Human Resource Management an Organisational Prerequisite

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Introduction: Human resource management (HRM) is a function in organizations designed to maximize employee performance in service of their employer’s strategic objectives. Organisation is the foundation upon which the whole structure of management is built in order to facilitate the achievement of objectives or goals. In the global work environment, HRM is therefore an essential prerequisite for understanding the management of the workforce as well as for human resource planning and development. This case study analysis on HRM seeks to derive an assessment of the best human resource strategies and practices followed by successful Indian and international organizations. Section 1 through an introductory analysis identifies the meaning and need for HRM in the globalised world. Section 2 deals with case study analysis of various successful Indian and international organizations that have taken a unique approach to addressing a particular human resource need or issue. Section 3 of the paper concentrates on the emerging and the growing challenges for HRM. Section 4 provides a directional perspective for the promotion of HRM strategies to address problems that entrepreneurs have to tackle in the globalised complex and competitive world.

Keywords: Human Resource Management, Organizations, Employer, Employee, Strategies.

I. Human Resource Management In The Globalised World

In the globalised world, human capital management is used synonymously with human resources (HR) that can be identified as the most important asset for any organisation and it is the source of achieving competitive advantage because of its capability to convert the resources, that is, money, machine, methods and material into output or product/service. HR is primarily concerned with how people are managed within organisations, focusing on policies and systems and is generally viewed as a support function to the business, helping to minimise costs and reduce risk. Managing human resources is very challenging in our complex world and hence, human resource management (HRM) system should be supported by sound HRM practices. HRM practices refer to organisational activities directed at managing the pool of human resources and ensuring that the resources are employed towards the fulfillment of organisational goals (Schuler & Jackson, 1987; Schuler & MacMillan, 1984; Wright & Snell, 1991). As stated by Koch and McGrath (1996), HRM can help firms improve organisational behaviour in such areas as staff commitment, competency and flexibility, which in turn leads to improved staff performance.

Dave Ulrich (1996) lists the functions of HR as Strategic business partner, Change agent, Employee champion, and Administration expert. HR departments and units in organisations are typically responsible for a number of activities that include employee recruitment, training, and development as well as performance appraisal. The Chief HR Officer or HR Director is the highest ranking HR executive in most companies and typically reports directly to the Chief Executive Officer (CEO) and works with the Board of Directors on CEO succession. HR is also concerned with industrial relations, that is, the balancing of organisational practices with regulations arising from collective bargaining and governmental laws. As the modern business faces pressures of globalisation, the roles and responsibilities of HR departments are being transformed and may differ from one organisation to another and from one country to another.

Case Study Analysis:
In order to develop a sound HRM system, the organisation should have effective HRM practices. Strategic Human Resource Management (SHRM) has been identified as one of the most beneficial practice. SHRM is defined as the integrated set of practices, policies, and strategies through which organisations manage their human capital, that influences or being influenced by business strategy and the organisational context and socio-economic context (Martin-Alcazar, Romero-Fernandez and Sanchez-Gardey, 2005). An analysis of various successful Indian and international organisations have been considered in the study in order to identify the unique approach taken by these organisations to address a particular human resource need or issues such as management of a company. The roots of SHRM in India can be traced back to the early 1920s when the Tata Group implemented basic employee welfare measures.
Case 1: Tata Group Of Companies

The Tata Group, with its motto, ‘Leadership with Trust’, is one of the largest and most respected business conglomerates not only in India but is also a global business group with products and services in over 150 countries. The performance aspect of Tata group of companies reveals that the number of employees in operation is 580,000 and the group revenue is $103.27 billion (2014).

“In a free enterprise, the community is not just another stakeholder in the business but is in fact the very purpose of its existence” – Jamsetji Tata

Tata Group Sector-wise Operations

Figure 1 illustrates how Tata companies in each of the sectors contribute, in percentage terms, to the overall financial makeup of the group.

![Figure 1: Tata Group Of Companies - Sector-Wise Performance](source)

Source: www.tata.com

The Tatas have had a long tradition of adopting some of the best HR practices. This is with reference to the enlightened view that was taken with regard to labour in Jamshedpur as well as the early initiative in setting up the Tata Administrative Services. The Human Resource Development Program (HRDP) was initiated in 2006 in recognition of the corporate leadership and specialist roles that HR managers are required to fulfill. Each year HRDP recruits the best talent from premier Indian business schools and Tata companies, based on their performance, interest and capabilities and trains them for a year with rotations through sub-functions such as recruitment and sourcing, performance management system, training and development, employee relations, community development and so on.

HRDP Process:

- All HRDP managers are selected by senior HR and business executives in Tata companies after undergoing a rigorous three-stage process of filtering, post which they are placed on a project-basis at Tata companies for three-month period
- Managers undergo three rotational stints in core HR functions. They also undergo a community development stint, where they work with the Tata trusts on assignments in the domain of corporate sustainability for eight weeks
- Managers are then placed with a Tata company on a full-time basis after completion of the four rotational stints
The Tata group manages its business through two kinds of work – managerial work, done by people with clear authority and accountability and with influence over resource allocation; the second is supervisory work, done by skilled people who implement assigned tasks and report to managers. Work levels are determined by two factors; the Company Scope (CS) and the Management Scope (MS). The intersection of these two is the Tata Work Level. – A is the highest and F the lowest.

Furthermore, the Tata group have classified their companies into three scopes: Scope 1 Company, Scope 2 Company and Scope 3 Company. Scope 1 companies are complex and/or large as measured by parameters such as turnover, profits, manpower, nature of competition, extent of co-ordination and control required. Scope 2 companies are large companies but less complex, whereas Scope 3 companies are medium sized. Management scope is de-linked from Company Scope. At the highest level, scope1, the individual concerned, usually the chief executive, will be responsible for running the enterprise, delivering results and ensuring shareholder returns. Under the framework, managers can aspire over a period of time in their career to move upwards from work level F to work level A.

Benefit to Employees and Career Progression:

Career development is largely about spotting good people, giving them job mobility, rotation and progression in the organizational structure. Tata group have developed a model wherein an individual’s capacity to progress up the organization can be tracked based on the work levels that have defined and the experience and exposure of the individual concerned. There are some functions like HR and finance, which do not have a sector bias and, thus, can be freely rotated across companies operating in different business sectors. Others like technology, research and manufacturing are sector-specific functions, which, while have limited scope for rotation across companies, can nevertheless be used in different functions to develop their general management. A Tata leader is required to develop six characteristics through his career namely:
1. Functional competence
2. People management ability
3. Delivery of capability
4. Conceptual skills
5. Competence with external agencies
6. Character/courage of conviction
The more senior the leader, they are required to exemplify more of these qualities.

**Case 2: Wal*Mart Stores Inc.**

Mr. Sam Walton, the founder of Wal*Mart Stores Inc. (1988) once stated:

"What makes ordinary people do extraordinary things? We've all grown, we've all accomplished much more than any of us ever thought that we could."

A strong organisational culture is the foundation for making a good company a great one and the secret to Wal-Mart’s success has long been attributed to its strong culture. Wal-Mart employees are referred to as ‘Walmartians’ which is a sign of a unique culture shared by them. This culture is responsible for a company of this magnitude to be able to sustain its entrepreneurial spirit decade after decade.

A background analysis on the performance of Wal*Mart reveals that since its early days, Wal-Mart achieved remarkable growth rates and was the first trillion dollar company in the world. In 1999, Wal-Mart became the largest private employer in the US with 1,140,000 Associates.

Wal-Mart’s extensive communications network connects all stores, warehouses, offices and suppliers. Wal-Mart has been able to identify and nurture the primary core competency that fueled their growth: fulfilling customer needs with a wide spectrum of products at “everyday low prices”. This competency is the product of the aggregate of competencies across individual skill sets and organisation boundaries: Wal-Mart is a leader in channel management, inventory control, distribution and customer service. This is a result of the company’s ability to coordinate a complex information management and distributing network and to efficiently manage supplier relations, through the use of new technologies and the seamless flow of information. This channel also provides a highly efficient feedback loop on unit sales, demand and inventory, facilitating a just in time supply management system and an effective needs-based position.

**Case 3: Indian Information Technology (IT) Sector**

The Indian IT sector is another important case for studying the SHRM performance relationship because this industry is a service industry that is both labour and skill intensive. The main reason is that the Indian IT sector embodies the important characteristics of using human resource practices such as high levels of training and innovative pay systems. Access to this large pool of skilled talent has made India a cost effective option for software development and a number of companies from the developed countries have outsourced this software.

“The number one benefit of information technology is that it empowers people to do what they want to do. It lets people be creative. It lets people be productive. It lets people learn things they didn't think they could learn before, and so in a sense it is all about potential.”

- Steve Ballmer, CEO Microsoft

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<th>Table 1: Application Software Product Development and Skilled Employees</th>
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<td><strong>Description</strong></td>
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**Note:** Figures in parentheses indicate percentage share.

**Source:** Calculation through SPSS

The Indian IT is generating 2.5 million direct employment and the sector has increased its contribution to India’s GDP from 1.2 per cent in 1998 to 7.5 per cent in 2012 and further to 8.4 per cent in 2014 (NASSCOM 2014). In a study of 114 IT software firms in the city of Mumbai (2009), it was found that high growth firms were most likely to have a high level of integration between their HR practices and business strategies (Table 1).
It can be observed from Table 1 that the total number of industry specific application software development by the firm and the total number of skilled employees in the software firm is found to be statistically significant, wherein, the p-value is 0.0096. Human capital is widely believed to have been the main force in the growth of the software industry in India that has evolved over the years on account of the broadening of her horizons. The reason is that software is an advanced technology product that utilises diverse skill requirements of labour in the software production process leading to a set of designations related with the industry.

**Emerging Challenges for Human Resource Management:**

The roles and responsibilities of HR departments are transforming as the modern business faces numerous and complex challenges of globalisation. Decision making in organisations have become increasingly intricate. The shortage between the demand and supply of talent for high-skilled employees and the gap is a challenge for employers. Organisations need to place greater emphasis on attracting human capital rather than financial capital.

Numerous studies have shown strong empirical evidence of the linkage of certain human resource practices with firm performance (Arthur, 1994; Delaney and Huselid, 1996; Delery and Doty, 1996; Huselid, 1995; Huselid, Jackson and Schuler, 1997). Arthur (1994) identified a cluster of practices, which would designate the human resource practices as either control or commitment and found that having a committed human resource system leads to higher efficiencies. Theories on best practice or high commitment theories suggest that universally, certain HRM practices, either separately or in combination are associated with improved organisational performance. Researchers have also found that those well-paid, well motivated workers, working in an atmosphere of mutuality and trust, generate higher productivity gains and lower unit costs (Boxall, 1996; Lowe and Oliver, 1991; Pfeffer, 1994).

HR trends in the liberalisation and post-liberalisation phase of India (1991) dealt with the floating of HR from one country to another and this resulted in diversification of workforce and cross-culture. A number of key factors such as demographics, educational levels and the mindset and viewpoints of the younger generation, professional development for growth have a strong impact that influence the Indian HRM strategies. But, the two main influencers are the demand and supply of quality talent and the cost of investment for the ‘growing’ talent that prefer to work in organisations that have a brandname and are well respected. In order to achieve organisational strategic goals in an effective manner, recruitment and selection and its integration to business is critical. This is because the level of recruitment and selection strategic integration is positively related to growth in market share, profits and sales, productivity and employees’ satisfaction. The key goal of HR planning is to get the right number of people with the right skills, experience and competencies in the right jobs at the right time at the right cost (Hussey 1999, Breauh & Starke 2000, Anderson, et al. 2004). Detailed and robust recruitment and selection policies, such as recruitment and selection procedures, assessing criteria, talents auditing and processing the information about the labour market are important in recruiting and deploying appropriate employees at the right time (Breauh & Starke 2000).

**Figure 3: Framework of Recruitment and Selection Strategic Integration**
The level of strategic integration of recruitment and selection of a firm is positively correlated with its level of organisational performance. Referring to Figure 3, in the strategy implementation phase, the extent of recruitment and selection strategic integration can be gauged through four distinctive indicators. These indicators are: the timely supply of an adequately qualified workforce, effective job analysis and descriptions, effective selection, and the involvement of line managers in the recruitment and selection practices. A key source of uncertainty in the business strategy implementation is whether there is a timely supply of adequate qualified people (Wright & Snell 1991) and to a great extent this uncertainty involves the quality of employees. A range of methods, such as application forms, interviews, formal tests, references, assessment centres and official transcripts are used by firms in the selection process (Anderson & Witvliet 2008). A firm needs to choose a method that is most appropriate to the job positions.

Besides the investment challenge, talent management tactic, evolvement of the workforce and critical HR competencies and knowledge, the three key challenges for HR management in the near future include the following:

- **Creating a Corporate Culture that attracts the best Employees to Organisations**
  In recent years, the interaction among human capital, employee engagement, talent retention and productivity have been given priority. The future challenge of any organisations relies on the ability to manage a diverse body of talent that can bring innovative ideas, perspectives and views to their work. The challenge and problems faced of workplace diversity can be turned into a strategic organisational asset if an organisation is able to capitalise on this melting pot of diverse talents or the risk of losing talent to competitors.

- **Retaining and Rewarding the best Employees**
  One of the challenge that HRM faces is the issue of handling workplace diversity. This challenge can be overcome through initiating a Diversity Mentoring Program. This could entail involving different departmental managers in a mentoring program to coach and provide feedback to employees who are different from them. In order for the program to run successfully, it is wise to provide practical training for these managers or seek help from consultants and experts in this field. Usually, such a program will encourage organisational members to air their opinions and learn how to resolve conflicts due to their diversity.

- **Developing the next generation of Corporate Leaders**
  HRM needs to take advantage of technology and data analytics to build a global human resource information system that collects and stores data from various sources. The system will help to analyse the data to provide business insights, predict future needs and develop strategies to fill those needs. Companies with the ability to foresee and sustainably manage their workforce needs especially for high skills will gain the decisive competitive advantage as stated by World Economic Forum (2010).

  The critical issue in the era of globalisation that affects HRM strategies is attracting, managing, nurturing talent and retaining people in lieu of the enormous opportunities spun off by the market. This issue needs to be addressed by organizations stressing on a directional perspective for the promotion of HRM strategies.

**Directional Perspective for Promotion of Human Resource Management Strategies:**

Human resource management strategy consists of two important aspects namely:

a) The investment made in human resources

b) The value of human resource

"Human Resources should not be defined by what it does but by what it delivers – results that enrich the organisation’s value to customers, investors and employees” – David Ulrich

**II. Models Of Human Resource Management:**

International Case Study Conference 2015, Mumbai, India

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Measurement of the investment in human resources will help to evaluate the successfulness of HRM over a period of time. Various models of HRM have been developed from time to time by different teams of the researchers that have helped the HR practitioner to effectively manage the human resources, namely:

**Harvard Model**

The Harvard model (Beer et al. 1984) works as a strategic map to guide all managers in their relations with employees and concentrates on the human or soft aspect of HRM. It strives at employee commitment not control. It also works on the premise that employees needed to be congruent, competent and cost-effective.

**Michigan Model**

The Michigan model (Devanna et al. 1984) focuses on hard HRM. It holds that people should be managed like any other resources and so obtained cheaply, used sparingly, developed and exploited fully. It also emphasised the interrelatedness of HRM activities. According to this model, selection, appraisal, development and rewards were geared towards organizational performance.

**Guest Model**

Guest comparative model (Guest, 1997) works on the premise that a set of integrated HRM practices will result in superior individual and organisational performance. It holds that HRM strategies like differentiation, innovation, the focus on quality and cost reduction will lead to practices like better training, appraisal, selection, rewards, job designs, involvement and security leading to more quality outcomes; commitment and flexibility. It will then affect performance in that productivity will increase; innovation will be achieved as well as limited absences, labour turnover, conflict or customer complaints.

**Warwick Model**

This model was developed by Hendry and Pettigrew (1990) at Centre for Strategy and Change, Warwick University in early 1990s. It emphasises on analytical approach to HRM. It also recognises the impact of the role of the personnel function on the human resource strategy content.

### III. Country Comparisons On Human Resource Management Strategies:

The management culture of an enterprise may be best evaluated through its HRM practices. With ever increasing global competition, only the strong and well-organized firms survive. The management system of enterprises is normally based on the socio-cultural environment of a country and the internal environment of an organisation. In the case of India, the management system is based upon centuries of rules and regulations as well as different religions that influence the organisational system of Indian enterprises. An analysis on country comparisons reveals that similar methods and processes are used by employers around the world when selecting employees and the criterion assessed varies only slightly from country to country. For example in the United States of America (USA), employers tend to rank personal interviews and through an evaluation of the individual’s capability. While, in the case of the People’s Republic of China, employee’s test scores were given prominence.

Performance Appraisals is another tool used to measure the achievement of an individual, group or organisational objective. The purpose of this tool is to identify potential obstacles and challenges for the improvement in employee performances. There tends to be variations in how employers in different countries use Performance Appraisals. The USA’s outlook toward this approach is deemed very result oriented, encourages individual achievement, encourages increased employee productivity and is ultimately more performance appraisal than individual appraisal. On the contrary, Chinese managers place greater emphasis on moral characteristics and personal attributes such as loyalty and obedience.

Organisations from around the globe emphasise on the importance of training and developing the skills of its workforce. However, the amount of money firms allocate for their training programs differs considerably from country to country. For example in the USA, training expenditures per employee amount to a figure close to $724 whereas it is noted than in countries belonging to the Asian continent (outside Japan) the expense is roughly measured at $359 (per employee). Furthermore, the total hours of training allocated per entitled employee vary substantially between countries like China and the USA, where US organisations allocate lengthier duration of hours in training per year as compared to the Chinese firms. Incentive payments are another important method for positive motivation of employees that is utilised in an intensive manner in the People’s Republic of China and moderately in the US.
To move forward successfully in today’s business world, innovative changes in HRM strategies are essential for building the image of the organization in the mind of their employees. The process for transforming HR should be based on the following criteria:

- Assess current strengths and areas of development
- Identify a desired future state
- Create a plan to address gaps
- Stay focused on the needs of the business
- Involvement from all levels in development and implementation

From the case study analysis and the models outlined, the following perspectives with respect to HRM strategies should be considered for corrective action at the right time:

1. **Effective HRM Practices**: Due consideration should be given to link the HRM practices with the long-term objectives and the strategies of the organization not forgetting the traditions, the past practices and the specific environment of the organization. Firstly, organizations should create an ambience where talent can bloom and potential should be unleashed. Secondly, a reward and recognition mechanism should be provided that highlights the value of employees.

2. **Evaluation Process**: The HRM practices should be evaluated from time to time by conducting a survey among the employees and the top managerial cadre should provide financial as well as moral support to implement the provisions and incorporate changes while designing and implementing HRM practices.

3. **Comparative Analysis**: It is essential to critically examine and evaluate the actions of the competitors of an organization because it directly or indirectly affects the progress of the organization. Facilitating the employee/employer connection in similar organizations principally through the empowerment of digital technology that emphasizes employee self-service and managerial independence is the need of the hour.

IV. **Recommended HRM Strategy**:

(a) **Mentoring**: HRM practices such as mentoring have the potential to change the attitude and career outcomes. Mentoring is a strategy that can target change wherein, a successful senior mentor is matched with a more junior employee with the objective of enabling under-represented demographic groups to move through. Formal mentoring programs create a structure for pairing individuals; informal mentoring programs evolve from interactions individuals establish in the course of working together. A successful HRM strategy must address organizational culture change to create a work environment that nurtures teamwork, participation and cohesiveness.

(b) **As a Catalyst**: Serving as a catalyst for learning and communication is another directional perspective for HRM. An HR team has to concentrate on three important areas:

- Introduce fresh thinking and new ideas to promote creativity, innovation and successful adaptation within the enterprise
- Persist in developing mastery of adopted organizational practices and process improvement methodologies by employees and managers
- Communicate extensively what’s happening within the organization and why, especially as these relate to the seven high performance people strategies that includes a ‘Center People Organisation’ drawn for insight, understanding and attainment of the following:
  - Employment security
  - Selective hiring of new personnel
  - Self-managed teams and decentralization of decision making as the basic principles of organizational design
  - Comparatively high compensation contingent on organizational performance
  - Extensive training
  - Reduced status distinctions and barriers, including dress, language, office arrangements and wage differences across levels
V. Conclusion

Faced with rapid change, organisations need to develop a more focused and coherent approach to managing people. HRM strategies are very essential to effectively manage the human resources of an organization as well as to implement innovative HRM practices. It can be noted that those organisations who implement HRM practices and strategies with commitment remain ahead of their competitors.

“The only vital value an enterprise has is the experience, skills, innovativeness and insights of its people” - Leif Edvinsson

Effective HRM strategies have a resultant effect on the following variables that include: competitive advantage, job satisfaction, financial performance, employee turnover and employee commitment. While designing and implementing HRM practices, it is important that the HRM practices should be analysed from time to time and should be updated accordingly for the overall success of an organisation.

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