

## **Chapter - 6**

### **Future Implications for HRM to influence organizational leadership and cultures**

#### **Section1: Role of Human Resources in Creating Cultures**

**Role of human resources management practices in creating culture: To study as a by-product of the overall research effort given its close linkage to culture and leadership.**

" Competitive advantage cannot be understood by looking at a firm as a whole. It stems from the many discrete activities a firm performs in designing, producing, marketing, delivering and supporting its product." Says Michael Porter. A systematic way of examining all the activities a firm performs and how they interact is evaluated through the concept of value chain. The value chain as a concept disaggregates a firm into its strategically relevant activities. In the ensuing knowledge economy the importance of Human Capital is being recognized as never before.

"People are the most important asset of an organization" has been propounded long before, but adequate importance was not attached to this till late. Organizations have now woken up and acknowledged this fact. Here, in the above context one needs to analyze, how an individual can be utilized as an asset and also appreciate its value within the organization. The Human Resources "Value Chain" helps us understand the process in which an individuals worth can be maximized for the benefit of the individual as well as for the organization. The HR Value Chain examines the activities performed by a typical human resources department and how they interact to maximize the potential of an individual for the benefit of the organization.

## **The Human Resources Approach**

In an organization an individual utilizes his / her expertise and knowledge for the benefit of the organization and in turn is rewarded in monetary terms and also in terms of enhanced knowledge acquired through experience.

**The typical cycle can be described as follows:**

*...The individual gives a greater quality and quantity of work in his / her respective areas of expertise.*

*...This leads to higher organizational productivity and profits.*

*...This in turn leads to greater employee rewards and recognition in appreciation of the hard work put in.*

*...This leads to higher employee motivation and a new vigor to achieve more for the organization.*

## **Brief Literature analysis on HRM**

Arguably, HRM is not as recent a development as might be supposed. Seeing people as resources for the organization is a central concept for those like Likert (1961) who have campaigned for a more involving approach to management, arguing for a shift in thinking from 'human relations' to 'human resources'. Maslow (1965:262) suggested, 20 years before the popularization of HRM, that treating people as valued resources via what he called 'Eupsychian Management' provided competitive advantage: Eupsychian or enlightened management is already beginning to become a competitive factor. That is, old-style management is, putting the enterprise in a less and less advantageous position in competition with other enterprises and that are under enlightened management and are

therefore turning out better products, better service, etc, etc. Storey (1995), however, reminds us that the first British text on HRM did not appear until 1989. There had, nevertheless, been a debate in the journals before that about the nature of HRM that resembled in some respects the disputation of mediaeval clerics over how many angels could be positioned on the head of a pin (see, for example, Armstrong, 1987). As Storey points out, this debate was carried on without any real data at all. There was a need for empirical work to establish the credentials of HRM and this was provided, among others, by an extensive piece of research from Storey (1992). A long-standing 'standard moderns' which, by definition, were not subject to the special circumstances of ownership and green-field status of the relatively small number of organizations that seemed to be quoted endlessly in the early literature to support the contention that HRM was all around us. What emerges is evidence that change has, indeed, taken place. In another survey of 560 organizations covered by Leicestershire Training and Enterprise Council, Storey (1995) noted that no less than three-quarters of the organizations studied had adopted a set of management practices associated with HRM within the previous five years. It is customary to explain the change as a shift from old-style personnel management to new-style HRM, although there is some doubt about the clarity, smoothness and universality of the change, which tends to be glossed over by the more normative literature. Various prescriptions of what HRM is (or should be) exist. They differ in detail but tend to have a number of aspects in common. Employees provide the organization's principal possibilities for competitive advantage.

- The way in which employees are managed becomes a strategic concern for senior management and involves line managers taking responsibility both for the operation and development of HR policy.
- Obtaining and retaining top talent continues to haunt enlightened management
- Competitive advantage will not be realized unless the employees' commitment to organizational goals can be established.

- That commitment is only possible policies and practices that are designed specifically to promote that end exists in the organization.
- In particular, selection, performance management, training and development, and rewards represent the main areas for attention in creating high commitment strategies.
- Compensation continued to be an important factor in regard to employee motivation despite substantive material produced in favor of non monetary rewards
- Emergence of specialists in the field of HRM largely from the business or social sciences back ground provided for original work within organizational contexts
- An emphasis on communication and the development of a strong culture are necessary to provide the environment in which high commitment initiatives can flourish.

The emergence of HRM is unlikely to be just the result of managers seeing the light. A range of organizational changes has contributed to providing circumstances making the development of HRM both pertinent and possible. The emphasis on customers and the provision of quality service every time mean that organizations must have employees on whose commitment they can rely. Flexible organizations cannot operate without the willing participation of those providing, particularly, functional flexibility. Wide spans of control associated with slimmer and flatter structures require that older ways of (closely) managing can no longer operate. An increasing knowledge content in work together with the need for team working and a more educated workforce have produced demands from employees for different styles of supervision. Structural changes in industry and consequently in the make-up of the workforce, together with lasting high levels of unemployment, has brought about a less confrontational industrial relations atmosphere. The development of HRM has been against this background of considerable change.

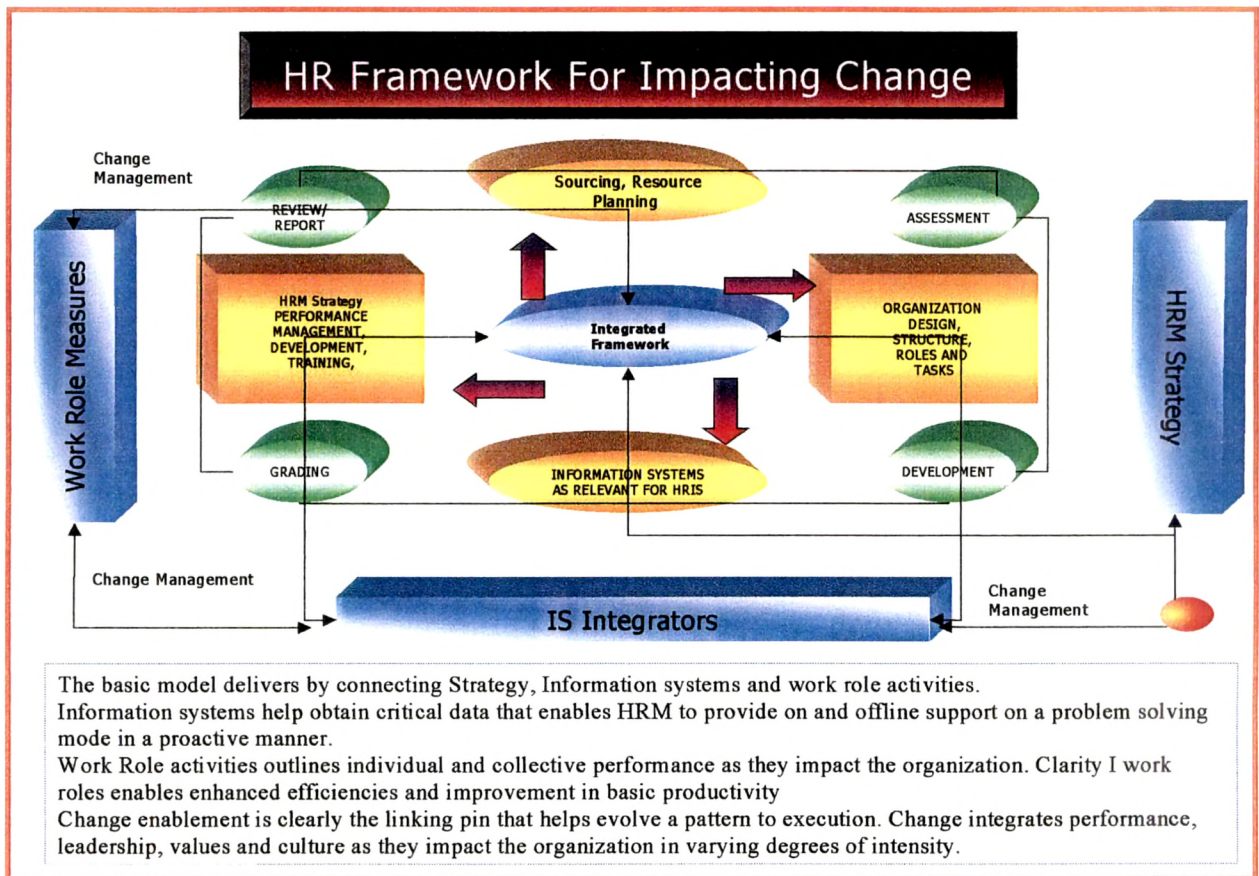
## **People Management and Business Performance**

The resources within an organization are limited and therefore it is important that their use is prioritized in order to produce the maximum effect on performance. However, the difficulty for managers knows which of the many factors have the most effect. To answer this question research was conducted on economic performance data gathered over a longitudinal period from 1991 to 2001 for the Sheffield Effectiveness Program, by the Center for Economic Performance at the London School of Economics and the institute of Work Psychology at the University of Sheffield. Every two years senior managers in more than 100 UK manufacturing companies were interviewed about areas such as: competitive strategies, human resource management, Just-in-time practices, production technology, quality emphasis, market environment, organizational structure, research and development, and work design. In addition, employee attitude and organizational culture questionnaires were distributed to a large sample of staff in more than half of the companies. These questionnaires focused on company functioning, concern for employee welfare, employee job satisfaction, innovation, performance pressure and formalization, and training. The findings are significant and are quoted at length. When we examine change in profitability after controlling for prior profitability, the results reveal that human resource management (HRM) practices taken together explain 19 per cent of the variation between companies in change in profitability, job design (flexibility and responsibility of shop floor jobs) and acquisition and development of skills (selection, induction, training and appraisal) explain a significant amount of the variation. This demonstrates the importance of HRM practices. In relation to productivity, HRM practices taken together account for 18 per cent of the variation between companies in change in productivity. Job design and acquisition and development of skills explain a significant proportion of the variation. This is the most convincing demonstration of which we are aware in the research literature of the link between the

management of people and the performance of companies. (Patterson *ET at*, 1997) Some conclusions are:

1. Senior managers should regularly review objectives, strategies and processes associated with people management practices in their organizations and make changes or introduce innovations accordingly?
  2. Senior managers should monitor the satisfaction and commitment of employees on a (regular basis using standardized surveys.
  3. Senior managers need to monitor employee perceptions of the culture in their organizations, examining areas that contribute towards a people-oriented culture (e.g. the extent to which employees are enabled, supported and equipped to do their work).
  4. Organizational changes are made, as necessary, to promote job satisfaction and employee commitment.
  5. HRM practices are reviewed across the organization in the following areas:
    - Socialization and induction
    - Recruitment and selection
    - Appraisal training
    - Reward systems
    - Design of jobs (richness, responsibility and control)
    - Communication
  6. Senior managers need to receive adequate training and support to provide effective vision and direction for the organization's' people management' strategies.
  7. The central element of each organization's philosophy and mission should be a commitment to the skill development, well-being and effectiveness of all employees.
- (Patterson et al, 1997:22)

supported by each of these human resource levers.



**Figure 74: HR Framework for Impacting Change**

Armstrong (1992) views HRD as focused training and development for all employees, which responds to individual and organizational requirements by improving performance and understanding. A key feature of strategic HRM and HRD is that they are (or should be) activities of management rather than of functional specialists, and are (or should be) closely linked to the business strategies of organizations. The parentheses are significant as the descriptions of HRM and HRD can be regarded as 'ideals' rather than actualities - a point made by Mabey and Salaman (1995) in relation to HRM. The key challenge implicit within all of the models and definitions

## Section 2: HRM: The Search for Meaning

While there seems to be agreement that the dominant approach to the management of people at work has changed/ identifying the nature of that change is complicated by the problems associated with seeing personnel management and HRM as single entities. We speak of the two as though they are uniform in all their manifestations - 'personnel management does this HRM believes that'. Similarly personnel management and HRM will vary in practice maybe considerably and there will be those who see themselves as personnel managers who practice aspects of what is considered HRM and HR managers whose behavior looks indistinguishable from so-called old-style personnel management. Perhaps the safest way to look at this is to think of a continuum from personnel management at one end to HRM at the other (envisaged as 'ideal types') with most organizational practice strewn out between/ rather than an either/or division. However so long as we remember that reality is messier than the models in the literature/ it is useful to explore the field in simpler terms to enable us to gain some feel for the nature of the personnel management/HRM shift in practice.

### Where is HRM coming from?

Throughout his analyses Storey (1992, 1995) emphasizes that the differences between personnel management and HRM are partly to do with assumptions that underlie their practice. A key area of assumption as indicated above is the nature of *perceived* organizational reality - the degree to which organizations are seen as unitizes (e.g. viewed as teams families) or pluralities (e.g. coalitions of conflicting interests). This is not a question of whether organizations *are* one or the other but rather what the stakeholders in employment (and particularly managers) *believe* them to be. Those who adhere to the unitary frame argue that organizations are naturally like teams or families where what

is good for the leaders of those organizations is also good for their members. The emphasis is on shared goals all-pulling in one direction. This it is argued is not just a desired way of arranging the work relationship - it is also the natural way of things. Problems arising between manager and managed in the unitary organization are explained as being caused by either ineffective communication or the work of agitators.

**Figure 73 “Ideal types’ of personnel management and HRM**

<b>Personnel Management</b>	<b>HRM</b>
Emphasis on system and order. Clarity of rules and procedures	Emphasis on business needs. ‘Just do it’ approaches to work. Beg forgiveness rather than seek permission
Consistency: ‘Don’t make fish of one and fowl of the other’.	Flexibility: ‘Do what is necessary to get the task done even if a few feathers are ruffled and noses put out of joint on the way’.
Control/monitor.	Develop/grow.
Some conflict at work seen as inevitable, need is to de arrangements to manage it.	Conflict not seen as inevitable; play down or even ignore differences.
Pluralist framework.	Unitary framework.
Collective bargaining: equity across and between groups	Individual contracts: equity preferable but not first concern
Communicate as necessary via ‘proper’ channels.	Communicate often and directly.
Not of concern to business planners.	Integrated with business plans.
Welfare Orientation	Development Orientation

Perform by personnel specialists.	Enacted by, and policies developed, by line managers
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(Often seen as the malevolent influence of trade unions). Winning hearts and m becomes a major goal of selection, development and reward policies. 'Is she or he 01 us?' emerges as the critical organizational question)

Pluralists, on the other hand, see organizations as a coming together of people different backgrounds, experiences and expectations who, legitimately, will not view organizational purpose in the same way. The interests of the managed will not, naturally, b same as those of managers. Indeed, the interests of different managers will not converge, and we should not expect them to. As Marchington (1995:60) suggests, '1 first-line managers and supervisors regard themselves as in some sense superior to people they manage, they still remain estranged from the predominant goals and values of senior management.' The primary managerial activity, therefore, should be to record this reality and create mechanisms that will allow differences to be negotiated to ac enough of a consensus for the organization to function. (A third view, the radical framework, sees organizations as subsystems of society whole; in particular, as a reflection of the power relationships that determine that 01 will always have the capacity, under capitalism, to exploit workers. Unitarism is, there a way of whitewashing a system of domination, and pluralism presents an enticing but ultimately false picture of an even playing field on which differences are settled on terms. Radicalizes would argue that seeing the personnel management/HRM debt terms of pluralism vs. Unitarism miss the central point of organizations as system power.)

## **Effectiveness of HARD AND SOFT HRM**

Legge (in Storey, 1995) distinguishes between *hard* and *soft* versions of HRM. The hard version places emphasis on the link between HRM and business strategy to the extent that HRM is sometimes called 'strategic HRM'. If, from the characteristics listed above/ HRM is of direct concern to senior management, then it follows that it needs to have a strategic effect. As Torrington and Hall (1995) point out/ it is not enough to identify the need for such a link. The relationship might take any one of four forms:

- **The first is where the business strategy is developed and then the HR strategy is designed to be a close fit to it. The business strategy dictates the nature of the HR strategy: arguably, the business strategy causes the HR strategy to be what it is.**
- **In the second case, the relationship is as above but involves feedback from the HR strategy to the business strategy. HR follows overall, predetermined organizational purposes but provides HR data that might lead to modification of the business strategy. The HR strategy is still subservient to business strategy but the possibility of debate influence exists.**
- **A third approach envisages business strategy and HR strategy being developed together, each influencing the other on broadly equal terms. This reflects an organizational realization of the centrality of people to organizational success.**
- **If, as CEOs are oft given to claim, 'People are the organization's most important assets', the fourth approach provides the ultimate model. Here the HR strategy is developed first and the business strategy is designed to fit, with opportunity for feedback along the lines of the second approach above. In this version, HR policies drive the business strategy. Typically, strategists are asking: 'What are the HR**

**strengths which set us apart from our competitors and how can we design our business strategy to capitalize on those strengths?'**

Torrington and Hall, perhaps pessimistically, outline a fifth version where no link between HR and business strategy exists. Work by Marginson *et al* (1993:71) indicates that such pessimism may be well placed. They suggest that: 'if one of the defining characteristics of human resource management is the explicit link with business strategies, then this survey has failed to find it for the majority of large companies in the UK'. This might, however, have more to do with assumptions about the rationality of the strategy-formulation process than about the link itself. Rather than see strategy as a rational, top-down planning activity, it may be more realistic to view it as a more gradual, messy, emergent process. (Butler *et al*, 1991, for instance, see strategy emerging from a combination of intended and unintended actions.) The grand plan approach to strategy is rejected in favor of strategy being discovered as it emerges from the interaction of a whole range of stakeholders in an often very political arena. In this context, it may be unrealistic to search for the links in the form suggested by a rational view of strategy formulation. Hard HRM, associated as it is with business planning, has given new life to human resource planning. Making sure that the staffing of the organization mirrors organizational need and that the right number of people with the right capabilities are in the right place at the right time sits comfortably with 'hard' conceptions of HRM. 'Right', of course, means that it is not just enough to make sure that sufficient employees are in position but also that not too many are there. This has led to the development of flexible staffing policies and, while there is some doubt as to whether flexibility has been thought through in the majority of organizations in anything like a strategic way. Guest (1989) has argued that flexibility is one of the main distinguishing features of HRM. It has become customary, following Atkinson's (1984) pioneering work, to distinguish between two types of flexibility:

- **Functional flexibility** encompasses the capacity of employees to become multi-skilled and move between functions as business demands dictate. While potentially a characteristic of all employees, this form of flexibility is linked by Atkinson with the organization's core workforce: those who possess organization-specific skills which, by definition, are difficult to buy in from outside.
- **Numerical flexibility** is about managing the headcount to make sure that numbers rise and fall with the exigencies of the business. This is more easily done where the staff concerned has generic skills that can be dispensed with in the knowledge that they can, if necessary, be found in the wider labor market and brought back into the organization with little delay. This is the peripheral workforce, made up largely, but not exclusively, of routine production and administrative staff. The use of contractors, temporaries and the self-employed provides further numerical flexibility (and, maybe, functional flexibility) without the perceived problems of a contract of employment.

Arguably, both functional and numerical flexibility is ways of achieving financial flexibility. What is being sought is a method of managing more effectively and more efficiently. Further strategies available, particularly with the peripheral workforce; include temporal flexibility where contractual hours of work are varied (including annual hours arrangements and nil hours contracts) to suit business requirements. Building flexibility into HR policies generally, but particularly in the area of remuneration with, for instance, rewards linked to performance or profit, is also a way of increasing the degree of variability in costs associated with employment. Hard HRM smacks of tight control and, particularly, of an integration of HR policies with business strategy, as discussed above. The emphasis is on a systematic, rational approach. As far as is possible, the human resource is to be managed in the same way as other organizational resources and it is/ perhaps, best understood using a production/manufacturing metaphor. Soft

HRM is also framed by business objectives but the emphasis is on those aspects that make employees a unique resource, one that is capable of providing competitive advantage. Stress is, therefore, placed on development, on maximizing human potential: resourceful humans rather than human resources. The metaphor here is agricultural: growing rather than making. However, this valued resource is of little use unless prepared to apply its talent on behalf of the organization. Consequently, soft HRM specifies treating employees as valued contributors to the organization, paying attention to motivation, developing trust, providing development opportunities, keeping them informed so that the commitment necessary for the release of organizationally useful behaviors is developed. Recent work on the psychological contract is relevant here. Guest (1996) suggests that a positive psychological contract relates to employee perceptions of fairness, trust and delivery of 'the deal'. It is potentially affected by organizational culture, employee expectations/experience and the degree to which employees have any alternative but to grin and bear it. However, Guest found that, although culture and expectations had some effect, it was the presence or absence of high commitment HR practices that had by far the greatest influence on the nature of the psychological contract. In particular/ the organization's attempts to:

- Keep employees informed about business issues and performance;
- Fill vacancies from within;
- Make jobs as interesting and variable as possible;
- Deliberately avoid compulsory redundancies and lay-offs; had the strongest links with a positive psychological contract. Making the effort, then, is not just about being nice to people. There is, potentially, a sound commercial pay-off. Hiltrop (1996) supports this view when she argues that employees actively wish to:
- Know more about what is happening in their organizations;

- Understand why their managers make the decisions they do (see also TUC initiatives on the 'good boss');
- Contribute ideas and participate in decision-making;
- Have autonomy and 'meaningful work experiences'; and
- Generally feel valued and personally recognized.

HR policies, therefore, need to be aimed at meeting these needs and it is the soft version of HRM that is likely to supply the necessary framework. While it is important to recognize the different strands in HRM that is the hard and soft approaches, it does not mean that they are incompatible. Organizations can, and do, demonstrate both. The discussion of flexibility above, for example, provides a setting in which this might be illustrated. Core employees are likely to be the knowledge workers of the organization and the potential source of competitive advantage. Soft HRM, with its stress on surfacing competence and developing the necessary organizational commitment, would seem most appropriate as an emphasis in this case. Peripheral workers, on the other hand, are not usually the carriers of organization-specific expertise and the need here is to tightly manage the headcount to keep control of costs via hard HRM techniques. Managing this duality is not, of course, without its problems. It may seem very much like elitism and lead to suspicion that messages of Unitarism such as '(all) our employees are our greatest assets' ring hollow. Marchington (1995:62-3) points out that: The short-terms which is inherent across much of management in Britain is nowhere more apparent than in the way employees are treated, and it is hardly surprising that new initiatives are greeted with skepticism by employees who have 'seen it all before'. Pascale (1995) sees the process of demands for employee loyalty, without much evidence of reciprocation by employers to date, as 'the sound of one hand clapping'.

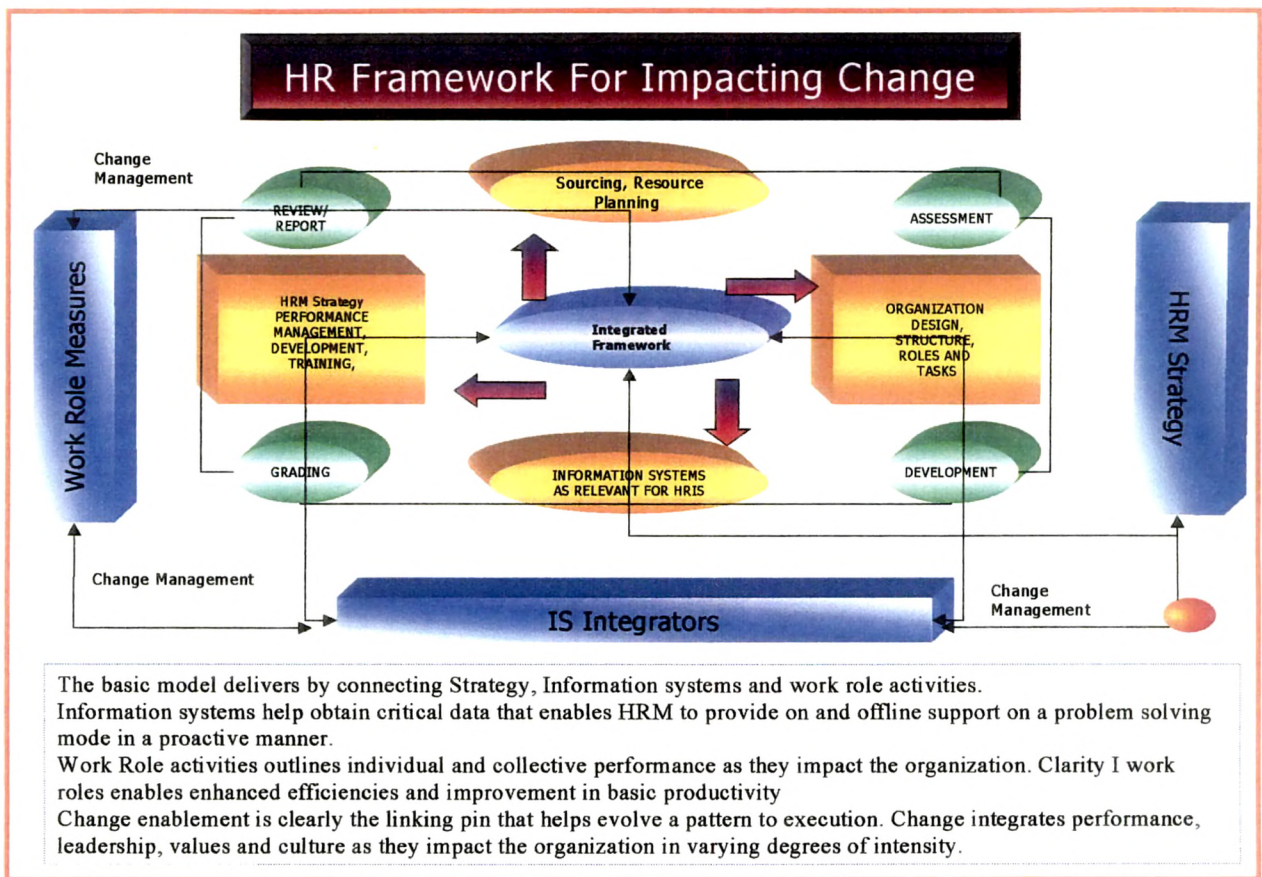
## **Strategic HRM**

Training and development has traditionally been a functional division of the personnel department concerned with carrying out the identification of training and development needs, planning and designing training, implementing training and evaluating it, i.e. the classic 'training cycle' (see Figure 2.1). This notion of a systematic approach to training and development is widely accepted among practitioners. Although not using the term HRD, Winter (1995:313) talks about 'a systematic approach to developing staff which has, as its starting point, the business objectives (or strategy). This differs from the classic training cycle only in as much as the identification of training and development needs is now seen to be based on organizational strategy. This is very much the model for the Investors in People standard adopted throughout the UK and Australia during the 1990s, and symbolizes a more strategic role for training and development.

### **Definitions of HRM also emphasize a strategic orientation, for example:**

Resourcing is about providing the skill base needed in the organization. Human resource development (HRD) is about enhancing and widening these skills by training, by helping people to grow within the organization, and by enabling them to make better use of their skills and abilities. (Armstrong, 1992:152). Mabey and Salaman (1995:131) set out 'a strategic approach to training' and present a clear model of strategic training and development. In this, The target represents the vision, mission or 'cause' of the organization. ... From this starting point there are two flows: one into business strategy ... the other into human resource strategies. ... This latter flow will hopefully inform each lever of HRM policy and procedure, providing continuity between recruitment and selection practices, appraisal and assessment, reward systems and career development processes. Critically, training and development provision needs to be mutually

supported by each of these human resource levers.



**Figure 74: HR Framework for Impacting Change**

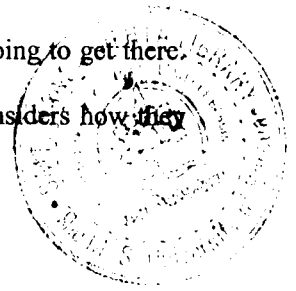
Armstrong (1992) views HRD as focused training and development for all employees, which responds to individual and organizational requirements by improving performance and understanding. A key feature of strategic HRM and HRD is that they are (or should be) activities of management rather than of functional specialists, and are (or should be) closely linked to the business strategies of organizations. The parentheses are significant as the descriptions of HRM and HRD can be regarded as 'ideals' rather than actualities - a point made by Mabey and Salaman (1995) in relation to HRM. The key challenge implicit within all of the models and definitions

above is to be able clearly to identify what the organization's strategy and goals are in order that the systematic approach to HRD can be followed. The weakness in them all arises where business strategy is not clearly apparent to those responsible for making decisions about HRD, and, consequently, logical deductions about appropriate training and development interventions are difficult to make. This may be because HRD specialists are not involved adequately at strategic levels of decision-making or because of the dynamic nature of the organization where strategy is constantly on the move. It may be a combination of both of these factors. An organization's strategy is all about its future orientation. Johnson and Scholes (1999:10) in their authoritative and comprehensive text *Exploring Corporate Strategy*, define strategy as: the *direction* and *scope* of an organization over the *long term*: which achieves *advantage* for the organization through its configuration of *resources* within a changing *environment*, to meet the needs of *markets* and to fulfill *stakeholder* expectations. Some key words contained within a number of the definitions of strategy (e.g. Andrews/ 1994; Ansoff, 1987; Chandler, 1962; Faulkner and Johnson, 1992) are:

- 3. Major objectives, purposes, long-term goals, product-market opportunities, direction, positioning, competitive advantage, long-term perspective, framework;**
- 4. Policies, plans, resource allocation deployment.**

It can be seen that these fall into two categories. The first group deals with what Armstrong (1994:16) describes as 'the end'; the second with what he describes as 'the means'. Armstrong suggests that *strategic management* deals with both ends and means: As an end it describes a vision of what something will look like in a few years' time. As a means, it shows how it is expected that the vision will be realized. Strategic management is therefore visionary management, concerned with creating and conceptualizing ideas of where the organization is

going. But it is also empirical management that decides how in practice it is going to get there. Purcell (1992) who identifies three levels of strategic decision-making and considers how they can interrelate with HRM suggests a similar view. These are:



**First order:** decisions on the long-run goals and the scope of activities.

**Second order:** decisions on the way the enterprise is structured to achieve its goals.

**Third order:** functional strategies in the context of levels 1 and 2 (including HRM and HRD strategies).

These are similar to the three levels suggested by Johnson and Scholes (1999) of corporate strategy, business unit strategy and operational strategies. All levels of strategy are influenced by external environmental factors, many of which will have a direct impact upon HRD issues (e.g., technological advances, labor market). Training and development, if it is to be regarded as a strategic activity aligned to corporate strategy, should as a minimum feature in the second order in the above model whereby it supports the overall strategic direction. Harrison calls this 'business-led HRD'. However there is also a case to be made that in an ideal situation it should play a role in the first order - termed 'strategic HRD' (Harrison, 1997). Unfortunately, in many cases training and development is relegated to an operational activity, disconnected from or only loosely connected to any of the strategic activities of the organization, or responding to the immediately pressing or a current fad.

Johnson and Scholes (1999) suggest three main elements to strategic management: strategic analysis, strategic choice and strategy implementation, which are not linear events but inter linked. There is a role for HRD (and HRM) considerations in each of these elements:

- The purpose of *strategic analysis* is to form a view of the key influences on the present and future well being of the organization; what opportunities are afforded by the environment (i.e., the opportunities and threats); what are the competencies (strengths and weaknesses) of the organization. Considerations for HRD here might include analysis of current skill levels available within and external to the organization that might impinge upon current and future business goals. It would consider the core competencies of the organization in terms of human capabilities in existence or which might be developed, and how these might be deployed.
- *Strategic choice* is about identifying the choices open to the organization in terms of, for example, products or services, generating strategic options and evaluating and selecting options. Here again, HRD considerations are important; for instance, against each option can staff be recruited and trained to meet its requirements? Do such considerations render an option viable or not viable? Would some of the core competencies held by employees suggest certain choices would be more likely to succeed than others?
- *Strategy implementation* is concerned with the structure and systems needed for chosen strategic options (termed 'the strategic architecture'). The HRD considerations here might be about whether to retrain the existing workforce (in knowledge, skills and/or attitudes) or whether to recruit new people. It may require the management of strategic change and the design and delivery of major training and development programs to support change.

Models of strategic HRD presuppose, to a large extent, a rational and linear model of strategy formulation and implementation whereby there is a sequence of stages involving objective setting, the analysis of environmental trends and resource capabilities, evaluation of options and ending with careful planning of the strategy's implementation. In such cases the model described in Storey (1991) would apply. Armstrong and Long (1994) identify a number of problems

associated with integrating HRM strategies, which stem from the imperfections of the reality of strategic management:

- **The diversity of strategic approaches particularly in diversified corporations;**
- **The complexity of the strategy formulation process which inhibits the flow into functional strategy;**
- **The evolutionary nature of business strategy which does not fit with the concept of planning and therefore makes it difficult to 'pin down' relevant HRM issues; and**
- **The absence of articulated business strategies that hinders clarification of strategic issues.**

Johnson and Scholl's (1999) point out that while many organizations do have formal planning systems, this is not universally the case; similarly, strategies are adopted by organizations without coming through these formal systems. They suggest that strategies typically develop by organizations adapting or building on existing strategies, i.e. they are incremental. They distinguish between such incremental strategy and the need that occasionally arises for transformational strategic change where it is important for there to be a clear and compelling vision or strategic intent. Even where strategies are well planned, they are not always realized; alternatively, strategies may be imposed on an organization through, for example, legislation. Strategic decisions are characterized by the political hurly-burly of organizational life with a high incidence of bargaining, a trading off of costs and benefits of one interest group against another, all within a notable lack of clarity in terms of environmental influences and objectives. (Johnson, 1987:21).

Some authors (e.g., Stacey 1992) suggest that strategy formulation needs to be radically rethought, given the turbulent and chaotic environment in which many organizations operate. The suggestion is not that it should be abandoned altogether, but that the myth of the rational planning approach should be replaced with a reality which is about developing organizational structures, processes and styles that enable managers and other employees to draw on their experience, to adopt more questioning approaches, air conflicting ideas and experiment without reproach. This is akin to the *learning organization* concept and will require a significant shift for many organizations still caught up in rituals of strategic and business planning. It requires organizational slack to allow time for managers and other employees to debate and challenge, and a corresponding change in culture and attitude.

This analysis suggests that the *ideal* of HRD may be one where a 'best fit' is sought between the organization's strategic direction and its training and development activities and initiatives. It echoes Hendry's (1995) recommendation that there should be a 'loose coupling' of business and HR strategies. This more pragmatic approach seems sensible given the apparent gap that exists in practice between the ideal and the reality of strategic HRD. It is interesting to look at the development of approaches to strategy in a historical context and to align them to thinking about issues of training and development. The attempt to identify key environmental changes, how strategy and orientation have developed correspondingly and how approaches to training and development has rather lagged behind. This analysis suggests that considerable advancement has occurred in thinking about organizational strategy, with a move away from rational, linear approaches to strategy and planning, and embracing more opportunistic styles. Models of training and development, however, are still often based upon the 'training cycle', and even where 'business objectives' is the starting point, this may be insufficient as the primary tool for developing a strategic approach to HRD in the current environment. This might account for some of the difficulties experienced by organizations attempting to follow an Investors in People type

model which demands as the starting point clearly articulated business plans from which HRD priorities will naturally flow.

**For example:**

**“Manager’s checklist on Employee Appraisal Ethics” (Shermon 1986)**

- 1) Knowing what areas an appraisal system, its objectives, method, values and approaches purports to handle should ensure system effectiveness.
- 2) Know the reason and applicability for appraisal;
- 3) Appraise on the basis of representative information, clear data and facts;
- 4) Appraise on the basis of sufficient and conclusive information;
- 5) Appraise on the basis of relevant and timely information
- 6) Make an honest appraisal on the basis of values and principles guiding the appraisal system and its application;
- 7) Keep written and oral appraisals consistent, factual, clear, transparent, lucid and easy to access;
- 8) Present appraisal as opinion, as a view at a point in time given current data and is not a permanent disposition or judgement;
- 9) Give appraisal information only to those who have a good reason, a relevant organizational role member, to know it;
- 10) Don’t imply the existence of an appraisal that has not been made. Don’t accept another’s appraisal without knowing the basis for it.
- 11) Make behavioral change comments only if expertise is available to make that judgement;
- 12) Offer strengths and weakness data only after it has been substantiated with facts;

- 13) Do not venture into potential appraisal unless you possess the expertise to make a judgement on the future for both the individual and the corporation;
- 14) Make yourself an impartial witness to the entire episode and ensure there are no vested interests in the outcome of the appraisal process and the conclusion;
- 15) Do not link compensation and promotion to the appraisal process. Make promotion a function of the position evaluation program and compensation a system linked to market information and job value.

### **Section 3: THE H R M "VALUE CHAIN"**

#### **The Current Context**

Figure: Context and Role of HR behavioral Consulting (Shermon 2000) at a point in time.

The resource-based view of the firm is based on two assumptions: first, that firms within an industry are heterogeneous with respect to the strategic resources under their control and second, that resources may not have perfect mobility between firms. Barney (1991) constructed a model to test the potential of a firm's resources to generate sustained competitive advantage. He suggests that there are four empirical indicators: value, rareness, imitability and substitutability. Barney defines a firm's resources as including all assets, capabilities, organizational processes, firm attributes, information and knowledge controlled by a firm that enable the firm to conceive of and implement strategies which improve its efficiency and effectiveness. The firm's human capital resources include the training, experience, judgement, intelligence, relationships and creativity of individual employees. And all of this was being valued. Some illustrations are given below:

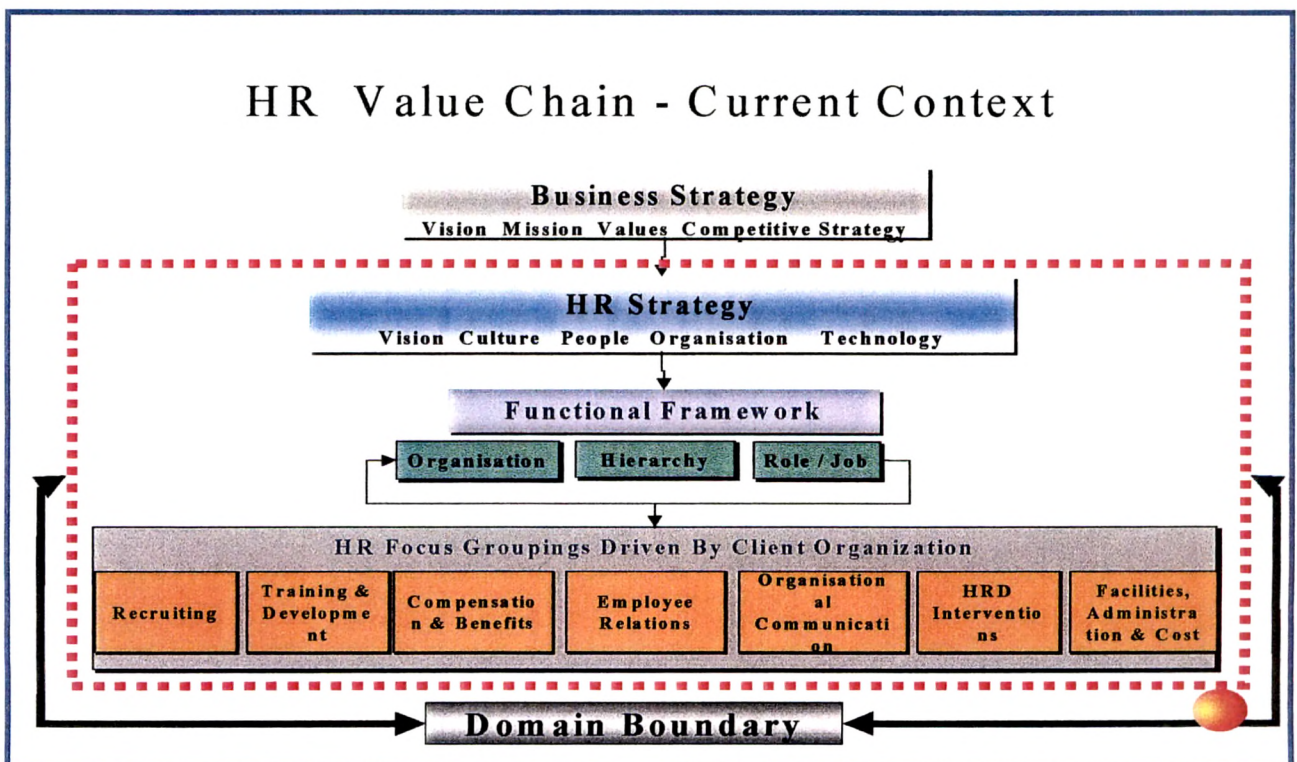
### Case: Ranbaxy

- The rationale for valuing human resources was organisation-driven, ie. mindful of the fact that for an Indian pharmaceutical company that aims to become a research-based, international pharma company, the key to success is R&D - and investments in its employees - the company used the Cost of Replacement model to retain employees
- Cost of Replacement calculates the worth of employees in terms of their replacement cost; the rationale being that in replacing an employee, a company takes financial hits on recruiting, initial dips in efficiencies while the recruit comes up to standard, etc
- Ranbaxy constituted a panel to identify 'critical' and 'important' employees, on such parameters as the impact on business if, say, an employee were to leave, the value that he/she adds to the company, the availability of similar people in the market, the time that would lapse before a replacement is found and learns enough to step into the shoes of the previous employee
- After so identifying its most valuable employees, Ranbaxy estimated their worth and using industry benchmarks - offered competitive salaries, ESOPs and locked-in performance bonuses

**Figure 75: The Case of Ranbaxy**

Increasingly in the 1990s it is the human resource of a firm in terms of competencies, capabilities and creativity, which has been recognized as meeting the four criteria identifying the potential for sustained competitive advantage as suggested by Barney (1991). Stalk et al. (1992) describe a change in the nature of competition from "A war of position" to "A war of movement" in which success depends on anticipation of market trends and fast response to changing customer needs. In such an environment, they believe that the essence of strategy is not the structure of a firm's products and markets but the dynamics of its behavior and its unique capabilities. Similarly, Ackoff (1994) suggests that the more unpredictable and uncertain the global environment, the more organisations must rely upon their employees to create the desired future. This requires strong leadership from chief executives, as such a focus needs the type of structures and processes compatible with the continuous development of employees, the continuous flow of ideas and continuous adaptability to change.

1. Business Strategy articulation, development stands independent of the HR strategy formulation as it becomes a meaningless paper completion exercise rather than an integrated process
2. Focus on functional HR behavioral framework of deliverables dealing with recruiting, training, compensation, employee relations and administration.
3. Alignment to other business parts not relevantly connected as HR activity is driven by its goals that functionally focused and asked to be delivered upon.
4. Processes that connect strategy formulation from business to functional components are missing and are dominated by action goals, policy content work to deliver people solutions in a undefined organizational situation
5. Monitored by leadership and culture managers through policy clarity, procedural focus and individualized attention particularly relevant to small and entrepreneurial functional organization
6. Absence of a HR value chain that makes roles and responsibilities of HR incumbents clear and focused.



**Figure 76: HR Value Chain – Current Context ( Pre Change)**

Every human resources function is a collection of activities, which help an individual to settle down in an organization and perform to his fullest extent. All these activities can be represented using the value chain. In competitive terms, value is the worth of an individual or the human capital. A firm is profitable if it has a collection of human capital that performs in creating a product. The value chain displays total value, and consists of value activities and potential. Value activities are the basic building blocks by which a human resources function builds up an employee in terms of motivation and learning. Potential is the inherent capability of the individual, which has been developed, with the help of the value activities. Value activities can be divided into two broad categories, primary activities and support activities. In competitive terms, value is the worth of an individual or the human capital. A firm is profitable if it has a collection of human capital that performs in creating a product. The value chain displays total value, and consists of value activities and potential. Value activities are the basic building blocks by which a human resources function builds up an employee in terms of motivation and learning. Potential is the inherent capability of the individual, which has been developed, with the help of the value activities. Value activities can be divided into two broad categories, primary activities and support activities.

**Value-Chain Focus.** Which core competencies and learning investments does the organization value and support? By learning investments, we mean all allocations of personnel and money to develop knowledge and skill over time, including training and education, pilot projects, developmental assignments, available resources, and so on. If a particular organization is “engineering focused” or “marketing driven,” it is biased in favor of substantial learning investments in those areas. We divided the value chain into two categories: internally directed

activities of a “design and make” nature, and those more externally focused of a “sell and deliver” nature. The former includes R&D, engineering, and manufacturing. The latter are sales, distribution, and service activities. Although this does some disservice to the value chain concept, the breakdown easily accounts for our observations.

At Citicorp, the investment funds group focuses on the design and makes side. While this is balanced by learning investments on the deliver side in the Citicorp marketing groups, there is a strong boundary between these groups, and the fund management side is regarded as the organization’s core. Motorola’s total quality effort clearly recognizes the importance of value-added at both sides, but “design and make” is significantly ahead of “deliver” in learning investments in quality. Fiat’s Direzione Technica is clearly oriented toward design and make, although its new system of simultaneous engineering is balancing its approach with increased sensitivity to the deliver side. Amtrex manufacturing operations focuses squarely on efficient production. Digital Equipment Corporation’s learning investments traditionally are said to be much more heavily focused on “design and make” than on “deliver.”

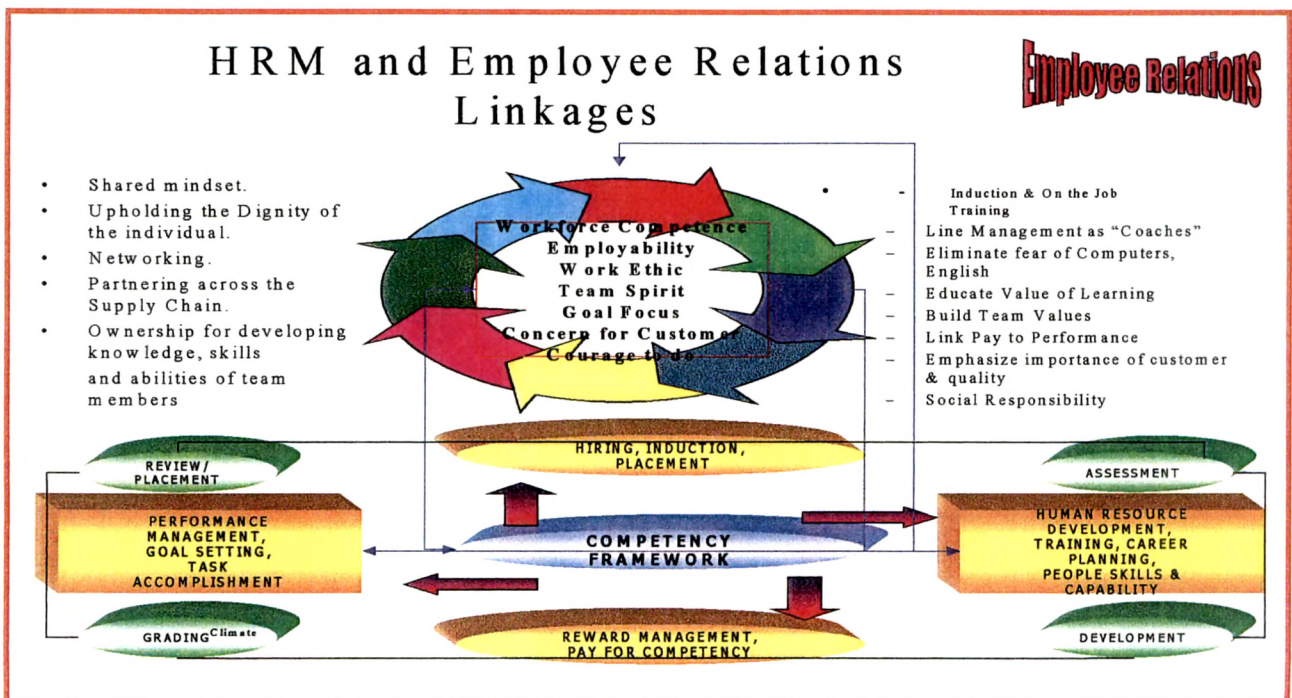
The primary activities in a HR value chain are – Manpower Planning and structuring, HRM Strategy and Process, Recruitment process, Settling In (Socialization process), On the job experience, Performance Management and Career Planning. The support activities are - Communication, Training & Management development, Compensation (Lifestyle) management, Rewards, and Facilities and Administration.

How each of these value activities are performed will largely determine the quality of the human capital in an organization and the competitive advantage in terms of human capital vis-à-vis other industries.

### **E.2.1 Primary and secondary activities**

There are generic categories of primary and secondary activities.

1. Recruitment Process.
2. Socialization-Settling In.
3. On The Job Experience.
4. Performance Management.
5. Career Planning.
6. Communication And organizational commitment
7. Training & Management Development.
8. Basic Knowledge and Skills training
9. Overall Business Appreciation
10. Compensation (Lifestyle) Management/Rewards.
11. Self Drivers and Motivation



12. Facilities and Administration.

Figure 77

## **REDEFINING THE HRM VALUE CHAIN**

Each generic category of the primary and support activities can be further subdivided into discrete value activities. Broad functions such as Recruitment and Training can be further subdivided into value activities. The process flow should be utilized in doing so. The appropriate degree of disaggregation depends on the economics of the activity and the purposes for which the value chain is being analyzed. Everything a human resources function does should be captured in a primary or support activity. The transition of the HR value chain is evident. From functional orientation to select themes focusing on talent management, building leadership, managing learning, knowledge and development, self-drivers, organizational communication, performance orientation to building relationships have become critical considerations. The Researcher has in turn analyzed the evolving HR value chain in the context of themes, processes, and extended border beyond the functional domain and the changing competency framework into organization and teamwork. Critically focus on strategy has been an important consideration.

## Changed Context and HR Value Chain with themes.... While Making Transitions.....

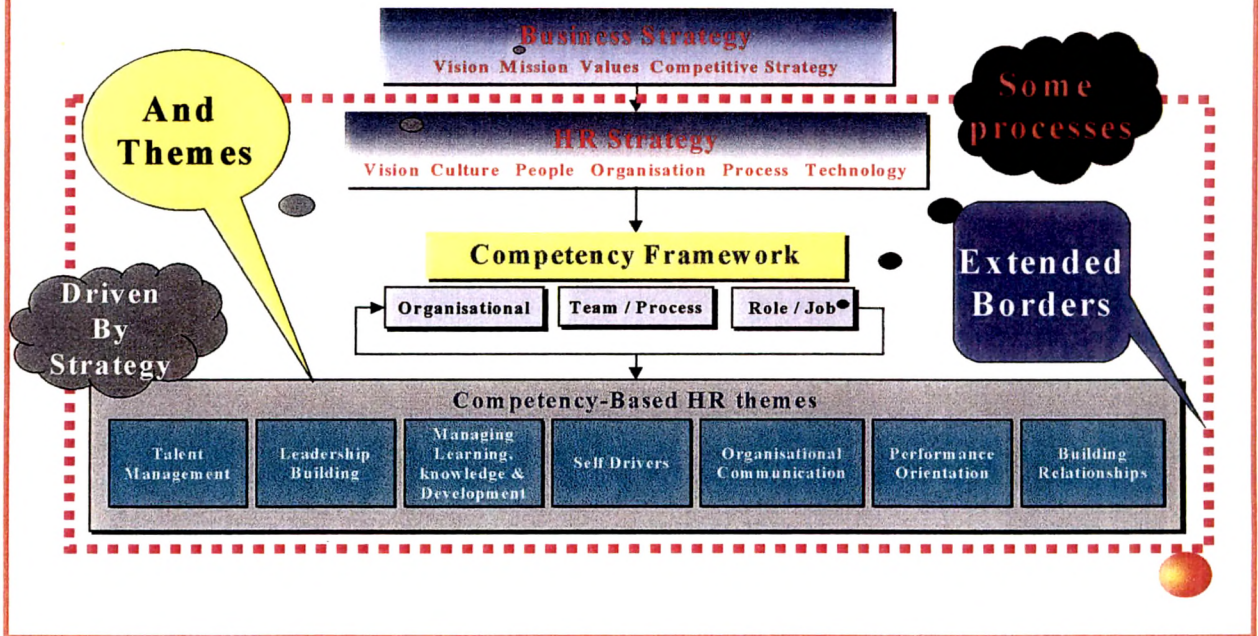


Figure 78: Model used to evaluate HR Effectiveness by the Researcher is provided below.

For many graduates of business schools since the mid 1980s, strategic human resource management has been synonymous with the Harvard approach and the influential analytical framework of Beer et al. (1985). This approach sees the key responsibility of strategic HRM as the integrative harmonization of four policy areas; employee influence, human resource flow, reward systems and work systems, both with each other and with stated corporate policy. In the

1990s, doubts have been expressed as to the relevance of the philosophical underpinning of this model and its assumptions as to the nature of the human resource (Pfeffer, 1994; Staehle, 1990).

The Harvard approach inculcates a mindset of human resource strategy as a second order strategy springing from predetermined corporate strategy. Human resources are viewed as responding to meet corporate strategy requirements as they occur. There is an assumption that the human skills and capabilities required for the implementation of strategy can be delivered virtually on demand. This assumption is a common cause of corporate strategy failures. Resource theories of the firms, in contrast, encourage the development of strategies based on maximizing the human resource potential. However, this strategic approach requires a significant shift in corporate planning frameworks.

Pfeffer (1994) found that one of the fundamental reasons for long term success in the most successful US firm taken over a 20 year time period, 1972-1992, was a management approach which saw the workforce as a source of strategic advantage, not primarily as a cost to be minimized. If people are regarded as an investment rather than a cost item then leaders must be prepared to accept long term frameworks for estimation of returns on an investment predicated on the potential for growth.

Value activity labels should be chosen to provide the best possible into the activity and the value, which it provides in the development of an individual within the organization. The value chain is not a collection of individual activities. There are definite linkages within the system. These linkages are necessary for proper optimization and coordination within the activities. Exploiting linkages usually requires information or information flows that allow optimization and coordination to take place. Given the difficulty of recognizing and managing linkages, the ability to do so often yields a sustainable source of competitive advantage. The value chain involves

dealing with business processes as an important condition for handling business strategy. The mindset that equates effective management of change with a narrow focus on continual cost reduction has been found to be counterproductive and harmful to the medium and long-term competitiveness of a company (Hamel and Prahalad, 1994; Pfeffer, 1994). Such approaches run counter to resource-based theories of the firm and the creation of the type of organizational climate required for organizational learning. If the rationale of a human resource strategy is cost cutting then what type of employees incur the highest cost and are therefore prime targets for cost-cutting? Similarly, what type of activities incurs costs with little to offset them on the opposite side of the balance sheet? The answer is that in many cases, employees at the top of their salary bands are precisely those with the knowledge and specific organizational skills identified by Takeuchi and Nonaka (1996) as the true source of competitive advantage. Training and employee development programs are fundamental to a learning organisation but they are vulnerable targets in evaluations of value based on short-term results.

While its vision, mission and values lead the organization; its overarching framework is that of the process competency framework and then follows structure, HR vision, organization, culture, people, processes and technology. Supporting this edifice is that of the connection between content work and process work. While at the preliminary stage the organizational work including hr work would be driven by content and functional knowledge, eventually its effectiveness is dependent upon substantive process and people work. This appropriate ring fencing enables the evolution of a new HR value chain.

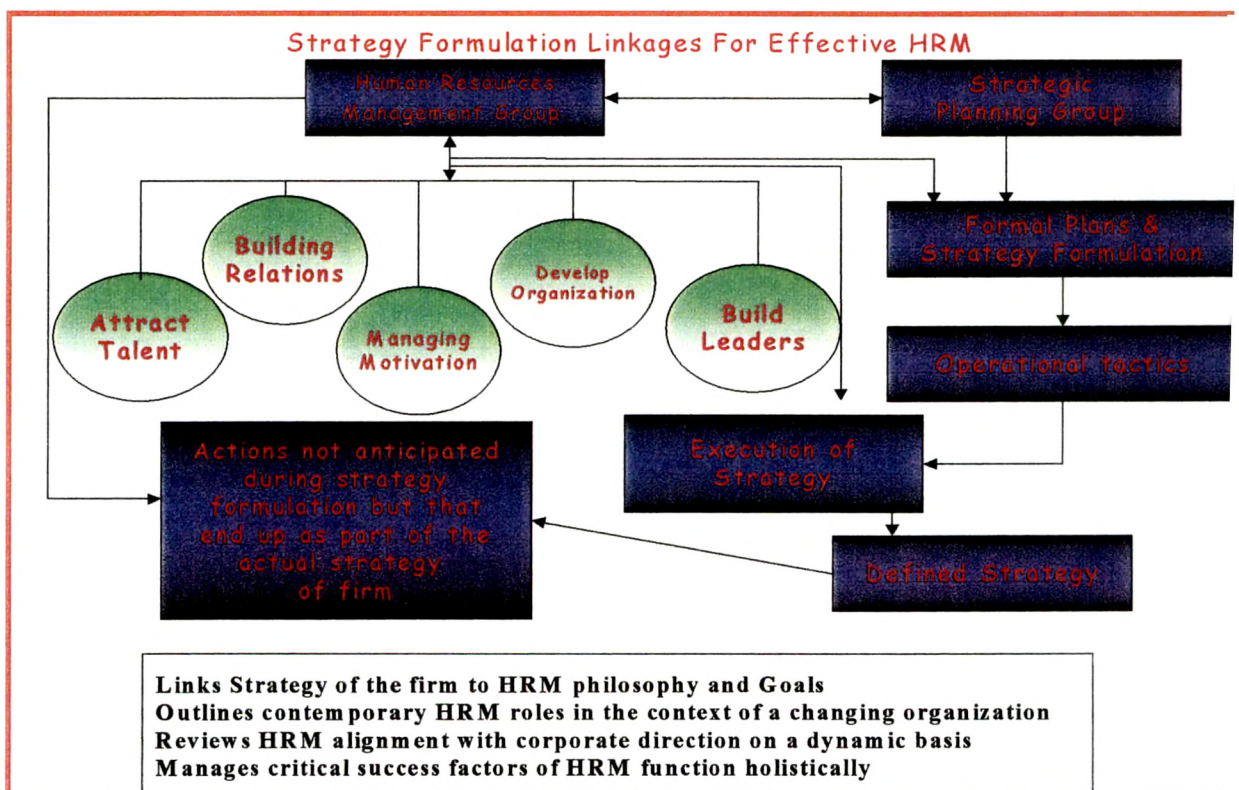
Strategic analysis will include consideration of external factors relevant to the organization and its strategic direction (the environment). However, the internal resources of the organization (including human resources) are also an important strategic consideration. Here the notion of the

'core competencies' is relevant. In considering the strategic direction of the organization, an assessment of the core competencies that have been developed over the years may be helpful. These may be associated with particular types of expertise, which are special to the organization and differentiate it from others. Some of these core competencies may be contained within the systems (e.g., the McDonald's fast-food service) for which employees can be readily trained. Others (e.g., medical research) may be contained within the people themselves. In considering strategic direction, it is relevant for an organization to identify its core competencies and determine how these can best be taken advantage of, given various environmental factors. In *training and development terms*, this can put the classical training cycle and business planning approach to determining training needs on its head. And by suggesting that a starting point might just as well be the existing competencies of (certain groups of) employees, and planning the direction of the business around these. This trend is articulated in the emerging literature about knowledge workers (Mayo and Pickard, 1998).

If HRD is, by definition, a strategic activity, it should be possible to assess different strategic scenarios and identify appropriate HRD strategies and policies. Schuler and Jackson (1987) present an interesting model which links strategy to employee role behavior and HRM policies. For instance, they suggest that in an organization where strategy is primarily to achieve *innovation*, the type of employee behavior that is desirable is one where creativity can flourish, where people are cooperative and can tolerate unpredictability. Clearly there are implications here for other aspects of human resource strategy such as recruitment and selection. The implication for training and development in this context is that people will need to develop skills that can be used elsewhere in the organization and should be offered broad career paths to reinforce the development of a broad range of skills. By comparison, where an organization's strategy is that of *quality enhancement* the HRD strategy should provide for the extensive and continuous training and development of employees. Where *cost reduction* is a key component of strategy there will

be minimal levels of employee training and development targeted to ensure that specialist expertise is maintained. People management abounds with paradoxes. In the prevalent climate, management's tell employees how important they are and how empowered the organisation wishes them to be. In the past decade of cost cutting and repeated restructuring, however, employees have learnt to hear that they are the firm's most valuable assets but to understand they are also the most expendable assets. It is ironic for human resource specialist that in a period when business strategy has turned to resource based theories of the firm as the dominant paradigm in current strategy analysis, the legacy of the 1980s policies poses huge problems in terms of employee response.

**Figure: 79 Strategy Formulation Linkages for Effective HRM**



The Price Waterhouse Change Integration Team (1996), describe two paradoxes in HRM.

Paradox 1 is that at a time of continual downsizing as a management approach, the human resource is being recognized more widely than ever before as a key to organisation success.

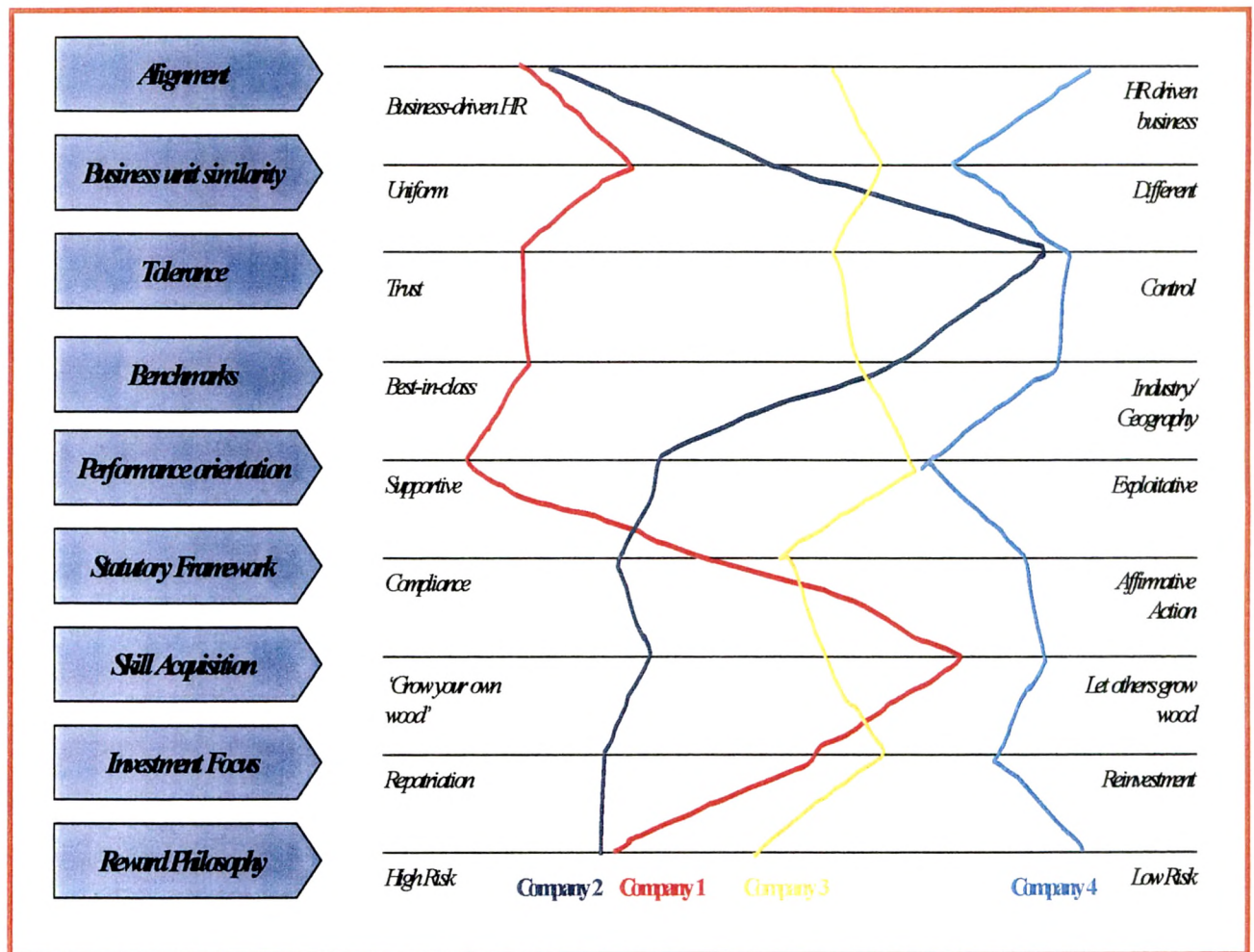
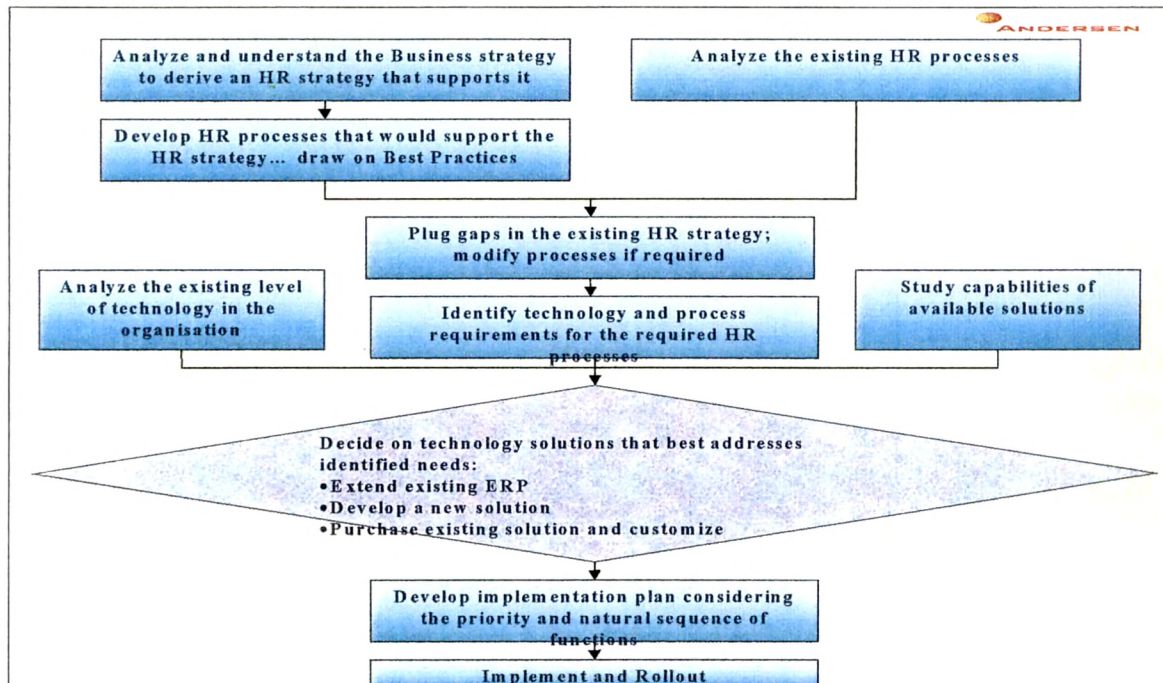


Figure 80 Aligning HR to Business Processes

Paradox 2 is that as corporate strategists and managers increasingly recognize the importance of people, where is the HR department?

Practitioners may, at this stage, begin to see some of the pitfalls of *the ideal of* strategic HRD when compared with the reality. Within the UK National Health Service, for example, very often the strategic aims as stated within mission statements highlight all three of these elements of innovation, quality enhancement and cost-reduction as priorities. This can lead to *3 sort of organizational* confusion about which HRM and HRD strategies should be pursued. This may be the opportunity for HRD practitioners to play a role in strategy formulation to bring about greater clarity of vision which will help to determine where scarce development resources should be deployed at any point in time to support multiple, and sometimes conflicting, objectives. It is, indeed, why management development is a vital prerequisite of an HRD approach. If managers are the owners and guardians of strategic HRM and HRD, the implications for them in terms of their own development are not inconsiderable. Another type of analysis links the critical human resource activities to different stages in the business life cycle (Kochan and Barocci, 1985). The suggestion is that a new business should be concerned with determining future skill requirements and establishing career ladders. As the business grows, a priority should be the development of managers and management teams to facilitate organizational development. As the business matures, it should be concerned with maintaining flexibility and skills of the 'aging' workforce. A business in decline would be involved in retraining and career counseling services. Within the climate of change in which many organizations find themselves, precise identification of the stage in the life cycle in which the organization resides is not always easy. In large diversified organizations, with mergers, acquisitions and divestments, different parts of the business will be at different stages and may therefore be engaged in all of these activities simultaneously in different divisions. In multinationals, different companies will have different priorities. This raises the question of the extent to which, in such organizations, HRD strategies should be common. Armstrong (1992) draws attention to the problem of achieving a balance between the business unit strategies, tailored to their own circumstances, and the role of the center in providing policies and a structure, which integrate the divisions into a corporate whole.



**Figure: 81: HR Process mapping and Change Management Program**

Rhetorical, coming after over 2 decades of HR organizational practice in the country, under one structure or another, be it in terms of nomenclature used in Consultant Speak or client's understanding and expectation in what is **expected from HR organization**. Over time HR perhaps has been through several rounds of iteration from, Industrial Relations & legal Counsel, Recruiting/Placement Consultants, Compensation practices more from a tax and regulatory perspective and a greater degree of administration and personnel policy manuals. This has been fundamentally HR work for well over this period. As HR capability and product offering improved, HR served clients with position evaluation, job value scoring, compensation surveys, benchmarked equivalencies, skills inventory and thereafter moved into competency mapping, HR

audit and score card. Training, behavioral interventions have continued to remain in the purview of specialist trainers.

In all of this period HR focused on delivering value solutions that revolved under the traditional functional domain in business organizations that had adapted a functional structure at a corporate center and a business dedicated HR managers serving a combination of factory and **divisional HR needs**. HR in this context meant superficial understanding of the organizational strategy, its vision and goals, core processes, constructing an HR Strategy and consequent work policies and processes driven by the knowledge gained through the generic and high level business strategy understanding. The client and the consultant have not set expectations and standards beyond what is scoped in a preliminary discussion.

The dissonance lies here.

#### **Section 4: Classical and Contemporary Approaches to HRM**

These approaches have been identified through three factors:

1. **Role of HR** in helping to establish an appropriate problem identification and resolution mechanism.
2. **Role of the Client** in enabling a consultant delivery process that is linked to the business process and a value that is perceptibly realized in an on going organizational model.
3. And the fact that **functional HR does not value adds unless it is inextricably aligned to business strategy, industry knowledge and detailed processes.**

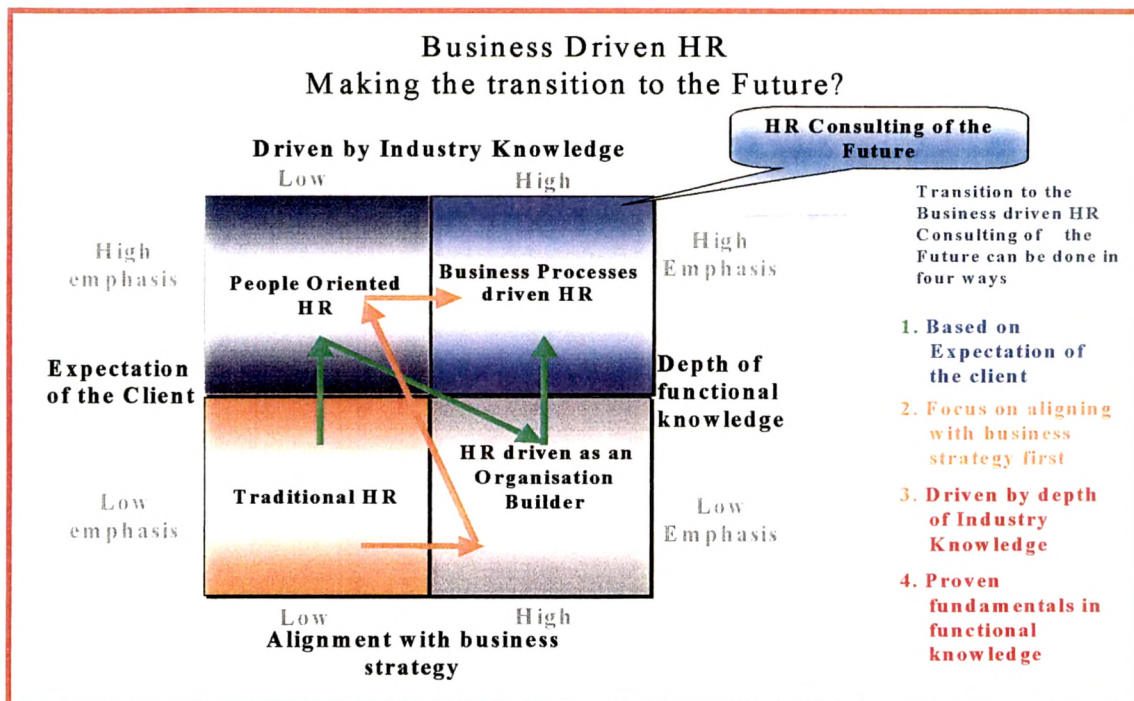
**Classical approaches to HR** revolved around a framework depicted below and typically the situation can be interpreted into the following alternatives:

**Type A: Traditional HR** – Low Emphasis on Industry, Expectation from the client, and Low demands on functional knowledge and lack of alignment with the business strategy.

**Type B: People Oriented HR** – High emphasis on expectation from the client and high levels of functional knowledge, but low degree of knowledge of industry and business strategy.

**Type C: HR Driven as an Organization Builder** – Low emphasis on expectation from the client and lack of depth in functional domain knowledge and high degree of knowledge of industry and business strategy.

**Type D: Business Processes driven HR** – High emphasis on knowledge of Industry and alignment with the business strategy and macro environment factors, but high level of expectation from the client as well a demonstrated high degree of depth of functional knowledge and competence.



**Figure: 82 Business Driven HR – Making the Transition to the Future**

### **Type A - Traditional HR**

**Type A:** Type A HR firms or individuals forms the traditional HR dominated by low emphasis on alignment with business strategy, organizational architecture. The orientation is to employ hourly work, based on administrative content that the client expects to be delivered. This is followed by a low expectation from the client and limited understanding of the context of the company in relation to its industry, other macro economic factors, competitive factors and consequent delivery capability through an appropriate solution to the client. Both the client and the consultant do not emphasize the need for advanced and deep functional knowledge, in this context HR knowledge. The client is does not articulate a problem in its holistic configuration nor does the consultant perceive a need to evaluate the problem for its non-articulation. A certain degree of

self-preservation dominates the management style of both the consultant as well as the client and expertise is not a consideration for an intervention.

This is Type A HR is largely dominated by component solution providers, administrative specialists who have been hired by an organization that believes they know what needs to be done and would like it to be done in a small scale low cost option.

The client would like to control the role of HR every stage of the engagement and would use the consultants' time to get their low priority work objectives out of the way. Outsourcing of payroll operations as option, retainer of industry professionals or placement consultants as an opportunity came up through this avenue. The client is keen on a high execution emphasis, retaining thinking, conceptualizing or diagnosis within their domain location. At another level the client is happy to receive open-ended prescriptive, informative and experiential advice to be used as appropriate by the client in any context as may become relevant.

### **Type B - People Oriented HR**

**Type B:** People Oriented HR is driven through a low emphasis on the business strategy and industry knowledge factors but score high on client expectation. Here the client could be encountering straight forward people problems dealing with attracting, retaining talent, getting policies and administrative procedures in place and seeking to resolve unapprised, perhaps unknown business issues and problems as being people driven and asking for a solution. The emphasis on functional knowledge not integrated with business or industry realities needs no additional mention. Several HR firms are quite adept in conducting their businesses, doing exactly what the client has asked for a simple deliverable with the belief that more work would follow. HR as inadvertently set low expectation on the overall potential of the job and has been

unable to present to the client a comprehensive perspective with which the issue could have been resolved, if not for the myopic outlook. Unfortunately there has been limited value add. The client realizes after a point in time, that the consultant has obtained information from the client and has repackaged and returned it. Functional values add has its inherent limitation when not dealt with in a business context.

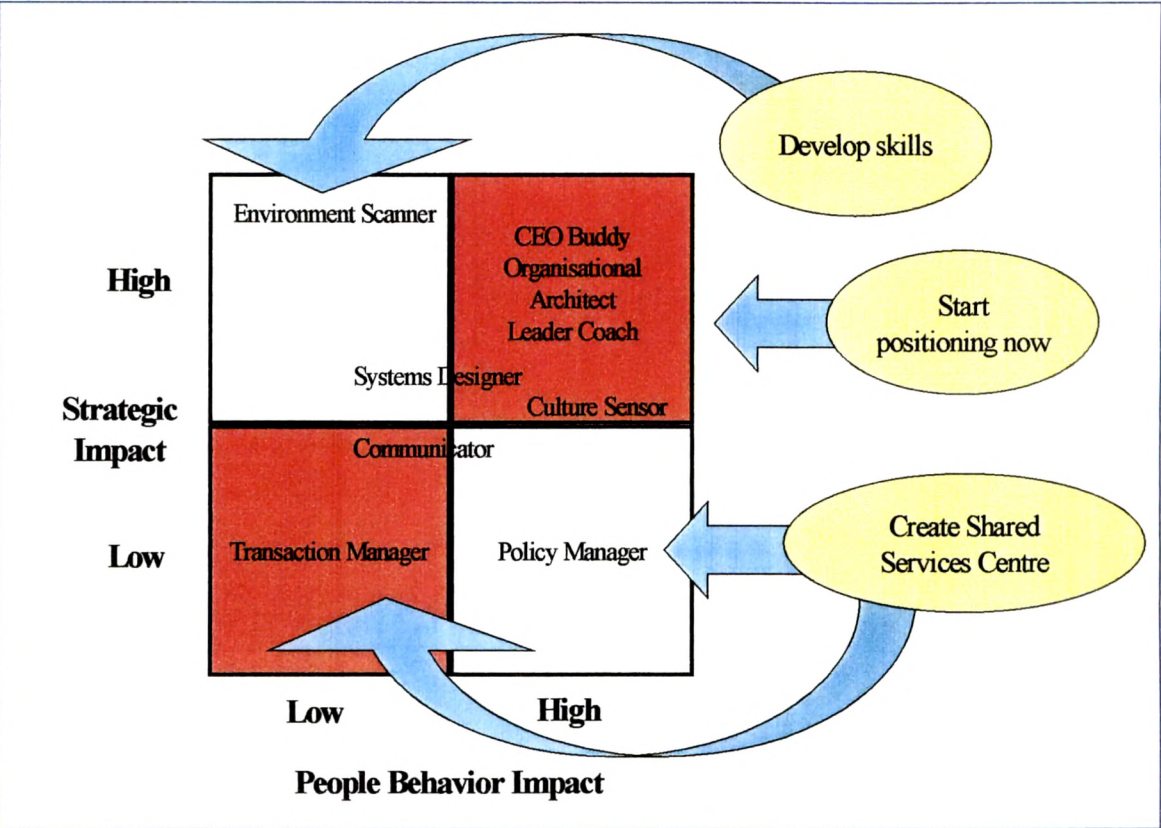


Figure: 83 People oriented HR

But, on the flip, Type B HR are happy to accept engagements that give them an opportunity to work through small and meaningful people dominant problems and bring to bear their specialist knowledge, functional expertise and experience on people issues to provide simplistic solutions. Since the intent was not to drive this solution through understanding of the business or external

factors the solution is also functional and singular. But this would also mean such solutions are standardized, can be rolled out into large and densely populated organizations, as they are systemic and derive economies of scale.

**Several HR oriented firms** find the transition from this Type B State to the next stage quite cumbersome.

In reality their positioning continues to be specialist boutique offerings and the lack of appreciation and consulting capability on business and external environment factors confines them to this small specialist space. **Further the HR firms** have been trained to study through a soft focus, exploring through people experiences and figure synergy issues while attempting to pull together business and people needs.

The client is typically risk averse and is happy to receive product solutions on a quick fix, ready to use basis. Employee Newsletter as means to resolve communication problems, training need analysis because people need to develop, job evaluation to establish equity, HRIS for database management, performance appraisal to evaluate performance and establishing policy consistency of practices across levels and status hierarchies are some forms of such consulting.

### **Type C - HR Driven as an Organization Builder**

**Type C:** HR driven, as an Organization Builder is several steps in the consultant expectation hierarchy but severely handicapped by low client demands and prioritization. More importantly there is clear lack of emphasis on depth of functional knowledge, expectation on expertise or prioritization of integrating business knowledge with HR strategic drivers. While the critical drivers are deep understanding of the business strategy, competitive forces that shape strategy,

economic and influencing environmental factor as they relate to a consulting intervention. HR has moved up the value chain in driving their engagements through strong and appropriate alignment with the business strategy, demonstrating intervention capability that can typically go beyond singular HR issue resolution mechanisms. The solution structured could be multiplex, inter functional and integrated across organizational boundaries. The client here has an opportunity to leverage the HR consultant's business strategy, process knowledge in consonance with HR functional domain knowledge.

**For Type C HR** the critical issue is that the consultant does not bring in an integrated solution focus to the client given an inability to combine business factors with functional solutions. Lack of expertise to visualize the problem at both the strategic, operational and process level operates acts as a constraint while constructing customized solutions. Jobs that deal with restructuring, organizational design and **structures resolved by HR** who lack an integrated approach, roles and task descriptions, process maps that links business processes with that of HR processes are some examples of such disconnect possibilities.

Clients who have used non-HR professionals to manage their HR functions and processes are quite adept at using HR as an organization builder given their strong line orientation and limited internally focused HR process outlook. The client is also neither appreciative of the value of the intangible product nor is willing to manage the uncertainty that an intervention could bring in. Clients of this category would at best seek consulting support to enable them to maintain their basic HR processes to be streamlined and maintained while their operating managers are performing roles of employee champions or **a change agents**. **HR** who have looked at the strategic thrust and initiatives of the organization obtain this role through collaborating with **specialist HR** firms to bridge the knowledge gap specifically from a functional point of view only.

### **Type D - Business Processes driven HR**

However in contrast, Type D HR who are Business processes Driven HR specialists, perhaps are the ones who would be expected to complete the missing link? The business performance barometer drives them. Revenues, profitability, cost management and enhancing shareholder value is their role.

**HR intervention is simply an enabler, not an end in it.**

Their role goes beyond defining a limited scope of work driven by compulsions of solutions available within their reach and has the capability to bring in appropriate intellectual resources to enable action. Simplistically put the consultant approaches a problem with the knowledge of the industry, the relevant macro economic factors that impact the company and deep functional domain knowledge necessary to provide an integrated solution to the client. Critically an awareness of the processes that enables all of it to stitch together. Their ability lies in providing an outside in perspective, applying theory and its relevance to application and are deeply concerned with the client's problem and are concerned with doing. Concurrently the emphasis from the client is high on the need for an appropriate engagement and is willing to partner to enable alignment of the work with the business strategy of the firm. At this level the work defined is approached through understanding business processes as they impact the supply and value chain of the organization and that which on impact would cause a performance swing.

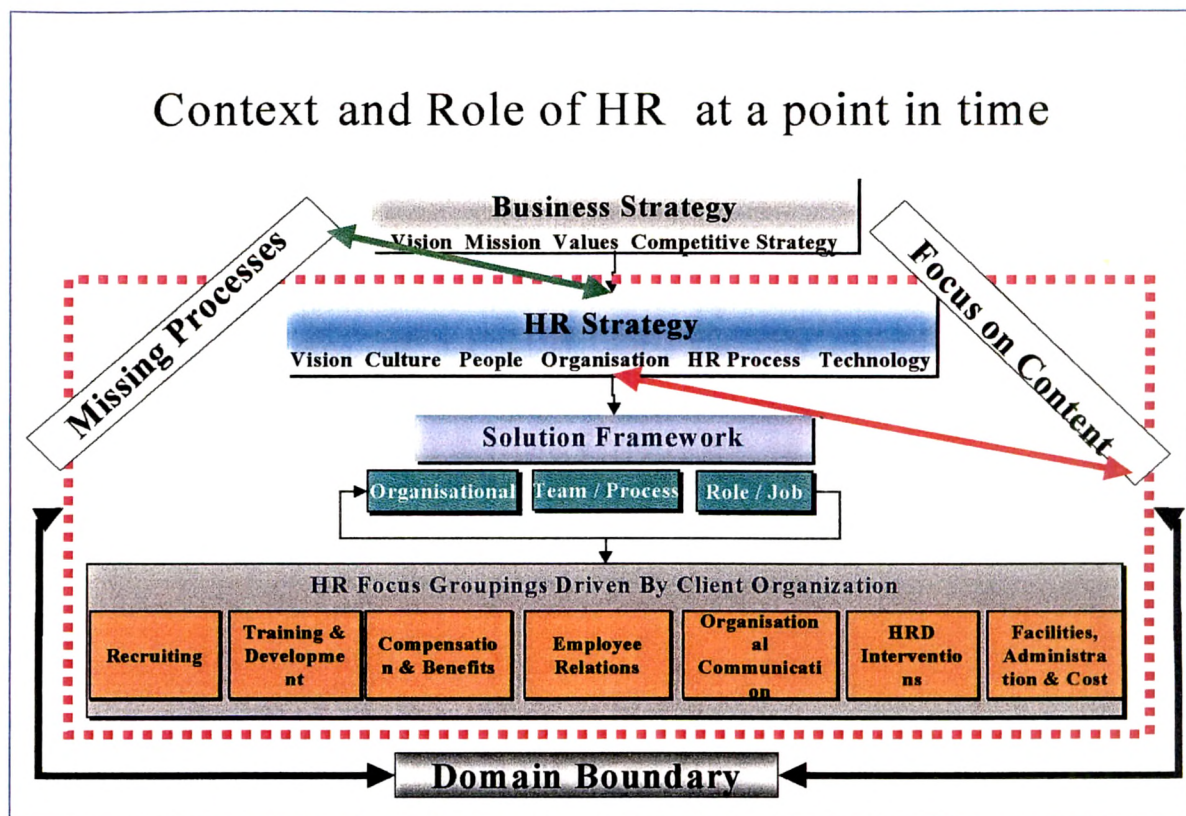
A client-centered approach is strategy centered, driven by high quality delivery and aims for early and appropriate resolution of the problem.

**Fundamentally in Type D situation, both the client and HR understand the need to align business strategy and processes with an advanced degree of detail to enable any HR intervention.** The possibility of providing integrated solutions becomes possible. This would consequently mean functional HR capability is quite secondary to the business processes learning while enabling a solution for the client.

Absence of knowledge of business processes would mean implementation of a half-baked HR solution that misses all the relevant links to key performance indicators, performance orientation and achievement of the business model assumptions. Solutions like E enabled HR, performance metrics that drives the appraisal system or a competency framework, not theoretical, but that which has been derived through understanding and drawing from the business competencies is some examples of Type D. In today context even compensation and benefits that was hitherto the domain of tax and regulatory considerations is viewed in the context of a Compensation Strategy that is derived from a basic competency framework which by itself is a sub set of the business processes and consequent goals and targets.

Illustratively this can be studied through two sets of figures given below:

**Figure 1: Context and Role of HR at a point in time.**

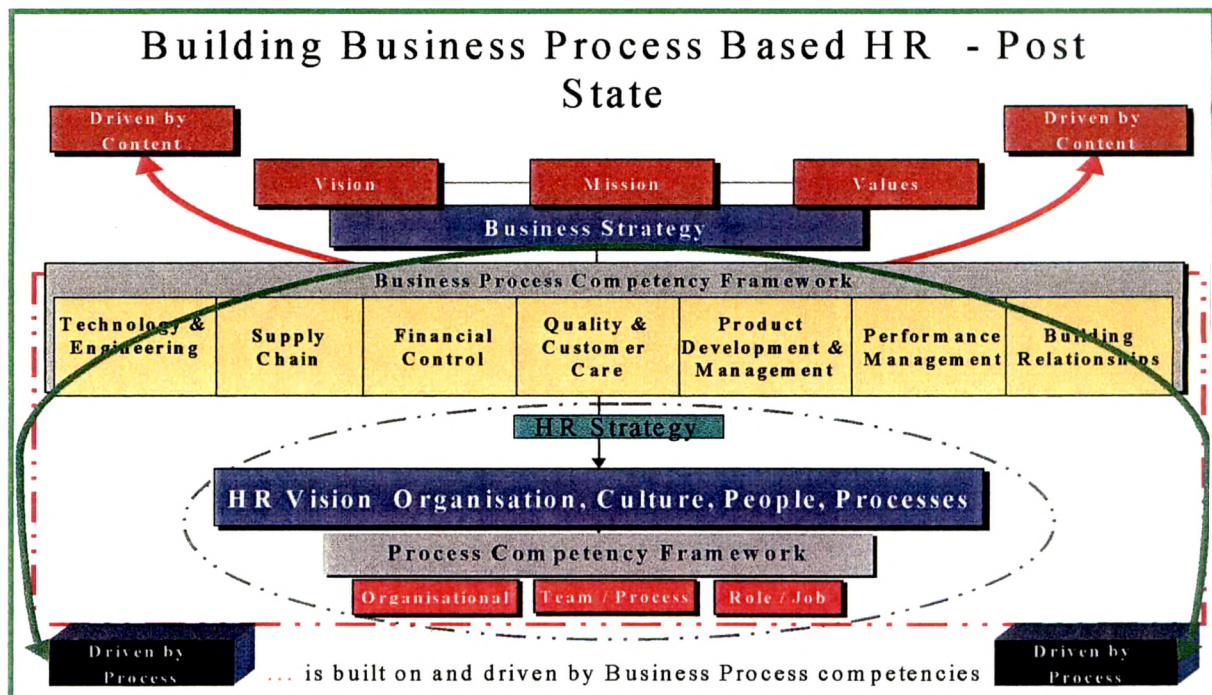


**Figure 84: Context and Role of HR at a Point in Time**

While logically the solution framework approach necessitates studying business strategy together with its details on vision, values, goals and competitive forces etc, followed through to deriving an HR strategy that emphasizes on culture, people, technology and the organization, the solution construct has processes understanding as missing link at one level and a high level content focus at the strategic apex level. Combined together this means adequate theoretical knowledge but no operational reasons, ways to make things happen. Organizations then cope with substantive implementation problems. For most parts of the **4 types of HR organizations** mentioned above (Type A to Type D), the **domain area for HR** intervention has been boundary spanned within functional HR solutions or focus groupings being, recruiting, training, compensation, employee relations, communication, HRD intervention and facilities administration.

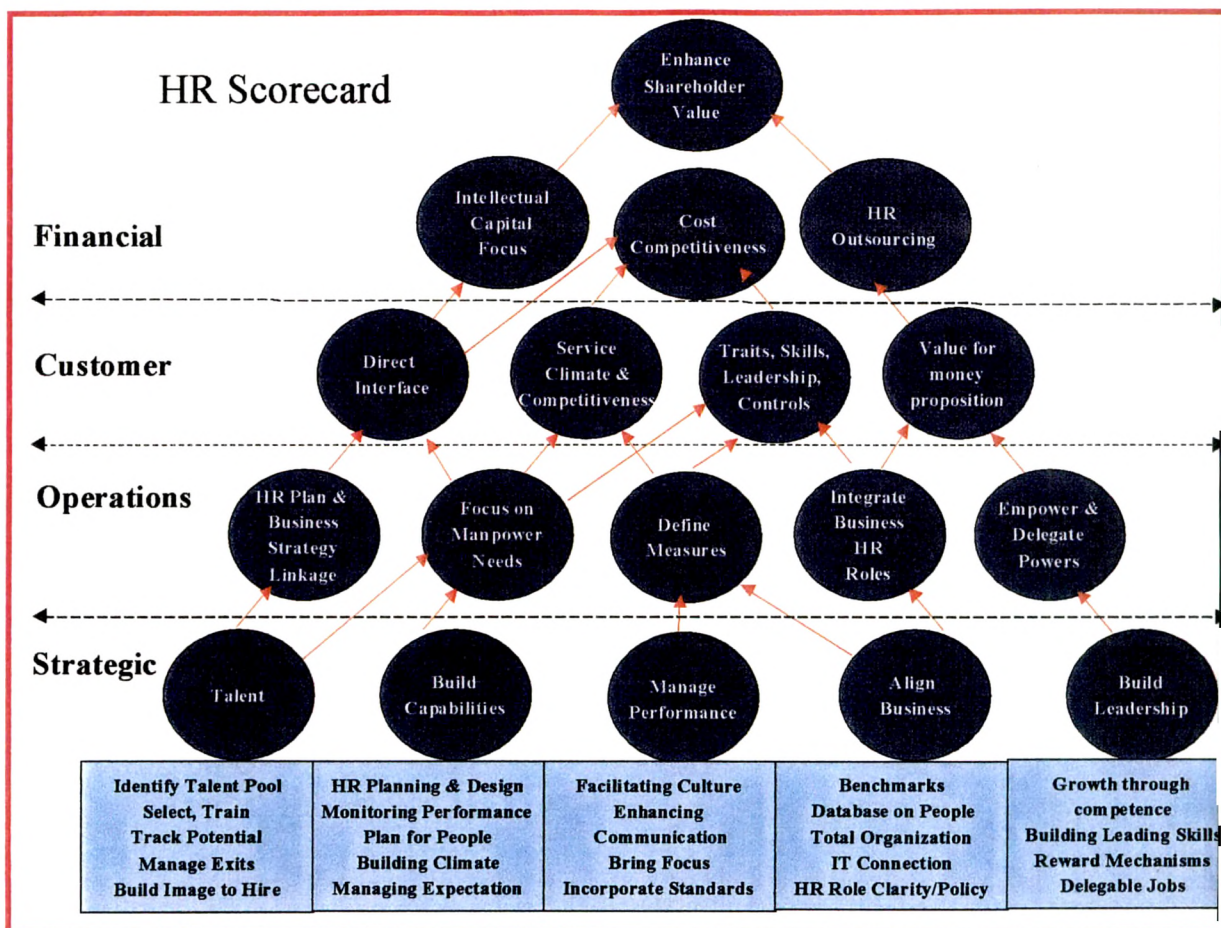
As HR given absence of business knowledge or the ability to engineer and map processes that connect people and line processes with that of the organizational performance model, the disconnect is only jarring. The engagement is also conducted through appropriate behavioral processes through teams, tasks and roles but confined to singular solution. The lack of appreciation of business processes and its non-application in resolution of the original problem is evidenced only while evaluating over time the effectiveness of the intervention when the solution is not driving performance and is not reaping its economic benefit. The solution framework is further deprived of an appreciation of competencies that business processes bring in to be nurtured, evaluated and built upon.

### Building Business Process based HR – Post State



### **Figure 85: Building Business Processes Based HR – Post State**

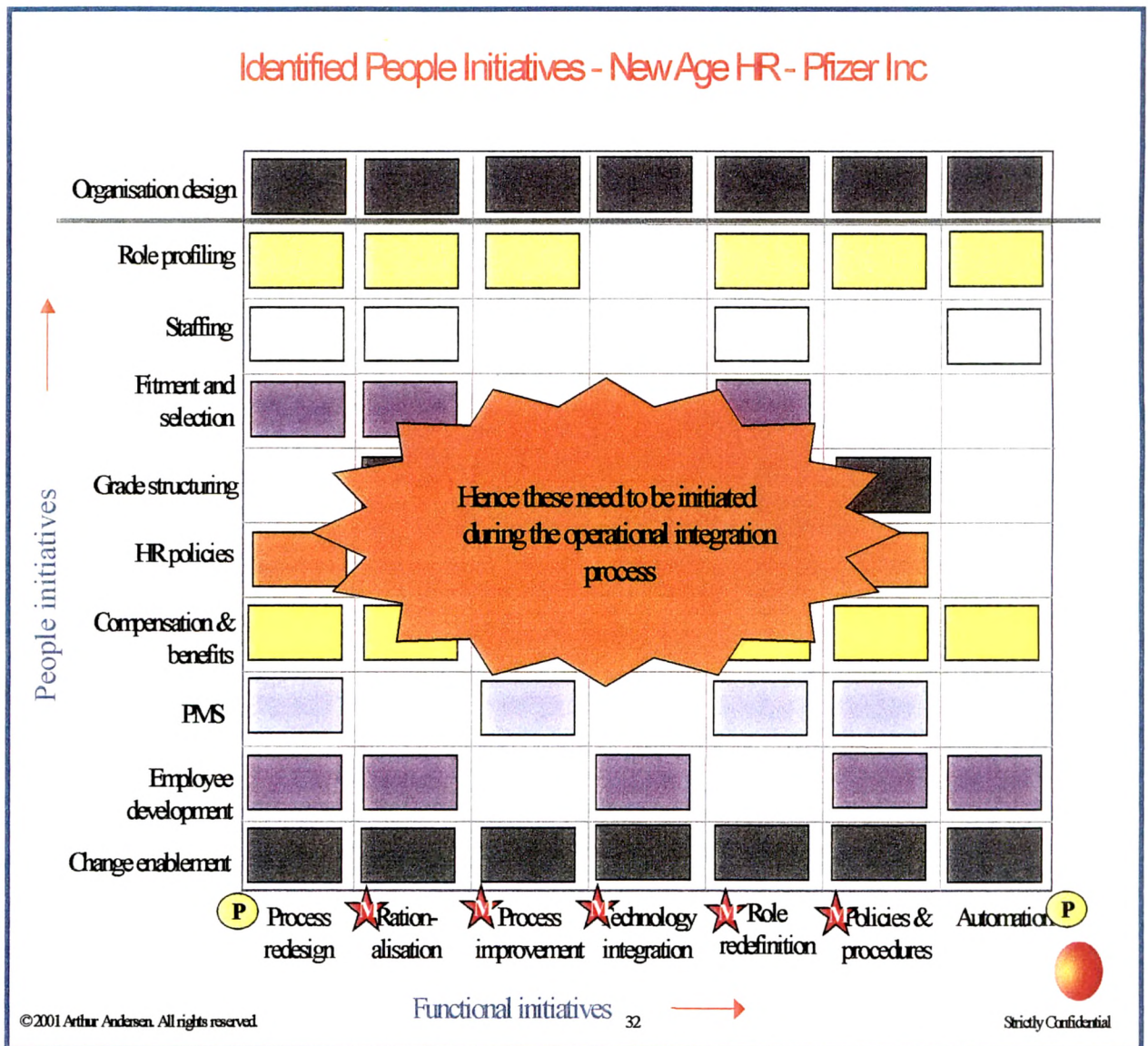
Driven by business process competency draws its conclusions by looking at value add through content and process. Content depth is necessitated through elaborate yet precise articulation of organization vision, dreams, and its focused mission statement, guiding principles and values at a philosophical platform. Concurrently it draws a business strategy, figures a business model and writes a business plan with concrete statements and position that the company wishes to take in a pre determined time horizon. The document is meant to outline a game plan that spells out key objectives fundamental to the achievement of the business strategy. Content draws its inspiration from its theoretical constructs, validated assumptions, environmental data and knowledge that make for competitive advantage.



**Figure: 86 HR Score Card**

1. Focus on business drivers and organizational factors that integrates the whole with parts
2. Driven by leaders who derive ownership and belonging bringing vision, values and behavioral directions
3. Culture formation a function of history, tradition, structure and hierarchical influences, managerial styles and patterns of behavioral integration

4. Articulated by leaders as a desired culture formation process, deliberated at periodic intervals and corrected/acted upon as required from time to time
5. Internalized by actions that are consistent with organizational philosophy, supported by



managerial styles are in synergistic with internal practices, beliefs and patterns of behavior

6. Actions permeate across teams and organizational boundaries as approved and desired
7. Adequate checks and balances are outlined for effective implementation of planned policies

8. Consistent check reached through demonstrated people behaviors and HR behavioral practices that rewards or punishes actions that are incongruent with values
9. Managed by a leadership that walks the talk and approaches behavioral interventions with supportive internal systemic mechanisms that coordinate and act with one another
10. Such cultures can be changed, developed and institutionalizes as organization matures, builds size and derives strength from current culture

**Figure 87 - Identified People Initiatives – Building Future State HR – Case Example**

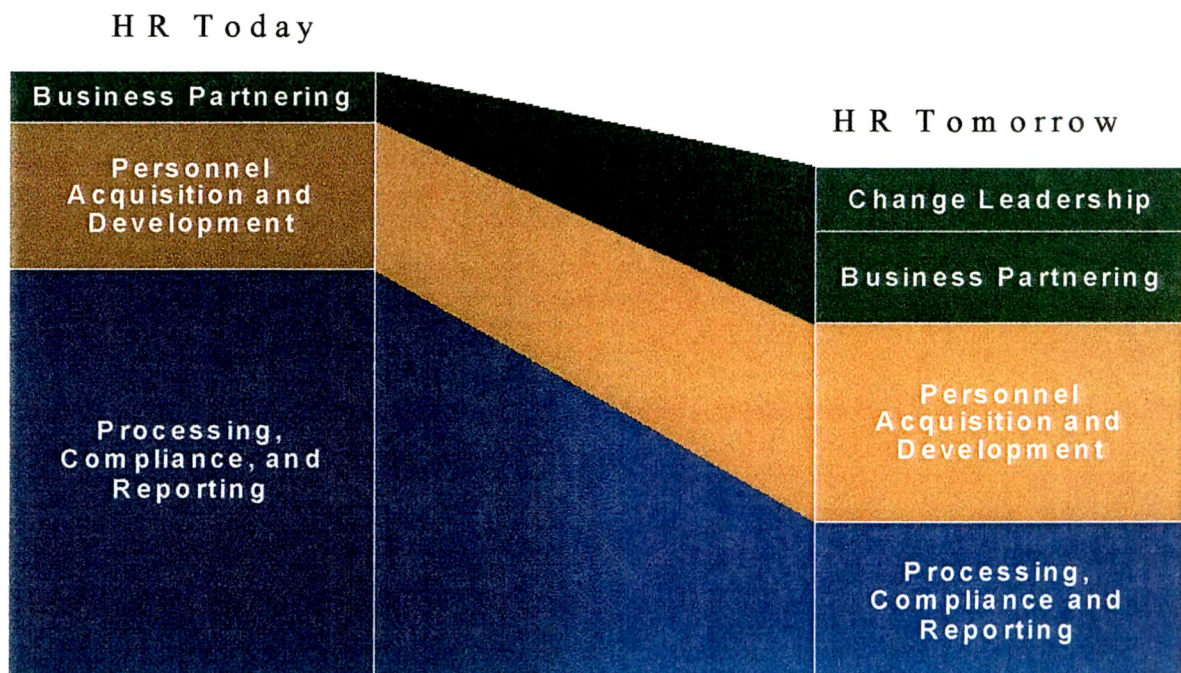
**But clearly it stops here for the moment.**

Following through now is the Business Process Competency Framework, an architecture designed to map business processes to varying degrees of detailing and accuracy. This is meant to act as a compass to define all that has to succeed thereafter – Roles, tasks, goals, targets, performance indices, position equivalencies, benchmarking and other definable and not so definable parameters and focus areas. Technology, systemic procedures, certification standards are those that can follow through as enablers.

Process engineering that has studied the value chain provides the necessary insight into actionable target points for further functional strategy delineation. This in turn leads to articulation of structures, reporting relationships, span of control and other design elements that are necessary to make the processes work together seamlessly.

- Review environment, market & industry scenario relevant to the industry and the client
- Review organizational strategy and Critical Success Factors

- Define processes to be mapped in the context of the systemic architecture
- Define Structures
- Determine process improvement opportunities
- Conduct pilot implementation of redesigned processes
- Implement processes, both at the strategic and functional level. ( HR for today and HR for Tomorrow)



**Figure: 88 HR Today to HR Tomorrow – The Transaction to Transformation - Transition Path**

In an era of intellectual businesses where every business decision or a perspective can be challenged by anyone, management is driven more into the realm of ethics. This raises two challenges: knowing what you really believe in and finding the means to get others to do things your way without beating them over the head. Joseph L. Badaracco Jr, professor of business ethics at Harvard Business School says, "The idea of the company's values and long term commitment is not as powerful. A individualistic approach to ethics is replacing the "here are our values, join the family" approach. I think the interest has shifted to "my ethics and my values" rather than the corporation's". The key ideas from his book (Badaracco 1997) are worth considering:

a) A manager who has strong values finds that they sometimes conflict with one another.
b) Right-vs-right decisions can reveal the priorities of your values and those of your organization.
c) The question is not whether you should rely on your ethical intuitions but how to do so. Courage, justice, prudence and temperance should govern behavior.
d) If you care about certain values, you must be clever enough to get where you want to go without compromising them.

The role of the HR manager is the key stone to reversing the slippage in ethical standards. Their functions, skills, expertise, value systems and concern place them in the unique position to guide the changes that are necessary. Essentially defining values and boundaries. There are no easy answers to the complex problem of reversing slippage, but here are some approaches for the HR manager to consider:

- 1) Review "Universal Values" and its applicability to the corporate setting; honesty, integrity, promise keeping, fidelity, fairness, caring for others, respect for others, responsible citizenship, pursuit of excellence and accountability.
- 2) Re-examine what has gone wrong to why and to what extent your organization has caused employee or public hostility.
- 3) Always look to yourself and your function first. Stress open communications in all areas and between all levels.
- 4) Speak out on questions involving ethics. Address yourself with the crucial problems facing your organization, industry, profession, community and society.
- 5) Reassure employees, associates, customers, stockholders and the public that ethical considerations are important to the way your organization operates. HR must be the moral conscience of an organization and must lead the way with awareness.
- 6) Evaluate company policy and procedures in terms of ethics. Promote the idea of honesty over expenditure wherein the attitude of "anything goes- the end justifies the means discouraged.
- 7) Involve all levels of management in your ethical concerns. Delegate authority to establish ethical guidelines for the way business ought to be conducted in your organization.
- 8) Set up a suggestion program to reward ethical conduct.

- 9) Send your executives and managers out to speak on ethical questions and topics; help reinforce ethical values in your company and community on all matters vital to the free enterprise system.
- 10) Publicize and reinforce positive examples of ethical conduct. Coordinate your organization efforts to speak out and loudly answer false or unjust media, union, government, employee or public criticism of behavior; correct myths or half-truths.
- 11) Specifically include ethical behavior, conduct and goals as an integral part of your organization management by objectives and/or performance appraisal programs.
- 12) Argue for the ethically right thing but offer economic reasons.
- 13) Sometimes we cannot explain in real time and in complete candor to everybody why we are doing something. Argue on the issue not on the judgement.
- 14) Consciously plan and conduct periodic Ethics and Values Workshop for all employees. Help build an ethical culture with the active involvement of the people who should have core values internalized.
- 15) Make accountability key for action to match with explanation. Persuade and explain to other people that this is the right course.(Pascarella 1997)

Trust is easy to destroy but also often easy to create – if you go about it in unexpected ways. If the HR function can play a constructive role now, slippage can be controlled. The reward will be

not only in terms of a greater feeling of personal worth throughout the organization and would lead to lesser need for consumerism and government intervention.

Designing an ethical organization implies handling basics of employee motivation in such a way that their productive energies are spent in building the organization. Ethical disorders develop when employees find reasons to keep their time occupied in an otherwise unhappy working environment. Dean R. Spitzer, (Pascarella 1997) President of Dean R. Spitzer and Associates Inc asks a few basic questions:

1. Is "politics" important to success in your organization?
2. Are employees confused about organizational (values), goals and priorities?
3. Has your organization accumulated unnecessary rules?
4. Do employees feel that meetings waste their time?
5. Does your organization preach one thing and do another?
6. Are some employees given preferential treatment?
7. Is any information withheld from some employees but not from others?
8. Do employees feel that their ideas are considered an imposition by management?
9. Do poor performers remain longer than they should?
10. Is poor quality sometimes condoned because of time or cost constraints?

## **Section 5: The Last Word**

Finally a last word. People whose activities raise ethical questions share one attribute: poor decision making skills. If their judgement is so flawed that they cannot even manage their own conduct, then they have no business managing that of others. (Park 1995)

Perhaps the first requirement for HR specialists in the new organisation is the need to understand not only business strategy and be able to action strategic change programs, but to see themselves as strategists and be perceived as such by others in the organisation. This will require a different mindset for many. Pfeffer (1997) suggests that HR departments must change their focus from activities to organizational outcomes. Given the low esteem, in which they have been held in many organisations, the prevalent mindset of HR staff has been a defensive one which has made them peculiarly vulnerable to measurement programs constantly justifying their usefulness. The trend towards benchmarking intensified this in the past decade. Typical measures to reflect the value of HR were taken to be, "How many trained?", "How many recruited?" in a learning organisation, more relevant measures would ask how the effects of training were reflected in enhanced performance and organizational outcomes and if the type of people hired were capable of enriching the store of intellectual capital and promoting organizational growth and learning. These questions are qualitative not numerical in nature and illustrate the requirements for processes continually feeding back and updating information on client and employee requirements, new ideas and processes and continual analysis and change.

Consequently, HR Strategy follows with reasonable degree of accuracy given assumptions that would make the business strategy work outlined in the operational process maps. Functional process mapping whether defined as recruiting, training, development, career planning or compensation and reward systems or through themes that focuses on building leaders, managing

motivation, attracting talent or developing knowledge specialists is secondary to the end output being those that emanate from the business process maps.

Effectively HR has the opportunity to integrate its work with business strategy and processes consultation and the client in turn has the ability to expect work contribution that brings integrated value and an optimized solution. Perhaps coming of age does happen.

Management theorists and consultants have a vested interest in demonstrating that they can change undesirable situations. We have, for instance, a large body of literature to improve a manager's leadership style, help managers deal with employees who lack motivation, or guide managers in redesigning inadequate control systems. This same optimism can be applied to organizational culture. As one author put it, "If managers cannot guide their organizations through planned cultural change, the subject has limited practical utility and may be of only academic interest.

An organization's culture may have been appropriate for a certain time and set of conditions. But times and conditions change. Foreign competition changes in government regulations, rapid economic shifts, and new technologies are examples of forces that may well leave an organization with a culture that hinders its effectiveness. In such cases, management can alter those factors that created and sustain the current culture. That is, just as cultures are learned, they can be unlearned.

All organizations must manage the flow of people in, through, and out of the company so as to make available the new breed of intellect and talent for the varying needs of the organization. To start with employees need to take charge of their learning and their careers. The corporate responsibility should be providing avenues where learning can occur. The rest is up to the

individual. Where the employee and the employer feels that the career is stagnating on account of stifled intellectual stimulation the employee should be encouraged to seek out other internal or external positions. Selections again could be significantly more participative. Selections workshop and a career counseling session could be conducted for potential employees to help them make up their mind whether they wish to pursue a career in the environment with the company. The views of the current employees critically explaining the strengths and weaknesses of the company should be shared with candor and uprightness. Intellectual corporations create reward systems that go beyond the guaranteed base pay or position driven compensation. The remuneration is paid for the competencies that the employee brings in to the company and the variable bonus of a substantial value is a function of the intellectual contribution. Pay is closely linked to individual performance. Compensation systems are a basic part of the command and control system of an organization. It is important to create open approaches to pay design, remuneration planning for individuals, equity participation for ownership and sense of belonging that the reward is available when job is done and the individual could calculate prior to the completion of the task the bonus available if the job is done.

Effectively Intellectual Corporations are those that have derived an intellectual compatibility and a fit between the intellectual individuals who make up the organization and the processes, variables and systems that are available to make the individual work effectively. The organization assumes that people are capable of growth individually and collectively provided the environment, the climate and system is right with legitimacy accorded to people and their prowess. The system is non-evaluative or judgmental while the task is in progress and evaluates only at the final stages on both the processes and the results. HR processes and systems have to be revitalized to bring in a new sense of ownership and commitment to the ways and means being articulated through the HR system. A revamped, rearticulated model breaking away from the traditional policy, power, process, people syndrome to people, process, content alternative. Every act of HR should be

revisited to allow for dissonance and prefabrication to suit the individuals who form the core of the organization. If there are systems that are systems friendly and needs modification to make it people friendly it has to be done. This round of modification would impact the organizational functioning considerably given some amount of inevitable confusion in the medium term. However as things settle down and people realize the impact of their own HR decisions processes would become easy and reliable to handle.

*While people realize their objectives of self-fulfillment, self-respect and dignity and see for themselves their Intellectual Corporation standing for its values and beliefs, the company in turn realizes its vision, dream and objectives, adding wealth to the shareholders, its purpose of being in business.*