

# UNIT I

## **INTRODUCTION : Human Resources Management**

**(HRM):** Concepts – Significance – Objectives – Scope – Functions - Changing role of Human Resource Manager – HRM Policies - Impact of Environment on HRM.

**Human Resource Development (HRD):** Concept - Scope - Objectives- Brief introduction of Techniques of HRD.

## **1.1 HUMAN RESOURCE MANAGEMENT**

### **Introduction to HRM**

Human Resource Management has assumed great significance in recent years. The main component in the man/machine system can never be under-estimated. Earlier, human resource management was called as personnel management. Nowadays, HRM is one of the important functions of management. An organization is nothing without human resources.

Human resource management (HRM) is a relatively modern label for the range of themes and practices involved in managing people at work. It is concerned with getting results through people. People at work are the essential ingredient in every organization. It is the human resource, which can constructively and maximum use the other physical resources for the profits of the organization and themselves. The aim of every organization is high productivity and optimum efficiency. This aim can be achieved if there is proper handling and utilization of human resources. Management of human resources effectively is central to any organization.

The way in which people are recruited, developed and utilized by management largely determines whether the organization will achieve its objectives. Therefore, the human resources available to management in the organization need to be properly coordinated and utilized. It is through the combined efforts of the people that monetary and material resources are utilized for organizational objectives. Without human efforts, organizations cannot accomplish their objectives.

Consequently, organizing human effort and motivating human resources is of utmost importance everywhere. “People are the most valuable asset” is a cliché, which every member of any senior management team agrees with. However, the reality for many organizations is that their people remain under valued, under trained, and under utilized.

### 1.1.1 Meaning of HRM

Human resource management broadly speaking is the process of achieving the best fit between individuals, jobs, organizations and the environment. Human Resource Management (HRM) is the function within an organization that focuses on recruitment of, management of, and providing direction for the people who work in the organization. Human Resource Management can also be performed by line managers.

#### Definitions of HRM

**According to Edward Flippo** "personnel / human resource management is the planning, organizing, directing and controlling of the procurement, development, compensation, integration, maintenance and separation of human resource to the end that individual, organizational and societal objectives are accomplished".

**According to M. R. Carrell & F. E. Kuzmits** personnel management may be defined "as a set of programs, functions and activities designed to maximize both personnel and organizational goals".

**Randell S. Schules**, defines Personnel / Human Resource Management as "the recognition of the importance of an organization's workforce as vital human resources contributing to the goals of the organizations and the utilization of several functions and activities to ensure that they are used effectively and fairly for the benefit of the individual organization and society".

**According to David A. Decenzo and Stephen P. Robbins**, Human Resource Management is "a process consisting of four functions – acquisition, development, motivation and maintenance of human resources".

- a) **Acquisition function includes:** <sup>requirement, estimate demand and supply</sup> Planning human resources requirement, estimating of demand and supply of labour, recruitment, selection and socialization of employee.
- b) **Development function** Relates to employee training (Skill development and attitude change among workers), management development and career development of individuals.
- c) **Motivational function includes:** Stimulation of employee, employee needs, job satisfaction, performance appraisal, alienation, rewards / benefits and compensation management etc.
- d) **Maintenance function includes:** Working conditions, health and security of employee and physical facilities at work place.

1.1.2 Concept

*human characteristics*

HRM is concerned with the effective and efficient use of the organization's human resources. Practice of HRM is influenced by this diversity of human characteristics. The people employed at work provide a particular set of abilities, specialized knowledge, motives, and physical skills and they differ in those characteristics that are related to the attainment of organizational goals. Moreover, human resource management is also concerned with how these various types of individuals may be changed - at what cost, under what specific circumstances, and in how short a period of time. Obviously, human resources need to be understood in their proper perspective.

The modern concept of HRM has developed through the following stages :

1) **The Commodity Concept** *owners and management are separate*

Before the Industrial Revolution, the 'Guild' system was the beginning of Personnel Management. 'Guild' was a closely-knit group concerned with self training, rewarding and maintaining workers. The Industrial Revolution gave the Factory System. Due to the separation of owners from managers, relationships between owners and employees were broken. Labour began considered as a commodity to be bought and sold.

2) **The Factor of Production Concept**

Under this concept; employees were considered a factor of production, just like land, materials and machinery. The employees were treated primarily as operating organizations of machines or appendages in the process of production. However, as during this phase, there was some improvement in that employees gained still better working conditions and higher earnings, than was prevalent earlier.

3) **The Paternalistic Concept**

During this phase, employees organized together on the basis of their common interest and formed trade unions to improve their lot. The growing strength democracy gave impetus to collective bargaining. The State also recognized that workers had right a to protection in the employment. Due to all these for, employers began to provide schemes to workers. Employers assumed a fatherly protective attitude (paternalistic attitude) towards their employees. Employers, employees both began to realize that they couldn't survive and prosper without each other.

4) **The Humanitarian Concept** *psychological benefits,*

Under the Paternalistic phase, the employers provided benefits to employees as a favour. The Humanitarian approach was based on the belief that employees have certain inalienable rights as human beings and it is the duty of the employer

protect these rights. The industrial psychologists correctly pointed out that employees are not merely interested in materialistic rewards but social and psychological benefits also. Hawthorne Experiments generated considerable interest in "human" problems and interactions at the work place. This approach therefore came to be known also as the Human Relations approach.

### 5) **The Behavioural Human Resource Concept** *(Employees treated as valuable assets)*

Several studies were conducted to analyze and understand human behaviour in organizations. These studies led to the application of Behavioural Science to the problems of individual and group behaviour at work. Motivation, group dynamics, organizational climate, organizational conflict, etc. became popular concepts. Employees wanted to and began to be considered as valuable assets of an organization. Efforts were made to integrate employees with the organization so that organizational goals and the aspirations of employees could be achieved simultaneously. Focus shifted towards management practices like Two-way communication, Management by Objectives, Role of informal groups, Quality circles, etc.

### 6) **The Emerging Concept** *(Creating feeling that organization is their own)*

Now employees are considered as partners in the industry. They are gradually being given share in company's stock membership. Workers' representatives are being appointed on the Board of Directors. This emerging trend is aimed at creating a feeling among workers that the organization is their own. Slowly but steadily HRM is emerging as a special academic discipline and as a profession. It is growing as a career with distinct specializations like HR Development, Industrial Relations, etc.

## 1.1.3 Significance

HRM becomes significant for business organization due to the following reasons :

### 1. Objective

With the help of better HRM, companies are able to achieve their core objectives within the required period of time. It also prevent wastage of the valuable resources of organization by stronger understanding among employees.

### 2. Facilitates Professional Growth

Due to proper HR policies employees are trained well and this makes them ready for future promotions. Their talent can be utilized not only in the company in

which they are currently working but also in other companies which the employees may join in the future.

### 3. **Better Relations between Union and Management**

Healthy HRM practices can help the organization to maintain co-ordinal relationship with the unions. Union members start realizing that the company is also interested in the workers and will not go against them therefore chances of going on strike are greatly reduced.

### 4. **Helps an Individual to Work in a Team/Group**

Effective HR practices teach individuals team work and adjustment. The individuals are now very comfortable while working in team thus team work improves.

### 5. **Identifies Person for the Future**

Since employees are constantly trained, they are ready to meet the job requirements. The company is also able to identify potential employees who can be promoted in the future for the top level jobs. Thus one of the advantages of HRM is preparing people for the future.

### 6. **Allocating the jobs to the right person**

If proper recruitment and selection methods are followed, the company will be able to select the right people for the right job. When this happens the number of people leaving the job will reduce as they will be satisfied with their job leading to decrease in labour turnover.

### 7. **Improves the economy**

Effective HR practices lead to higher profits and better performance by companies due to this the company achieves a chance to enter into new business and start new ventures thus industrial development increases and the economy improves.

## **1.4 Objectives of HRM**

1. **To help the organisation reach its goals:** HR department, like other departments in an organisation, exists to achieve the goals of the organisation first and if it does not meet this purpose, HR department (or for that matter any other unit) will wither and die.
2. **To employ the skills and abilities of the workforce efficiently:** The primary purpose of HRM is to make people's strengths productive and to benefit customers, stockholders and employees.

3. **To provide the organisation with well-trained and well-motivated employees:** HRM requires that employees be motivated to exert their maximum efforts, that their performance be evaluated properly for results and that they be remunerated on the basis of their contributions to the organisation.
4. **To increase to the fullest the employee's job satisfaction and self-actualisation:** It tries to prompt and stimulate every employee to realise his potential. To this end suitable programmes have to be designed aimed at improving the quality of work life (QWL).
5. **To develop and maintain a quality of work life:** It makes employment in the organisation a desirable, personal and social, situation. Without improvement in the quality of work life, it is difficult to improve organisational performance.
6. **To communicate HR policies to all employees:** It is the responsibility of HRM to communicate in the fullest possible sense; tapping ideas, opinions and feelings of customers, non-customers, regulators and other external public as well as understanding the views of internal human resources.
7. **To be ethically and socially responsive to the needs of society:** HRM must ensure that organisations manage human resource in an ethical and socially responsible manner through ensuring compliance with legal and ethical standards.

### 1.15 Scope of HRM

The scope of HRM refers to all the activities that come under the banner of HRM. These activities are as follows :

#### 1. Human resources planning

Human resource planning or HRP refers to a process by which the company to identify the number of jobs vacant, whether the company has excess staff or shortage of staff and to deal with this excess or shortage.

#### 2. Job analysis design

Another important area of HRM is job analysis. Job analysis gives a detailed explanation about each and every job in the company. Based on this job analysis the company prepares advertisements.

#### 3. Recruitment and selection

Based on information collected from job analysis the company prepares advertisements and publishes them in the news papers. This is recruitment. A number of applications are received after the advertisement is published.

interviews are conducted and the right employee is selected thus recruitment and selection are yet another important area of HRM.

#### **4. Orientation and induction**

Once the employees have been selected an induction or orientation program is conducted. This is another important area of HRM. The employees are informed about the background of the company, explain about the organizational culture and values and work ethics and introduce to the other employees.

#### **5. Training and development**

Every employee goes under training program which helps him to put up a better performance on the job. Training program is also conducted for existing staff that have a lot of experience. This is called refresher training. Training and development is one area where the company spends a huge amount.

#### **6. Performance appraisal**

Once the employee has put in around 1 year of service, performance appraisal is conducted that is the HR department checks the performance of the employee. Based on these appraisal future promotions, incentives, increments in salary are decided.

#### **7. Compensation planning and remuneration**

There are various rules regarding compensation and other benefits. It is the job of the HR department to look into remuneration and compensation planning.

#### **8. Motivation, welfare, health and safety**

Motivation becomes important to sustain the number of employees in the company. It is the job of the HR department to look into the different methods of motivation. Apart from this certain health and safety regulations have to be followed for the benefits of the employees. This is also handled by the HR department.

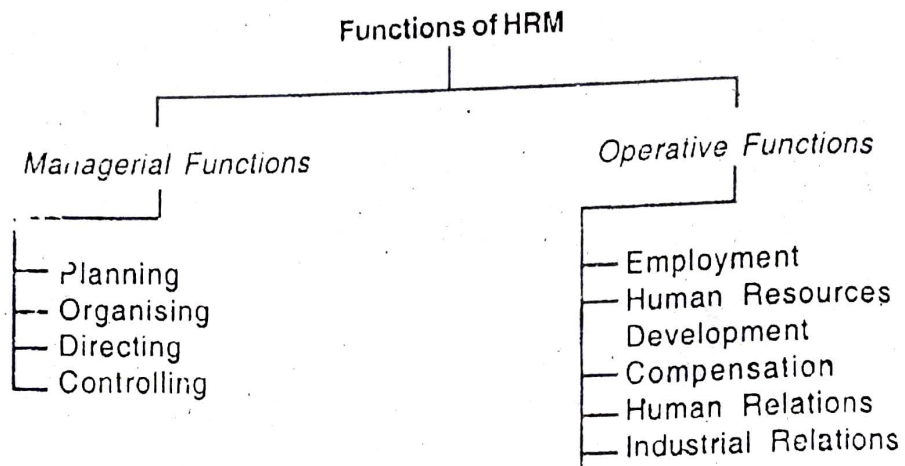
#### **9. Industrial relations**

Another important area of HRM is maintaining co-ordinal relations with the union members. This will help the organization to prevent strikes lockouts and ensure smooth working in the company.

## 1.1.6 Functions of HRM

HRM functions can broadly classified into two categories :

1. Managerial functions
2. Operative functions



### 1. Managerial Functions

- a) **Planning:** Planning is a predetermined course of action. During this phase the organizational goals and formulation of policies and programmes to achieve the goals are determined. The desired directions of future activities are cleverly charted. Planning is the starting managerial function. Forecasting is one of the important elements of planning.
- b) **Organizing:** It is the process in which the structure and allocation of jobs are determined. Specific tasks, departmentation, delegation of authority, communication channels, and coordination of the work of subordinates are the major activities decided during the organizing phase.
- c) **Staffing:** This is a process by which managers select, train, promote and retire their subordinates. This involves deciding what type of people should be hired, recruiting prospective employees, selection, performance appraisal and management, compensation, employee counselling, training and development of employees.
- d) **Directing:** It is the process of activating group efforts to achieve the desired goals. It includes motivation, leading, communication activities; to achieve the goals of the organization.
- e) **Controlling:** It is the process of setting standards for performance, checks the actual performance with these standards and taking corrective actions as needed.



2. Operative Functions

The operative functions of human resources management are related to specific activities of personnel management, viz., employment, development, compensation and relations. All these functions are interacted with managerial functions. Further, these functions are to be performed in conjunction with management functions.

- a) **Employment:** It is the first operative function of Human Resources Management (HRM). Employment is concerned with securing and employing the people possessing the required kind and level of human resources necessary to achieve the organisational objectives. It covers functions such as job analysis, human resources planning, recruitment, selection, placement, induction and internal mobility.
- i) **Job Analysis:** It is the process of study and collection of information relating to the operations and responsibilities of a specific job.
  - ii) **Human Resources Planning:** It is a process for determination and assuring that the organisation will have an adequate number of qualified persons, available at proper times, performing jobs which would meet the needs of the organisation and which would provide satisfaction for the individuals involved.
  - iii) **Recruitment:** It is the process of searching for prospective employees and stimulating them to apply for jobs in an organisation.
  - iv) **Selection:** It is the process of ascertaining the qualifications, experiences, skills, knowledge etc., of an applicant with a view to appraising his/her suitability to a job.
  - v) **Placement:** It is the process of assigning the selected candidate with the most suitable job in terms of job requirements. It is matching of employee specifications with job requirements.
  - vi) **Induction and Orientation:** Induction and orientation are the techniques by which a new employee is rehabilitated in the changed surrounding and introduced to the practices, policies, purposes and people etc., of the organisation.
- b) **Human Resources Development:** It is the process of improving, moulding and changing the skills, knowledge, creative ability, aptitude,

attitude, values, commitment etc., based on present and future job and organisational requirements. This function includes:

- check
- i) **Performance Appraisal:** It is the systematic evaluation of individuals with respect to their performance on the job and their potential for development.
  - ii) **Training:** It is the process of imparting to the employees technical and operating skills and knowledge.
  - iii) **Management Development:** It is the process of designing and conducting suitable executive development programmes so as to develop the managerial and human relations skill of employees.
  - iv) **Career Planning and Development:** It is the planning of one's career and implementation of career plans by means of education, training, job search and acquisition of work experiences. It includes internal and external mobility.
  - v) **Internal Mobility:** It includes vertical and horizontal movement of an employee within an organisation. It consists of transfer, promotion and demotion.
  - vi) **Transfer:** It is the process of placing employees in the same level jobs where they can be utilised more effectively in consistence with their potentialities and needs of the employees and the organisation.
  - vii) **Promotion:** It deals with upward reassignment given to an employee in the organisation to occupy higher position which commands better status and/or pay keeping in view the human resources of the employees and the job requirements.
  - viii) **Demotion:** It deals with downward reassignment to an employee in the organisation.
    - Develop equitable, fair and consistent demotion policies and procedures.
    - Advising line managers on matters relating to demotions.
    - Oversee the implementations of demotion policies and procedures.
  - ix) **Retention and Retrenchment Management :** Employers prefer to retain more talented employees while they retrench less talented employees. Employers modify existing human resource strategies and craft new strategies in order to pay more salaries, provide more benefits and create high quality

attitude, values, commitment etc., based on present and future job and organisational requirements. This function includes:

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of work life to retain the best employees. And managements pay less to the less talented employees and plan to retrench the misfits as well as unwanted employees depending upon the negative business trends.

- x) **Change and Organisation Development:** Change implies the creation of imbalances in the existing pattern or situation. Organisation development is a planned process designed to improve organisational effectiveness and health through modifications in individual and group behaviour, culture and systems of the organisation using knowledge and technology of applied behavioural sciences.
- c) **Compensation:** It is the process of providing adequate, equitable and fair remuneration to the employees. It includes job evaluation, wage and salary administration, incentives, bonus, fringe benefits, social security measures etc.
- i) **Job Evaluation:** It is the process of determining relative worth of jobs.
- Select suitable job evaluation techniques.
  - Classify jobs into various categories.
  - Determining relative value of jobs in various categories.
- ii) **Wage and Salary Administration:** This is the process of developing and operating a suitable wage and salary programme.
- iii) **Incentives:** It is the process of formulating, administering and reviewing the schemes of financial incentives in addition to regular payment of wages and salary.
- iv) **Bonus:** It includes payment of statutory bonus according to the Payment of Bonus Act, 1965 and its latest amendments.
- v) **Fringe Benefits:** These are the various benefits at the fringe of the wage. Management provides these benefits to motivate the employees and to meet their life's contingencies.
- vi) **Social Security Measures:** Managements provide social security to their employees in addition to the fringe benefits.
- d) **Human Relations:** Practicing various human resources policies and programmes like employment, development, compensation and interaction among employees create a sense of relationship between the individual worker and management, among workers and trade unions and the management.

It is the process of interaction among human beings. Human relations is an area of management in integrating people into work situations in a way that motivates them to work together productively, co-operatively and with economic, psychological and social satisfaction. It includes :

- Understanding and applying the models of perception, personality, learning, intra- and inter-personal relations, intra- and inter-group relations.
- Motivating the employees.
- Boosting employee morale.
- Developing the communication skills.
- Developing the leadership skills.
- Redressing employee grievances properly and in time by means of a well formulated grievance procedure.
- Handling disciplinary cases by means of an established disciplinary procedure.
- Counselling the employees in solving their personal, family and work problems and releasing their stress, strain and tensions.
- Providing a comfortable work environment by reducing fatigue, monotony, boredom and industrial accidents.
- Improving quality of work life of employees through participation and other means.

e) **Industrial Relations** : The term 'industrial relations' refers to the study of relations among employees, employers, government and trade unions. Industrial relations include :

- Indian labour market
- Trade unionism
- Collective bargaining
- Industrial conflicts
- Workers' participation in management and
- Quality circles.

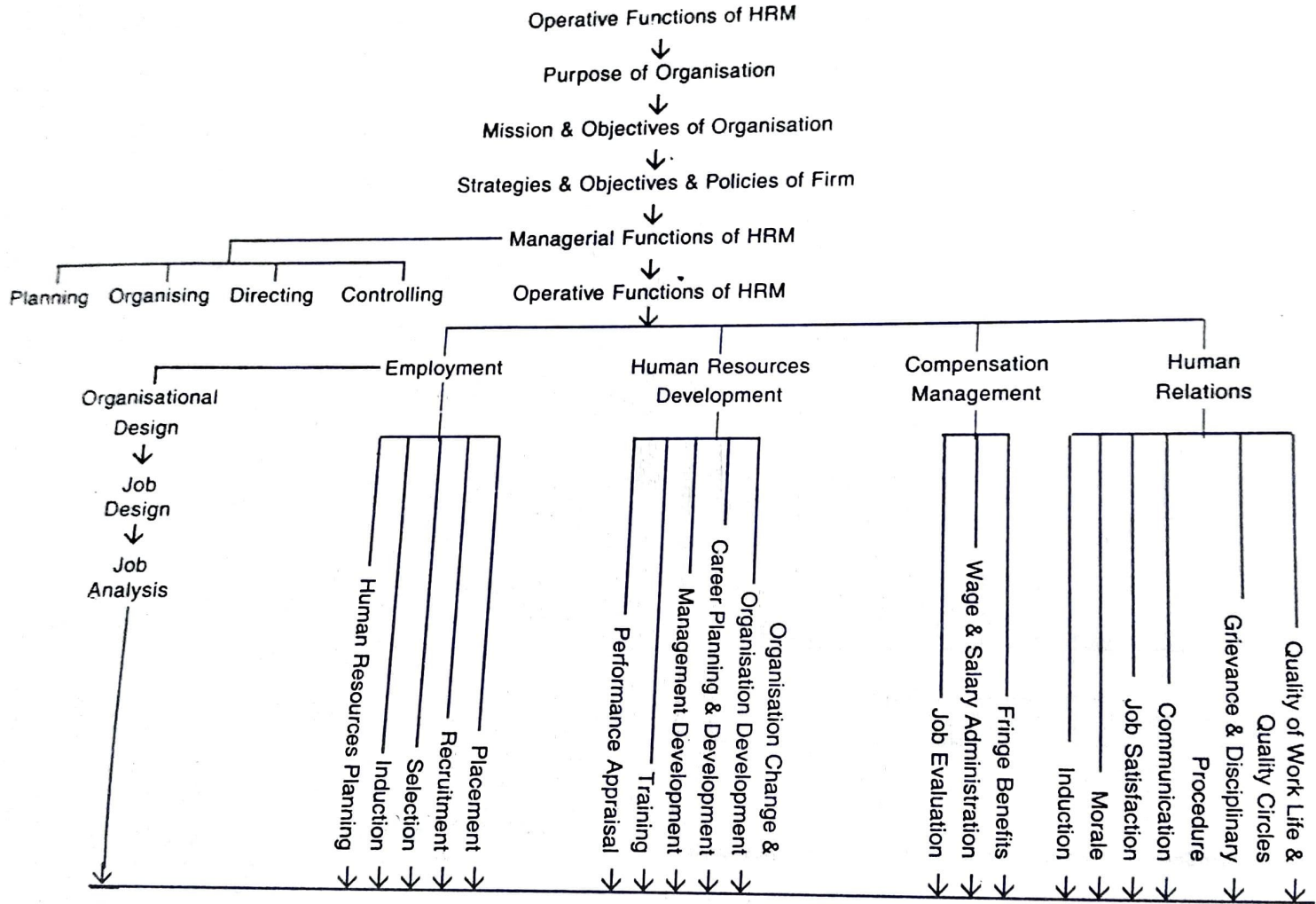
## Differences Between Personnel Management and HRM

Dimension	PM	HRM
<b>Beliefs and Assumptions</b>		
Contract	Careful delineation of written contracts	Aim to be 'beyond contract' 'can do' outlook,
Rules	Importance of devising	impatience with 'rule'
Guide to Management action	Clear rules/mutuality procedures	'Business-need'
Behaviour referent	Norms/customs and practise	Values/Mission
Managerial task vis-a-vis labour	Monitoring	Nurturing
Nature of relations	Pluralist	Unitarist
Conflict	Institutionalised	De-emphasised
<b>Strategic Aspects</b>		
Key relations	Labour management	Customer
Initiatives	Piecemeal	Integrated
Corporate plan	Marginal to	Central to
Speed of decision	Slow	Fast
<b>Line Management</b>		
Management role	Transactional	Transformational leadership
Key managers	Personnel/IR Specialists	General/business/line managers
Communication	Indirect	Direct
Standardisation	High(e.g. Parity an issue)	Low(e.g. 'parity' not seen as relevant)
Prized management skills	Negotiation	Facilitation
<b>Key Levers</b>		
Selection	Separate, marginal test	Integrated, key task
Pay	Job evaluation (fixed grades)	Performance-related
Conditions	Separately negotiated	Harmonisation
Labour management	Collective bargaining contracts	Towards individual contracts
Thrust of relations with stewards	Regulated through facilities and training	Marginalised (with exception of some bargaining for change models)
Job categories and grades	Many	Few
Communication	Restricted flow	Increased flow
Job design	Division of labour	Teamwork
Conflict handling	Reach temporary truces	Manage climate and culture
Training and development	Controlled access to courses	Learning companies
Focus of attention for interventions	Personnel procedures	Wide ranging cultural structural and personnel strategies

(Source: John Storey, "Managing Human Resources", Beacon Books, New Delhi, 1997, p.35.)

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Fig. 1.4. Functions of HRM



## What is Strategy?

Increasing the sales of Hero Honda Motors by 2 lakh motor cycles in 2010 is one of the goals of the company. This goal can be attained by reducing the price through reducing the production cost or by improving the product design or by increasing the fuel efficiency etc. Reducing the price, improving the product design, increasing the fuel efficiency are the strategies.

Strategy is an integrated course of/plan of action

Strategy, in simple terms, is a unified course of action to achieve the goal. Glueck defined the strategy as, "unified, comprehensive and integrated plan designed to ensure that the basic objectives of the enterprise are achieved."

Henry Mintzberg views that strategy need not be the outcome of rational planning. With this view, Mintzberg defines strategy as, "a pattern in a stream of decisions or actions." The pattern of decisions or actions is aimed at achieving the goals and objectives of the company.

## What is Strategic Management?

Now, we recall the Hero Honda Motors example. The company has to scan the environment in order to know the total demand for motor cycles, existing production of all the companies, gap between demand and supply, prices and features of other motor cycles, customer preferences, etc. This information helps the company to find out the opportunities provided and threats/challenges posed by the external environment.

Similarly, the company should also scan its internal environment in order to know its strengths in various areas. For example, the company has skilled and committed human resources, reliable suppliers of inputs and bankers who provide the finance at low cost. Then the company may rely on these strengths and go for the price reduction strategy, create demand for low priced motor cycles and increase the sales. These decisions and actions are generally known as strategic management.

Now, we discuss the definition on strategic management. John and Richard define strategic management as, "the set of decisions and subsequent actions used to formulate and implement strategies that will optimize the fit between the organization and its environment in an effort to achieve organizational objectives."<sup>3</sup>

Samuel and Peter define strategic management as "a continuous, iterative, cross-functional process aimed at keeping an organization as a whole appropriately matched to its environment."<sup>4</sup>

Analysis of these two definitions reveal that, strategic management is:

- Cross functional process to view the organization as a single system,
- Match the organization to its environment i.e., matching the strengths with the opportunities, and
- Set of decisions and actions to achieve organizational objectives.

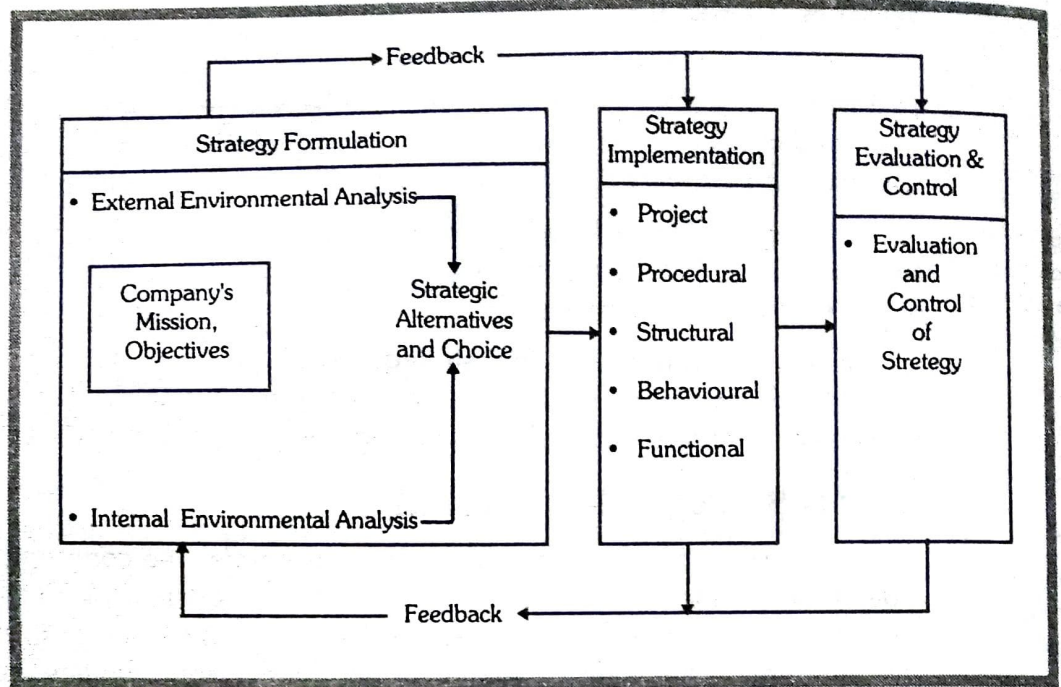
Having discussed the meaning of strategy and strategic management, we shall now discuss the strategic management process.

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## (D) STRATEGIC MANAGEMENT PROCESS

We have discussed a series of steps in Hero Honda example like external environmental analysis, internal environmental analysis, formulating the strategic decision i.e., price reduction through cost cut, implementing the strategy by reducing the labour cost, reducing the cost of inventory, creating the demand for the low cost product, increasing the sales, etc. This process or series of these steps is called strategic management process (See Fig.2.2).





**Fig. 2.2** Strategic Management Process

(Source: P. Subba Rao, "Business Policy and Strategic Management", Himalaya Publishing House, Mumbai, 2007, p.20)

The basic steps of the strategic management process include:

- Vision, mission and objectives of the company
- External environmental analysis
- Internal environmental analysis
- Revise organisational direction, if necessary
- Formulation of alternative strategies
- Selecting the best strategy
- Strategy implementation
- Strategic evaluation and control.

- **Vision, Mission and Objectives of the Company:** Identifying and defining the company vision, mission and objectives is the starting point of strategic management process.

- **Vision:** An organizational vision is the answer to the question: "What do we want to create? The corporate vision has the potential power to focus the collective energy of insiders and to give outsiders a better idea of what an organization really is?"

- **Mission:** Mission relates the company's existence with the needs of the society. Mission is defined as, "an enduring statement of purpose that distinguishes one company from other similar companies."<sup>6</sup> A mission statement is a declaration of an organisation's reason for being.

Exhibit 2.1 presents the mission statements of a few organisations.

- **Objectives and Goals:** Accomplishment of mission of an organization requires the formulation of a number of objectives. Objectives are ends towards which activity is aimed. For example, the objective of Hero Honda is to enhance market share.

Goals are derived from objectives. Goal is precise and is expressed in clear and specific terms. The goal for the objective of Hero Honda of enhancing market share is to increase the sales of Hero Honda Motor Cycles by two lakhs in 2010.

## Exhibit 2.1

### Mission Statements

Company	Mission Statement
Corporation of India Ltd.	<ul style="list-style-type: none"><li>• We transport goods and transform lives</li><li>• We plan ahead and get ahead</li></ul>
ual Fund	<ul style="list-style-type: none"><li>• We continue a tradition of trust</li><li>• We help you to work better</li><li>• We enrich the lives</li></ul>

- **Internal Environmental Analysis: Strengths and Weaknesses:** Internal environmental factors include functional areas, organizational resources, organisational structure and stakeholders. Analysis of these factors reveals the company's strengths and weaknesses (SW analysis). For example, skilled, committed and smart employees is a strength and poor financial position is the weakness of the company.
- **External Environmental Analysis: Opportunities and Threats:** External environment consists of STEPIN viz., Social, Technical, Economic, Political, International and Natural factors. External environmental analysis reveals the opportunities provided by and the threats posed by (OT Analysis) the environment. For example, the low per capita income in India provides demand for low priced products. This factor poses threat for high priced products in Indian market.
- **Revise Organisational Direction:** A thorough scanning of environment both internal and external reveals organisation's strengths, weaknesses, opportunities and threats (SWOT). This can often help management to reaffirm or revise its organizational direction, if necessary, consequent upon environmental threats.
- **Formulation of Alternative Strategies:** All possible alternative strategies are formulated based on the available options and in the light of organizational analysis and environmental analysis. *We again recall the Hero Honda example. Reducing the price, improving the product design, and increasing the fuel efficiency are the alternative strategies formulated.*
- **Selecting the best strategy:** All the three strategies in case of Hero Honda example, cannot be and need not be implemented at the same time. Therefore, management has to select the best strategy which fits the organisational's strengths with the environmental opportunities in the best possible manner. SWOT analysis (Strengths, Weaknesses, Opportunities and Threats) helps to rank the alternative strategies and select the best strategy.
- **Strategy Implementation:** The next logical step is to put the strategy in action. The strategy is to be implemented in an integrated way.  
*Implementation of low price strategy of Hero Honda requires: Train the employees, improve their commitment and smart working skills in order to improve their productivity and thereby reduce labour cost per unit. It also requires identifying the supplier who can supply inputs just on time which reduces inventory cost and get the finance from the low cost source and bring down the size of working capital. These issues are called functional strategies. Putting these issues into action results in strategy implementation.*
- **Strategy Evaluation and Control:** Implementation of the strategy may not automatically result in goal achievement. *Reduction of price, in case of Hero Honda example, may not lead to increase in sales. Improving the employee skill and commitment also may not result in cost reduction.*

Therefore, the series of actions is to be monitored and evaluated in order to ensure that the process would be implemented as per the plan. The information may be provided in advance (feed

forward) in order to arrest the possible deviations. Similarly, information of failures (feed back) be provided in order to ensure future success. Thus, the strategic implementation process should be monitored, evaluated and controlled for successful implementation of strategies and achievement of goals.

The strategic evaluation and control includes:

- Establishment or determination of standard performance
- Measurement of actual performance
- Compare the actual performance with the standard performance
- Find out whether the actual performance is either equal to or more than or less than standard performance.
- If the actual performance is either equal to or more than standard performance, continue strategy implementation process, as no corrective action is necessary.
- If the actual performance is less than the standards, find out areas to be corrected and take corrective action.
- Also change or modify the organisational strategies, if they cannot be achieved due to significant shift in the external environmental factors.

Companies formulate strategies at different levels by following the strategic management process as discussed above. Now, we shall discuss the strategies at different levels viz., corporate level, strategic business unit level and functional level.

### Corporate Level Strategies

The strategic alternatives applicable to the entire company are known as corporate level strategies. These strategies revolve, "around the question of whether to continue or change business on enterprise is currently in or improve the efficiency and effectiveness with which the firm achieves its corporate objectives..." Glueck and Jauch identify four kinds of corporate level/growth strategies viz., stability, growth, retrenchment and combination strategies (See Fig.2.3).

- Corporate Level Strategies:
- Stability
  - Growth
  - Retrenchment
  - Combination

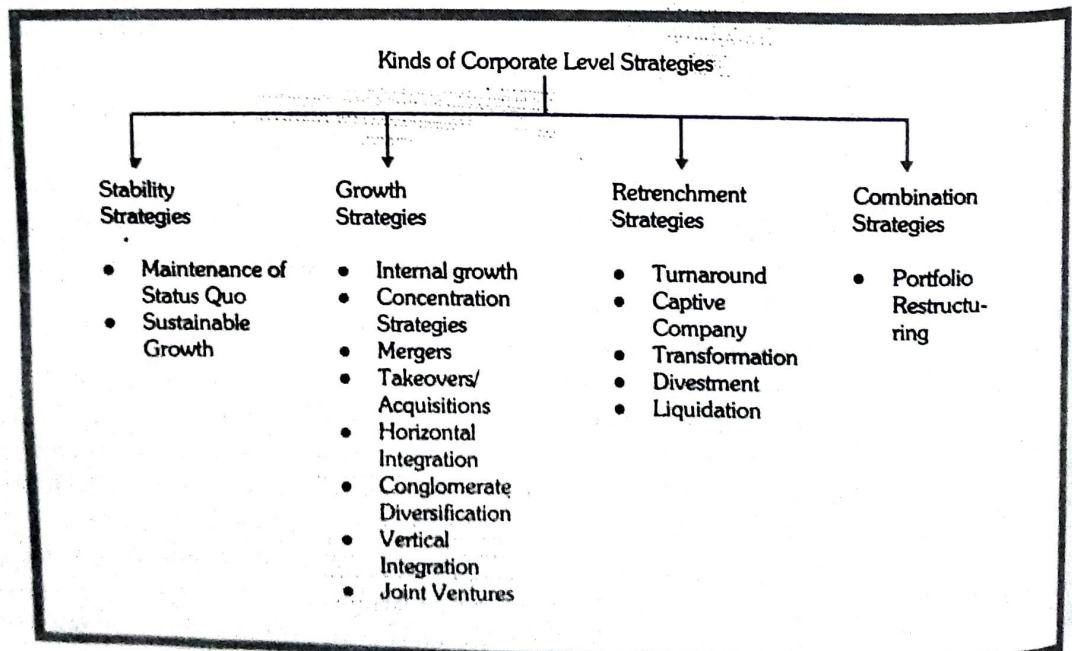


Fig. 2.3 Kinds of Corporate Level Strategies

## Strategic Business Unit (SBU) Level Strategies

Organisational activities are divided into strategic sub-systems which have a set of products or services, competitors and a goal distinct from those of other sub-systems. Strategies are formulated for each sub-system consistent with corporate level strategies. General Electric pioneered in formulating SBU level strategies. SBUs are designed based on product differentiation (customer groups, customer needs, technologies), market segments, distinctive competencies, etc.

Generic strategies are formulated at the SBU level based on product differentiation, market segmentation and distinctive competency. The generic strategies are:

- Low cost leadership
- Differentiation and
- Focus

Table 2.1 presents the summary of choices appropriate for each generic strategy

	<b>Cost Leadership</b>	<b>Differentiation</b>	<b>Focus/Niche</b>
Product Differentiation	• Low (principally by price)	• High (principally by uniqueness)	• Low to High (price or uniqueness)
Market Segmentation	• Low (Mass market)	• High (Many market segments)	• Low (One or a few segments)
Distinctive Competency	• Manufacturing and materials management	• Research and development, sales and marketing	• Any kind of distinctive competency

Now we recall the Hero Honda example. The strategy of price reduction through low cost leadership is a SBU level strategy of the company.

## Functional Level Strategies

Strategies at the departmental level or functional level are formulated consistent with the SBU level strategy.

The functional level strategies for the cost reduction strategy of Hero Honda include:

Finance: Reduction of cost of finance

Materials: Reduction of cost of inventory

HRM: Reduction of cost of labour

Production: Simplification of process to reduce process time

R&D: Innovation

The important functional strategies include:

- Production:**
- Flexible manufacturing
  - Lean production
  - Six sigma
- Marketing:**
- Customer Focus
  - Customisation
  - Rationalise intermediaries



- HRM:**
- Build skills
  - Selection based on Attitude and Emotion
  - Pay for performance
  - Create self-managing teams
  - Out-sourcing
  - Make employers to think as customers
- Materials Management:**
- JIT (Just In Time)
  - TQM (Total Quality Management)
  - Rationalise suppliers
- R&D:**
- New Products
  - New Processes

Having discussed strategy, strategic management and strategic management process in b we shall now discuss strategic human resource issues.

### Strategic Human Resource Issues

- HR Strategies:**
- Retain
  - Train
  - Pay for performance
  - Talent management
  - Diversity management

We recall the Hero Honda example. The strategic human resource choices involved in cost of production strategy include:

- Train some of the employees in the area of time management, materials handling at w etc.
- Retrenchment of surplus employees caused due to superior speed
- Pay for performance
- Promotions based on efficiency
- High quality work environment at the production place.

These human resource issues are also known as functional strategies of HRM.

Now, we discuss strategic human resource choices. The strategic team at the corporate level, S level and the functional level should consider the following strategic human resource issues wh formulating and implementing strategies. Exhibit 2.2 presents aligning HR with business strategies. (E

#### Exhibit 2.2

#### Alignment of HR to Common Objectives and Strategies

Common Objectives	Alignment of HR to Strategy
<ul style="list-style-type: none"> <li>• Corporate goals must factor in individual career growth.</li> <li>• Company profits must be linked to employee rewards.</li> <li>• Organisational learning must involve employee training.</li> <li>• Job responsibilities must facilitate employee development.</li> <li>• Business strategies must consider human resource issues.</li> </ul>	<ul style="list-style-type: none"> <li>• Product-based competition must encourage personal innovation.</li> <li>• Price-driven competition must focus on Self-directed cost-cutting.</li> <li>• Service-oriented competition must build individual initiative.</li> <li>• Change management must energise and inspire people at levels.</li> <li>• Alliances and joint ventures must sensitive people to new culture.</li> </ul>

Source: George Skaria, Business Today, January 7-21, 1996.

- **Employment:** The strategic human resource choices in employment include: internal source or external sources or outsourcing some employees or certain functions like canteen, accounting, security, office maintenance and house keeping. HCL Technologies prefer broad banding to narrow banding in job design and also flat organisation structure to structure. The broad jobs at HCL technologies forced the HR Manager to plan for the employee with multiskills rather than a few skills.

Thus the major result of economic regions is competition and all round competition. Now the survival and development of industry in India, mostly depends on its ability to compete with other Indian firms, multinationals and in foreign markets. The ability to maintain high quality and maximize productivity determine the competitive ability of Indian firms.

Increase in industrialization in the globe, improves the skills of the people of developing countries. Further, the increased economic development of the country, enable the government to provide welfare facilities like hospitals, educational institutions, e.t.c. Which in turn contributes for the balanced human development across the globe.

**Globalization**

Globalization can be seen as an evolution which is systematically restructuring interactive phases among nations by breaking down barriers in the area of culture, commerce, communication and several other fields of endeavor. Globalization describes the increased mobility of goods, services, labor, technology, and capital throughout the world. It can be termed as the process of intensification of economic, political, social and cultural relations across international boundaries.

Globalization deals with the increasing breakdown of trade barriers and the integration of world market. Global companies plan or venture not only on national markets, but also venture globally and view themselves as a global company. Executives and employees of such companies are trained and tuned in world wide operations.

**1.2.8 Impact of Globalization on HRD**

Human Resource Development (HRD) plays significant role in market economies and more so in an economy trending towards market conditions like India. Global competitiveness has created customers diagonally opposite to what we have today. This is the problem, challenge and opportunity. Response to global competitiveness involves 'new customers'. Meeting the requirements and desires of new customers demands for competent, developed human resources with human approach towards customers. Thus, liberalization has positive impact on HRD.

### 1.2.9 HRD Strategies for the New Millennium

1. **Delarging/ downsizing of organizational structure** : Reducing the hierarchical levels within the organizational structure and making it more flat.
2. **Building organization structure based on the characteristics of organic structure:** Designing the oranzational structure based on the vision of the organization.
3. **Enriching the jobs at all levels** : Adding duties and responsibilities that we provide skill variety, task identity, task significance, autonomy and feedback on job performance for all the jobs.
4. **Creating autonomous jobs** : Making jobs more independent in nature .
5. **Performance planning and development** : Employees and employers together plan their performance and find out ways to develop their performance.
6. **Preferring empowerment rather than supervision** : Making employees self initiated, self directed and self motivated towards their work i.e make employees realize their capabilities.
7. **Providing conducive climate for teamwork** : Provide an environment of trust in which employees would love to work with each other.
8. **Creating the value towards new customer orientation** : Making employees realize that the customer is the "king".
9. **Encouraging innovative and creative ideas** : Encouraging employees to perform their duties and responsibilities in a more creative manner.
10. **Providing conceptual and informing role to all the employees:** Make employees understand the basic purpose of their job and giving them detailed information about the job.
11. **Developing anticipatory and participatory approach** : Encouraging employees to participate in the decision making process and there by mentally preparing them for the future challenges.
12. **Creating learning organizations** : Organization as a whole should develop the culture of learning continuously and update its processes with the changing needs.

13. **Developing participative approach and automatic learning :** Participation of employees in the decision making process by allowing failures at times there by enabling employees to learn automatically.
14. **Providing training and retaining :** Provide training to the employees in specific areas and if required provide retraining.
15. **Developing managers continuously :** Managers are always given opportunities to develop themselves and update their skills.
16. **Introducing the techniques of organization development :** Organization development is a planed change technique.
17. **Developing reward system contributing to automatic human resource development :** Reward system is so designed that it provides scope to the employees to develop i.e if they acquire new skills, they will get some increment.
18. **Developing the attitude towards different jobs and encouraging job rotation:** Each employee is exposed to different jobs so that they get well acquainted with a variety of skills.
19. **Providing the social and cultural programmes to satisfy the social needs of employees:** Organizing picnics, get-togethers, annual functions to satisfy the social needs of the employees.