HUMAN RESOURCE MANAGEMENT II

CHAPTER 1: STRATEGIC HUMAN RESOURCE MANAGEMENT

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INTRODUCTION

- Consequences of Liberalizations, Privatization and and Globalization made the CEO'S of various companies to include the HUMAN RESOURCE aspects in the strategic management process
- Strategic Human Resource Management gained its significance in the post liberalization period
- Human Resource Manager in most of the companies is a member of strategic management team today

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WHAT IS STRATEGY

- Strategy is a unified course of action to achieve the goal
- Strategy has been defined by Glueck as "unified, comprehensive and integrated plan designed to ensure that the basic objectives of the enterprise are achieved
- Strategy has been defined by Mintzberg as "a pattern in a stream of decisions or actions"

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WHAT IS STRATEGIC MANAGEMENT

- Strategic management has been defined by John and Richard as “the set of decisions and subsequent actions used to formulate and implement strategies that will optimize the fit between the organization and its environment in an effort to achieve organizational objectives”
- Strategic management has been defined by Samuel and Peter as “a continuous, iterative, cross-functional process aimed at keeping an organization as a whole appropriately matched to its environment”

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WHAT IS STRATEGIC MANAGEMENT

- Analysis of the above definitions reveal that Strategic Management is :

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

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STRATEGIC MANAGEMENT PROCESS

The basic steps of the strategic management process include:

- Vision, Mission and Objectives of the company
- External Environmental Analysis
- Internal Environmental Analysis
- Revise Organizational Direction, if necessary

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STRATEGIC MANAGEMENT PROCESS

- Formulation of alternative strategies
- Selecting the best strategy
- Strategy implementation
- Strategic Evaluation and Control

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VISION

- What the organization want to create ?
- It has the potential power to focus the collective energy of insiders and to give outsiders a better idea of what an organization really is

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MISSION

- It relates to the company's existence with the needs of the society
- It is defined as " an enduring statement of purpose that distinguishes one company from other similar companies
- A mission statement is a declaration of an organization's reason for being

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OBJECTIVES

- Accomplishment of mission of an organization requires the formulation of a number of objectives
- Objectives are ends towards which activity is aimed

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GOALS

- Goals are derived from objectives
- Goal is precise and is expressed in clear and specific terms

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STRATEGIC EVALUATION AND CONTROL

- Establishment or determination of standard performance
- Measurement of actual performance
- Compare the actual performance with the standard performance
- Find out whether the actual performance is equal to or more or less than the standard performance

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STRATEGIC EVALUATION AND CONTROL

- If the actual performance is either equal to or more than the standard performance, continue the strategy implementation process, as no corrective action is necessary
- If the actual performance is less than the standards, find out areas to be corrected and take corrective action
- Also change or modify the organizational strategies, if they cannot be achieved due to significant shift in the external environment factors

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CORPORATE LEVEL STRATEGIES

- The strategic alternatives applicable to the entire company are known as corporate level strategies
- These strategies revolve “around the question of whether to continue or change the business enterprise is currently in or improve the efficiency and effectiveness with which the firm achieves its corporate objectives”

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KINDS OF CORPORATE LEVEL STRATEGIES

Glueck and Jauch identified four kinds of corporate level/grand strategies:

- Stability Strategies
- Growth Strategies
- Retrenchment Strategies
- Combination Strategies

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STRATEGIC BUSINESS UNIT (SBU)

- Organizational activities are divided into strategic subsystems which have a set of products or services, competitors and a goal distinct from those of other subsystems
- Strategies are formulated for each subsystem consistent with corporate level strategies
- SBUs are designed based on product differentiation, market segments, distinctive competencies etc.

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GENERIC STRATEGIES

- Generic strategies are formulated at the SBU level based on product differentiation, market segments and distinctive competency

- Generic Strategies are:
  - Low cost leadership
  - Differentiation and
  - Focus

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FUNCTIONAL LEVEL STRATEGIES

- Functional level strategies are formulated in consistent the SBU level strategy
- The important functional strategies include:
  - Production
  - Marketing
  - HRM
  - Materials Management
  - R&D

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STRATEGIC HUMAN RESOURCE (SHR) ISSUES

The strategic team at the corporate level, SBU level and the functional level should consider following SHR issues while formulating and implementing strategies:

- Employment
- Development
- Performance Appraisal
- Compensation
- Industrial Relations
- Work Systems
- Organizational Culture

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ORGANISATIONAL AND HUMAN RESOURCE STRATEGIES

Appropriate HR strategies at Corporate Level:

- Stability strategy: Motivation and Retention of skilled employees- job rotation, job enrichment and empowerment are appropriate HR practices
- Growth strategy (Internal Growth): Training the existing employees and promote them to the higher levels, employ the new candidates at the lower level and outsourcing some employees

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ORGANISATIONAL AND HUMAN RESOURCE STRATEGIES

- Concentration strategy: Training and Developing employees and outsourcing specialized skills
- Mergers and Acquisition Strategies:
  - Improving the employee morale, managing and unifying the cultural diversity, counsel the employees regarding resistance to change, adoption to the new system and procedures help the employees in allaying the fears of loosing jobs. Contd.

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- Work pressures through counselling and open communication
- Integrating the two wage structures and benefits, preparing an equitable and severance package and arrange outplacement assistance, establish career and succession plans, clarify leadership style and cultural issues etc.

- Horizontal integration: To train and develop the existing employees to provide the skills

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necessary in the area of new business, employing new candidates for the diversified business, compensation and industrial relations schemes slightly different from those of the existing business

- Conglomerate Diversification: Perform HRM function altogether from those of the existing companies or train the existing employees to the new business areas, skills etc. and transfer them to the diversified business area.

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- Joint Ventures: Formulate the programme for management of cultural diversity, train the existing employees in the new technologies and systems of the partner company.
- Retrenchment Strategies:
    - Turnaround strategy- through open communication, employee counselling, reduction in the labour cost
    - Liquidation and divestment strategy- retrenchment, outplacement assistance, cut in salaries, perks, redeploy in sister organizations etc.

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- SBU Level Strategies:

•Low cost leadership - HR strategies those fit here are enhancing labour productivity, improving skills, reducing movement time of the employee at work place, low participation, explicit job criteria etc.

- Differentiation Strategy - Relevant HR strategies are developing creative skills of the employees through training, empowering the employees etc.
- Focus/Niche Strategy: Relevant HR strategies are high employee participation, narrow career paths etc.