' expectation that managers will receive additional training in the future to stay up to date on concepts and skills was one of the study's key findings. The future emphasis on corporate-level initiatives led the respondents to anticipate increased managerial training as well. Also, under underwritten regulations, 22 percent of the organizations mandated that managers attend this kind of training. The retail industry's approaches to training and development differ depending on performance, as demonstrated by empirical data from another study. During a phase of decline, one of the study's high achievers made a significant tactical adjustment. The corporation emphasized training more as part of the shift, especially strategic training like competitor analysis. On the other hand, underperforming initiatives either ceased operations or reduced their scope.

The pace of development has already altered, in addition to potential modifications to the quantity and kind of training. Through fast-track management development programs, extraordinarily gifted people were previously prepared for the top positions. For instance, Edgar S. Woolard Jr. held 20 different positions over 32 years before being appointed chief executive officer of Du Pont. Although he worked in various positions for a short time—from five months to three years—his experience was typical for fast trackers, who often received promotions after

18 to 24 months. The baby boomer generation's oversupply and decline in middle-management positions have caused a sharp slowdown in the rate of promotions.

7.3.5 Management Development for International Assignments

The following quote highlights the stark contrast between the use of overseas assignments for development and the past practice of assigning managers with less favorable prospects for advancement to overseas assignments: " Overseas travels are becoming mandatory for future promotions at Du Pont, where roughly half of revenues are generated from outside." Regretfully, American businesses have frequently been unsatisfied with cross-cultural training and have neglected to offer sufficient training for expatriate assignments. However, if senior management supports the training, it is based on sufficient resources, and it lasts long enough, it can be more effective. When a high level of cultural fluency is required, training that involves immersion may be required. These methods include the use of simulators, extensive language instruction, field experiences, and sensitivity training. Future senior management support for this kind of training might also be stronger. Motorola began offering strategically focused training on other nations as part of its senior-level executive development program as early as the mid-1980s. Similarly, human resource managers and executives need to learn how to find, select, and train managers and professionals abroad for international operations to access top talent.

7.3.6 Product Life Cycles and Managerial Fit: Development vs. Selection

It has been mentioned in previous talks how crucial it is to match the organization's overall strategy with its human resource practices. An associated matter pertains to the significance of aligning managerial styles with the strategies of the organization. Various strategists have suggested that distinct managerial abilities or dispositions are necessary for various phases of product life cycles or business strategies. Introduction, growth, maturity, and decline are typical typologies, notwithstanding the lack of consensus regarding life-cycle stages. broader strategy categories, such as evolutionary stages and steady-state conditions. When it comes to product life cycles, there is a debate on whether managers should be risk-takers or entrepreneurs during the introduction stage or risk-averse and cost-containment-focused during the decline stage. Product life-cycle models suffer from issues related to imprecise stage identification, the reliability of required personalities or styles for each stage, and inaccurate style and personality assessments. They are useful, though, in drawing attention to alignment through recruiting, training, or incentive programs. A cautious

contingency approach to matching or fit may be useful, keeping in mind the limitations of these methods.

Accordingly, some academics contend that firms using steady-state methods will achieve more successful matching if they prioritize development over selection. Steady-state plans require managers to have a broad grasp of the business and accomplish growth through internal expansion. On the other hand, selection ought to offer a more successful matching method for companies using evolutionary tactics. Evolutionary methods can more easily gain the managerial expertise required to staff an unrelated acquisition through external selection, as they rely on mergers and acquisitions for expansion. These findings suggest that management development is going to be a critical component of organizational strategy for organizations expanding internally.

Self-Assessment Questions	
1.	How can organizations design compensation packages that attract and retain top talent while aligning with strategic goals?
2.	In what ways can organizations communicate career paths and development opportunities to employees to align with the organization's strategic direction?
3.	How does ongoing performance management and regular feedback support employee development and align individual performance with strategic goals?
4.	How does an effective reward and development system contribute to higher levels of employee engagement, and why is this crucial for strategy implementation?

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Unit-8

Performance Impact of HR Practices

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INTRODUCTION

The performance impact of Human Resources (HR) practices is a critical aspect of organizational success, as the strategies and policies implemented by HR departments directly influence the productivity, motivation, and engagement of the workforce. Effective HR practices go beyond administrative functions; they shape the organizational culture, attract and retain talent, and contribute to overall business performance.

Strategic Role of HR Practices: HR practices play a strategic role in organizations by aligning human capital with business objectives. From recruitment and onboarding to talent development and employee retention, HR practices are designed to support the achievement of organizational goals.

Talent Acquisition and Recruitment: Effective recruitment practices are the foundation of building a high-performing team. HR professionals are tasked with attracting top talent, assessing candidates' skills and cultural fit, and ensuring a seamless onboarding process. The impact of successful recruitment is seen in the quality and diversity of the workforce.

Employee Development and Training: Investing in employee development and training programs is a key HR practice that directly influences individual and collective performance. Continuous learning opportunities contribute to skill enhancement, employee satisfaction, and the adaptability of the workforce to evolving business needs.

Performance Management and Appraisal: Performance management practices, including regular feedback and performance appraisals, provide a framework for recognizing and rewarding high performers, addressing areas for improvement, and aligning individual contributions with organizational objectives. Well-implemented performance management positively impacts employee motivation and engagement.

Employee Engagement and Well-being: HR practices focused on employee engagement, well-being, and work-life balance contribute to a positive workplace culture. Engaged employees are more likely to be productive, innovative, and committed to the success of the organization.

Compensation and Benefits: Strategically designed compensation and benefits packages are essential for attracting and retaining top talent. HR practices in this area directly impact employee satisfaction, motivation, and overall performance.

Diversity and Inclusion: HR practices promoting diversity and inclusion contribute to a more innovative and adaptive organizational culture. Inclusive workplaces foster collaboration and creativity, leading to improved team performance and overall business success.

Employee Relations and Communication: Effective employee relations practices, coupled with transparent and open communication, create a positive work environment. HR plays a crucial role in resolving conflicts, fostering a sense of belonging, and ensuring that employees are well-informed, all of which impact performance.

Adaptability to Change: HR practices that support organizational change and adaptation are crucial in today's dynamic business environment. The ability to manage change, communicate effectively, and provide the necessary support impacts employee morale, productivity, and the organization's overall resilience.

Measuring HR Impact: Measuring the impact of HR practices involves key performance indicators (KPIs) related to employee satisfaction, turnover rates, productivity metrics, and alignment with strategic objectives. Analytics and data-driven insights help HR professionals continuously refine their practices for optimal performance impact.

In conclusion, the performance impact of HR practices extends far beyond traditional administrative functions. Successful HR strategies contribute to building a motivated, engaged, and high-performing workforce, ultimately driving organizational success and competitiveness in the marketplace.

Unit-8

The Performance Impact of Human Resource Practices

The underlying premise of the investment perspective discussed in this book is that investing in human resources can provide a firm with a sustained competitive advantage and increase the likelihood that its business objectives will be carried out successfully. Owing to these benefits, the company's shareholders may see investments in human capital provide enticing returns. Although acquiring and maintaining competent employees are essential, investing in human resources involves more than just these steps. There exist multiple ways to invest in human resources. In some cases, like when employees are trained to boost efficiency, they might be rather straightforward. An indirect strategy may also be used when investing in human resources. Such investments could be made, for instance, through an alluring pay plan that increases worker productivity and makes it easier for the company to retain a highly skilled team. Additional examples might be spending more money on hiring more qualified candidates or promoting job openings more frequently to enhance the selection processes.

The empirical data demonstrating the connection between different HRM strategies and reliable performance indicators of their companies has piqued the interest of HR professionals in recent years. In many instances, top management's demand for concrete proof that their HR departments are improving the company's performance has sparked this interest. This section examines the effects of particular HR practices and systems on these kinds of activities through a review of some of the pertinent research. Most of the studies that are listed in this section are theoretical, and they use statistical techniques to take into consideration other variables that might affect an organization's success. A few non-empirical studies that present results from several observations are also included in the conversation.

The first part of this talk will look at the effects of specific high-performance HR strategies, some of which are said to be best practices that apply to practically everyone. The constraints of individual best practices are then discussed, along with how they affect performance and how individual practices develop into systems of practice. The effects of high-performance practice systems are thus the main topic of debate. The rationale for anticipating improved performance from systems of these practices is explored, and then the findings of studies looking into whether or not systems outperform individual best practices are taken into account. Lastly, the contingency view of strategic HRM is examined. This theory holds that a practice or system of practices can

only fully accomplish its goals if it aligns with the organization's organizational structure and supports the company's business plan.

8.1 Individual High Performance Practices

Many high-performance techniques, or best practices, have been found by various academics. Professor Jeffrey Pfeffer of Stanford University is one of the most well-known of these proponents of universal best practices. Pfeffer has written two books, *Competitive Advantage via People* and *The Human Equation: Building Profits by Putting People First*, that discuss these best practices. The first book had sixteen best practices; the second book consolidated many and reduced the number of best practices to seven. According to Pfeffer's research, these seven management techniques can improve company performance almost everywhere:

1. Security of employees.
2. The selective recruitment of new employees.
3. Decentralized decision-making and self-managed teams as the fundamentals of organizational design
4. Relatively high salary subject to performance inside the organization..
5. A lot of instruction.
6. Reduction in status barriers and distinctions, such as attire, language, workplace layouts, and salary disparities between levels.
7. Widespread dissemination of performance and financial data inside the company.

This section will provide empirical data on the influence of these and various other HR practices on performance. The main categories of individual practices will give research findings on whether such practices genuinely have a positive impact on various indicators of company performance.

8.1.1 Compensation

Surprisingly little high-quality research has been done on the performance consequences of remuneration and financial incentives, despite their significance to businesses and workers alike. Moreover, conventional methods of compensating have drawn criticism:

Today's workers are expected to collaborate with others as well as work alone. They must continue to pick up new abilities and take on more responsibility. They are supposed to

assume greater accountability for their actions and outcomes. Consequently, we are gradually realizing that we might be paying for unnecessary items, giving staff mixed signals about the company, or inflating expectations of promotions and raises indefinitely, regardless of how well the business does.

8.1.2 High Compensation Linked to Organizational Performance

There are differing opinions on high compensation and making it dependent on organizational performance, as there are with many other compensation-related topics. Professor Jeffrey Pfeffer asserts that companies that underpay their employees are making a fallacious argument that their workforce provides them with a competitive edge. He argues that Home Depot's success can be attributed to its outstanding workforce, which is kept in place by paying relatively high rates in a low-wage industry. Unfortunately, despite the anecdotal evidence supporting this assertion, there aren't many empirical studies on the effects of high pay aside from those that point to low wages as an indirect source of turnover, which negatively affects corporate performance.

Additional ways to tie part of compensation to the company's performance include profit sharing and stock options, which are covered in a different section below. Numerous well-known businesses, including Microsoft, Bank of America, Intel, Owens Corning, and Starbucks, have implemented stock option plans for all or extremely broad employee groups, including those who perform satisfactorily. Such types of pay are said to provide value in the following ways:

- (1) by aiding in the recruitment and retention of staff;
- (2) by fostering organizational commitment;
- (3) by bolstering the development of skills and knowledge; and
- (4) by inspiring actions consistent with the strategic goals of the business.

Therefore, for broad-based stock options to impact performance, they must be beneficial in at least one of these four areas.

8.1.3 Incentive-Based Compensation

John Delaney and Mark Huselid have examined the effect of incentive-based remuneration on performance by analyzing data from the National Companies Survey, which includes 590 for-profit and nonprofit companies. Perceptual indicators of organizational performance were employed in the study, and they were framed about the performance of other firms in the industry over the previous three years. It was discovered that incentive-based

remuneration had a strong correlation with organizational success for each of the study's sample companies. In addition to other studies of corporate or organizational performance, multiple regression analysis was employed, along with other control variables.

8.1.4 Profit Sharing

In a study, Gary Florkowski and Kuldeep Shastri looked at how profit sharing affected stockholder value in unionized companies. After companies and their unions agreed on profit-sharing programs, this study looked at shareholder returns. Their analysis of 45 publicly listed companies revealed that when these plans were announced, shareholder returns went up. Remarkably, the companies experiencing financial challenges before the negotiated settlements saw the biggest increases. The significance of the findings stems from the researchers' additional conclusion that the higher returns were not caused by the end of wage-reduction or strike initiatives.

Research has also been done in the banking industry regarding the financial impacts of profit-sharing. Using data from 192 banks, John Delery and Harold Doty conducted a multiple regression study that adjusted for several possible factors that could affect financial performance. The analysis's findings showed that profit sharing improved return on equity (ROE) and return on assets (ROA).

8.1.5 Team-Based Compensation

Recent studies have also looked at team-based pay. According to team performance, one study looked at the varying effects of bonuses. The study looked at bonuses that were awarded based on team performance and compared the effects of bonuses given according to equality (bonuses split equally among team members) versus bonuses given according to equity (bonuses distributed based on each team member's contributions). Ten organizations provided data for fifty-seven teams, averaging thirteen members (team sizes varied from four to thirty-two). Perceptual indicators of team performance, productivity, and helpful actions were employed in the study.

8.1.6 Diversity

Empirical studies on group creativity have revealed a positive correlation between ethnic diversity and creative output. In line with this, it has been suggested that, with appropriate management, the increased innovation generated by a more diverse staff might improve the performance of the company. Employing individuals who will mesh well with the company is a

good idea, but if done too often, it can lead to problematic homogeneity. Organizations may lose their flexibility and ability to adjust to changing conditions if they exhibit severe homogeneity.

Recent studies have investigated this claim by examining hiring practices related to affirmative action during recessions. Based on shareholder returns, this study has shown that two years following the economic recovery, companies that prioritize this kind of hiring outperform other companies in terms of financial performance. The associated financial performance variable and the emphasis on hiring for affirmative action purposes. An extensive collection of control variables was used, just like in earlier studies on business performance. Naturally, the benefits of diversity take time to materialize in improved performance, therefore the consequences of greater diversity do not produce instantaneous results. According to conjecture, employing people in this way for affirmative action objectives also stands to improve the company's standing with minority and female candidates and lower the risk of legal action and the expenses that come with it.

8.1.7 Employment

Countercyclical Hiring: The impact of recruiting critical personnel during economic downturns—a contrarian practice—has also been studied by research. Since the company is employing during a downturn, it is evident that the practice is restricted. Still, companies might score deals on important employees that would be required to carry out a plan that will provide high profits after the economy recovers. If there is little demand for their services from other businesses, the company might, for instance, use this basis to hire important researchers and developers. A recent study evaluated how this strategy affected shareholder returns. The study made use of a metric to gauge how much executives thought their companies were using these tactics during the previous recession.

Downsizing: The topic of downsizing has generated a lot of normative discourse in both scholarly and popular publications. This literature's omission of discussing the financial effects of downsizing was a gap. Nonetheless, a thorough investigation has looked into the consequences of downsizing. A total of 5,479 downsizing cases during 15 years were examined in this study. In addition to shareholder return, the study looked at how downsizing affected business profitability (ROA). The analysis revealed an interesting finding: companies that underwent downsizing did not get returns that were appreciably higher than the industry average.

Early Retirement Programs: Early retirement offers began to show up in business press stories regularly in the 1980s and 1990s, despite the lack of knowledge at the time on the

financial implications of these activities. Thank goodness, research on the empirical effects of early retirement policies on shareholder wealth has been conducted. According to the firm's performance before to the announcement, the impact of the 51 early retirement plan announcements that were the subject of this study's analysis varied. Announcements of early retirement plans had no bearing on the enterprises that had seen deteriorating shareholder returns in the year preceding the announcement. The news improved shareholder rewards for the companies that generated strong returns. "Proactive downsizing made when a firm is doing well may signal an intended reorientation of personnel that goes well beyond a mere defensive reaction to decline through cost cutting," according to one possible explanation for the noteworthy results.

Employment Security: Employment security procedures support the company's efforts to protect its human resource investments. They also give workers the stability they need to unleash their creativity for the company's advantage. It has been suggested that workers who feel more confident in their positions are more inclined to apply their knowledge to boost output inside the company. Nevertheless, there is a drawback to these methods as well; before, it was observed that there was an inverse "U"-shaped association between labor effort and job security. The impact of job security on performance was the subject of a study that Delery and Doty previously referenced. Employment security procedures were shown to be positively correlated with ROA in their research of banks. Regretfully, throughout the 1980s and 1990s, the majority of even the most well-run businesses were forced to give up on their employment security policies. However, there may be benefits for businesses that offer the proper level of job security. Remarkably, despite operating in a volatile industry, Southwest Airlines, one of the top-performing businesses for years, has never seen a layoff.

Human Resource Outsourcing: In recent years, human resource departments have outsourced a large number of their operations. In fact, according to previous polls, up to 91% of participants said that their companies outsource a portion of their human resource-related tasks. This tendency can be explained by a variety of factors, many of which are connected to growing expectations for higher performance. Outsourcing is frequently stated as having advantages in terms of cost savings and increased efficiency. Practitioners, however, are quick to point out that the results are frequently unsatisfactory when outsourcing is done only to cut costs. When outsourcing enhances the company's strategic direction and frees up human resource departments to concentrate on value-added tasks, the result seems to be a sustainable competitive advantage.

8.1.8 Industrial Relations

Decertification of Union Bargaining Agents: Although it is against the law for businesses to encourage workers to try to decertify their unions, labor relations environments are likely to have some impact on these kinds of activities. Therefore, the labor relations climate that the company creates may be influenced indirectly by decertification activities. Decertification elections are thus covered in this analysis of the consequences of HRM practices. A current investigation looked at how 153 union decertification elections affected shareholder returns. It is believed that prospective investors will think that salaries will be the primary target of redistribution of the firm's earnings due to unionism, rather than shareholder returns. So it makes sense to anticipate that higher shareholder profits would result from a union's decertification as the bargaining representative. The study discovered that elections to keep the union yielded higher shareholder profits, which went against expectations. According to this study, in a partitioned sample comparison, companies that kept union representation in decertification situations did better than those who fired the bargaining representative.

Positive Labor Relations: Numerous outcomes may arise from how businesses manage their relationships with their unions and the employees they represent. These kinds of labor relations techniques have an impact on both financial success and worker productivity. More precisely, the literature on labor relations and industrial relations has long proven that unionism can affect productivity in both favorable and unfavorable ways. One argument for the effects of unions is that they give employees a way to voice their complaints to management about working conditions by representing them in grievance procedures and collective bargaining. This indicates that unions offer a voice mechanism, which may improve business performance under certain circumstances.

Strikes: Through the use of shareholder returns, the relationship between strikes and the financial performance of struck enterprises has been objectively investigated. A study discovered that shareholder returns tended to rise during strikes that lasted between 11 and 29 days. Conversely, after strikes that lasted 30 days or more, shareholder returns tended to deteriorate dramatically, and after strikes that lasted 1 to 10 days, the company's financial results tended to decline as well. These findings support the widely held belief that unions win shorter strikes (one to ten days) and employers win longer strikes (11 to 29 days). Financial returns for the

exceptionally lengthy strikes fell precipitously up to 24 months after the strike, maybe as a result of the parties' relationship starting to resemble a dead marriage.

8.1.9 Internal Labor Market

Researchers have also looked at how internal labor markets, which allow for internal promotion, affect performance. Promotion from inside is substantially correlated with perceptual measures of organizational success, according to the Delaney and Huselid study (already referenced), which examined data from the National Organizations Survey. The performance of the for-profit companies in their sample was connected with these kinds of promotion strategies. Remarkably, when charitable organizations were included in the analysis, such results were not observed. However, another indicator of internal labor markets assessed the level of vertical organization as a proxy for career ladders. Although tendencies toward flatter structures and decentralized decision-making are incompatible with higher levels of vertical hierarchy, the inclusion of charitable organizations in the research made this measure strongly correlated with performance.

8.1.10 Motivation

Decentralized Decision Making: The performance impacts of decentralized decision-making are supported by a study conducted by Varma and colleagues. The impact of several high-performance work practices and systems, such as decision-making delegation, was investigated in this study. The study's foundation was a survey of 39 sizable companies from various industries, with an average of 18,000 workers. While they only used one item to quantify it, the researchers referred to delegation as a system rather than a single activity. Therefore, even if decentralized or delegated decision-making is likely more complicated than straightforward HR procedures like structured interviews, it will be treated as a separate practice for this article. Perceptual measurements of financial and operational performance were also used in the study.

Self-Managed Teams or Autonomous Work Groups: Many firms now depend on teams and teamwork to be successful, and self-managed teams are compatible with more decentralization. Self-managed teams operate differently from traditional work teams in that they determine the order in which several interdependent tasks must be completed. These teams might place material orders, take care of maintenance, and check the output's quality. A recent research conducted by a unionized Fortune 500 business looked at the effects of teams on labor productivity and quality in four different industrial areas. The groups in this study lacked some of the liberty of

self-managed groups, but they were nevertheless given a lot of leeway in addressing problems and were given budgetary data about their plant as well as details about the goods of their rivals. Furthermore, since individuals were allocated to their teams, team membership, which varied from 4 to 18, was not elective. Identifying these teams as "High-Performance Work Teams," the researchers named them.

Open-Book Management or Sharing Financial and Performance Information:

The practice of releasing financial or performance data is known as "open-book management." The strategy gives employees the ability to make smart decisions and take smart actions that are in the best interests of the firm. This strategy can increase motivation by creating a culture of trust and value, empowering workers, and offering various incentives like sharing profits or cost-cutting. There is a lot of anecdotal information gained from the experiences of firms that have embraced open-book management, even though there is little empirical proof regarding the influence of the practice on performance.

In his book *The Open-Book Experience: Lessons from Over 100 Companies Who Successfully Transformed Themselves*, John Case details a number of these successful deployments. Several specific company goals, including lower error rates, higher average sales per customer, better quality, enhanced order accuracy, and lower shop supply costs, have all been positively impacted by businesses. The abundance of favorable reports supports an optimistic assessment of the possible effects of this technique, even though anecdotal reports do not account for other factors that might have led to such performance increases.

Reduced Status Differentials or Symbolic Egalitarianism: Reduced status differentials do not appear to have a beneficial performance effect, at least not empirically. However, there are several instances of highly effective businesses that have made significant efforts to do away with status disparities. These companies' executives think that these disparities hurt the company's success by dividing the workforce in dysfunctional ways. Numerous successful businesses have made significant efforts to reduce status disparities inside their company, including Whole Foods Markets, Lincoln Electric, Kingston Technology, Wal-Mart, and Southwest Airlines.

8.1.11 Performance Management

Results-oriented assessments have been shown to improve business performance through empirical evidence. According to the previously mentioned study by Delery and Doty, which used

a sample of banks, results-oriented assessments also increase ROA. Furthermore, businesses that lack effective appraisal processes face the possibility of being unable to defend layoffs or promotion rejections. Lack of record of poor or subpar performance exposes the company to financial risk and puts it in danger of losing lawsuits or arbitrations. Yet, neither the employee's performance nor its ratings always affect outcomes like pay. Performance reviews do not always fairly represent the work of the employee. In certain firms, the process of performance appraisal is being updated due to various issues, including basic doubts about its value and the evolving role of HR management.

8.1.12 Staffing

It has been discovered that several specific staffing techniques are favorably correlated with different indicators of business performance. It has been found that several specific staffing techniques have a positive association with different indicators of business performance. For instance, David Terpstra and Elizabeth Rozell's study looked at the effects of five staffing procedures that are frequently thought of as well-grounded selecting methods on performance:

1. Yield analysis or follow-up research on sources of hires to determine which sources generate the largest proportions of high-performing workers
2. Research on test validation and other methods of selection
3. Employing systematic selection interviews, in which all applicants are asked the same questions
4. Using assessments of cognitive aptitude and ability
5. Using biographical information blanks (BIBs) or weighted application blanks (WABs)

They all had a composite selection index created for them.

Terpstra and Rozell conducted surveys with over 200 firms. Survey participants were asked to report sales growth, profit growth, and profit in percentage ranges rather than using real accounting data. However, there was a strong correlation between these measurements and the accounting information collected for more than 60 of the survey's participating companies.

Cognitive Tests: Since the early 1900s, cognitive tests, often known as mental capacity exams, have been utilized for a variety of selection objectives. When companies began using these exams in the 1970s without proving their validity or the correlation between test results and work performance, the practice came under fire. However, validation protocols are well-established, even though the process of validating such tests necessitates considerable statistical complexity. Moreover, new studies suggest that previous assessments of cognitive capacity may

not have been as predictive as they might have been. When properly validated and conducted, these tests can significantly improve selection accuracy. According to Terpstra and Rozell's research, there was a substantial correlation between cognitive testing and service industry profit, sales growth, and overall performance. The study also discovered that there was a tendency for the usage of cognitive testing to be linked to larger firm sizes in terms of personnel.

Staffing Selectivity: Additionally, empirical investigation has been done on the effects of selective staffing. Analyzing perceptual indicators of organizational success, the Delaney and Huselid study mentioned earlier also looked at selective staffing. Staffing selectivity strongly positively correlated with organizational success for the for-profit businesses included in the survey. Following their inclusion in the analysis, there was no correlation between nonprofit organizations and performance.

Strategy-Linked CEO Succession: Insiders vs. Outsiders: Although the literature on traditional selection usually offers advice on how to choose people for specific positions, some companies have switched to procedures that are better characterized as strategic selection. Essentially, this kind of employment looks for executives with the best skills to carry out a specified plan within a specific industry. It's interesting that there has been a suggestion that as organizational diversity increases, portfolio management abilities take precedence over CEO expertise and understanding specific to their company. (Portfolio management abilities are the capacity to oversee a variety of firms using broad concepts rather than in-depth expertise of the particular organization.)

Structured Interviews: Terpstra and Rozell also looked at how organized interviews affected performance. According to their multiple regression analysis, structured interviews were linked to service industry profit and profit growth. The structured interview results showed relatively weak relationships with profit and profit growth across all industries, in contrast to the regression results. The significance of the implementation context is demonstrated by the tiny bivariate correlations, which suggest that the contingency perspective has some validity.

Validation Studies: According to Terpstra and Rozell's findings, validation studies were linked to profit in service sectors, as well as profit growth and total company performance. Similar to cognitive assessments, the outcomes also showed that a larger firm size in terms of personnel was linked to the utilization of validation studies. There was a strong correlation between cognitive testing and validation study use. This partnership was anticipated because test validity is

a fundamental component of sound selection practices and is required to avoid lawsuits over testing's detrimental effects.

Weighted Application Blanks and Biographical Information Blanks: Terpstra and Rozell also looked at how these two types of blanks affected performance. Their analysis showed that the adoption of WABs and BIBs was related to overall company performance in the service industries after adjusting for staff count. There were shown to be comparatively strong associations between WABs/BIBs and annual profit, profit growth, and overall performance.

Yield Analysis of Recruiting Sources: Analyzing yield entails assessing the caliber of different staff sources, such as institutions where a company acquires its top personnel or the media that advertises jobs and generates the most qualified candidates. Terpstra and Rozell's study looked at the effect of yield analysis as well. They discovered a relationship between yield analysis and both sales growth and the service industry's overall performance indicator. Additionally, they discovered a connection between it and overall business performance in the retail and wholesale sectors. As was already said, their investigation took into account the number of employees in each company. There were relationships between yield analysis and profit and total business performance in all industries.

Training: An estimated \$55.3 billion is spent annually on training by American businesses. Even if the United States falls behind numerous other developed nations in terms of training, this kind of spending suggests that many firms see training as a high-performance strategy. However, there hasn't been much data on its impact on company performance up until recently. Businesses used to take a long time to assess the success of their training initiatives. Nonetheless, there's no shortage of evidence indicating the importance of training has come under closer examination.

Perceptual indicators of organizational performance have also been demonstrated to benefit from training. According to the earlier-cited Delaney and Huselid study, which used data from the National Organizations Survey, training was found to be substantially correlated with these performance metrics in both for-profit and nonprofit organizations. For both the overall sample and for-profit businesses, there was a correlation between training and performance.

It also may be concluded that the kind and type of training received can affect the financial and productivity gains that businesses will experience. Furthermore, there is undoubtedly

a lot of truth to the claim that when training becomes part of in the company culture, there is a higher chance of favorable performance impacts.

8.2 Limitations of Individual Practices

Individual HR practices are substantially connected previously. Consequently, it is simple to exaggerate their true influence on output. For instance, the statistical interpretation of merit-based remuneration policies is that they explain sixteen percent (r^2) of the variance in business profitability if it is discovered that these practices have a substantial correlation coefficient of $r = .40$ with firm profitability. But regrettably, this would be an inaccurate reading, as the compensation practice is most likely just one of numerous highly connected HR policies that are impacting profitability at the same time. It would be more realistic to say that a few high-performance practices account for sixteen percent of the variation in profitability. The previously mentioned Delaney and Huselid study, which was based on the National Organizations Survey, discovered that straightforward correlations between specific HR practices and metrics of company performance overstate their contributions because the size of additional practices' coefficients (i.e., the magnitude of their contributions) decreases and may even become statistically insignificant when added to multiple regression equations.

8.3 Evolution of Practices

It appears reasonable to assume that decisions on the adoption of HR practices may, at least occasionally, be made on an individual practice basis, notwithstanding the limitations of the individual practice perspective. In fact, up until recently, a large portion of the research on human resources concentrated on the effects of specific activities. Furthermore, it appears that systems of human resource practices grow rather than being created and put into place overnight. HR systems are path-dependent, according to Brian Becker and Barry Gerhart. They are made up of rules that have been created over time and are not easily acquired by rivals in the marketplace. Organizations have frequently implemented human resource strategies to tackle particular competitiveness issues, such as delayed product development. To address such a shortcoming, the company might have implemented a compensation leadership individual practice to draw in highly skilled research and development staff. Regretfully, not every single technique works on its own. For instance, a company may decide to implement work teams as an additional individual practice without making

adjustments to the supporting systems, including team-based compensation plans. Isolated decisions about specific procedures, like the one in the latter case, have occasionally led to a mishmash of inconsistent practices, some of which may even be mutually exclusive. For instance, a company would not be expected to preserve a compensation structure that incentivizes individual achievement while simultaneously optimizing the advantages of implementing work teams.

8.4 Systems of High Performance HR Practices

It is uncommon to find a company that uses just one or two of these practices, which is a practical consequence of the constraints of individual practices and their significant intercorrelation. The more typical scenario is when the company uses multiple systems or sets of these procedures. Practices like highly selective hiring procedures, significant training expenditures, team-based remuneration, and separate career tracks for technical and managerial positions, for instance, are all compatible and form essential systems for carrying out a business strategy that prioritizes innovation via R&D. Accordingly, research has claimed that because of these synergies or compatibilities, strategic HR systems ought to yield better results.

Sophisticated empirical research has now offered conclusive solutions to long-standing queries regarding the influence of human resource practice systems on bottom-line performance. Although it has long been claimed by the literature that some practices will result in improved performance, there was almost no evidence on systems of practices until recently, and there was little evidence on individual practices. Even though there is now proof of how these systems affect performance, the specific procedures that should be incorporated into the different systems frequently depend on the research technique. A large number of research studies that have looked at systems of HR practices have used statically determined practice categories. They typically identify groupings or clusters of individual behaviors using statistical techniques like factor analysis and then designate each cluster as a system. There might not be as much logical consistency in the systems as there would be if a human resource executive were asked to create them, even though they are made up of empirically connected activities..

One of the most thorough analyses of the financial impacts of these systems has been carried out by Mark Huselid. His research looked at data from more than 825 firms and has drawn a lot of interest from academics and industry professionals. This research uses a wide range of factors to account for different influences on company performance, therefore the findings can be

regarded with significant confidence. The staff skills and organizational structures system and the employee motivation and recruiting selectivity system were the two distinct systems of highly associated practices that were studied in this study. This skills system included the following practices:

- Information sharing
- Use of formal job analysis
- Promotion from within
- Use of attitude surveys of the workforce
- Use of quality of work life programs
- Profit sharing or gain sharing
- Employee training
- Employee access to grievance procedures
- Use of selection tests

The second system of motivation practices was made up of the following:

- Compensation based on performance appraisals
- Use of formal performance appraisals
- Merit-based promotions
- Hiring selectivity

This extensive study discovered very compelling evidence that systems of HR practices improve the performance of businesses. Generally speaking, there was a strong correlation between a higher gross rate of returns on assets and the employee skill system. Consequently, businesses that employ high-performance talent improvement systems typically see greater rates of return. Companies that implement high-performance motivator systems also typically have higher productivity (sales per person) and values of Tobin's q, a rough indicator of total intellectual capital. A wide range of organizational, technical, economic, environmental, and temporal factors influence various company performance metrics. However, examinations of the effects of systems of human resource practices show that, when the influence of these variables is controlled, there is a definite enhanced possibility of increased performance for businesses that apply them under the right conditions.

Ultimately, Huselid's study's total impact of all the high-performance HR practices was quantified in terms of money as follows:

The benefits of investments made in high-performance work practices are significant. Increases in these practices of one standard deviation are linked to a 7.05 percent relative drop in turnover, \$27,044 more in sales per employee, and \$18,641 and \$3,814 more in market value and profits, respectively. These results, which are both statistically and economically significant and internally consistent, imply that investing in the processes under study can yield large financial benefits for businesses.

8.5 Universal Practices Vs. Contingency Perspectives

The universal approach states that a few best practices can raise performance in practically any kind of scenario related to an organization. Furthermore, both individual best practices and systems of best practices are covered by the methodology. This approach makes the case that specific procedures or systems have a direct impact on performance and that these impacts are significant enough or broad enough to improve performance regardless of additional organizational features or conditions. Although experts in human resources have highlighted the absence of consensus regarding the best practices, several themes consistently appear in different research, and these include the practices that have already been covered in this section. One set of researchers supplied the following approximate summary of best practices: (1) Enhancing staff competency via targeted recruitment, education, and training; and (2) promoting more worker engagement in problem-solving, empowerment, and collaboration through mechanisms like job redesign, group-based incentives, and the transition to all-salary workforces.

According to the contingency or fit approach, businesses should implement human resource management methods that complement their overall strategy. According to this viewpoint, these practices' performance benefits are only felt when they are used in the right organizational settings. Therefore, the company that simultaneously pursues a business strategy of differentiating itself from its rivals by providing the best products stands to benefit the most from selective hiring practices. The company would be able to hire workers with the necessary skills to produce such high-quality goods through selective staffing techniques.

The previously discussed strategic HRM principles are congruent with the contingency approach. According to these principles, the systems of practices or practices themselves that the company uses to carry out its HR strategies ought to match or complement its competitive business strategies. Porter's framework offers examples of business strategies along

with three ways to compete. (1) differentiation through superior quality or service; (2) focus or niche strategies that concentrate on a certain area of difference; and (3) cost leadership as the low-cost provider of goods or services.

Therefore, the contingency view would contend that a company should implement human resource practices that are in line with its cost leadership strategy if it has chosen to pursue one. A company that practices cost leadership is unlikely to pursue pay leadership or have an executive benefits package with a lot of frills. Additionally, the pay plan ought to align with the organizational culture of the company; if the company has many cultures, further matching will be necessary.

Self-Assessment Questions	
1.	How do effective talent acquisition and recruitment practices contribute to the overall performance and success of an organization?
2.	Can you discuss the role of performance appraisals in aligning individual contributions with organizational goals and values?
3.	In what ways do compensation and benefits packages influence employee satisfaction, motivation, and overall performance?
4.	How can HR professionals utilize analytics and data-driven insights to continuously refine their practices for optimal performance impact?

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Unit-9

Human Resource Evaluation

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NTRODUCTION

Human Resource Evaluation, also known as Human Resource (HR) assessment or HR audit, is a systematic and comprehensive examination of an organization's HR policies, practices, and strategies to assess their effectiveness and alignment with organizational goals. The purpose of HR evaluation is to ensure that human resource management contributes positively to overall organizational performance and supports the achievement of strategic objectives. This process involves analyzing various HR functions, identifying areas for improvement, and implementing changes to enhance HR efficiency and effectiveness.

Evaluation of the effectiveness of recruitment and selection processes in attracting and retaining the right talent. This includes assessing the quality of hires, time-to-fill positions, and alignment with organizational needs.

Examination of training programs to ensure they align with organizational goals and contribute to the professional development of employees. Evaluation may involve assessing the impact of training on individual and team performance.

Analysis of performance management systems, including goal-setting, feedback mechanisms, and performance appraisals. Evaluation aims to ensure that performance management practices align with organizational objectives and contribute to employee growth.

Evaluation of the fairness, competitiveness, and effectiveness of compensation and benefits packages. This includes assessing the impact on employee satisfaction, motivation, and the organization's ability to attract and retain talent.

Assessment of employee relations practices, including communication strategies, conflict resolution mechanisms, and overall workplace culture. The goal is to foster a positive work environment and enhance employee engagement.

Review of HR policies and practices to ensure compliance with labor laws, regulations, and industry standards. This helps mitigate legal risks and ensures ethical and fair treatment of employees.

Evaluation of initiatives promoting diversity and inclusion to assess their impact on organizational culture, teamwork, and innovation. This includes reviewing recruitment practices, employee development, and inclusivity training.

Examination of succession planning processes to identify and develop internal talent for key positions. Evaluation aims to ensure the organization has a robust pipeline of future leaders.

Analysis of workforce planning strategies to align HR practices with organizational goals and anticipate future talent needs. Evaluation helps organizations proactively address skill gaps and changes in staffing requirements. Identification of inefficiencies and opportunities for improvement in HR processes, leading to increased effectiveness and efficiency.

Ensures that HR practices align with organizational strategy, contributing directly to the achievement of business goals.

Establishes a foundation for ongoing evaluation and improvement, creating a culture of continuous enhancement within the HR function.

Human Resource Evaluation is an essential process for organizations seeking to optimize their workforce management strategies, improve HR functions, and ensure alignment with broader organizational objectives. It involves a thorough examination of HR practices and their impact on employees, helping organizations create a more effective and strategically aligned human resources function.

Learning Objectives

After studying this unit, you will be able to:

- a) Describe Human Resource Evaluation
- b) Explain Approaches to Evaluation
- c) Understand Prevalence of Evaluation
- d) Evaluate Strategic Contributions of Traditional Areas

Unit-9

Human Resource Evaluation

Human resource evaluation is the conceptual framework's ninth and last element. The need to defend the existence of human resource practices, activities, and programs has increased as the emphasis on strategic contribution, competitiveness, and cost control has grown. Most organizations have not placed a high priority on the evaluation of their human resource programs, as this section will make clear. Nevertheless, due to the growing requirement to demonstrate effective resource utilization, evaluation will become more significant in the future. Based on study findings, the preceding section offered evidence on how HR practices and the systems supporting them affect total business performance. This section will describe how to carry out these kinds of assessments of procedures and frameworks. After providing an overview and discussion of several analytical methodologies, it will address several subjects linked to evaluation. Additionally, methods for evaluating the strategic contributions of both established and developing human resource domains will be covered. It will explain the various analytical approaches to evaluation and offer specific recommendations for evaluation within the various functional areas of human resources. Finally, it will discuss assessments of human resource effectiveness at the macro level.

There are strong reasons to evaluate human resource management and the human resource function, according to several HR practitioners and scholars. Many justifications have been offered for these assessments, such as the following:

- The promotion of the HR department, for example, by emphasizing how reducing turnover helps the bottom line
- The manifestation of responsibility in the use of resources.
- Identification of strengths and weaknesses in order to promote change.
- Financial evaluation is now used as a decision-making tool when choosing human resource programs.
- emphasizing important HR procedures.
- Evaluating the HR function's performance
- highlighting the function's contribution to the achievement of business objectives.

9.1 OVERVIEW OF EVALUATION

It is necessary to accept a sufficiently thorough definition of evaluation, along with the criteria and measurement methodology, before evaluating human resource management. From an

organizational standpoint, organizational effectiveness is commonly understood to be a multifaceted concept that takes into account a variety of factors, including productivity and adaptability. While flexibility measures may also tap the effectiveness with which the organization deals with emergencies, crash programs, or schedule changes, productivity measures occasionally tap efficiency, quantity, and quality. In certain cases, adaptability is measured independently and encompasses anticipating problems, learning new technologies, and adjusting to change. Because the effectiveness notion has various dimensions, laws including statistical processes have been created to create multiple measurements of subunit effectiveness.

9.1.1 Scope of Evaluation

The evaluation literature has made significant strides within the more constrained domain of human resource management. Even though several effectiveness measures, such as composite indexes, have been offered for the function's evaluation, the literature has suffered from a lack of an organizing, theoretical framework. The extensive conceptual framework by Anne Tsui and Luis Gomez-Mejia has since filled this gap. According to their framework, there are two types of outcomes or processes: those that are controlled by the human resource management function and those that are impacted by line management. A company may look at workers' compensation claims, turnover, or grievance rates to assess overall human resource performance. These metrics are heavily influenced by the line managers' actions within the organization.

By comparison, a more limited assessment of the human resource management role would concentrate on how well it manages a benefits program or finds and evaluates candidates. Thus, in broader assessments, the effectiveness of the organization's line managers would have an impact on metrics measuring how well it uses human resources. Only the human resource staff's performance has an impact on the measures in evaluations that are more focused. Because their duties and activities cover managers and workers in every department, human resource departments are special. Accordingly, the assessment of HR departments is a challenging yet crucial issue. This method has drawbacks even though it could be tempting to simplify things by giving things a more limited assessment.

Depending on the program's nature, there may be a difference in the amount of time that passes between its implementation and performance impact. Similarly, its impacts could remain constant or change over time, getting stronger or weaker. Furthermore, there may be significant differences in viewpoints regarding the appropriate time frame for evaluation among various

stakeholders, including executives, shareholders, and production staff. It is obvious that there are issues when evaluation is done only once rather than consistently and methodically. Because cross-sectional approaches are unable to shed light on causality, longitudinal approaches have several clear advantages over the latter.

9.1.2 Strategic Impact

A further facet of evaluating human resources is that the process's focus is shifting from being reactive and centered on program performance or problem-solving to being proactive and emphasizing the organizational and employee impact of HR policies, initiatives, and activities. For instance, a more strategic approach would look at whether the organization is losing great performers, as opposed to previous evaluation practices where a corporation could have looked at specific criteria like turnover rates. Essentially, organizational interdependencies and linkages between human resource policies, processes, and activities are recognized via more strategic methods of evaluation. As a consequence, their focus has shifted from narrow assessments of the efficacy of HR initiatives to more comprehensive evaluations of their contributions.

9.1.3 Level of Analysis

The level of analysis, or the level of grouping or level inside the organizational framework, is another component of evaluation. Tsui and Gomez-Mejia have identified three distinct levels of analysis in the assessment of human resource management: strategic, managerial, and operational. The objective of evaluation at the strategic level is to ascertain whether policies and programs about human resources align with the company's strategy. Control—such as a benefit program's cost-effectiveness—is the main focus at the management level. The caliber of human resource services and initiatives is the main concern at the operational level. Because there are multiple at this level, the services provided and the level of satisfaction with the HR department may vary throughout various constituencies..

9.1.4 Criteria

Anne Tsui established standards for evaluating the efficacy of human resource departments in a different thorough investigation. Her findings highlight the disparate perspectives among the various human resource department constituencies regarding the significance of the various services offered. Five distinct categories of effectiveness criteria for human resource departments can be identified from the results of factor analytic statistical procedures:

- 1) Reactivity;

- 2) Cost and performance management;
- 3) Initiative and creativity;
- 4) Training and development; and
- 5) Affirmative Action achievements.

9.1.5 Level of Constituents

Tsui also found that the effectiveness criteria used are significantly influenced by the level of constituents. Managers and employees without direct supervision generally place a high value on the department's ability to provide services on matters of urgent or short-term concern. Similar opinions are also held by operating line executives, who oversee production. Corporate-level human resource executives, on the other hand, typically give more weight to strategic activities like organizational development and human resource planning when assessing HR departments. As a result, there exist conflicting expectations for human resource departments, which must be considered when developing an assessment plan.

9.1.6 Ethical Dimensions

Every activity, practice, and program should be assessed from an ethical standpoint in addition to assessing how human resource management decisions affect operational or financial metrics. Despite working in a highly regulated field, human resource management is not always guaranteed to act ethically by following the law or regulations. Fortunately, from the standpoint of human resources investment, the highest ethical requirements are met. Because they stand to lose, employers who invest ethically in their employees are more likely to stick with their decisions. However, ethical behavior cannot be ensured by the investment perspective alone. Furthermore, the technological developments that have significantly raised output, decreased monotony at work, and permitted more freedom in the workspace have also brought forth new ethical difficulties.

9.2 APPROACHES TO EVALUATION

Human resource evaluation can be done in a variety of ways using a range of metrics and effectiveness standards. Certain evaluation components may fall into more than one category, so some of the classifications are not mutually exclusive.

9.2.1 Audit Approaches

Along with a variety of evaluative emphases, criteria, and degrees of analysis, human resource assessment has historically used two primary techniques. The initial strategy is the audit technique, which is based on either (1) service/user responses, such as the system's perceived

equity for job evaluations, or (2) personnel indices, such as costs associated with hiring new employees, absenteeism rates, or workers' compensation experience rates. Usually, surveys or interviews would be used to gather information about the latter. Items for these surveys are typically available from published sources. Stakeholder approaches are another name for audit approaches. Stakeholder techniques are utilized to determine the contentment of significant customers or consumers of HR services.. These stakeholders could be individuals or groups inside the company.

9.2.2 Analytical Approaches

Two components make up the second analytical method: experimental designs or cost-benefit analysis (utility theory). The valuation of benefits presents a significant challenge for human resource applications, despite the success of using the cost-benefit analytical approach. Human resource evaluation can benefit from a particular kind of cost-benefit analysis called utility analysis. Its evaluations can be expressed in economic terms, which decision makers from other functional areas are likely to understand better.

Utility analysis is a highly complex process for certain applications, despite its wide applicability and superiority in terms of quantitative evaluation of HR activities. Its use has been restricted to a few specific applications due to these challenges and the time and resources needed for analysis. Practices in human resources that may have a bigger strategic influence, like career development and succession planning, are frequently difficult to measure quantitatively.

9.2.3 Quantitative and Qualitative Measures

Using quantitative or qualitative measures is one of the other evaluation-related concerns. Numerous quantitative and qualitative measures can be used to assess a company's HR. Sometimes quantitative measures are combined to create composite indices; as previously mentioned, policy capturing approaches can be used to develop the weighting schemes required for such indices. It is also possible to assess the HR function as a cost center. Furthermore, the financial benefits of HRM initiatives, like lower attrition and higher hiring rates, can occasionally be quantified. In these situations, a profit center can be used to gauge how well the function is performing. This is what occurs when focusing on goals or objectives as they are implemented in terms of such measurements does not help achieve strategic goals.. A workforce's shifting attitudes can also give some insight into how well the human resources department is performing. Despite being more

qualitative by nature than many other organizational traits, these indicators can be measured so that statistical analysis can be performed on them.

9.2.4 Outcome and Process Criteria

Whether the criteria will be based on processes or outcomes is the last evaluation question. As opposed to processes, which are concerned with behaviours or the manner in which tasks are carried out, outcomes are the results or final products of work. Workforce productivity ratios for a company could be an example of an outcome criterion. Despite their simplicity in measurement, objective nature, and connection to production activity, outcome or output criteria are frequently tainted by extraneous variables unrelated to the activity under review. In contrast to flaws in a company's hiring or compensation practices, high turnover rates may be a better indicator of low unemployment rates in the local labour market.

If a unit completes affirmative action milestones according to a schedule, such as completing a utilization analysis by the end of the first quarter, completing an availability analysis by the end of the next quarter, and so on, that might be considered a process criterion.. Determining goals in terms of procedures is a challenge for many managers. Asking them to explain how an activity should not be carried out can occasionally be helpful when they are having trouble articulating the ideal procedure. Almost without fail, they are able to explain why the task shouldn't be done, which subsequently organizes and stimulates their thoughts about desirable or effective procedures.

9.2.5 Balanced Scorecard Perspective

The balanced scorecard approach, created by David P. Norton and Robert Kaplan, offers an alternative viewpoint on measures. Employee satisfaction, retention, and productivity are the three metrics that businesses typically use when evaluating their human resources, according to research on the subject conducted by Kaplan and Norton. Improvements in output, quality, responsiveness, and customer service are contingent upon satisfaction, as Kaplan and Norton clarify. They observe that there is a clear correlation between customer service and employee satisfaction because happy employees typically have happier customers. They also support monthly rolling surveys of a sample of the workforce or yearly surveys of employee satisfaction. They also support the measurement of employee retention because it's critical to protecting the company's intellectual capital investments.

Their best advice is saved for when it comes to employee productivity metrics. Despite their widespread use, ratios like revenue per employee have drawbacks. More precisely, strategies aimed at raising the numerator—output or revenues—are the better ways to raise productivity ratios. Less preferred actions can, however, result in the same increase in productivity ratios. Reducing the denominator through downsizing or outsourcing is a common dysfunctional strategy due to the long-term loss of organizational capabilities.

9.2.6 Benchmarking

In addition to these methodologies, criteria, and measurements, a separate general assessment strategy has been recently implemented for human resource activities. We refer to this strategy as benchmarking. Most people agree that Xerox is the company that first popularized benchmarking in the US when it employed it to lower production costs. In essence, benchmarking is determining which tasks rivals—and often even companies in other industries—perform better at. For instance, Ford researched 400 distinct aspects of rival automakers' models in an effort to design and build a vehicle that would outperform, or at the very least, outperform, the best rival in each category.

Comparably, benchmarking in HR applications entails gathering data from a wide range of organizations' numerous respondents regarding particular HR procedures. Ulrich, At the macro-analysis level, Brockbank and Yeung of the University of Michigan collected data on 21 human resource activities that were generalized to hiring, development, performance evaluation, rewards, communication, and organizational design. Questionnaires consisting of five-interval response scale items (1 being low and 5 being high) were used to measure these activities. 11,300 respondents completed the questionnaires in 91 different companies.

Human resource professionals made up 1,315 of the respondents, while associates from various functional areas within their companies made up 9,985 of the respondents. Benchmarks for different HR practices across ten industries are provided by the data these many respondents provided. In areas like hiring, training, and benefit program design, the majority of the data pertains to practices and opinions of the competencies of the human resource function. A comparison with the human resource function on competencies in areas like business knowledge, change management, and similar areas is made possible by the data, which also offer benchmarks of perceived competencies across the various other functional areas (such as finance, marketing, research and development).

A business can benchmark its HR procedures and capabilities against those of other businesses. When longitudinal data are gathered, bench-marking can help a business determine whether it has improved over time and how its human resource practices compare to those of top competitors, in addition to some of the evaluation's previously mentioned advantages. The ability of benchmarking to help a business better concentrate its resources in order to gain a competitive advantage makes it particularly relevant to the strategic role of human resource management.

9.2.7 Industry Influences

A crucial factor to take into account when assessing human resources is variations across industries. In certain contexts, a human resource practice that works well may not work well in another. An examination of high-tech entrepreneurial start-up companies offers some excellent illustrations of how different industries differ when it comes to efficient HR procedures. This study highlights the conflicting advice that the literatures on high technology and entrepreneurship offer regarding work environment, compensation, and human resource planning. For instance, using internal sources for managerial recruitment is linked to improved company performance in high-technology industries. Based on this association, the researchers concluded that strategies for HR would be required to ensure the availability and expansion of internal talent sources..

The researchers looked at compensation-related issues as well. The high-technology literature makes the case that in order to draw talent, high-technology companies ought to practice salary leadership. The literature on entrepreneurship acknowledges these advantages, but it also argues that salary leadership practices are usually precluded in entrepreneurial firms due to cash flow issues. The literature on high technology also contends that an environment that values autonomy will be linked to business success because its primary workers, scientists and engineers, follow norms of autonomy. Nonetheless, the literature on entrepreneurship contends that in order to concentrate workers' efforts on short-term objectives, a control-oriented work environment is required.

The study, which examined the theories in high-tech, entrepreneurial start-up businesses, discovered no connection between performance and human resource planning. On the other hand, as expected by the high-technology literature, compensation leadership was found to be associated with measures of innovation and sales growth. Additionally, it was discovered that work environments that prioritized professional autonomy were linked to company performance, as anticipated by the literature on high technology. One significant finding from this research is as

follows: It is recommended that researchers who are interested in studying how HR policies and practices affect organizational effectiveness consider factors like business strategy, stage in the lifecycle, and industrial setting. If this isn't done, prescriptions might be written that aren't appropriate or applicable in certain situations.

9.3 PREVALENCE OF EVALUATION

Despite the widespread support for evaluation, only a small percentage of businesses carry out assessments of their human resource management. Similarly, few businesses use financial language to describe the findings of their assessments. Many firms don't even perform training assessments, even though they spend billions of dollars on training each year. According to Tsui and Gomez-Mejia's survey findings, American business organizations do not routinely conduct systematic, periodic evaluations of HR effectiveness. This discrepancy between industry practice and the normative perspectives found in the literature on human resources could have a number of causes. These explanations include the lack of a meaningful evaluative framework, the challenges faced by human resource executives in obtaining valid and meaningful measures of HR activity, and their fears about the evaluation's results. However, there is a positive correlation between significant variables.

9.4 EVALUATING STRATEGIC CONTRIBUTIONS OF TRADITIONAL AREAS

Human resource planning, staffing, performance evaluation, compensation and reward systems, training and development, and labor relations are major human resource functions that are clearly of strategic importance. The first thing to think about is planning for human resources. Human resource planning can have significant strategic contributions. As such, general managers should consider the assessment of this field to be important.

9.4.1 Human Resource Planning

One way to look at the efficacy of HR planning is from a behavioral perspective. This encompasses the extent to which managers view HR planning as a task that facilitates their job performance. Other measures of the efficacy of human resource planning include line management's readiness to provide data for forecast development and to apply human resource forecasts in their own planning. The human resource planning process is valuable even in cases where forecasts prove to be inaccurate. This is due to the fact that, similar to any planning

endeavor, forecasting forces managers to reevaluate core operating assumptions, which makes the process of forecasting frequently more valuable than the forecast itself. These conversations that follow the re-examination are frequently beneficial by products. From a quantitative standpoint, the degree to which an organization must hire outside of its internal labor market in order to fill open positions may serve as a barometer of the efficiency of its human resource planning procedure for businesses that have a strong preference to fill positions from within. The organization needs to hire less external candidates when skill shortages are anticipated and anticipated through employee development. Businesses that only make entry-level hires from the external market need to have strong HRP initiatives. In professional sports, there's probably nowhere that the lack of planning is more evident than when a team has an aging roster and then has to spend years rebuilding.

An additional benchmark or criterion for evaluating the efficacy of HR planning and development is the notion of just-in-time talent, signifying that open positions can be promptly filled by employees who meet promotion requirements. The promoted person shouldn't have to wait in a holding pattern where their skills are underutilized; instead, they should have been developed through prior assignments and training. The idea of having talent available just in time is very appealing because, from the perspective of the business, it is not making money on its development investment while the employee is underutilized. From an individual standpoint, there is the clear benefit of not having to work in roles that do not fully utilize one's abilities.

9.4.2 Staffing

A company's ability to acquire the HR necessary to create a competitive edge depends on its hiring and selection procedures. Furthermore, factors outside the human resource function influence human resource effectiveness, as shown in the Tsui and Gomez-Mejia model. Therefore, staffing function evaluation methodologies must regulate these additional influences before obtaining reliable assessments. Apart from the conventional methods of selection that aim to match candidates with job requirements, certain novel perspectives on selection might present distinct assessment obstacles. David Bowen, for instance, has noted that some employers are now more concerned with matching candidates with the organizational culture or qualities than with the job itself.

The effectiveness of hiring can be assessed using a variety of metrics, such as cost per hire, number of resumes received, and recruiter activities. In turn, a company's staffing effectiveness is

influenced by how well it recruits. Inadequate staffing practices can have a negative impact on a company's human resource effectiveness by causing issues like high turnover, dissatisfaction with line management, subpar work, legal issues, underrepresentation of women and minorities, and more. Utility analysis is one assessment method that can be used to gauge how well selection procedures work. The utility analysis method of cost-benefit analysis has an intriguing feature in that it can be connected to capital budgeting procedures.

9.4.3 Application of Utility Analysis to Selection

A reasonably simple explanation of the application of utility analysis has been provided by Neal Schmitt and Richard Klimoski, drawing on the methodology of Frank Schmidt, M. J. Mack, and John Hunter. For use with sales staff, this presentation has updated Schmitt and Klimoski's explanation of how to determine the utility of a new selection test. This example involves a business that has made the decision to pursue a market share growth strategy. This year, an additional fifteen salespeople are required to carry out this strategy. The validity coefficient of the new test will be .30, compared to the company's current selection procedures, which are based only on interviews with a validity coefficient of .15.

Since the new test promises to improve selection decisions the new procedure's benefit must be assessed in terms of the dollar value of improved performance. Each salesperson's contribution margin, which is calculated as sales less all variable costs, such as cost of goods sold and salary, is known to the company. These figures led the company to conclude that improved performance is worth \$20,000.

Comparing the costs and benefits of utility analysis is the next step, after it has been determined that improved performance is worth \$20,000. The new test will cost \$250 for each applicant, the company has calculated, whereas its existing interviewing fees are \$100 per applicant. The new test requires specific scoring. This information is provided so that comparisons can be made. Additionally, it is aware that salespeople work for the company for three years on average. If the company chooses the top 10% of candidates, the Schmitt and Klimoski estimate indicates that the new exam would be worth around \$215,000. The net present value of investing in the utility can then be calculated by projecting and discounting the cash flows from those gains into the future.

9.4.4 Training

The assessment of training effectiveness is one of the most overlooked aspects of human resource management, as was previously mentioned. Steven Kerr has recognized such shortcomings in training evaluation as a classic case of misguided reward structures, or "acknowledging A and wishing for B." Typically, the person who supported the training and the associated costs will gather stories and recommendations that serve as "proof" of the program's effectiveness.

A formal, methodical, and insightful assessment is the last thing that many people want. Top management members may genuinely hope for this kind of systematic evaluation, but their current reward structures still encourage ignorance in this regard.

Even in the present, Kerr's remarks most likely contain a lot of truth. According to Scott Tannenbaum and Steven Woods, robust forms of evaluation are occasionally improbable with costly training programs due to the personal risk of failure for the program's proponent. In these circumstances, the alternative entails sacrificing some degree of control in exchange for a less reliable method of assessment, like participant feedback or program satisfaction.

As previously mentioned, though, due to global competition and heightened attention to expenses, human resource management initiatives have come under closer examination. As a result, because training investments can be expensive, human resource managers have had to become increasingly adept at defending their initiatives.

While it is reasonable to anticipate that training will lead to higher output, lower costs, lower employee attrition, higher morale, and so forth, there are other, perhaps harder-to-quantify, reasons why it is done. For instance, in order to reward good work and let the trainees know they matter to the company, training sessions are occasionally held in visually appealing off-site locations. It could also be done to help staff members create unofficial connections and personal networks that help with coordination and communication. Training can also be done for political reasons that aren't covered by assessment tools, like enabling a managerial coalition to spread its opinions at the detriment of another. However, despite these challenges, training can typically be assessed using pertinent, recognized criteria. The four conventional levels of evaluative criteria are behaviour, learning, reaction, and results. Furthermore, some researchers view attitude modification as an additional class of evaluation criteria

Reaction criteria measurements usually inquire about participants' perceptions of the training's quality or relevance, as well as their level of satisfaction with it. One way to gauge this

is through student evaluations of their professors. It is debatable whether reaction criteria—which might only indicate satisfaction—actually offer reliable measures of efficacy. In most industrial settings, a certain level of training satisfaction is likely a required, although insufficient, prerequisite for efficacy. The core of this intuitive understanding has been validated by a recent empirical investigation, which found that learning and reactions do not have a linear relationship. Rather, the study discovered that the relationship between learning and training motivation is moderated by reactions. Additionally, it was discovered that the relationships between reactions and other aspects of training and effectiveness criteria are complex. In actuality, certain circumstances lead to the best training outcomes.

The purpose of learning criteria is to assess how well participants have understood the ideas or material covered in the training. As a result, they worry about whether the trainees have picked up knowledge, facts, skills, tactics, and the like. An implementation of this criterion would be a test to determine whether trainee stockbrokers have comprehended the content covered in training on Securities and Exchange Commission regulations.

Beyond determining whether the trainee has mastered the necessary concepts, behavior criteria are applied. These standards focus on whether the trainee's behavior while working changes as a result of the training program's lessons. For instance, staff members who have finished a management training program ought to behave differently in their managerial capacities. Lastly, the criteria for results are the most important ones. Metrics for these kinds of criteria could include breakage and scrap rates, which are impacted by the skill levels of manufacturing personnel. Metrics of employee morale and turnover may also be applicable uses of results criteria for managerial training initiatives. When employing results criteria, it is easy to envision potential pollutants of larger or more global outcomes, like spirits, because a wide range of factors other than training may affect morale.

The internal and external categories make up the remaining two groups of criteria. Behaviour and results are considered external criteria, whereas learning, attitude modification, and responses are considered internal criteria. The advantage of using external criteria is that they go beyond just gauging how happy trainees are with their instruction or how much they have learned to provide information about whether training affects job performance. Lastly, a word on assessment criteria: the selection of an evaluative criterion affects how well training techniques like role-plays, behavioral modeling, lectures, and so forth are measured. Stated differently, the

type of criterion that will be used to gauge effectiveness during the assessment process dictates the relative merits of different training methods.

9.4.5 Performance Evaluation Systems

Unfortunately, many organizations may react to criticism and negative remarks by making technical changes to the format of their performance evaluation rather than tackling more fundamental issues like poor evaluator training, a lack of connection between ratings and rewards, or a failure to take strategic contributions into account. Training for assessors, enough time for evaluations, enough time for performance counseling, and performance-based rewards are all necessary to maintain an efficient performance measurement system. The efficacy of the performance evaluation system can be determined by conducting periodic surveys to gather managers' opinions on these aspects of the system. Correlating the percentage merit increase in compensation of employees with their ratings yields another useful metric. While there may occasionally be valid changes to the relationship due to structural adjustments for external equity or other adjustments, there should generally be a positive correlation.

9.4.6 Compensation Systems

The human resources department has been held accountable for the existence of pay plans that are at odds with company aims. To ascertain the worth of compensation schemes in the execution of strategies, several factors must be considered. One crucial issue that requires attention is the compensation mix. Unfortunately, the compensation mix in the US does not yet promote worker stability in the same manner that it does in Japan, despite a trend toward more variable pay. Regardless of how well their businesses perform or the status of the economy, the majority of employee compensation in the US takes the form of fixed salaries or wages over time. Employees are let go when sales of the company's product decline or when performance issues result in lower profits. The Japanese approach of changing the compensation mix to include a higher percentage of variable compensation, like profit sharing or bonuses, is one way to increase employment stability. Compensation costs decrease along with a decline in profitability and demand, which lessens the need to fire employees.

The flexibility of compensation plans is a crucial factor to consider when assessing their efficacy. Regrettably, conventional pay schemes that rely on assessing jobs and figuring out internal equity between jobs have a tendency to be rigid. As previously mentioned, the job evaluation process, which is typically carried out using a point system, allows varying amounts of

points for varying degrees of attributes, such as "know-how," which relates to operational knowledge of various jobs. Regretfully, the evaluation system lacks "know-how" points for certain non-managerial jobs. Because of this, some employees are classified as "nonthinking" by the job evaluation system. Placing workers in these types of pigeonholes has the effect of making some of them stop thinking and maintain a certain level of ignorance to comply with work requirements. Another result is that some workers move forward independently to acquire new knowledge because they are not satisfied with the "nonthinking" requirements. Managers try to have their positions upgraded as a result of these workers' initiatives, which adds another source of wage structure distortion.

Apart from these primary concerns, there exist various other facets of remuneration that warrant assessment based on their potential to advance the company's strategic objectives. Subjective assessments of how well the compensation plan meets legal requirements for age, gender, and race as well as pay satisfaction are a few examples of these.

9.4.7 Labor and Employee Relations

Unionized businesses must assess the performance of their labor relations departments and the labor relations practices of their line managers. Several factors indicate how effective labor relations are for unionized companies: the frequency or duration of work stoppages; the degree of restrictiveness in collective bargaining agreements; managerial flexibility in work assignment; the degree of cooperation between the union and management; other management prerogatives; the discretion to promote or lay off employees based on merit or ability; the ease with which the labor agreement can be administered; and the company's grievance experience. Because many possible factors could affect the incidence of grievances, care must be taken when concluding effectiveness in the case of grievances. These factors include supervisory conduct, workplace technology, union representatives' motivation and personalities, the union-company relationship, and individual employee traits.

Nonunion businesses must assess how well their employee relations departments are performing. Even though there are only 16.5 million union members worldwide, or roughly 13.9% of wage and salary workers, the possibility of unionization should not be written off for these businesses. One reason for this is that job security has become a top concern for many American workers, and downsizing and layoffs are now frequent occurrences in the American economy. Several former leaders in the industry, including IBM and Hewlett-Packard, had employment

security policies and no-layoff practices. These strategies and practices were most likely a big factor in these businesses' ability to continue operating without unions. However, many of these businesses have given up on these policies due to pressure from the competition.

Since the majority of layoffs were carried out based on inverse seniority in the past, unions were frequently able to limit them to the lowest-level workers. They were effective enough in industry to force competitors to provide comparable working conditions and pay the same wages by organizing a sizable workforce. To "take wages out of competition" was their plan of action. Then, a large portion of the cost of pay increases and advantageous employment conditions was transferred to customers in the form of price increases. Nonetheless, union power has decreased in the current global marketplace. Failures of multinational union cooperation to organize all foreign manufacturers in a particular industry show that unions are unable to do so. Consequently, employment security agreements will hurt employment to the extent that they disadvantage domestic manufacturers relative to their international competitors. Unions also don't seem to be able to stop domestic manufacturers from moving their production plants abroad. Whether unions can come up with plans to assist workers in gaining more job security will be interesting to watch.

In many industries, unionization is a reality, regardless of how it ultimately develops in the future. For instance, the percentages of unionized workers in the following industries are as follows: 25.5% in manufacturing, 19.1% in construction, and 25.5% in transportation and public utilities. In addition, 37.3% of government workers belong to a union. Nonunion businesses should constantly assess their organizational culture and human resource practices to see if they may promote unionization. They should also avoid growing accustomed to the possibility of unionization.

Self-Assessment Questions	
1.	How does your organization currently approach the evaluation of HR practices, and what are the key objectives of this evaluation process?
2.	How does your organization measure the success of its recruitment and selection processes, and what indicators are considered in assessing the quality of hires?
3.	How can performance management practices be refined to better align individual goals with organizational objectives?

4.	How is the impact of diversity and inclusion initiatives measured in your organization, and what indicators are considered in evaluating their success?
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