1

STRATEGIC HUMAN RESOURCE MANAGEMENT

Unit Structure:

1.1 OBJECTIVES

After studying this unit, the students will be able to:

- Understand the importance of Strategic Human Resource Management
- Understand the nature of Strategic Human Resource Management
- Understand the Different Strategic HRM approaches
- Know the challenges in Strategic HRM
- Understand the role of HR as strategic partner

1.2 INTRODUCTION

Strategic human resource management is the connection between a company's human resources and its strategies, objectives, and goals. The aim of strategic human resource management is to:

- Advance flexibility innovation, and competitive advantage.
- Develop a fit for purpose organizational culture.
- Improve business performance.

In order for strategic human resource management to be effective, human resources (HR) must play a vital role as a strategic partner when company policies are created and implemented. Strategic HR can be demonstrated throughout different activities, such as hiring, training and rewarding employees. Strategic HR involves looking at ways that human resources can make a direct impact on a company's growth. HR personnel need to adopt a strategic approach to developing and retaining employees to meet the needs of the company's long-term plans.

HR issues can be a difficult hurdle to cross for many companies, there are all kinds of different components that can confuse business owners and cause them to make ineffective decisions that slow down the operations for their employees as well as their business. HR departments that practice strategic human resource management do not work independently within a silo; they interact with other departments within an organization in order to understand their goals and then create strategies that align with those objectives, as well as those of the organization. As a result, the goals of a human resource department reflect and support the goals of the rest of the organization. Strategic HRM is seen as a partner in organizational success, as opposed to a necessity for legal compliance or compensation. Strategic HRM utilizes the talent and opportunity within the human resources department to make other departments stronger and more effective.

Why is Strategic Human Resource Management important

Companies are more likely to be successful when all teams are working towards the same objectives. Strategic HR carries out analysis of employees and determines the actions required to increase their value to the company. Strategic human resource management also uses the results of this analysis to develop HR techniques to address employee weaknesses.

The following are benefits of strategic human resource management:

- Increased job satisfaction.
- Better work culture.
- Improved rates of customer satisfaction.
- Efficient resource management.
- Proactive approach to managing employees.
- Boost productivity.

1.3 STRATEGIC HRM - DEFINITION

Strategic Human Resource Management (SHRM) is defined as alignment of strategic business goals of the organization with human resources, so as to foster innovation and improve motivation, satisfaction, productivity, and eventually overall performance. Strategic HRM is a relatively new term, which differentiates itself from traditional HRM which was just merely an organizational function.

1.4 AIMS OF STRATEGIC HRM

Strategic human resource management is the connection between a company's human resources and its strategies, objectives, and goals. The aim of strategic human resource management is to:

- Advance flexibility, innovation, and competitive advantage.
- Develop a fit for purpose organizational culture.
- Improve business performance.

In order for strategic human resource management to be effective, human resources (HR) must play a vital role as a strategic partner when company policies are created and implemented. Strategic HR can be demonstrated throughout different activities, such as hiring, training, and rewarding employees.

Strategic HR involves looking at ways that human resources can make a direct impact on a company's growth. HR personnel need to adopt a strategic approach to developing and retaining employees to meet the needs of the company's long-term plans.

HR issues can be a difficult hurdle to cross for many companies, there are all kinds of different components that can confuse business owners and cause them to make ineffective decisions that slow down the operations for their employees as well as their business.

1.5 STRATEGIC HRM APPROACHES

1.5.1 Performance Based Approach:

This approach is a backward integration approach. The focus of this approach is on the output or performance of employees, machines or systems and organisation as a whole. To get the better performance the performance affecting factors are to be studied backward. As strategies are prepared for other factors, the strategy is prepared for human resource also because human resource is an important factor that affects the performance.

The approach of management to SHRM is on performance base. The strategies can be prepared for technology, materials, operating procedure, supply, maintenance, etc. The strategy is prepared for human resource also. So it is the performance based approach of the top management to SHRM. The performance of individual is kept in mind and calculation is done backward to design HR strategy to improve the performance of employees.

The individual performance contributes in organisational performance in products, services, quality of work, customers' relationship, behaviour profit, growth and organisational effectiveness, etc. To achieve higher performance at all levels, HR strategy is designed for procurement, development, compensation, motivation and good relations. All these contribute to keep the people talented, satisfied, and motivated and retained in return, they give their best contribution in achievement of the objectives.

The approach includes backward integration keeping in view the end results and then HR strategy is designed performance-based approach is similar to the United States high performance work systems or practices aims to make an impact on the performance of the firm through its employees' performance. This approach was advocated by US Department of Labour.

1.5.2 Commitment Based Approach:

Commitment based approach is more psychological in nature. It is related the psychological and internal feelings of the employees. For designing the strategies, the commitment level of employees to their work and organisation is the focus point. The high level of commitment makes everything favourable for the organisation.

Employees' higher contribution to their jobs impacts positive on production volume, quality of products or services, employer-employees relationship, industrial relations and peace. All the results in higher performance of the organisation as a whole, profitability, progress of business, overall effectiveness in business, and reputation in markets. Higher level of commitment of employees is kept in mind while designing HR strategy.

Factor affecting employees, commitment level are considered for improving it. The strategies are prepared to keep the employees satisfied and happy so they willingly cooperate everywhere. HR strategies are prepared regarding planning, recruitment and selection, development, compensation, incentives and rewards, motivation, opportunities for development, management approach, etc.

Through these functions the persons can be talented, satisfied and highly motivated that can give higher contribution towards job and organisation.

High-commitment management approach was given by Wood stated that, 'A form of management which is aimed at eliciting a commitment so that behaviour is primarily self-regulated rather than controlled by sanctions and pressures external to the individual, and relations within the organisation are based on high levels of trust'.

This approach was also supported by Beer and Walton separately by mentioning certain functions for enabling higher contribution. Wood and Albanese further added that the higher level of commitment can be achieved through proper job design, good industrial relations, proper system for compensation and incentive. In brief it is concluded that the different experts have advocated for higher level of commitment in different styles but focus point is higher level of commitment from employees.

1.5.3 Resource Based Strategy:

This approach is a forward integrated approach. The focus is on input resources to achieve the desired objectives. Resources are being utilized by every organisation for achieving the pre-planned objectives. The resources are being utilized to avail the opportunities in the global markets. Under this approach, human resource is one of the resources and considered the most important resource.

For every resource the management prepares a strategy. In similar way the management prepares a strategy for human resource also. The human resource is deployed; capability to perform the tasks developed and tasks are performed as planned. Further, manpower can be motivated to learn faster and apply the expertise on the jobs better and before their rivals.

This approach is from starting to end. The quality of human resource as input is focused to achieve competitive advantage. Human resources competency can include their ability, capability, skills, knowledge, experience, problem-solving ability, etc. With good performance the employees add value to products or services of the organisation.

The proper utilization of human resources ensures that the individual performance, overall organisational performance, and organisational effectiveness in business are achieved. This leads to progress of all stakeholders. Keeping in view this, the strategies are designed by human resource management.

This is called human resource-based strategy. The focus is on human resource because it is human resource utilizes other resources to generate other resources further. It can be said definitely that the human resource is most important. The strategies are prepared accordingly for procurement, development, motivation, and commitment to achieve competitive advantage over rival competitors in local and international markets.

Barney supported this approach stated that the human resource based approach increase firm's strategic capability by the development of managers who are well trained, motivated and committed to the organisation and have good knowledge of the strategic issues relating to the business of the company.

Hamel and Prahalad also supported this approach by saying that develop, motivate and enable further to learn faster and apply expertise on job so that performance enhances before competitors. Human resource based strategy believe that expenses on human resource is not a cost but an investment because it adds value to human resources and organisation as well.

Human resource based strategy is only concerned with enhancement of human competencies or human capital of the organisation. Ulrich advocated in favour of this approach and said that through knowledge the company gets direct competitive advantage over its competitors. The organisations must have expertise to procure, develop, compensate, motivate, utilize and retain the talented employees.

It is a great challenge for the management of the company. Human resource based strategy has been strongly supported by Grant He argued that the main factor for getting competitive advantage is the unique talent or ability to differentiate between the products or services provided to the customers by the company and its competitors. This can be done by a learning organisation.

The HR strategy ensures that company is having talented and motivated people better than that of competitors.

1.5.4 Involvement Based Approach:

This approach is combination of psychological and physical aspects of the individual. In this approach of management the involvement of the employees in their job is most important. In this first, the employees must be satisfied and motivated and they should involve physically in the job.

The employees' psychological satisfaction is possible by treating them properly in procurement, development, compensation, incentives and rewards, opportunities for development, communication, employees' empowerment, favourable attitude of management and better employees-employer relationship. All these contribute in maintaining good industrial relations and harmony.

The healthy working environment of mutual understanding, openness, confidence, cooperation and team-spirit should be created. The workers must be treated the partners and profit sharing scheme would contribute further in this.

Keeping in view all these things the HR strategies are to be designed so the employees are satisfied and involved in their assigned jobs at different level. SHRM is responsible for all these strategies to tackle the global and competitive business environment.

1.5.5 Strategic Match Approach:

This approach is broader in nature and can be called vertical integrated approach. The focus is on business environment. Keeping in view the rapidly changing business environment, the corporate and HR strategy are prepared to carry-out the business activities effectively and efficiently. The business environment changes drastically. The internal and external environmental factors are undergoing drastic changes.

The organisation operates its business in the environment where it is located and influenced by global environment. The business cannot be carried out in isolation because the environment influences the performance of the business. Due to globalisation, the multinational companies are entering in different countries for business purpose wherever they find the opportunity.

A high degree of competition is faced by the companies from local and multinational companies as well. Now, it is the question of survival, growth, stabilize and excel in business. The companies are at the crucial juncture and they are not sure what to do and what not to do.

In this situation, to tackle multiple challenges the right approach is to design the corporate strategy according to environment and business condition and act accordingly. For achievement of the corporate objectives, at department level strategies are also prepared. The corporate strategy is vertically integrated with departmental strategy so that these can contribute in accomplishment of the corporate goals and achieve competitive advantage over their competitors.

With the objective of corporate objective accomplishment, under vertical integration HRM is an integral part of corporate management, HRM should also prepare the strategy accordingly. The HR strategy should be aligned in line with the business corporate strategy. HR strategy should be an integral part of the business strategy along with strategies of other departments.

The HR strategy should be supportive to corporate business strategy. Through vertical integration, there must be proper match or strategy fit between corporate business strategy and HR strategy. HR strategy should be in position to contribute in accomplishment of the corporate objectives. According to the requirements of corporate business strategy, through HR strategy the required manpower would be obtained, trained, maintained, motivated and enabled the employees to give their best contribution in job performance.

This way the individual performance improves and organisational performance as a whole also. The effectiveness of the organisation in business performance improves and it gets competitive advantage over the competitors in the markets. The sales, revenue, profitability and image of the organisation improve. This leads to progress of all stakeholders such as – employees, employers and management and society as a whole.

It is only possible when the corporate business strategy is prepared according to business environment and corporate business strategy is vertically integrated with departmental strategy that HR strategy. It can be concluded that there must be proper strategic match between corporate and HR strategy for effective working and better future. This approach starts from business at the top and moves downward to corporate and HR strategies. It is an example of vertical integration.

1.6 STRATEGIC HRM CHALLENGES

Today's organizations are facing challenges upon following levels:

1. Environmental Challenges
2. Organizational Challenges
3. Individual Challenges.

1. **ENVIRONMENTAL:** Environmental challenges refer to forces external to the firm that are largely beyond management's control but influence organizational performance. They include – rapid change, the internet revolution, workforce diversity, globalization, legislation, evolving work and family roles, and skill shortages and the rise of the service sector. Seven important environmental challenges today are:

a) **Rapid Change:** Many organizations face a volatile environment in which change is nearly constant. If they are to survive and prosper, they need to adapt to change quickly and effectively. Human resources are almost always at the heart of an effective response system. Here are a few examples of how HR policies can help or hinder a firm grappling with external change.

b) **Work Force Diversity:** All these trends present both a significant challenge and a real opportunity for managers. Firms that formulate and implement HR strategies that capitalize on employee diversity are more likely to survive and prosper.

c) **Globalization:** One of the most dramatic challenges facing as they enter the twenty-first century is how to compete against foreign firms, both domestically and abroad. Many companies are already being compelled to think globally, something that doesn't come easily to firms long accustomed to doing business in a large and expanding domestic market with minimal foreign competition.

Weak response to international competition may be resulting in upwards layoffs in every year. Human resources can play a critical role in a business's ability to compete head-to-head with foreign producers. The implications of a global economy on human resource management are many.

Here are a few examples:

Worldwide Company Culture: Some firms try to develop a global company identity to smooth over cultural differences between domestic employees and those in international operations. Minimizing these differences increases cooperation and can have a strong impact on the bottom line. For instance, the head of human resources at the European division of Colgate Palmolive notes, "We try to build a common corporate culture. We want them all to be "Colgate's".

Global Alliances: Some firms actively engage in international alliances with foreign firms or acquire companies overseas to take advantage of global markets. Making such alliances work requires a highly trained and devoted staff.

For instance, Phillips (a Netherlands lighting and electronics firm) became the largest lighting manufacturer in the world by establishing a joint venture with AT&T and making several key acquisitions.

These illustrations show how firms can use HR strategies to gain a worldwide competitive advantage.

d) **Legislative:** Much of the growth in the HR function over the past three decades may be attributed to its crucial role in keeping the company out of trouble with the law. Most firms are deeply concerned with potential liability resulting from personnel decisions that may violate laws enacted by the state legislatures, and/or local governments. These laws are constantly interpreted in thousands of cases brought before government agencies, federal courts, state courts, and the Supreme Court.

How successfully a firm manages its human resources depends to a large extent on its ability to deal effectively with government regulations. Operating within the legal framework requires keeping track of the external legal environment and developing internal systems (for example, supervisory training and grievance procedures) to ensure compliance and minimize complaints.

Many firms are now developing formal policies on sexual harassment and establishing internal administrative channels to deal with alleged incidents before employees feel the need to file a lawsuit.

Legislation often has a differential impact on public- and private sector organizations. (Public sector is another term for governmental agencies; private sector refers to all other types of organizations.) Some legislation applies only to public-sector organizations.

For instance, affirmative action requirements are typically limited to public organizations and to organizations that do contract work for them. However, much legislation applies to both public- and private sector organizations. In fact, it's difficult to think of any HR practices that are not influenced by government regulations.

e) Technology: The world has never before seen such rapid technological changes as are presently occurring in the computer and telecommunications industries. One estimate is that technological change is occurring so rapidly that individuals may have to change their entire skills three or four times in their career. The advances being made, affect every area of a business including human resource management.

f) Evolving Work and Family Roles: The proportion of dual-career families, in which both wife and husband work is increasing every year. Unfortunately, women face the double burden of working at home and on the job, devoting 42 hours per week on an average to the office work and an additional 30 hours of work at home. Men spend 43 hours per week working in the office and only 12 hours at home.

More and more companies are introducing "family-friendly" programs that give them a competitive advantage in the labor market. These programs are HR tactics that companies use to hire and retain the best-qualified employees, male or female, and they are very likely to payoff. For instance, among the well-known organizations / firms, half of all recruits are women, but only 5% of partners are women.

Major talent is being wasted as many women drop out after lengthy training because they have decided that the demanding 10- to 12-year partner track requires a total sacrifice of family life. These firms have started to change their policies and are already seeing gains as a result. Different companies have recently begun offering child-care and eldercare referral services as well to facilitate women workers as well as are introducing alternative scheduling to allow employees some flexibility in their work hours.

g) Skill Shortages and the Rise of the Service Sector: Expansion of service-sector employment is linked to a number of factors, including changes in consumer tastes and preferences, legal and regulatory changes, advances in science and technology that have eliminated many manufacturing jobs, and changes in the way businesses are organized and managed. Service, technical, and managerial positions that require college degrees will make up half of all manufacturing and service jobs by 2000.

Unfortunately, most available workers will be too unskilled to fill those jobs. Even now, many companies complain that the supply of skilled labor is dwindling and that they must provide their employees with basic training to make up for the shortcomings of the public education system. To rectify these shortcomings, companies currently spend large amount year on a wide variety of training programs.

2 **ORGANIZATIONAL:** Organizational challenges refer to concerns that are internal to the firm. However, they are often a by-product of environmental forces because no firm operates in a vacuum. These issues include – competitive position (cost, quality, and distinctive capability), decentralization, downsizing, organizational restructuring, self-managed work teams, small businesses, organizational culture, technology, and outsourcing.

Organizational challenges are concerns or problems internal to a firm. They are often a by-product of environmental forces because no firm operates in a vacuum. Still, managers can usually exert much more control over organizational challenges than over environmental challenges. Effective managers spot organizational issues and deal with them before they become major problems. One of the themes of this text is proactively – the need for firms to take action before problems get out of hand.

Only managers who are well informed about important HR issues and organizational challenges can do this. These challenges include the need for a competitive position and flexibility, the problems of downsizing and organizational restructuring, the use of self-managed work teams, the rise of small businesses, the need to create a strong organizational culture, the role of technology, and the rise of outsourcing.

An organization will outperform its competitors if it effectively utilizes its work force's unique combination of skills and abilities to exploit environmental opportunities and neutralize threats.

HR policies can influence an organization's competitive position by:

a) Controlling costs

b) Improving quality

c) Creating distinctive capabilities

d) Restructuring.

a) **Controlling Costs:** One way for a firm to gain a competitive advantage is to maintain low costs and a strong cash flow. A compensation system that uses innovative reward strategies to control labour costs can help the organization grow. A well-designed compensation system rewards employees' for behaviours that benefit the company.

Other factors besides compensation policies can enhance a firm's competitiveness by keeping labour costs under control. These include – better employee selection so that workers are more likely to stay with the company and to perform better while they are there, training employees to make them more efficient and productive; attaining harmonious labor relations); effectively managing health and safety issues in the workplace and structuring work to reduce the time and resources needed to design, produce, and deliver products or services.

b) **Improving Quality:** The second way to gain a competitive advantage is to engage in continuous quality improvement. Many companies are implementing total quality management (TQM) initiatives, which are programs designed to improve the quality of all the processes that lead to a final product or service. In a TQM program, every aspect of the organization is oriented toward providing a quality product or service.

c) **Creating Distinctive Capabilities:** The third way to gain a competitive advantage is to utilize people with distinctive capabilities to create unsurpassed competence in a particular area (for example, 3M's competence in adhesives, Carlson Corporation's leading presence in the travel business and Xerox's dominance of the photocopier market).

d) **Restructuring:** A number of firms are changing the way the functions are performed. For example, some companies are restructuring HR for reasons such as time pressures, financial considerations, and market pressures. This restructuring often results in a shift in terms of who performs each function. Organizations still perform the majority of a firm's HR functions inside the firm.

Adjusting to HR restructuring trends—who performs the human resource management tasks? The traditional human resource manager continues to be in place in most organizations, but some organizations are also using shared service centres, outsourcing, and line managers to assist in the delivery of human resources to better accomplish organizational objectives.

Additionally, the size of some HR departments is getting smaller because certain functions are now being accomplished by others. This shift permits the HR managers to focus on more strategic and mission-oriented activities.

2. **The Human Resource Manager:** An individual who normally acts in an advisory or staff capacity, working with other managers to help them deal with human resource matters. One general trend is that HR personnel are servicing an increasing number of employees. The human resource manager is primarily responsible for coordinating the management of human resources to help the organization achieve its goals. There is a shared responsibility between line managers and human resource professionals.

   ii. **Shared Service Centres:** Take routine, transaction-based activities that are dispersed throughout the organization and consolidate them in one place.

   iii. **Outsourcing Firms:** The process of transferring responsibility for an area of service and its objectives to an external provider. The main reason for this movement was to reduce transaction time, but other benefits include cost reductions and quality improvements. Companies found that administrative, repetitive tasks are often performed in a more cost-effective manner by external sources.

   iv. **Line Managers:** Line managers, by the nature of their jobs, are involved with human resources. Line managers in certain firms are being used more to deliver HR services. When implemented, this change reduces the size of the HR department.

   v. **Decentralization:** In the traditional organizational structure, most major decisions are made at the top and implemented at lower levels. It is not uncommon for these organizations to centralize major functions, such as human resources, marketing, and production, in a single location (typically corporate headquarters) that serves as the firm's command centre.

   Multiple layers of management are generally used to execute orders issued at the top and to control the lower ranks from above. Employees who are committed to the firm tend to move up the ranks over time in what some have called the internal labour market.

However, the traditional top-down form of organization is quickly becoming obsolete, both because it is costly to operate and because it is too inflexible to compete effectively. It is being replaced by decentralization, which transfers responsibility and decision-making authority from a central office to people and locations closer to the situation that demands attention. HR strategies can play a crucial role in enhancing organizational flexibility by improving decision-making processes within the firm.

vi. **Downsizing:** Periodic reductions in a company's work force to improve its bottom line-often called downsizing-are becoming standard business practice, even among firms that were once legendary for their "no layoff" policies, such as AT&T, IBM, Kodak, and Xerox.

In addition to fostering a lack of emotional commitment, transient employment relationships create a new set of challenges for firms and people competing in the labor market, as well as for government agencies that must deal with the social problems associated with employment insecurity (including loss of health insurance and mental illness). However, the good news for laid-off employees is that the poor-performance stigma traditionally attached to being fired or laid off is fading.

3 **INDIVIDUAL:** Human resource issues at the individual level address concerns that are most pertinent to decisions involving specific employees. These issues almost always reflect what is happening in the larger organization. How individuals are treated also is likely to have an effect on organizational issues.

For instance, if many key employees leave a firm to join its competitor, it will affect the competitive posture of the firm. The individual issues include matching people and organization, ethics and social responsibility, productivity, empowerment, brain drain, and job insecurity.

Human resource issues at the individual level address the decisions most pertinent to specific employees.

These individual challenges almost always reflect what is happening in the larger organization. For instance, technology affects individual productivity; it also has ethical ramifications in terms of how information is used to make HR decisions (for example, use of credit or medical history data to decide whom to hire). How the company treats its individual employees is also likely to affect the organizational challenges.

For example, if many key employees leave the firm to join competitors, the organization's competitive position is likely to be affected. In other words, there is a two-way relationship between organizational and individual challenges. This is unlike the relationship between environmental and organizational challenges, in which the relationship goes only one way few organizations can have much impact on the environment.

The most important individual challenges today involve, productivity, ethics and social responsibility, productivity, empowerment, brain drain, job security and matching people and organizations. Here we discuss each of them –

2. Productivity is a measure of how much value individual employees add to the goods or services that the organization produces. The greater the output per individual, the higher the organization's productivity. Two important factors that affect individual productivity are ability and motivation. Employee ability, competence in performing a job, can be improved through a hiring and placement process that selects the best individuals for the job.

It can also be improved through training and career development programs designed to sharpen employees' skills and prepare them for additional responsibilities. Motivation refers to a person's desire to do the best possible job or to exert the maximum effort to perform assigned tasks. Motivation energizes, directs, and sustains human behaviour. A growing number of companies recognize that employees are more likely to choose a firm and stay there if they believe that it offers a high quality of work life (QWL).

b) Ethics and Social Responsibility Corporate social responsibility refers to the extent to which companies should and do channel resources towards improving one or more segments of society other than the firm's owners or stockholders. Ethics is the bedrock of socially responsible behaviour.

   People's expectations that their employers will behave ethically are increasing, so much that many firms and professional organizations have created codes of ethics outlining principles and standards of personal conduct for their members. Unfortunately, these codes often do not meet employees' expectations of ethical employer behaviour. These negative perceptions have worsened over the years.

   In a recent poll of Harvard Business Review readers, almost half the respondents indicated their belief that managers do not consistently make ethical decisions. The widespread perceptions of unethical behaviour may be attributed to the fact that managerial decisions are rarely clear-cut. Except in a few blatant cases (such as wilful misrepresentation), what is ethical or unethical is open to debate. Even the most detailed codes of ethics are still general enough to allow much room for managerial discretion.

   In other words, many specific decisions related to the management of human resources are subject to judgment calls. A company that exercises social responsibility attempts to balance its commitments-not only to its investors, but also to its employees, its customers, other businesses, and the community or communities in which it operates.

For example, McDonald's established Ronald McDonald houses several years ago to provide lodging for families of sick children hospitalized away from home. Sears and General Electric support artists and performers, and many local merchants support local children's sports teams.

c) Empowerment in recent years many firms have reduced employee dependence on superiors and placed more emphasis on individual control over (and responsibility for) the work that needs to be done. This process has been labelled empowerment because it transfers direction from an external source (normally the immediate supervisor) to an internal source (the individual's own desire to do well).

In essence, the process of empowerment entails providing workers with the skills and authority to make decisions that would traditionally be made by managers. The goal of empowerment is an organization consisting of enthusiastic, committed people who perform their work ably because they believe in it and enjoys doing it (internal control).

This situation is in stark contrast to an organization that gets people to work as an act of compliance to avoid punishment (for example, being fired) or to qualify for a paycheck (external control).

d) Brain Drain – With organizational success more and more dependent on knowledge held by specific employees, companies are becoming more susceptible to brain drain-the loss of intellectual property that results when competitors lure away key employees. High-Tec firms are particularly vulnerable to this problem.

Such important industries as semiconductors and electronics suffer from high employee turnover as key employees, inspired by the potential for huge profits, leave established firms to start their own businesses. This brain drain can negatively affect innovation and cause major delays in the introduction of new products. To make matters worse, departing employees, particularly those in upper management, can wreak considerable havoc by taking other talent with them when they leave.

To combat the problem of defection to competitors, some firms are crafting elaborate ant defection devices. For example, Compaq computer has introduced a policy that revokes bonuses and other benefits to key executives if they take other employees with them when they quit. Micron Technology staggers key employees' bonuses; they lose un-awarded portions when they leave.

e) Job Insecurity: In this era of downsizing and restructuring, many employees fear for their jobs. For most workers, being able to count on a steady job and regular promotions is a thing of the past. Even the most profitable companies have laid off workers. Companies argue that regardless of how well the firm is doing, layoffs, have become essential in an age of cutthroat competition.

f) In addition, the stock market often looks favourably on layoffs. For employees, however, chronic job insecurity is a major source of stress and can lead to lower performance and productivity. Though union membership has been declining in recent years, many workers still belong to unions, and job security is now a top union priority. In return for job security, though, many union leaders have had to make major concessions regarding pay and benefit.

g) Matching People and Organizations Research suggests that HR strategies contribute to firm performance most when the firm uses these strategies to attract and retain the type of employee who best fits the firm's culture and overall business objectives. For example, one study showed that the competencies and personality description of top executives could hamper or improve firm performance, depending on what the firm's business strategies are.

Fast-growth firms perform better with managers who have a strong marketing and sales background, who are willing to take risks, and who have a high tolerance for ambiguity. However, these managerial traits actually reduce the performance of mature firms that have an established product and are more interested in maintaining (rather than expanding) their market share.

Other research has shown that small high- tech firms benefit by hiring employees who are willing to work in an atmosphere of high uncertainty, low pay, and rapid change in exchange for greater intrinsic satisfaction and the financial opportunities associated with a risky but potentially very lucrative product launch.

1.7 ROLE OF HR AS A STRATEGIC PARTNER IN AN ORGANISATION

The role of HR as a strategic partner is to develop and direct an HR agenda that supports and drives the overarching goals of the organization.

In other words, a strategic HR partner bridges the gap between the work of the HR team on the ground and the mission of the C-suite.

To do this, strategic HR partners make sure that the HR policy, procedures, and governance align with the big picture. Strategic HR partners ask, "How can HR help create an engaging, high-performance culture that drives the whole business forward?"

Executives want HR leaders who are strategic partners. Use the following tips to become a strategic HR partner and start transforming the HR relationship in your organization.

1. Know your business.

While you probably have an in-depth knowledge of HR operations, to be a successful business partner, you have to understand the entire business inside and out.

Take time to educate yourself on the company products, services, and business model. Spend a day shadowing employees "on the ground" to see how they work, what processes they follow, and uncover key strengths and pain points.

Understanding how each department and role actually work and how it all fits together is the first step to being able to act strategically.

2. Look at the big picture.

It's easy to get stuck in the weeds of HR. The daily HR operations touch every aspect of the business from compensation and benefits to hiring and firing.

However, if you want to be a strategic partner, you can't be constantly stuck in firefighter mode. You need to be able to zoom out and look at the big picture. Take time to assess the current state of HR and think about the long-term future of your organization.

Consider what your needs will be for the next 1-5 years so you can plan the programs and processes that will help your company reach its goals now and in the future.

3. Make data-driven decisions.

Data is your friend. HR strategy should always be driven by data and evidence—not hunches or assumptions. Get comfortable pulling reports and reviewing and analysing data.

Your ability to use data to identify key insights and tell stories that drive action on the right things at the right time is one of the most valuable contributions a strategic HR partner can make.

4. Assess business readiness and prioritize investment.

Since no business has an unlimited budget, you won't be able to invest in every idea or opportunity. As a strategic HR partner, you need to be able to identify what resources are available and where to invest them for the most impact.

Use the data and HR metrics you've compiled to evaluate whether you have the organizational resources and support for different strategies and prioritize your plans accordingly. This is where your value as a strategic partner comes in focus. The more effective you are at assessing business readiness and priorities, the more aligned your HR efforts will be with the overall business goals.

QUESTIONNAIRE

1. Define Strategic Human Resource Management
2. What are the barriers to strategic HRM?
3. Why Strategic Assessment is needed?

4. Explain the framework of Strategic HR Management process?

5. What are the current Challenges for Strategic HRM?

6. Explain the links to HR, Strategy and business goals with Examples.

7. Explain the various Approaches of SHRM in Details

8. Discuss why Organization should opt of HRD audit?

9. What are the various Models of SHRM

10. What is strategic capability?

SUMMARY

Strategic Human Resource Management (SHRM) is defined as alignment of strategic business goals of the organization with human resources, so as to foster innovation and improve motivation, satisfaction, productivity, and eventually overall performance. Strategic HRM is a relatively new term, which differentiates itself from traditional HRM which was just merely an organizational function.

Strategic human resource management is the connection between a company's human resources and its strategies, objectives, and goals. The aim of strategic human resource management is to Advance flexibility innovation, and competitive advantage, Develop a fit for purpose organizational culture, Improve business performance.

Strategic HR carries out analysis of employees and determines the actions required to increase their value to the company. Strategic human resource management also uses the results of this analysis to develop HR techniques to address employee weaknesses.

Strategic Human Resource Management Include five approach such as Performance Based Approach, Commitment Based Approach, Resource Based Strategy, Involvement Based Approach, Strategic Match Approach. Performance Based Approach is a backward integration approach.

Strategic Human Resource Management facing challenges upon following levels: Environmental Challenges, Organizational Challenges, Individual Challenges. Environmental challenges refer to forces external to the firm that are largely beyond management's control but influence organizational performance. Organizational challenges refer to concerns that are internal to the firm. However, they are often a by-product of environmental forces because no firm operates in a vacuum. Individual Challenges is Human resource issues at the individual level address concerns that are most pertinent to decisions involving specific employees.

The role of HR as a strategic partner is to develop and direct an HR agenda that supports and drives the overarching goals of the organization.

REFERENCE

https://medium.com/@blogposting.7consultancy/what-is-strategic-human-resource-management-shrm-31127406383a

https://www.mbaskool.com/business-concepts/human-resources-hr-terms/7152-strategic-human-resource-management-shrm.html

https://medium.com/@blogposting.7consultancy/what-is-strategic-human-resource-management-shrm-31127406383a

https://www.businessmanagementideas.com/human-resource-management-2/strategic-human-resource-management/20065

http://www.zainbooks.com/books/human-resource-management/human-resource-management1_7_hrm-in-a-changing-environment.html

https://www.quantumworkplace.com/future-of-work/hr-as-a-strategic-partner

❄❄❄❄❄❄❄

2

HR STRATEGIES

Unit Structure:

2.1 OBJECTIVES

After studying this unit, the student will be able to:

- Understand the different types of HR Strategies
- Know the Criteria for Effective HR Strategy
- Understand the Formulation and Implementation of HR Strategies
- Know the importance of strategic review and strategic role of Management

2.2 HR STRATEGIES DEFINITIONS

A Human Resource strategy is a business's overall plan for managing its human capital to align it with its business activities. The Human Resource strategy sets the direction for all the key areas of HR, including hiring, performance appraisal, development, and compensation.

2.3 TYPES OF HR STRATEGIES

Most mid - to large-sized organizations have a strategic plan that guides them in successfully meeting their missions. Organizations routinely complete financial plans to ensure they achieve organizational goals. While workforce plans are not as common, they are just as important. There are five HR strategies for meeting organization's future needs such as:

2.3.1 Training and development strategies

These strategies include: Providing staff with training to take on new roles. Providing current staff with development opportunities to prepare them for future jobs in your organization.

Training and development needs can be met in a variety of ways. One approach is for the employer to pay for employees to upgrade their skills. This may involve sending the employee to take courses or certificates, or it may be accomplished through on-the-job training. Many training and development needs can be met through cost effective techniques.

2.3.2 Recruitment strategies

These strategies include: Recruiting new staff with the skill and abilities that your organization will need in the future. Considering all the available options for strategically promoting job openings and encouraging suitable candidates to apply.

Each time you recruit you should be looking at the requirements from a strategic perspective. For example, if your organization has several supervisors that are nearing retirement age, your recruitment strategy should include recruiting staff with the ability to assume a supervisory role in the near future.

2.3.3 Outsourcing strategies

These strategies include: Using external individuals or organizations to complete some tasks.

Many organizations look outside their own staff pool and contract for certain skills. This is particularly helpful for accomplishing specific, specialized tasks that don't require ongoing full-time work.

Some organizations outsource HR activities, project work or bookkeeping. For example, payroll may be done by an external organization rather than a staff person, a short-term project may be done using a consultant, or specific expertise such as legal advice may be purchased from an outside source.

When deciding to outsource to an individual, ensure you are not mistakenly calling an employee a consultant. This is illegal and can have serious financial implications for your organization. Each outsourcing decision has implications for meeting the organization's goals and should therefore be carefully assessed.

2.3.4 Collaboration strategies

The strategic HR planning process may lead to indirect strategies that go beyond your organization. By collaborating with other organizations you may have better success at dealing with a shortage of certain skills.

Examples of collaboration include: Working together to influence the types of courses offered by educational institutions. Working with other organizations to prepare future leaders by sharing in the development of promising individuals. Sharing the costs of training for groups of employees. Allowing employees to visit other organizations to gain skills and insight

2.3.5 Restructuring strategies

If your assessment indicates that there is an oversupply of skills, there are a variety of options open to assist in the adjustment.

These strategies include: Reducing staff either by termination or attrition. Regrouping tasks to create well designed jobs. Reorganizing work units to be more efficient

Termination of workers gives immediate results. Generally, there will be costs associated with this approach depending on your employment agreements. Notice periods are guaranteed in all provinces. Be sure to review the Employment and Labour Standards in your province or territory to ensure that you are compliant with the legislation.

2.4 CRITERIA FOR AN EFFECTIVE HR STRATEGY

An effective HR strategy is one that works in the sense that it achieves what it sets out to achieve. In particular, it:

- will satisfy business needs.
- is founded on detailed analysis and study, not just wishful thinking.
- can be turned into actionable programmes that anticipate implementation requirements and problems.
- is coherent and integrated, being composed of components that fit with and support each other.
- takes account of the needs of line managers and employees generally as well as those of the organization and its other stakeholders. As Boxall and Purcell (2003) emphasize: 'HR planning should aim to meet the needs of the key stakeholder groups involved in people management in the firm.

Below are five HR pillars every organization should be aware of when developing or refining their HR strategy.

1. **Legal requirements**

   When onboarding an employee, it's important that you follow and fulfil all legal requirements to ensure that you protect the business and the employee. For instance, every full-time employee should fill out an IRS W-4 form and I-9 form. Another important legal requirement is workers compensation.

2. **Employee engagement**

   Employee engagement is critical to a company's success. After all, an engaged employee is a productive one. To increase employee engagement, bring the following into your culture and HR strategy:

   - Gamification: Incorporate gamification into employee activities, such as achievement-tracking and peer competition.

   - Incentives: Financial and non-financial incentives, such as rewards and recognition, give employees something to work toward. In addition, they reinforce attitudes and behaviours that will help the organization succeed. You can make the process of tracking these incentives, and the milestones that designate them, with an employee recognition and engagement platform such as Achievers.

   - Employee Surveys: Conduct surveys on a regular basis to let employees know that their voice is being heard and valued.

3. **Career advancement programs**

   An organization's biggest and most precious investment is its employees. Yet, many organizations don't invest enough in the development of their employees. A career advancement program helps sustain employee engagement, as employees are given the opportunity to progress both personally and professionally.

   In addition, it helps nurture talent within the organization, reducing the time and costs associated with hiring outside employees.

   A successful career advancement program should help employees set achievable goals and offer in-house training sessions. Toastmasters International, for example, is a communication and leadership development program that teaches employees to become more effective communicators.

4. **Corporate image**

   Maintaining a strong, positive corporate image is important for your HR strategy. It helps you attract top talent to a growing team. The HR department plays a critical role in upholding an organization's image

5. **Performance management system**

To make goal-setting successful, you need to have a tracking system in place. Without an advanced performance management system, it's difficult for employees to gauge their progress and stay motivated in reaching their goals. Not to mention, keeping track manually can get messy and is less reliable.

2.5 FORMULATION AND IMPLEMENTATION OF HR STRATEGIES

Developing an effective human resource strategy takes time and careful planning. Whether you want to increase your profit margin, grow the company or revolutionise with tech, HR is at the centre of all business decisions.

Typically, HR strategies will be rolled out and revised each year to align with the wider business. This will help keep the business focus fresh and in line with industry changes. This easy-to-follow guide will take you through the steps to the successful development and implementation of human resource strategies. It'll help you create a plan that'll focus on business goals and HR's role in delivering them.

Knowing that HR strategy plays a truly foundational role in how businesses and their workforces evolve, adapt, and transform over time, it's critical to align around the right strategies now to propel your organization and its people forward and in the same direction in the future. how to formulate and implement an effective HR strategy is given below.

- **Step one: align with business needs**

  Every HR strategy has to support business efforts, so the first step is to align both strategies. Business strategies will more than likely focus on external goals to bring in revenue while the HR strategy will look at what is needed for the business to reach these goals. Put simply, if your people aren't looked after, you won't achieve anything. You need to be 100% clear on the business goals to be able to create an effective HR strategy – people need clarity to know what they're working towards and can feel motivated and rewarded by having a clear focus. Be clear about what you want from your people and how they fit into your overall goals.

- **Step two: plan, prepare and measure**

  Once you've nailed down what your HR strategy needs to focus on, the next thing you should do is develop it to include goals, measures and capabilities. This will allow you to plan and prepare for the year ahead. Firstly, look at the goals your team can achieve. If you want to keep clients and customers happy to keep their business then employee retention is key – and using your HR strategy to look after individuals is important. In general, it's a good idea to not overwhelm resources by trying to complete too many goals at once. Spread major goals throughout the year and include checkpoints periodically to help you stay on track.

- **Step three: communicate to stakeholders**

  From growing the company to implementing new technology, the HR department is responsible for communicating new ideas to the wider business and ensuring people can apply them. When new initiatives are introduced, clear and informative communication is key for the business to welcome any change. If fact, no matter the size of the business, the majority of employees need to be on board for any change to take place. It's best to promote all your communication to managers first. With manager buy-in, any challenges or controversial changes within the business can be better resolved with support from stakeholders.

- **Step four: promote collaboration**

  As well as having good communication, it's important to ensure teams have contributed to the cause. Collaboration is an important part of HR strategy and one that has a big impact on the wider business. HR can act as the glue that binds teams together through effective work processes or even social, cultural and team bonding efforts.

- **Step five: create measures**

  Without measures, how will you know if the strategy is successful? The content of your HR strategy will determine what measures you need to implement. Some metrics can be obvious, such as revenue, sales targets or employment goals, but others can be more variable. If your strategy is to improve your environmental impact, you may want to consider the energy used to monitor how eco-friendly you're being. Or, if your strategy is to improve employee retention or happiness you could look at staff turnover or absence rates.

- **Step six: assessment**

  To help you stay on track and ensure you're still aligned to business goals, it's important to assess progress regularly. As well as noting down what worked well, look back at how you got to each stage and whether any challenges needed to be addressed. This way you can foresee any potential future problems and resolve them before they even happen.

2.6 CONDUCTING A STRATEGIC REVIEW

A strategy review is the process in which organizations discuss the progress of their goals and objectives and make the necessary adjustments for the upcoming year. We've found that the best time by far to consider adjusting your strategic plan—and ensure the changes are reflected in your strategy for the upcoming year—is during the end-of-year strategy review process.

In this article, we've outlined four steps that will help you identify and approach these changes in a productive way, to ensure everyone in your organization is working toward the same goal.

- **Step 1: Review The "Big Picture"**

  The first thing you need to do during your strategy review process is step back and look at each element of your strategic plan. We always suggest asking the question, "Is our big-picture strategy still valid?" This is important—and frankly, it's often overlooked. If where your organization stands has changed over the last year (or over the last several years), that will dramatically impact all of the elements that make up your strategic plan—from your mission, vision, and values, all the way down to your objectives, measures, and initiatives.

- **Step 2: Review Details of The Plan Itself**

  Strategic plan details include your objectives, measures, and initiatives. Here's how to review each:

  Objectives are your high-level organizational goals. During your strategy review process, you'll need to ask, "Are our objectives still relevant? Do they relate back to our mission, vision, and values?" Your answer needs to be made with actual data, not your gut feelings.

  Measures are sometimes referred to as key performance indicators (KPIs) or metrics. Each of your objectives should have measures associated with it—and for each of these measures you need to set a realistic target. Any changes to your measures should come from your department heads or others in a leadership position—so we recommend holding a strategy retreat or half-day meeting to discuss any measures that need to be changed.

  Initiatives aren't one-off tasks; they're big picture or long-term projects your organization is tracking for strategic success. You're more likely to shift, remove, or add new initiatives during your strategy review process than you are to change your measures or initiatives. Therefore, be sure to discuss budget, start and end dates, and tie-ins to your measures and objectives before making these decisions.

- **Step 3: Improve Your Reports**

  Reports are imperative to communicating performance on your overall strategic plan. If you simply ignore your reports during your strategy review process, the strategy you've worked so hard to build may simply become ineffective. Therefore, you'll want to ask the following:

  Are we meeting at the right frequency? Quarterly and monthly meetings have different purposes, and you'll want to be sure each meeting you hold is productive.

Are our reports formatted correctly? In other words, do your reports show the information everyone needs to see in order to understand your performance? Keep in mind that each report will highlight different information; a measure report might show the owner, the frequency at which it's being tracked, and series status, while an initiative report might show the start date, end date, budget, and milestones.

- **Step 4: Communicate Changes To Your Organization**

  When you conduct a review of your strategy, it's extremely important to consider how you'll communicate updates to or changes within your plan throughout your organization. Otherwise, you won't create organization-wide buy-in, which will make it far more difficult for you to attain strategic success.

2.7 IMPACT ON ORGANIZATIONAL PERFORMANCE

An organization consists of a set of resource employed in a productive way to generate wealth and resource for the organization such as building, equipment, skills and competencies of employees, procedures of norms, culture, and values.

Organizational performance basically can be defined as the outcome which indicate or reflect the organization efficiencies or inefficiencies in term of corporate image, competencies and financial outcomes. It is concerned with the effectiveness, productivity, efficiency, excellence, or quality of the organization. It is a central and fundamental feature for the existence of the organization in the present-day competing world. The organizational performance is needed to be focused in details since it is the process to increase the effectiveness of the organization.

Organizational performance means the transformation of inputs into outputs for achieving certain outcomes. With regards to its content, performance informs about the relation between minimal and effective cost (economy), between effective cost and realized output (efficiency), and between output and achieved outcome (effectiveness).

Organizational performance is the process to enhance both the effectiveness of the organization and the well-being of its employees through planned interventions. It refers to the actual output or results of the organization as measured against its intended outputs, goals and objective. There are four types of organizational performance measures namely -

(i) **human resource outcomes -** Human resource outcomes are related to change in employees' behaviour which includes employees' satisfaction, turn over, and absenteeism.

(ii) **organizational outcomes -** Organizational outcomes are linked to productivity of various processes of the organization, employees' productivity, customer satisfaction, and quality of products and services.

(iii) financial accounting outcome - Financial accounting outcomes include measures such as profitability, returns on assets, and returns on equity.

(iv) capital market outcomes - Capital market outcomes reflect how market evaluates the organization and consists of the three indicators which are stock price, growth rate of stock price, and market returns.

2.8 STRATEGIC ROLE OF TOP MANAGEMENT

Top management consist of the top-level executives of the organisation who takes the whole responsibility of the organization. The top-level management designs/ formulates various policies and strategies for the effectiveness of the organisation. It also defines the mission, vision, goals and objective of the organisation which frames the direction of operation to the entire enterprise. Top level management includes highest ranking executives like CEO, CFO, VP, MD, COO, President etc.

- **Strategic role of top-level management:** The top-level management is highly responsible for the success or the failure of any organisation. They are the entity who draws the direction of the operation to the business. Hence, they play majorly a strategic role in the organisation. Few of the strategic roles of top-level management include:

- **Strategic Framework:** The top-level management frame and design the organisation policy mission vision, goals objectives etc. They need to frame all these things strategically aligned with the business to run a successful enterprise.

- **Strategic Direction:** The top-level management must give a proper direction in the operations of the business are triggered towards. It should keep in mind all the strategies aligned with e mission and vision of the business.

- **Developing strategies:** All the strategies to be adopted by the business must be developed with utmost care by the top-level management. The top-level management must consider all the dynamics of the market related to the business before developing a strategy. Proper strategy must be developed for all functional areas of a business.

- **Strategic staffing:** The staffing of key positions in the organisation must be done by the top-level management. The staffing must be done strategically by analysing the KSA (Knowledge, Skills and Attitude) of an employee. They must also analyse whether the KRA (Key result area) of the given position matches the KSA.

- **Strategic Decision Making:** All the major decisions are taken by the top-level management. It is always advisable that the decisions must be taken strategically to effectively utilize the available resources and bring the desired outcome.

2.9 STRATEGIC ROLE OF LINE MANAGEMENT

The line managers or the front-line management play a very crucial role in implementing and enacting the HR policies. Hence, it is very important for the management to ensure that the line managers possess a right attitude towards the performance management approaches and equally possess the right competencies for executing it. The line managers mostly consider the performance management process as a mere bureaucratic chore and hence they consider it as a sheer waste of time. Some managers lack the required skills for reviewing the performance of the employees, providing feedback and identifying objectives along with them. These limitations can be overcome by adopting the following remedies:

- By providing leadership from the top.

- By communicating with the line managers about the importance of performance management in driving successful results and how it is a part of their responsibility.

- By maintaining simplicity in the overall process of performance management.

- By reducing the pressure from the line managers by making the process an ongoing one instead of an annual review.

- By involving the line managers in the design and development of the performance management processes by representing them in pilot studies.

QUESTIONNAIRE

1. What are the challenges faced by HR while implementing HR Strategies?
2. Explain different types of HR strategies used in companies?
3. What should an HR strategy include?
4. Explain the role of Top management in building Strategy?
5. What are the types of performance measure in an Large Organization
6. Explain the reasons to conduct timely Strategic Review?
7. How can one improve corporate image using strategic HR policies?
8. Why is Employee Engagement activity so important for an Organization?
9. What are the Criteria for effective HR strategy?
10. What is Outsourcing Strategy? explain using an Example

SUMMARY

A Human Resource strategy is a business's overall plan for managing its human capital to align it with its business activities. The Human Resource strategy sets the direction for all the key areas of HR, including hiring, performance appraisal, development, and compensation.

Most mid- to large-sized organizations have a strategic plan that guides them in successfully meeting their missions. Organizations routinely complete financial plans to ensure they achieve organizational goals.

There are five HR strategies for meeting organization's future needs such as: Training and development strategies. Recruitment strategies, Outsourcing strategies, Collaboration strategies, Restructuring strategies.

An effective HR strategy is one that works in the sense that it achieves what it sets out to achieve. In particular, it will satisfy business needs. it is founded on detailed analysis and study, not just wishful thinking. it can be turned into actionable programmes that anticipate implementation requirements and problems. it is coherent and integrated, being composed of components that fit with and support each other. it takes account of the needs of line managers and employees generally as well as those of the organization and its other stakeholders.

HR strategies will be rolled out and revised each year to align with the wider business. This will help keep the business focus fresh and in line with industry changes. Knowing that HR strategy plays a truly foundational role in how businesses and their workforces evolve, adapt, and transform over time, it's critical to align around the right strategies now to propel your organization and its people forward and in the same direction in the future.

A strategy review is the process in which organizations discuss the progress of their goals and objectives and make the necessary adjustments for the upcoming year.

An organization consists of a set of resource employed in a productive way to generate wealth and resource for the organization such as building, equipment, skills and competencies of employees, procedures of norms, culture, and values. Organizational performance is the process to enhance both the effectiveness of the organization and the well-being of its employees through planned interventions.

The line managers or the front-line management play a very crucial role in implementing and enacting the HR policies. The line managers mostly consider the performance management process as a mere bureaucratic chore and hence they consider it as a sheer waste of time. Some managers lack the required skills for reviewing the performance of the employees, providing feedback and identifying objectives along with them.

REFERENCE

https://www.aihr.com/blog/human-resource-strategy/

https://sites.google.com/site/humanresourcesite/strategic-hr-planning

http://abouthumanresourcemanagement.blogspot.com/2016/02/criteria-for-effective-hr-strategy.html

https://www.achievers.com/blog/5-pillars-successful-hr-strategy/

https://www.cegid.com/en/blog/developing-and-implementing-a-successful-hr-strategy-in-6-steps/

https://www.clearpointstrategy.com/strategy-review-process/

https://www.ispatguru.com/organizational-performance-and-its-influencing-factors/

https://speakhr.com/strategic-role-top-level-management/

https://www.managementstudyguide.com/role-of-managers-in-performance-management.htm

❄❄❄❄❄❄❄

3

TALENT MANAGEMENT

Unit Structure:

3.1 OBJECTIVES

After studying this unit, the students will be able to:

- Understand the Importance of Career Planning with its evolution over the years
- Understand the Types of Centred Career Planning
- Know the depth of Succession planning and need for succession planning

Talent management is how employers recruit and develop a workforce that is as productive as possible and likely to stay with their organization long term. When implemented strategically, this process can help improve the overall performance of the business and ensure that it remains competitive.

3.2 CAREER PLANNING

Career Management is a life-long process of investing resources to accomplish your future career goals. It is a continuing process that allows you to adapt to the changing demands of our dynamic economy.

3.2.1 Evolution of Careers

A combination of big, bold, sweeping changes and more subtle but significant shifts in the work, workplace, and expectations and needs of the individuals who make up that workplace have shaped and reshaped what the term career development means today. From its original role as a method of finding the right job, career development has evolved into a process for professional growth that encompasses the wide range of experiences that ultimately form an individual's life's work. Along the way, career development, with its power to maximize engagement, has taken centre stage in the competition for talent and has become a C-suite agenda item.

Whether this transformation is viewed as a gradual evolution or a more disruptive revolution depends on your vantage point. If you've played a role inside the career development space during the past decade and have navigated some of the changes brought about by the trends outlined in the sidebar below, you are more likely to use the term revolution to describe the experience. And even for those who see the changes as evolutionary, it's time to buckle up. Change isn't finished with the career development space.

3.2.2 Career Planning Perspectives Organization

Since careers are evolving, managing them puts a premium on career development by both employers and employees. Effective career planning considers both organization-centred and individual-centred perspectives.

Organization-centred career planning focuses on identifying career paths that provide for the logical progression of people between jobs in an organization. A good career planning program includes elements of talent management, performance appraisals, development activities, transfer and promotion opportunities, and succession planning. Employees need to know their strengths and weakness, which they often discover through company-sponsored assessments. Unfortunately, less than half of the respondents to a recent survey said that their employers outline career paths for them.

An organization’s career path tends to follow the hierarchical structure of the organization chart and not evolve to include more innovative ways for employees to move through jobs. Employees are too often left on their own, which can result in frustration and disappointment. Showing employees possible routes to fulfilment can lead to better retention and more satisfied workers.

3.2.3 Individual - Centred Career Planning

Individual-centered career planning focuses on individuals’ careers rather than organizational needs. It is done by employees themselves, and individual goals and skills are the focus of the analysis. Such analyses might consider situations both inside and outside the organization that could expand a person’s career. The different perspectives, organizational retrenchment and downsizing have changed career plans for many people. They have found themselves in “career transition”—in other words, in need of finding other jobs. Small businesses, some started by early retirees from big companies, have provided many of the new career opportunities.

How People Choose Careers

Four general individual characteristics affect how people make career choices.

- **Interests:** People tend to pursue careers that they believe match their interests.
- **Self-image:** A career is an extension of a person's self-image, as well as a moulder of it.
- **Personality:** This factor includes an employee's personal orientation (for example, whether the employee is realistic, enterprising, and artistic) and personal needs (including affiliation, power, and achievement needs).
- **Social backgrounds:** Socio economic status and the educational and occupation level of a person's parents are a few factors included in this category.

Less is known about how and why people choose specific organizations than about why they choose specific careers. One obvious factor is the availability of a job when the person is looking for work. The amount of information available about alternatives is an important factor as well. Beyond these issues, people seem to pick an organization on the basis of a "fit" between the climate of the organization as they perceive it and their own personal characteristics. Many factors may influence job choice, including the gender of the job informant who passed along job information. The "dream jobs" of young people ages 13 to 17 change over time, as Further, people change jobs more now than ever before.

3.3 SUCCESSION PLANNING

3.3.1 Definition and Approaches

Succession planning is the process of identifying the critical positions within your organization and developing action plans for individuals to assume those positions.

The purpose of succession planning is to make sure a company always has the right leaders in place should a change happen quickly. By failing to create an orderly plan for succession, your company may not get a second chance if it doesn't adapt immediately after a key player leaves the company or passes away. The different ways in which organizations can approach succession planning are:

- **Strategic leader development** is defined by Wolfred as, "an ongoing practice based on defining an agency's vision, identifying the leadership and managerial skills necessary to carry out that vision, and recruiting and maintaining talented individuals who have or who can develop those skills." The key word in that definition is "ongoing." So rather than planning in anticipation of a specific leadership departure, there is an organizational commitment to ensuring the right staff and the right volunteers are in place (with the essential skill-sets) to successfully advance towards the organizational vision and be ready for any opportunity or eventuality.

- **Emergency succession planning** is just like it sounds. Here the organization is putting in place plans and defining roles and responsibilities in order to ensure the organization can continue to operate without disruption in the event of a sudden, unplanned absence or the departure of a key leader or administrator. The need to engage in emergency succession planning is often introduced with the sobering question, “What happens if our executive director is hit by a bus?” My preference is to ask board members, “If your executive director won the lottery and decided to leave for Paris in the morning, would you be ready to keep the organization running?”

- **Departure-defined** succession planning happens when a leader announces he or she plans to leave or retire, for example, in 18-24 months. Here the board takes an active role in preparing the organization for a leadership transition—agreeing upon organizational priorities, building board and staff capacity, and taking the essential steps to prepare the organization for an executive search that will attract the very best candidates.

At Starboard Leadership Consulting, we regularly work with our Main clients to develop succession plans and manage leadership transitions. If you want to learn more, you’ll find a number of helpful suggestions in the blog section of our website: www.starboardleadership.com, or you can click here to get in touch with a member of our consulting team.

3.3.2 Elements of Succession Planning

Succession planning is not about replacing an existing employee. The purpose is to prepare the organization and develop its “bench strength” for future organizational requirements. There are five elements to managing a succession process.

1. **Identifying key positions for which a succession plan is necessary**

   The organization may have a couple of key positions or it may have many. The chief staff officer role is definitely one to be included in the succession plan. When deciding which others to include, consider:

   Is this a key role critical to the success of the organization, and if the person in this role suddenly leaves or is unavailable and the position becomes vacant is the organization at risk?

   Is this move a logical next step? Most organizations will focus on senior managers or supervisors as the second level for succession management (after the CEO, which is the first level).

   Does the person currently occupying this position hold a good deal of knowledge about processes or other institutional memory that will effectively leave when the incumbent departs the job? For example, the job procedures and outcomes are not fully documented.

2. Identifying the successor or successors

The organization may have more than one employee who has demonstrated the knowledge, skills, potential, and the interest to develop to a level of additional responsibility. The commitment to the process, and abilities, of the succession candidate are integral to identifying who to develop.

3. Identifying job requirements

The task is to understand what requirements will exist within one or more key positions in the future. This creates an inventory of skills and attributes that will serve as a checklist to audit what a succession candidate presently offers and needs to develop.

4. Building competencies

The succession planning process must look at building the competencies and skills for current and future organizational needs. It has been correctly observed that succession planning is about "what is next?" not just "who is next?" There will be one set of competencies (i.e., knowledge, skills, and abilities) for each position. However, in creating a development plan to build the competencies of succession candidates to be ready for the intended future role, there will be different development plans for each succession candidate.

5. Assessing progress

As the father of modern management, Peter F. Drucker, correctly observed "what gets measured gets done." It is essential that the organization that creates a succession plan, and invests in the development of employees.

3.3.3 Relationship between Career Planning and Succession Planning

The major difference between career planning and succession planning is given below:

1. Meaning

Career planning refers to the process in which employees review their skills and abilities and plan their career goals accordingly. Succession planning, in contrast, refers to process through organizations recognize and develop employees who are capable of taking up the important positions in an organization that have become unoccupied.

2. Objective

Career planning is essentially the planning process that an individual carries out for the advancement of his own career. On the other hand, succession planning signifies an organizational strategy that aims to ensure continuity within the business. It ensures that the critical positions in an organization are replaced as soon as they become vacant with the ideal employees that have been chosen for that role.

3. **Carried out by**

Career planning is carried out from the perspective of an individual employee, whereas succession planning is carried out by the organization.

4. **Ensures**

A valuable part is played by career planning in providing success to an individual in their career. Succession planning, on the other hand, ensures that there is consistency in leadership for key organizational roles.

5. **Roles**

A single employee takes up different roles over a period of time in career planning, whereas in succession planning, a single role will be carried out by different employees over a period of time.

3.3.4 Challenges of Succession Planning

Large or small, every organisation faces similar challenges in succession planning. They can range from problematic finer points to major structural issues. There are three biggest challenges in Succession Planning.

1. **Deciding who to promote**

While someone might be gun at their particular level or position, that might not necessarily mean they've got the skills or talents needed to take the next step up the ladder.

The pressure to reward loyalty or hard work with a promotion can be intense, and no one likes hurt feelings or stepped on toes. But with careful planning, it is possible to put the right person in the role without upsetting your other candidates.

Identifying potential candidates early in the succession planning process and proactively arranging appropriate learning and development courses is one possible solution to this pain point.

2. **Resisting bias**

People find comfort in familiarity, and hiring managers and executives are no exception. Some men naturally lean toward men, some women lean towards women and vice versa. The temptation to hire someone that fits a certain stereotype can override logical, skill-based thought processes.

Planning ahead to identify characteristics required for a successor will ensure the candidate with skills best suited to the job (beyond their age, gender and background) will be hired.

3. **Maintaining company morale**

One of the side-effects of succession is the negative impact it can have on company morale. Deep down, everyone worries about retirement, or redundancy. And the taboo of talking about moving on in one way or another can impede open discussion and threaten the importance placed on succession planning in organisations.

To be effective succession planning needs to be a simple, open process. Every organisation should openly discuss who's taking the reins next.

3.3.5 Global Practices in Career and Succession Planning

The words "succession planning" does not truly capture what leaders of an organization are really trying to accomplish. More simply, it's about identifying who's ready next; who will be ready to take over or move into vacated positions in a careful well-planned out way? This human capital challenge has continued to plague organizations of all sizes and industries.

Determining "who's ready next" is critical since inadequate leadership is often cited as once the top reasons companies aren't prepared to meet today's economic landscape. Without a plan, you may need to resort to hiring outside the firm to find the next great leader and that comes with a big price tag in terms of actual and intangible costs.

List of ten best practices to ensure a successful and effective succession planning process is given below.

1. **Start with the end in mind**

You need to take the time to clearly understand what you will be looking for in terms of roles to fill, requirements for those roles, and what is important for success at your company. Identify the core competencies, skills, abilities, and other required criteria for someone to be successful at your company in a specific role. As you take this step, ensure that you are as inclusive as possible and interview your strongest incumbents and their bosses for input. The output can include leadership competency models and updated job descriptions, as well as a list of those roles to be included in the process.

2. **Be clear about the roles that will be included (and not)**

As soon you start talking about succession planning, people start to get nervous because they feel their careers are now in someone else's hands. So, up front, identify and communicate the positions and the people involved in the process. Will it include all supervisory roles? Senior leadership? Or only executive roles? By narrowing the focus, you can help to alleviate your team member's guessing and wondering about their future with the organization.

3. Engage all stakeholders who will be impacted in the process

HR should not own the process, rather the business leaders should drive it and HR's role should be to facilitate the process and provide appropriate tools along the way. Engaging stakeholders, particularly senior leadership, is critical. You should conduct interviews with them, invite them to take surveys and to provide input, and attend focus groups. Involving key stakeholders will not only help you get buy-in for every step of the process, but also you will receive some ideas about how to make it a better experience and process for everyone.

4. Look ahead 1-3-5 years

Of course you need a plan if executives in critical roles get "hit by a bus", however, you also need to focus on longer term succession planning, which means you need to forecast out your workforce needs. An important step to take with the forecasting is to identify "mobilization factors" for each individual and level of management under consideration. These factors include: Retirement plans, Voluntary and involuntary turnover trends, Employee engagement and satisfaction trends, Compensation strategy and competitiveness, Management training and readiness.

5. Incant & recognize leaders who develop others

Although this step sounds obvious, companies often take a manager's ability to develop others for granted. I suggest you link this skill to succession planning readiness results, i.e. the more people a manager has developed for other roles across the organization the better. You can also consider offering incentives and performance evaluation goals for developing others. One stumbling block is that leaders sometimes don't want to give up their best players. You need to encourage leaders to "give people to get people" rather than being territorial. And remember, when you set goals for people around this metric they will work on them because what gets inspected gets done.

6. Use Technology

There have been some great developments in the software solutions space for talent management and I encourage you to make the investment in software to automate the talent management process. Some solutions require you to purchase the entire Human Resources Information System (HRIS) with a succession planning plugin and others allow you to just buy the succession planning module. With a cloud-based software program, you can enter in the data you have collected and easily update and share it with leaders across the globe. Also, automation allows you to keep the process fluid and simple because as soon as you create the plan it will change. No assessment is set in stone – people can improve, decline, interests change and ratings will change.

7. **Conduct Talent Assessments At Least Annually**

Succession planning is not and should not be considered as a static event, but rather a fluid process constantly evolving and changing. As soon as you create the plan, it is outdated so; I recommend that you review your talent on a regular consistent basis. That begins with ensuring role requirements are current and talent assessment is timely. Consider using validated assessment tools i.e. 360-degree feedback, and other competency-based tools that assess skill, interests, and abilities as well as conduct evaluation interviews with managers and incumbents and review past performance evaluation data. Once you have a fuller picture of the individual's strengths and opportunities, you can then summarize his/her strengths, growing edges, development needs, career desires, and potential. The nine-box grid tool is an easy visual diagnostic to use where you plot each person inside one of nine boxes based on past performance and future potential.

8. **Facilitate Creation Of Employee-Owned Individual Development Plans (IDP)**

Once you have identified the appropriate competencies that the employee wants and needs to work on to get to the next level of performance, you can create the IDP or individual development plan. We recommend that the employee own the plan to ensure it actually gets attention and completed rather than the manager. However, the manager should be available to approve competencies focus, resources and provide regular feedback on progress. When the IDP is documented and reviewed quarterly it becomes a working document that helps people reach their career goals and can be very motivating.

9. **Regularly Engage In 2-Way Feedback**

The development of an employee to get to the next level requires regular and consistent feedback and feed-forward between the manager and the employee. These conversations should include an evaluation of progress against objectives, competencies, development and career goals. It is especially important that the communication is honest and direct particularly if the employee has limited potential. Using the IDP as the focal point of the conversation is a great starting place and the manager should be prepared to help the employee to reach whatever goals have been pre-determined.

10. **Communicate**

I recommend that the succession planning process take place in the "wide open" rather than behind closed doors primarily because transparency builds trust. Involve all stakeholders along the way and encourage openness in one-on-one conversations with your employees. Tell people where they are and speak to realistic career goals, share career path opportunities, and most importantly celebrate successes and promotions. It is not a label that you are giving someone; rather it is an opportunity to engage in a dialogue that will encourage those who are high potentials to stay and those with more opportunities to work more purposefully toward reaching their goals.

QUESTIONNAIRE

1. What is Talent Management and what type of risk talent management address?
2. Explain the steps involved in Career Planning of an Individual?
3. Explain the need of Succession Planning?
4. Explain how Career Planning of an Organization can help them in retention of an employee?
5. Explain relationship between Career Planning and Succession Planning with an example
6. What is Succession Planning?
7. How an organization can resist biasness while succession Planning?
8. Explain the challenges faced in Succession Planning in detail
9. How is 2way feedback helping organization in career planning?
10. What Characteristics of an employee should an organization consider while Succession Planning?

SUMMARY

Talent management is how employers recruit and develop a workforce that is as productive as possible and likely to stay with their organization long term.

Career Management is a life-long process of investing resources to accomplish your future career goals. A combination of big, bold, sweeping changes and more subtle but significant shifts in the work, workplace, and expectations and needs of the individuals who make up that workplace have shaped and reshaped what the term career development means today. Effective career planning considers both organization-centred and individual-centred perspectives. Individual-centered career planning focuses on individuals' careers rather than organizational needs.

Succession planning is the process of identifying the critical positions within your organization and developing action plans for individuals to assume those positions. The purpose of succession planning is to make sure a company always has the right leaders in place should a change happen quickly.

Succession planning is not about replacing an existing employee. The purpose is to prepare the organization and develop its "bench strength" for future organizational requirements. There are five elements to managing a succession process. Identifying key positions for which a succession plan is necessary. Identifying the successor or successors. Identifying job requirements. Building competencies. Assessing progress.

Career planning refers to the process in which employees review their skills and abilities and plan their career goals accordingly. Succession planning, in contrast, refers to process through organizations recognize and develop employees who are capable of taking up the important positions in an organization that have become unoccupied.

Three biggest challenge in Succession Planning are Deciding who to promote, resisting bias, maintaining company morale.

The words "succession planning" does not truly capture what leaders of an organization are really trying to accomplish. List of ten best practices to ensure a successful and effective succession planning process are Start With The End In Mind, Be Clear About The Roles That Will Be Included (and not), Engage All Stakeholders Who Will Be Impacted In The Process, Look Ahead 1-3-5 Years, Incant & Recognize Leaders Who Develop Others, Use Technology, Conduct Talent Assessments At Least Annually, Facilitate Creation Of Employee-Owned Individual Development Plans (IDP), Regularly Engage In 2-Way Feedback, Communicate

REFERENCE

https://www.adp.com/resources/articles-and-insights/articles/w/what-is-talent-management.aspx

https://hr.ucmerced.edu/training/careermanagement

https://www.td.org/magazines/td-magazine/career-developments-r-evolution

https://blogs.siliconindia.com/laurentandbenon/Individualcentered_career_planning-bid-tl7Ob3DP69643122.html

https://www.starboardleadership.com/leadership-transitions/succession-planning-3-definitions-and-approaches/

https://charityvillage.com/five_key_elements_of_the_succession_planning_process/

https://www.termscompared.com/career-planning-vs-succession-planning/

https://www.generatortalent.com/the-3-biggest-challenges-in-succession-planning-and-how-to-overcome-them/

https://www.ajg.com/us/news-and-insights/2018/12/top-10-best-practices-for-succession-planning-make-certain-your-whos-ready-next-list-is-solid/

❄❄❄❄❄❄❄

4

COMPETENCY AND POTENTIAL DEVELOPMENT

Unit Structure:

4.1 OBJECTIVES

After studying this unit, the student will be able to:

- Understand Core Competency and functional competency in depth
- Understand the difference between Competency and potential
- Know the benefits of a Competency based system
- Understand the Skill Matrix and Retention Strategies

Competence development is the process of developing of one or more competencies, which happens through a learning and development process. The development of competences takes place through various forms of learning, both in a work environment and in private life.

4.2 COMPETENCIES DEFINED AND TYPES OF COMPETENCIES

The combination of observable and measurable knowledge, skills, abilities and personal attributes that contribute to enhanced employee performance and ultimately result in organizational success.

Competency can be described as the behavioural attributes, skills, and knowledge that are required for putting in suitable performances while at the job. While behavioural attributes refer to the personality characteristics that are needed to be successful on the job, skills refer to practical or technical skills that are required for performing the job satisfactorily and knowledge refers to the experience and previous education that is needed while on the job. Organizations that believe in three types of competencies that are core competencies, cross functional competencies and functional competencies.

1. Core competencies

It is often seen that core competencies are in direct relation with strategic organization capabilities. For those who are not aware of what this is all about, these capabilities refer to areas in which the organization seeks to have a competitive advantage. Core competencies are extremely useful for individuals to express, reinforce and reward themselves with the organizational values. Some of the important core competencies include – decision making, teamwork, work standards, reliability, motivation, adaptability, problem-solving, integrity, communication, planning and organization, stress tolerance, and initiative. Let's look at some of these core competency definitions:

- Through decision making, an individual will have the ability to make a sound judgment to enable him/her to take decisions after collecting and analysing information. Through teamwork, the individual can interact effectively with people. The individual will support decisions taken by the group and put its goal above his/her own. Setting and maintaining high-performance standards is made possible for individuals through work standards. Also, in having reliability factor in him/her, the individual will take up personal responsibility for his/her performance.
- Through motivation, an employee is able to display enthusiasm and energy in approaching duties.
- Adaptability refers to the ability of the employee to get accustomed to changing work environments, organizational needs, and work priorities.
- In having problem-solving skills, individuals are able to analyse the problem and gather relevant information to come up with right solutions.
- When the employee adheres to the procedures and policies of an organization, it means he/she is a person with integrity.
- In having communication skills, the employee is able to express thoughts and ideas freely, clearly, and in a concise manner.

- Through planning and organization, the individual is able to plan and organize work responsibilities and tasks for achieving objectives.

- The employee, in having stress tolerance, will be able to display the ability to withstand pressure and exhibit emotional resilience on a consistent basis.

- Similarly, the employee will be able to take suitable actions to influence events in having initiative qualities.

2. Cross functional competencies

These competencies refer to the ones that are not selected for core competencies directly. However, these competencies are still required for a number of jobs across many functions and departments. Some of the examples include computer user skills, budgeting, etc. Through cross functional competencies, there are plenty of benefits to look forward to. Some of these benefits include, but are not limited to, increasing employee proficiency, promotion of team work, reduction of time and cost and boosting employee loyalty.

3. Functional competencies

These competencies are also referred to as technical competencies. These are the skills that professionals are required to use on a daily or regular basis. Employee training, software programming, risk analysis, data analysis and tax accounting are some of the examples that fall under this competency. It is also important to know that these competencies are job-specific ones that drive quality results and assured performances for different positions.

4.3 DIFFERENCE BETWEEN COMPETENCY AND POTENTIAL

- Competency is "required skill to perform the job" and potential is capability to perform the job.
- Example - a student who studies well has the potential to get the top marks and so means capability of developing/changing Targets into Achievement along with competency is the potential
- Competency (SKA, Analytical skill, Negotiation skill)
- Potential (Regularity, Handwork, time mgmt. etc.)

4.4 POTENTIAL DEVELOPMENT

- Human Resource Development (HRD) process is denoted as how personnel are recruited, trained and put into use depending upon their skills, knowledge and potential as per the need of the job and keeping in line with organizational objectives.

- Potential appraisal refers to the identification and evaluation of hidden talents and underlying skills of a person. Potential appraisal enhances human resource development and enables the attainment of organizational goals.

- Steps in the potential appraisal system include a detailed job description, job specified quality traits, rating mechanisms and organizing the system. Techniques used for carrying out potential appraisal includes self-appraisal technique, peer appraisal technique, superior appraisal technique, management by objectives, psychological and psychometric techniques, leadership exercises, management games etc.

- Growth of companies lies in the hands of potential employees and hence it is the responsibility of companies to recognize the potential and reward befittingly to retain the talent. Thus it lowers the chance of good employees leaving the organization for green pastures.

4.5 DIFFERENCE OF COMPETENCIES FROM SKILLS AND KNOWLEDGE

- **Knowledge**

  A commonly used definition of knowledge, according to Wikipedia, reads as follows: 'Knowledge is a familiarity, awareness, or understanding of someone or something, such as facts, information, descriptions, or skills, which is acquired through experience or education by perceiving, discovering, or learning.'

  Knowledge generally implies theoretical understanding and is something that can be passed on from generation to generation in many ways, for example books, magazines, archives, schools, and colleges.

  A characteristic of knowledge is that it's forever growing as we conduct new research and build upon what we already know. It has true value when it's shared with others and they too can take advantage of this knowledge. It's a vital, theoretical building block for acquiring and mastering skills.

- **Examples**

  1. A flair for languages is an example of knowledge. This could mean that someone speaks, understands, and/or writes in one or more languages. This knowledge could come in handy at work (translations, customer relations, etc.) or even on holiday.

  2. Can you remember the names and reigns of all the Roman emperors? Can you recount and reconstruct the course of the American Civil War? If so, then you've acquired great historical knowledge.

3. Some people don't have to read the boards at the zoo because they already recognize and know the names of all the animals. This is an example of someone with ready zoological knowledge.

4. Someone with self-knowledge is in tune with his or her own thoughts, emotions, traits, and feelings. It implies you have a realistic picture of your strengths and weaknesses.

- **Skills**

A skill is the ability to perform a certain task or role. It relates to application of knowledge in a particular situation or context, as it requires that you use previously acquired knowledge or information.

Generally speaking, it implies that some form of practice is required to hone the skill. Beside knowledge, mastering a certain skill requires experience.

It's this combination of knowledge and experience that allow you to perform a task or role to the best of your ability.

Together with knowledge and attitude, skills also form the basis of competences.

- **Examples**

1. The ability to play a musical instrument is an example of a skill. It requires a certain degree of talent, basic knowledge, and practice.

2. Writing an article or a book starts with a knowledge of the language in which you're writing. Language knowledge therefore forms the basis of writing skills, which need to be honed with practice and experience.

3. An MBA student acquires a lot of important information about sales and marketing, but it's the ability to translate this information into a meaningful marketing strategy or sales pitch that equates to a skill.

4.6. INTEGRATED HR PRACTICES THROUGH COMPETENCY DEVELOPMENT

Competency based Human Resource Management (HRM) has become a significant area in HR. Competency-Based Human Resource Management details the way to transform the human resource department with the intention that job competencies – instead of job descriptions – become the building blocks for all HR efforts. Competency mapping is not just about choosing the best individuals for the right job, it is a lot more complex than it appears. Competency-Based Management demands the management of key HR functions like learning, performance management & staffing, around a competency profile for the work to be completed.

A variety of human resource processes could be included in one integrated system by relating each to a common group of defined job competencies. Despite the fact that human resource activities need to be built around competencies, only a handful of companies have done so.

Below are a few fundamental reasons why they should:

- Competencies are the standard link between the most human resource processes.

- The human resource processes, like selection, training, development and performance management, relevant to job related behaviours are frequently discovered to be functioning at cross purposes in companies.

Competency based HR Processes: Let's discuss some competency based human resource (HR) management practice (functions/activities):

1. **Competency Based Job Analysis -** It finds the competencies essential for becoming successful in a job by detailing the jobs in terms of quantifiable, observable, and behavioural competencies which workers need to show to complete the job.
2. **Competency Based Selection -** The main purpose of Competency Based Selection is to bring the HR managers fairly close to moving forward and backward in time to make efficient forecast about candidate's performance at work by recreating earlier performance, determining personality patterns, and imagining future performance.
3. **Competency Based Training & Development -** Competency Based Training is an organized method of training and assessment which is targeted at accomplishing certain results. The focus is on performing as opposed to just knowing.
4. **Competency Based Performance Management -** Competencies depict the language of performance. They are able to state both the predicted results from an individual's efforts and the procedure by which these functions are performed. Competency Based Performance Management System focuses on the "how" of performance

4.7. BENEFITS FROM COMPETENCY BASED HR PRACTICES

High-performance organizations realize that their success depends on how capable their people are. They also recognize that formal education doesn't necessarily equip employees with the appropriate skills to thrive in the workplace. The solution lies in training staff to meet the specific requirements of your organization. This is where competency-based training comes in.

Competency-based training is developed around the competency standards that have been identified for a specific role. To be assessed as competent, a person must demonstrate the ability to perform a job's specific tasks.

- **Benefits of a Competency-Based System for Employers**
    - Ensures that organization-funded training and professional development activities are cost-effective, goal-oriented and productive
    - Enables employees to achieve a high level of competence in an efficient manner
    - Records the employee's acquisition of the skills, knowledge, safety and other procedures relating to each task
    - Reduces cost overruns caused by poor performance or miscommunication of job expectations
    - Improves communication between employee and management
    - Increases internal employee mobility, providing the organization with greater ability scale and flex as needed
    - Establishes a framework for constructive feedback by management at scheduled training and performance appraisal intervals
    - Clarifies job standards for performance appraisals
    - Outlines employee development and promotional paths within the organization
- Benefits of a Competency-Based System for Employees
    - Sets clear performance expectations for employees, enabling them to make better decisions and work more effectively
    - Gives employees insight into the overall strategy of their team, department, and organization, leading to greater engagement and motivation
    - Enables employees to be more proactive beyond their individual roles, by learning additional competencies that are valued by the organization
    - Provides clear direction for learning new job skills
    - Offers a reference resource for day-to-day requirements
    - Increases the potential for job satisfaction
    - Provides a mechanism for the recognition of employees' abilities
    - Ensures that individual professional development and training milestones are recorded and acknowledged by the organization

4.8. OUTCOMES FOR EMPLOYEES' DEVELOPMENT

Employee development is a process of improving employees' existing competencies and skills and developing newer ones to support the organization's goals.

Inherent in this definition is the following finer points of interest:

- Employee development isn't just about developing organizational L&D strategies
- It's more than just implementing mandatory employee training
- It goes way beyond meeting with employees annually to discuss their shortcomings and highlighting improvement needs

When done right, even though employee development requires investment (time, effort and financing) from the company, those investments will more than pay off over the longer-term.

For instance, sometimes letting go of an employee with limited skills, or developing those skills to the organization's standards, will both cost money. However, if those development efforts result in longer-term employee retention, that's a win-win situation for everyone concerned – thanks to a well-thought-out employee development strategy.

In the above scenario, what has employee development done?

- It has avoided the costly (and sometimes protracted) process of hiring a replacement for an outgoing employee
- It has preserved a lot of "sunk capital" already invested in that employee in terms of his/her organizational experience and expertise
- It allows HR professionals and L&D experts to build upon (rather than build from scratch) organization culture (different from technical experience and expertise) already inculcated into that employee.

All-in-all, further developing an employee results in getting human assets up and running, to organizational standards, much more efficiently than onboarding or indoctrination training of freshly hired employees would.

4.9. DEVELOPING A SKILL MATRIX, RETENTION STRATEGIES

4.9.1. Skill Matrix

A skills matrix is a framework used to map employees' skills and their levels. It's a grid that contains information about available skill and their evaluation.

It is used to manage, plan, and monitor existing and desired skills for a role, team, department, project, or an entire company.

Sometimes a skills matrix is also called a competency matrix. We will cover the difference down below but in general, they're the same thing. A simple table with employees' names and their skills might be called a skill matrix.

- **Why is a skills matrix important?**

  Skills matrices are essential tools for any company that is driven by data, particularly for the HR department and project management team leaders.

  Matrices are ideal for keeping track of your staff's skills, qualifications, certifications, and competencies throughout the whole organization. When used correctly, they work really well in practice and improve efficiencies within teams, as well as increasing your bottom line.

  A skill matrix is important because when it is set up well it can help you organize your teams easily, identifying any skill sets that you need based on the project requirements. With a good skill matrix, your project is completed efficiently and by the most qualified and skilled team members.

  It is also helpful to the HR department, in that if they need to hire extra staff, they will know what skills to advertise for. At the same time, it can be used to schedule vacation periods for employees, making sure to have enough people with needed skills on site.

- **Benefits of Creating a Skills Matrix**

  1. **Identifying the right people**

     A skills matrix allows you to select the right people for the job, task, or project. It will help managers to form better and more productive teams and fill positions with the employees who are the best fit for that role.

  2. **Identify missing competencies**

     Skills matrices help to determine what skill set you are missing, whether within a team, department, or the company as a whole. If your staff lacks certain knowledge or competencies that are necessary for the business and your competitors possess them, then your company is at a huge disadvantage.

     Also, when you know what skill set you need to start a new project, campaign, or business, it is easier to plan for it, meet deadlines, and achieve successful results. For team members, a competency matrix can give insight into the strengths of the team as a whole and also show the areas where they are lacking skills and expertise.

3. **Identify the gap between employees, teams, and departments**

   Knowing where you are lacking the skills can save time and money for your business. A skills matrix can help you identify employees with knowledge or skill gaps, and provide the needed training, as you rotate employees between crucial projects or teams.

4. **Track employee development**

   Skills matrices give the L&D department information that they can use to determine what training is needed for employees. By using the skills matrix, they can identify training opportunities.

   It also helps employees to understand what their gaps are, so they can take action to gain the skill set they need to excel in their position.

   Also, the skill matrix can be used as a template in an employee's career planning and development. Knowing what skills you need for the next level or promotion helps to create a learning path.

5. **Help HR to find the right candidate**

   If someone leaves your organization, it is easier to understand what skill set you lost and who you need to hire when you are using a skills matrix.

   It speeds up the hiring process and helps the HR department to hire staff with needed skills, making it more efficient, and providing a better end result.

   Also, it can be used for the future planning of new hires.

6. **Track your key staff members**

   With a competency matrix, it is easy to find the employees who have the highest value skill set in your organization, as well as to track the development of key people. These are valuable employees, and it is good to know exactly who they are and are they satisfied.

4.9.2. Retention Strategy

While the job market in some industries and regions favours employers, candidates with in-demand skills likely won't have to wait long to find a new opportunity. Many companies never stopped recruiting talent during the pandemic, and many others have picked up the pace of hiring in recent months.

If you sense your business is at risk of losing top talent, you need to move fast to shore up your employee retention strategies. Here are 14 areas where deliberate action can help boost employees' job satisfaction and increase your ability to hold onto valued workers:

1. **Onboarding and orientation**

   Every new hire should be set up for success from the start. Your onboarding process should teach new employees not only about the job but also about the company culture and how they can contribute to and thrive in it. Don't skimp on this critical first step. The training and support you provide from day one, whether in person or virtually, can set the tone for the employee's entire tenure at your firm.

2. **Mentorship programs**

   Pairing a new employee with a mentor is a great component to add to your extended onboarding process, especially in a remote work environment. Mentors can welcome newcomers into the company, offer guidance and be a sounding board. And it's a win-win: New team members learn the ropes from experienced employees, and, in return, they offer a fresh viewpoint to their mentors.

3. **Employee compensation**

   It's essential for companies to pay their employees competitive compensation, which means employers need to evaluate and adjust salaries regularly. Even if your business can't increase pay right now, consider whether you could provide other forms of compensation, such as bonuses. Don't forget about improving health care benefits and retirement plans, which can help raise employees' job satisfaction, too.

4. **Perks**

   Perks can make your workplace stand out to potential new hires and re-engage current staff while boosting employee morale. According to research for our Salary Guide, flexible schedules and remote work options are the perks many professionals value most. In addition, about a third of the professionals we surveyed said paid parental leave is a big plus.

5. **Wellness offerings**

   Keeping employees fit — mentally, physically and financially — is just good business. Many leading employers expanded and improved their wellness offerings during the pandemic to help employees feel supported and prioritize their well-being. Stress management programs, retirement planning services and reimbursement for fitness classes are just some examples of what your business might consider providing to employees.

6. Communication

The shift to hybrid and remote work has underscored the importance of good workplace communication. Your direct reports, whether they work on-site or remotely, should feel they can come to you with ideas, questions and concerns at any time. And as a leader, you need to make sure you're doing your part to help promote timely, constructive and positive communication across the entire team. Make sure you proactively connect with each team member on a regular basis, too, to get a sense of their workload and job satisfaction.

7. Continuous feedback on performance

Many employers are abandoning the annual performance review in favour of more frequent meetings with team members. In these one-on-one meetings, talk with your employees about their short- and long-term professional goals and help them visualize their future with the company. While you should never make promises you can't keep, talk through potential career advancement scenarios together and lay out a realistic plan for reaching those goals.

8. Training and development

As part of providing continuous feedback on performance, you can help employees identify areas for professional growth, such as the need to learn new skills. Upskilling your employees is especially important today as technology continues to change how we work. When people upskill, they gain new abilities and competencies as business requirements evolve.

Make it a priority to invest in your workers' professional development. Give them time to attend virtual conferences, provide tuition reimbursement or pay for continuing education. Also, don't forget about succession planning, which can be a highly effective method for advancing professional development and building leadership skills.

9. Recognition and rewards systems

Every person wants to feel appreciated for the work they do. And in today's "anywhere workforce," an employer's gratitude can make an especially big impact. So be sure to thank your direct reports who go the extra mile and explain how their hard work helps the organization. Some companies set up formal rewards systems to incentivize great ideas and innovation, but you can institute compelling recognition programs even if you have a small team or limited budget.

10. Work-life balance

What message is your time management sending to employees? Do you expect staff to be available around the clock? A healthy work-life balance is essential to job satisfaction. People need to know their managers understand they have lives outside of work — and recognize that maintaining balance can be even more challenging when working from home. Encourage employees to set boundaries and take their vacation time. And if late nights are necessary to wrap up a project, consider giving them extra time off to compensate.

11. Flexible work arrangements

Many companies understand that even though they have reopened their offices, some of their employees still prefer to work remotely, at least part-time. Not having that option might even spur employees to resign.

12. Effective change management

Beyond all the recent disruption due to the pandemic, every workplace has to deal with change, good and bad. And employees look to leadership for insight and reassurance during these times. If your organization is going through a big shift, keeping your team as informed as possible helps ease anxieties and manage the rumour mill. Make big announcements either individually or in a group call or meeting, and allow time for questions.

13. An emphasis on teamwork

You should encourage all your employees, not just star players, to contribute ideas and solutions. Promote teamwork by creating opportunities for collaboration, accommodating individuals' work styles and giving everyone the latitude to make decisions and course corrections if needed.

14. Acknowledgement of milestones, big and small

A final tip for promoting employee retention is to shine a light on notable achievements. Whether your team finishes ahead of the deadline on a major project or a worker reaches a five-year work anniversary, seize the opportunity to mark the milestone together. Even if you need to celebrate virtually, it can be a meaningful and memorable moment for everyone.

The 14 employee retention strategies outlined above are just some ways to help increase your team members' job satisfaction. Be sure to re-evaluate your efforts regularly. That includes staying current on market standards for salary and benefits and best practices for developing an attractive workplace culture and strong manager-employee relations.

Some team members will inevitably leave your organization sooner than you'd like. But you can at least make their decision a little tougher. And if those employees leave your firm knowing they were valued and supported, they'll likely say good things about your business and, perhaps, even come back to work for you one day.

QUESTIONNAIRE

1. Explain the types of Competencies?
2. Explain the role of HR in potential Development?
3. What is Competency based Human Resource processes?
4. Explain the role of HR in Employees Development?
5. Explain Employees Retention Strategy?
6. What are the benefits of creating Skills Matrix?
7. Why developing a Skill Matrix is important?
8. Explain the benefits of having Competency based employee system for an Organization?
9. What is competency-based performance management?
10. How does Competency based processes help HR in Talent Management?

SUMMARY

Competence development is the process of developing of one or more competencies, which happens through a learning and development process. The development of competences takes place through various forms of learning, both in a work environment and in private life.

Competency can be described as the behavioural attributes, skills, and knowledge that are required for putting in suitable performances while at the job.

It is often seen that core competencies are in direct relation with strategic organization capabilities. Core competencies are extremely useful for individuals to express, reinforce and reward themselves with the organizational values. Some of the important core competencies include – decision making, teamwork, work standards, reliability, motivation, adaptability, problem-solving, integrity, communication, planning and organization, stress tolerance, and initiative.

Cross functional competencies refer to the ones that are not selected for core competencies directly. Through cross functional competencies, there are plenty of benefits to look forward to.

Functional competencies These competencies are also referred to as technical competencies. These are the skills that professionals are required to use on a daily or regular basis.

Competency is "required skill to perform the job" and potential is capability to perform the job. Potential appraisal refers to the identification and evaluation of hidden talents and underlying skills of a person.

Difference of Competencies from Skills and Knowledge. ‘Knowledge is a familiarity, awareness, or understanding of someone or something, such as facts, information, descriptions, or skills, which is acquired through experience or education by perceiving, discovering, or learning’. A skill is the ability to perform a certain task or role. It relates to application of knowledge in a particular situation or context, as it requires that you use previously acquired knowledge or information.

Competency-Based Human Resource Management details the way to transform the human resource department with the intention that job competencies – instead of job descriptions – become the building blocks for all HR efforts.

Employee development is a process of improving employees' existing competencies and skills and developing newer ones to support the organization’s goals.

A skills matrix is a framework used to map employees' skills and their levels. It's a grid that contains information about available skill and their evaluation. A skills matrix allows you to select the right people for the job, task, or project. Skills matrices help to determine what skill set you are missing, whether within a team, department, or the company as a whole. A skills matrix can help you identify employees with knowledge or skill gaps, and provide the needed training, as you rotate employees between crucial projects or teams. By using the skills matrix, they can identify training opportunities.

REFERENCE

https://competencydefinition.com/understanding-the-three-types-of-competencies.html

https://www.citehr.com/403234-what-will-difference-between-competency-potential-employees.html

https://www.google.co.in/url?sa=i&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=0CAMQw7AJahcKEwjwuf3Zh636AhUAAAAAHQAAAAAQAg&url=https%3A%2F%2Fjournalajaees.com%2Findex.php%2FAJAEES%2Farticle%2Fview%2F30536&psig=AOvVaw0FozokTPRG-JnkTA8_B--G&ust=1664096216352049

https://www.ag5.com/whats-the-difference-between-knowledge-and-skills/

https://managementheaven.com/competency-based-human-resource-management/

https://www.thecompetencygroup.com/competency-services/discover-the-benefits-of-a-competency-based-approach/

https://www.valamis.com/hub/employee-development

https://www.valamis.com/hub/skills-matrix

https://www.roberthalf.com/blog/management-tips/effective-employee-retention-strategies

❄❄❄❄❄❄❄

5

STRATEGIES FOR IMPROVING ORGANIZATIONAL EFFECTIVENESS

Unit Structure:

5.1 OBJECTIVES

After studying this unit the student will be able to:

- Understand Strategies to improve effectiveness of an Organization
- Understand the Strategies used for Organization Transformation
- In depth Knowledge of Culture Management
- Understand the Strategies used in creating Learning Organization
- Understand the Steps involve in Employee Engagement

5.2. STRATEGIES FOR IMPROVING ORGANIZATIONAL EFFECTIVENESS

Obtaining a career as a business professional after completing a higher education in organizational leadership online provides an opportunity to focus on improving the effectiveness of the company. Organizational effectiveness relates to the efficiency of a business; however, a professional must also focus on quality services. The key to organizational effectiveness is using the right tools and strategies to accomplish a specific goal.

1. Make Use of Human Resources

The human resources department of any company plays a key role in the organizational effectiveness of a company. According to Forbes, human resource personnel provide assistance with organizational effectiveness by helping with the design of new business strategies. Since the human resources professionals in a company play an essential role in hiring new employees, they also impact the company goals.

Get human resource professionals involved in the design and implementation of changes within the company to improve the organization. They offer unique perspectives that leaders may overlook and play an active role in identifying the right professionals for new positions within the company.

2. Focus on Education and Growth

Organizational leadership requires active measures to work with different groups and individuals. A leader must understand the strengths and weaknesses of different professionals before making a plan of action to improve the effectiveness of the organization.

Before making any changes to the company, consider the education of professionals in different areas of the business. Find out about their abilities, skills and strengths. Identify their weaknesses or the areas where specific professionals face difficulties when working as a team.

After identifying the strengths and weaknesses of professionals with different educational backgrounds, focus on the growth of the company by building effective teams. Develop teams with complementary skills and strengths. Encourage professionals to work toward specific goals and give assignments based on their skills, knowledge and background. Efficiency in a company requires an understanding of different professionals and their role within the business, as well as ways to improve their abilities or make use of unique skills.

3. Keep the Customers in Mind

Organizational effectiveness only works well when evaluating the needs and interests of the customers. The National Academies Press states that quality management is just as important as the overall efficiency of the company. If a professional does not provide a quality product or service, then customers look for alternatives for their needs and goals.

Ask customers to fill in surveys or answer questions about the services provided. Find out what the customers want from the company or the services they find the most valuable for their needs and goals. For businesses with direct interaction with a customer, provide anonymous options for customers to fill out complaints or provide feedback.

Use social media pages or other online tools to gain feedback from clients. Allow customers to leave comments or point out weaknesses from the company by asking questions on social media or a company blog.

4. Work on Quality Services or Products

Although clients play a role in the effectiveness of a company, a business must also identify an appropriate level of quality for the products or services provided. The key is focusing on a balance of quality with cost effective solutions. The goal of any business is improving the products without exceeding a set budget or price range.

Organizational leadership requires active participation in the decision-making processes. Ask professionals in different areas of the business for advice about improving the products without increasing the costs for materials. Discuss ways to reduce the time required to accomplish specific goals without cutting back on the quality of the final product or service.

By involving different professionals from multiple fields in the decision-making process, a leader gains multiple perspectives and ideas about better ways to improve the organization.

5. Use Technology

Technological tools play an essential role in the efficiency and effectiveness of a company. Make use of computers, tablets or smartphones to improve the efficiency of the company. Use software or sharing tools to keep different members of a team up-to-date with the state of a project, even when they are not actively working on a specific portion of the project.

Work with technological professionals to determine the best ways to protect the business and client information without exceeding a set budget. Use software programs designed specifically to improve efficiency or effectiveness in the office. For example, use spreadsheets for better organization or set up an office-wide system for sharing information among team members or different professionals in the business.

Organizational effectiveness is a business strategy designed to improve the efficiency of the company without reducing the quality of the products or services. By working with professionals in different fields or at different educational levels, a leader obtains new ideas to help reduce costs, improve the product and provide quality customer service.

5.3. STRATEGIES OF ORGANIZATIONAL TRANSFORMATIONS

5.3.1 Cross border HR issues in Mergers

Organizational cultural incompatibilities are a leading cause of deal failure for domestic M&A deals. In cross-border deals, the HR team must also contend with differing national cultures, which can impact everything from work hours to leadership expectations.

- **Varying roles for HR:** The roles and responsibilities of HR may change based on local culture. In some places, the HR team acts as "order takers," while they act as strategic advisors in others. Be mindful that your cross-border counterparts may not have the same level of input as you. Furthermore, as an HR leader you may even encounter resistance to your participation or leadership during due diligence and integration.

- **Differences in work practices:** HR leaders usually find that in addition to differing response times and attitudes toward vacation and work hours, foreign labour markets are also more heavily regulated. These regulations require careful analysis during due diligence.

- **Human capital differences:** Differences in employment practices, plans and program design, for instance, can even influence how you ask questions during the due diligence process. Furthermore, the structure of the deal itself may change from country to country, further complicating the human capital puzzle.

- **Feeling loss of control:** Staff outside of headquarters may feel out of control, potentially affecting quality and timeliness of work; the level of cooperativeness; and willingness to work toward resolution of people issues that affect deal value and productivity.

- **Risk of poor coordination:** Despite a strong need for multi-national coordination, HR leaders may encounter reluctance to adopt central control from one foreign country. Consider which issues can actually be handled at the local or national level, versus those that must truly be controlled from the U.S.

5.3.2. Regulatory and Legal Issues

To navigate the additional regulatory and legal issues of cross-border M&A deals, the HR team must work closely with an interdisciplinary team that includes both legal and accounting.

- **Information:** Outside the U.S., publicly available information is much more limited, and accounting disclosures tend to be much less reliable. From an HR perspective, this means that HR leaders not only will have much less information available during due diligence, but also will need to be much more protective of confidential employee information.

- **Labour relations:** Each country has its own labour relations challenges. In some countries, it's necessary to consult unions, works councils or employee representatives prior to finalizing any merger or acquisition. These entities may have considerable power, including the power to prevent a deal altogether. HR leaders should ensure that adequate time and resources are dedicated to navigating these labour relations concerns.

- **Immigration considerations:** Employees at the target company may be employed through work permits or visas, and all these documents will need to be properly transferred. In some transactions new permits or visas may be required prior to the employee being employed by the buyer, especially in an asset transaction. Meanwhile any of the buyer's employees who will be working on site at the foreign subsidiary will also need to complete all required documentation. HR should identify these immigration issues during the due diligence phase and oversee their completion.

- **Employment regulations:** Outside the U.S, at-will employment is incredibly uncommon. Most countries require significant notice and severance along with cause for terminating employment, and often a simple duplication of roles due to an acquisition is insufficient cause. Furthermore the HR team must be aware of any limitations on changing the terms and conditions of employment.

- **Tax implications of informal integration activities:** It's not uncommon for foreign subsidiaries to confer significant tax benefits for deals that are structured as mergers. However, these advantages can be negated if HR and business teams undertake any informal integration activities (sometimes called "deemed integration"), such as consolidating reporting lines or locations.

5.4. STRATEGIES FOR CULTURE MANAGEMENT

Although the term "culture" is a nebulous concept, the Oxford English Dictionary defines culture as "the ideas, customs, and social behaviour of a particular people or society." "Corporate culture" also entails various descriptive definitions. Some of the more commonly accepted elements used to define corporate culture include vison, values, norms, systems, symbols, language, assumptions, beliefs and behaviors.

The corporate cultural values and behaviors, typically set by leadership, support a social and psychological environment that is unique to that organization. The corporate culture provides its employees with a shared meaning that not only defines the organization but also serves to govern how the employees are expected to behave within the organization. Ultimately, the corporate culture shapes and perpetuates employee perceptions, behaviors and performance.

1. Create cultural balance.

Create a healthy balance within the organization of respecting and appreciating diversity of thought, workstyles and cultural practices with defining corporate cultural boundaries. Leaders should understand that ethnic and national culture may have a greater effect on employees than the culture of the organization. Therefore, valuing and integrating specific cultural activities and practices with corporate values and behaviors serves to create a balance between encouraging and respecting diversity and staying within the standards that the organizational leaders deem as ethical and responsible.

2. **Support local community responsibly.**

   A function of an organization's culture is to provide a sense of identity for its employees, not only as it relates to the organization, but also the local community. A corporate culture feeds that sense of identity by providing principles and guiding behaviors that pertain to ethics, safety and commitment to the organization's corporate citizenship and social responsibility. This means developing a detailed understanding of local environments. It also means establishing protocols and practices that support the community in which the organization is located or conducts business, while maintaining appropriate legal and moral practices.

3. **Foster a sense of belonging.**

   When employees feel they belong to a team, group or cause, it can enhance individual engagement and help fulfil the human need for meaning and purpose in the work one does. Fostering an environment where employees can share with their co-workers their genuineness, ideas and attributes contributes to the natural bond that develops within teams. Leaders should support a healthy mix of personal, team and organizational ways employees can find connections with others. The sense of belonging is what allows employees to be their authentic selves and validate their worth, which can have a positive impact on performance.

4. **Actively engage subcultures in organizational change.**

   Enlisting input from subcultures when planning organization-wide change is a way to anchor the subcultures to the larger organization and its goals. Understanding the overarching goal while being a part of the change initiative will reinforce common values and link subcultures throughout the organization. Since change can affect subdivisions differently, actively engaging subcultures to address potential change pitfalls and ways to implement change can result in a change management process that is better suited for the unique subcultures.

5. **Be aware of and prevent counter subcultures.**

   A counter subculture happens when a group of employees goes rogue. There are a number of reasons that can cause a group to splinter off into a direction that does not align with the central culture of the organization. Leaders need to pay attention and conduct periodic check-ins and course corrections as necessary to ensure behavior in a subculture is not counter or destructive to the central culture.

Corporate leaders should instil a leading central culture that provides their employees with boundaries and guidelines that support the vision and values of the brand. However, leaders should also recognize, respect and support the subcultures that develop within organizations. These subcultures represent diversity in workstyles, ethnicity, values and norms that naturally exist throughout the organization when a group of people share a common situation. Some of the common situations that form subcultures include geographic separation, functional specialties, different business units or status within the organization, such as job type, hierarchy or tenure.

5.5. STRATEGIES FOR DEVELOPING LEARNING ORGANIZATIONS

A learning organization is a company whose first priority is attaining new knowledge. All communications and decision-making are focused on learning new things and sharing that knowledge across the organization.

If you're in a management role, you may find yourself responsible for making the transition to becoming a learning organization. Here are a few tips to make the shift easier:

1. **Lead by example -** In the long run, employees will be doing a lot of the hard work transition to a learning organization. To start with, however, management should demonstrate the kind of behaviors they want to see. Start implementing your learning and discussion procedures at the top level. Talk to the staff about these changes. When people see that this is the new organizational culture, they'll be more willing to adapt.

2. **Focus on coaching -** Make coaching employees a part of every meeting and employee review. You may not lead every coaching session personally, but you'll still be responsible for some key responsibilities. For example, you'll need to put knowledge-sharing processes in place. You'll also need to identify skills gaps and organize training when necessary.

3. **Get people talking -** Most knowledge flows through an organization the old-fashioned way: by talking. The more everyone talks to each other, the more everyone else learns.

   A lot of this can be encouraged by holding regular meetings and allowing people to host seminars. You can also use online communication tools to hold team discussions.

4. **Incorporate analytics into conversations -** Analytics is the science of finding meaningful insight into huge stacks of data. It's a vital source of new knowledge, so you can't be an effective learning organization without it. Your staff may not be analytics experts, but make sure they have access to key reports. They will probably learn things they didn't know. Plus, they might uncover some insights that your analytics team missed.

5. **Celebrate success -** The transition to a learning organization will happen slowly. Let people know they're on the right track by celebrating each success and marking each milestone. Being part of a learning organization is an exciting opportunity. It can be very challenging too. With the right attitude and good communication, a learning organization can offer an unprecedented chance to gain new skills and develop your career.

5.6. EMPLOYEE ENGAGEMENT STRATEGIES

Employee engagement is the emotional commitment the employee has to the organisation and its goals. This emotional commitment means engaged employees actually care about their work and their company. They don't work just for the pay, but work on behalf of the organization's goals, ultimately creating more success for the company.

It's important to note that employee engagement is different from employee satisfaction. A satisfied employee will not necessarily put in extra time and effort into their company's success, they are more likely to just get the job done with no extra effort.

Employee Engagement Strategies are -

1. **Uphold Your Core Values**

   Your core values should be the heart of your company culture and clearly explained to every employee from day one. Company core values should explain what truly matters to your team and the ideals that you'll strive to uphold as you expand. Employees need to establish a sense of belonging to your company to become truly engaged, and having a code of values to follow will help them do so. By consistently promoting your core values to the entire team, you'll create a cohesive positive work culture and encourage employees to form an emotional connection to your organization.

   Example: IntelePeer, a communications platform based in Colorado, makes it easy for employees to learn and live out its core values. "Our CEO conducts core values training with all new hires," said Ana Milian, director of human resources. "He shares real-life examples of employees living our values and sets the tone of importance and commitment from the top."

2. **Carve Out Career Paths and Provide Opportunities for Growth**

   Ninety-four percent of employees say they'd stay at their job longer if they felt the organization truly invested in their career. Providing employees opportunities to grow their skill set keeps them engaged, and having something to work toward keeps them motivated. Not only that, but learning and development initiatives demonstrate that you value your employees as individuals you choose to continually invest in your people, rather than replace employees with candidates that have the skills you desire.

Example: New York City-based market intelligence platform CB Insights offers a variety of professional development opportunities to its staff. It offers a $1,000 education stipend to all employees after they have been with the company for six months, and also organizes monthly peer-to-peer learning opportunities during which colleagues teach a new skill, the company said.

But the buck doesn't stop there. It hosts a women-focused professional development lunch each quarter, and every month, managers attend classes called 'Chubby brain Sessions,' which teach lessons on core and strategic management skills. CB Insights is also developing a program for new hires and entry-level employees to help them achieve their career goals and provide best practices for being a skilled employee.

3. Recognize Top Performers

Employees are engaged when they feel their work is valuable to the company and helps the organization achieve its long-term goals. Regularly showing employees that you recognize and appreciate their efforts is a simple gesture that goes a long way in making them feel valued.

Reward top performers for their achievements with a cash prize, free day off, a gift card to their favourite lunch spot or a massage gift certificate — whatever makes sense for your team and aligns with your core values. In addition, give employees a platform to acknowledge their peers; feeling respected and appreciated by their team members will help employees become more engaged.

Example: Subsplash, a leader in church engagement technology, makes employee recognition part of day-to-day operations. "Tiny flamingos and lions are a significant part of our employee recognition program, called 'Animal of the Week,'" said Melanie Leué, office experience manager. "On a weekly basis, employees get to nominate anyone in the company who exhibits our core values of humility, innovation and excellence. The winner of 'Animal of the Week' is recognized and celebrated at our all-hands company meeting, which includes a lot of clapping and cheering!"

4. Promote Transparency

Bringing employees into the fold as frequently as possible is a highly effective employee engagement strategy. If your team doesn't know what's happening behind the scenes, they can't fully invest themselves and their energies into the company. Plus, if they get the sense that they're intentionally being left out of the loop, they may start to distrust management and lose confidence in leadership.

Of course, it's well within your rights to be discreet as situations unfold or priorities change, but you should aim to inform team members about decisions that directly affect them as soon as you are able.

Example: The team at All Web Leads (AWL) in Austin, TX, strives to improve transparency across the board. "At AWL, transparency means there are no secrets when it comes to how we run our business, how our business is performing, and how each of us, as individuals, are doing versus our team and personal targets," said Bill Daniel, president and CEO.

"We interview and hire for trust, we do our annual 360-degree reviews and rate our employees on how well their behaviors are contributing to our "trust" culture, and we work hard to be transparent every day with the information about our business with every employee."

5. Allow for Honest Feedback

This strategy is twofold. First, create a platform or system that enables employees to share their thoughts and ask questions of the right people. This will most likely be your HR department, but c-suite executives should also be accessible to all employees, even if it is only for a few days out of the quarter and by appointment only.

Second, use your team's feedback. Nothing will frustrate and disengage your employees faster than if they feel they're wasting their time sharing matters that are truly important to them. Listen to what your team members have to say and act on it.

Example: For BRD, an app-based cryptocurrency platform located in Chicago, feedback is a central part of its culture. "Our leadership team ensures employees have regular one-on-one check-ins with their manager," said Bob Lehto, vice president of human resources. "Status updates are handled in stand-up meetings so that one-on-ones can focus on long-term goals."

6. Hold Employees Accountable

Engaged employees are willing to go the extra mile, but that doesn't mean you should expect them to operate at an above-average clip all the time. They're not the only person on the team, so make sure they're not left in the lurch and expected to work on behalf of their peers. Relying solely on the efforts of your most engaged employees will likely lead to employee burnout.

Example: For the engineering team at Boston-based software company, Catalant Technologies, accountability and flexibility are the cornerstones of success. "I have two expectations for every engineer on my team: deliver daily customer value and contribute to the team," said Laura Miyakawa, vice president of engineering.

"These expectations lead to better accountability and flexibility. Engineers do what they say, communicate what they're doing and indicate when they need help. A few of our scrum teams have started stand-up meetings twice a day to keep the team focused and moving."

7. Hold Yourself Accountable

Make sure managers, HR heads and executives lead by example. If employees feel like the office rules only apply to a select few — or only apply when it's convenient for leadership — they'll begin to distrust management. An inkling of distrust between team members is a slippery slope that can lead to a negative work culture. A toxic office environment and culture can disengage employees and send them looking for a new job.

Example: Centerfield, an LA-based marketing and sales technology company, ensures its leadership team is not exempt from what's expected of employees. "We have a robust, three-month leadership training program that focuses on how managers can be strong leaders, create a safe environment for feedback and provide clear goals for tracking," said Gena Romano, director of human resources. "Managers are paired with one another as accountability buddies and are tasked with keeping each other on track for maintaining a comfortable and open feedback environment."

8. Revamp Your Office Space

Your office environment plays a large part in your employee's engagement. You've probably noticed that cubicles are rare in today's world, and that's largely due to their isolating nature. Siloing employees doesn't quite allow for communication or collaboration, two important factors of business success.

Rework your floor plan in a way that encourages more cross-communication between employees. By forming strong relationships with their peers, they'll build a sense of camaraderie and belonging that's vital to fostering an engaged workforce.

Example: For BRD, an app-based cryptocurrency platform located in Chicago, feedback is a central part of its culture. "Our leadership team ensures employees have regular one-on-one check-ins with their manager," said Bob Lehto, vice president of human resources. "Status updates are handled in stand-up meetings so that one-on-ones can focus on long-term goals."

Questionnaire

1. What are the 5 strategies to improve organization effectiveness?
2. How do you evaluate organizational effectiveness What is organizational effectiveness?
3. What are the factors affecting organizational effectiveness?
4. How groups and teams can contribute to Organisational effectiveness?
5. What are cross Border issues in Mergers?

6. Explain strategies involve in Culture Management?

7. Which strategy focuses on improving the effectiveness of operations within a company?

8. Which is more important to the organization efficiency or effectiveness?

9. Explain Employee retention strategies in terms of recognition of Top performance

10. How can an Organization promote Transparency?

SUMMARY

Organizational effectiveness relates to the efficiency of a business; however, a professional must also focus on quality services. The key to organizational effectiveness is using the right tools and strategies to accomplish a specific goal.

The human resources department of any company plays a key role in the organizational effectiveness of a company. Organizational leadership requires active measures to work with different groups and individuals. Organizational effectiveness only works well when evaluating the needs and interests of the customers. clients play a role in the effectiveness of a company; a business must also identify an appropriate level of quality for the products or services provided.

Organizational cultural incompatibilities are a leading cause of deal failure for domestic M&A deals. In cross-border deals, the HR team must also contend with differing national cultures, which can impact everything from work hours to leadership expectations.

To navigate the additional regulatory and legal issues of cross-border M&A deals, the HR team must work closely with an interdisciplinary team that includes both legal and accounting.

"Corporate culture" also entails various descriptive definitions. Some of the more commonly accepted elements used to define corporate culture include vison, values, norms, systems, symbols, language, assumptions, beliefs and behaviours.

A learning organization is a company whose first priority is attaining new knowledge. All communications and decision-making are focused on learning new things and sharing that knowledge across the organization.

Employee engagement is the emotional commitment the employee has to the organisation and its goals. This emotional commitment means engaged employees actually care about their work and their company.

Consistently promoting your core values to the entire team, you'll create a cohesive positive work culture and encourage employees to form an emotional connection to your organization.

REFERENCE

https://ydl.com.ng/2019/02/14/5-strategies-to-improve-organizational-effectiveness/

https://www.mapartners.net/insights/hr-challenges-cross-border-ma-0

https://www.forbes.com/sites/forbescoachescouncil/2019/10/23/five-strategies-leaders-should-use-when-managing-a-corporate-culture/?sh=17dfeaec66cf

https://www.indeed.com/career-advice/career-development/build-a-learning-organization

https://builtin.com/employee-engagement/employee-engagement-strategies

❄❄❄❄❄❄❄

6

GLOBAL DIMENSIONS OF HR STRATEGIES

Unit Structure:

6.1 OBJECTIVES

After studying this unit the student will be able to:

- Understand the Strategies and Challenges involve in Maintaining Global presence
- Know the process of Selection and staffing process of International Employees.
- Understand the Strategies in developing Cross Cultural Sensitivity
- Understand the types of Approaches in International Compensation

- Know the Strategies for maintaining International Industrial Relation
- Understand the Challenges in International Industrial Relations
- Know the purpose of International labour law

6.2. HR STRATEGIES IN INTERNATIONAL CONTEXT

An effective global human resources strategy can be vital in building and securing a sustainable advantage over their competition. Good HR management requires an integrated approach, which begins to merge into career management. A cohesive network will ensure that the right people are in the right jobs, and that all costs are attributed appropriately. This can ultimately allow the business to identify good ideas on a global scale. Ultimately, the building of this network comes down to an effective global human resources strategy, and here, we're taking a look at the ten steps businesses can take to ensure this is in place.

1. **Ending favouritism -** One of the fundamental steps towards building a global human resources strategy should be to end favouritism towards managers that are nationals of the country in which they are based. Whilst many companies consider nationals of their headquarters country as potential expatriates and refer to everyone else as 'local nationals', this should be reconsidered for numerous reasons. Ethnocentric companies put the most confidence in nationals of their headquarters' country, and thus this is the reason why these nationals receive the better assignments and climb the ladder much faster. Most surprisingly, big contrasts can be found between expatriate and local national pay, including the bonuses and benefits they receive. In order to create an effective global human resources strategy, businesses must weigh up the advantages and disadvantages of using expatriates and local nationals to determine the best solution according to the desired outcome.

2. **Identify activities that achieve success -** The next step towards an effective global human resources strategy is identifying activities that best achieve success across the globe and identify the positions that held responsibility for ensuring their success. The positions that hold the responsibility for performing these good acts represent the 'lifeline' of a company. Once the activities that achieve success have been identified, businesses can then revisit the lifeline and role descriptions on a regular basis to ensure they accurately represent the business strategy.

3. **Finding who & where your talent is -** Once a company has identified the activities that achieve success, they can find who and where their talent is via a global database, focusing on more than just the top of the organisation and considering middle managers in the country markets and potential stars leaping through the ranks. Organisations seeking to build a useful global human resources database must start with an array of personal-profile templates that ask questions that go beyond each manager's experience to determine cultural ties,

language skills, hobbies and interests. For overseas assignments, especially, Human Resources Directors must consider these skills and adaptability to be as important as functional skills – if not more so!

4. **The mobility pyramid -** Another way for businesses to build an effective global human resources strategy is by constructing a mobility pyramid to easily evaluate managers regarding their willingness to move to a new location to gain experience. Whilst many human resources departments refuse to look at mobility beyond 'movable' and 'not movable', it is paramount that there is more behind the decision to transfer an employee abroad should they need to relocate, and even more so because managers can move up or down the mobility pyramid at various stages during their career. By constructing a mobility pyramid, businesses can find different ways to effectively use available in-house talent and encourage an increased number of managers to consider saying yes to an overseas assignment.

5. **Leadership capital -** The next step businesses need to take to create an effective global human resources strategy is to identify their leadership capital. One of the best ways for businesses to identify their leadership capital is by building a database of their company's mix of managerial skills by requiring people to provide more information on their CV's regarding their experience in management and skills they possess. This way, HR departments can kick-start the process by holding senior meetings and those in lifeline posts to complete the form first, prior to adding others from across the globe with the potential to progress in their career.

6. **Bench strength & skills gap -** The following step businesses must take towards an effective global human resources strategy is to assess their bench strength and skills gap. To do this, businesses must ask each executive to compare their skills and characteristics against the requirements identified for the executive's current position. Not only is this an effective way to compare skills with ease, but it can also help close personal skills gaps through in-house training or by participating in outside courses to heighten global success.

7. **Regular recruitment -** In order to construct an effective global human resources strategy, businesses must search for new recruits on a regular basis in the local market, as well as in the headquarters' country. Whilst this can be challenging from time to time, one of the best ways to attract national recruits is by demonstrating how far they can climb up within the organisation, as this is one of the most appealing aspects job seekers look for. Recruitment and selection not only helps to ensure that the business has the necessary knowledge and skills required to fulfil objectives, but it also forms part of the strategic management of human resources.

8. **Advertising internally -** As mentioned previously, regular recruitment is a great way to attract new talent, but when a business advertises their posts internally, it allows a competitive internal job

market to work across nationalities and genders alike, and proves to employees that they can in fact broaden their horizon and make a future in the company. Moreover, advertising internally helps attract those that may be in the process of finding an alternative job, and thus reduces employee retention and creates a positive work environment.

9. **Succession planning -** In regard to regular recruitment in order to construct an effective global human resources strategy, managers in a lifeline role should nominate at least three candidates who could take over that position in the upcoming week, three months down the line or within the next year. Whilst this will not resolve all succession questions, it will certainly go a long way and significantly help everyone involved to identify potential future leaders with ease. Moreover, succession planning provides businesses with the bigger picture and is paramount to sustain income and support expenses should a disaster occur.

10. **Challenging & retaining talent -** Lastly, another step to an effective global human resources strategy is to challenge employees in order to retain talent. The need to retain talented employees is increasing every day, and for good reason. Retention of talent is crucial for the continued growth and success of any business, which is why is it paramount that colleagues are provided with consistent and regular communication about what needs to be done, and feedback to ensure the business moves with the market. One of the most effective ways to retain talent is by being open to employees about their potential and future within the future, paying well and not pondering over promoting people who have shown rock-solid ability.

6.3. CONVERTING GLOBAL PRESENCE INTO GLOBAL COMPETITIVE ADVANTAGE

To convert global presence into global competitive advantage, companies must exploit five value creation opportunities: adapting to local market differences, exploiting economies of global scale, exploiting economies of global scope, tapping the optimal locations for activities and resources, and maximizing knowledge transfer across locations.

We discuss the origins of each opportunity and the specific ways in which they can yield competitive advantage. We also outline the challenges and obstacles that often prevent firms from exploiting these opportunities to the fullest extent.

1. **Adapting to local market differences**

A direct implication of being present in multiple countries is that companies must respond to the inevitable heterogeneity they will encounter in these markets. Differences in language, culture, income levels, customer preferences, and distribution systems are only some of the factors to be considered. Even in the case of apparently standard products, at least some degree of local adaptation is often necessary, or at least advisable. Cellular phone manufacturers, for example, must adapt their products to different languages and the magnitude of background noise on the street. By responding to country-level heterogeneity through local adaptation of products, services, and processes, a company can reap benefits in three fundamental areas: market share, price realization, and competitive position.

Increased market share. By definition, offering standard products and services across countries reduces the boundaries of the served market to only those customers whose needs are uniform across countries. Local adaptation of products and services has the opposite effect, expanding the boundaries to also include those customers within a country who value different features and attributes. One of McGraw-Hill Companies' products, BusinessWeek, provides a good illustration of how local adaptation of products and services can enlarge the customer base. As the magazine's editor-in-chief explained: "Each week, we produce three editions. For example, this week's North American cover story is 'The New Hucksterism.' The Asian edition cover is 'Acer, Taiwan's Global Powerhouse.' And the European-edition cover is 'Central Europe.' In addition, our writers create an additional 10 to 12 pages of stories customized for readers in Europe, Asia, and Latin America. They also turn out four pages of international-finance coverage, international editorials, and economic analysis, and a regional feature column."

Improved price realization. Tailoring products and services to the preferences of local customers (e.g., Baskin-Robbins's introduction of green-tea flavoured ice cream in Japan) enhances the value delivered to them. As a corollary, a portion of this increased value should translate into higher price realization for the firm.

Neutralizing local competitors. One of the natural advantages enjoyed by most local competitors stems from their deep understanding of and single-minded responsiveness to the needs of the local market. For example, in the Japanese soft drinks market, Suntory Ltd. and Asahi Soft Drinks Co. have been among the first movers in offering new concepts such as Asian teas and fermented- milk drinks. When a global player also customizes its products and services to local needs and preferences, it is mounting a frontal attack on the local competitors in their market niche. In its efforts to neutralize Suntory's and Asahi's moves and attack them on their home turf, Coca-Cola introduced several new products in Japan that are not offered by the company in other markets, including an Asian tea called Sokenbicha, an English tea called Kochakaden, and a coffee drink called Georgia.

Challenges. While seeking the benefits of local adaptation, however, companies must be prepared to face a number of challenges and obstacles:

- In most cases, local adaptation of products and services will increase the company's cost structure. Given the inexorable intensity of competition in most industries, companies can ill afford any competitive disadvantage on the cost dimension. Managers have to find the right equilibrium in the trade-off between localization and cost structure. For example, cost considerations initially led Procter & Gamble to standardize diaper design across European markets, despite market research data indicating that Italian mothers, unlike those in other countries, preferred diapers covering the baby's navel. After some time, however, recognizing that this particular feature was critical to Italian mothers, the company consequently incorporated this de- sign feature for the Italian market, despite its adverse cost implications.

- In many instances, local adaptation, even when well intentioned, may prove to be misguided. When the American restaurant chain TGI Fridays entered the South Korean market, it deliberately incorporated many local dishes, such as kimchi, in its menu. This responsiveness, how- ever, backfired. Company analysis of the tepid market performance revealed that Korean customers anticipated a visit to TGIF as a visit to America, finding local dishes on the menu was inconsistent with their expectations. Companies must take the pulse of their market continually to detect if and when local adaptation becomes misguided adaptation.

- As with many other aspects of global marketing, the necessary degree of local adaptation usually will shift over time. In many industry segments, a variety of factors, such as the influence of global media, greater international travel, and declining income disparities across countries, may pave the way toward increasing global standardization. Consistent with the earlier example of BusinessWeek, we foresee a diminished need over time for geography-based customization. In other industry segments, particularly where the product or service can be delivered over the Internet (such as music), the need for even greater customization and local adaptation may increase over time. Companies must recalibrate the need for local adaptation on an ongoing basis; over-adaptation extracts a price just as surely as does under adaptation.

2. Exploiting economies of global scale

Building global presence automatically expands a company's scale of operations, giving it larger revenues and a larger asset base. However, larger scale will create competitive advantage only if the company systematically undertakes the tough actions needed to convert scale into economies of scale. The potential benefits of economies of scale can appear in various ways: spreading fixed costs, reducing capital and operating costs, pooling purchasing power, and creating critical mass.

Spreading fixed costs over larger volume. This benefit is most salient in areas such as research and development, operations, and advertising. For instance, Merck, the pharmaceutical giant, can spread R&D costs over its global sales volume thereby reducing per-unit costs of development.

Reducing capital and operating costs per unit. This benefit is often a consequence of the fact that doubling the capacity of a production facility typically increases the cost of building and operating the facility by a factor of less than two.

Pooling global purchasing power over suppliers. Concentrating global purchasing power over any specific supplier generally leads to volume discounts and lower transaction costs. For example, as Marriott has raised its stakes in the global lodging business, its purchase of such goods as furnishings, linens, and beverages has stepped up dramatically. Exercising global purchasing power over a few vendors (e.g., PepsiCo for soft drinks) is part of Marriott's efforts to convert its global presence into global competitive advantage.

Creating requisite critical mass in selected activities. A larger scale gives the global player the opportunity to build centres of excellence for the development of specific technologies and/or products. To develop a centre of excellence, a company generally needs to focus a critical mass of talent in one location. In view of the potential to leverage the output of such a centre on a global scale, a global player will be more willing and able to make the necessary resource commitments required for such a centre.

Challenges: Few, if any, of these potential strategic benefits of scale materialize automatically. The following challenges await firms in their efforts to secure these benefits:

- Scale economies can be realized only by concentrating scale-sensitive resources and activities in one or a few locations. Concentration is a two- edged sword, however. For example, with manufacturing activities, concentration means that firms must export centrally manufactured goods (e.g., components, subsystems, or finished products) to various markets. In making decisions about the location of any activity, firms must weigh the potential benefits from concentration against increased transportation and tariff costs.

- One unintended result of the geographic concentration of any activity is to isolate that activity from the targeted markets. Such isolation can be risky since it may cause delayed, or inadequate, response to market needs. Another management challenge is to minimize the costs of isolation.

- Concentrating an activity in a designated location also makes the rest of the company dependent on that location. This sole-source dependence implies that, unless the location has world-class competencies, a firm may create a global mess instead of global competitive advantage. A European executive of Ford Motor Company, reflecting on the company's concentration of activities during a global integration program in the mid-1990s, said: "Now if you misjudge the market, you are wrong in 15 countries rather than only one." The pursuit of global scale economies raises the added challenge of building world-class competencies at those locations in which the activities will be concentrated.

3. Exploiting economies of global scope

Global scope refers to the multiplicity of regions and countries in which a company markets its products and services. Consider the case of two hypothetical advertising agencies, Alpha and Beta, whose sales revenues are roughly comparable. Assume that Alpha offers services in only five countries, whereas Beta is in 25 countries. In this instance, we would consider the global scope of Beta to be broader than that of Alpha. Global scope is rarely a strategic imperative when vendors are serving customers who operate in just one country or customers who are global but who engage in centralized sourcing. In contrast, the economic value of global scope can be enormous when vendors are serving customers who, despite being global, need the delivery of identical or similar products and services across many markets. In fulfilling the needs of such multilocation global customers, companies have two potential avenues through which to turn global scope into global competitive advantage: providing coordinated services and leveraging their market power.

Providing coordinated services to global customers. Consider three scenarios: Microsoft, as it launches a new software product in more than 50 countries on the same day and needs to source advertising services in every one of the targeted markets; McDonald's, which must source virtually identical ketchup and mustard pouches for its operations in every market; and Shell Oil, which needs to source similar process-control equipment for its many refineries around the world. In all of these examples, a global customer needs to purchase a bundle of identical or similar products and services across a number of countries. The global customer could source these products and services either from a host of local suppliers or from a single global supplier that is present in all of its markets. Compared with a horde of local suppliers, a single global supplier can provide value for the global customer through greater consistency in the quality and features of products and services across countries, faster and smoother coordination across countries, and lower transaction costs.

Market power compared with competitors. A global supplier has the opportunity to understand the unique strategic requirements and culture of its global customer. Since it takes time to build this type of customer-specific proprietary knowledge, particularly in the case of multilocation global customers, potential competitors are initially handicapped and can more easily be kept at bay. Federal Express, a major supplier of logistics and distribution services to Laura Ashley, currently enjoys this advantage. As a global logistics provider, FedEx has had the chance to deepen its understanding of its role in Laura Ashley's value chain in all of its served markets. Such understanding is customer-specific and takes time to build. As long as FedEx continues to provide effective and efficient logistics services to Laura Ashley, this knowledge will serve as a major entry barrier for other local or global logistics suppliers.

Challenges. Despite these benefits, securing economies of global scope is not without its own challenges:

- A multilocation global vendor serving the needs of a multilocation global customer is conceptually analogous to one global network serving the needs of another global network. Every global network, however effectively managed, typically has a plethora of power centers, accompanied by competing perspectives on the optimal course of action. One of the management challenges for a global vendor is to understand the ongoing tug of war that shapes the needs and buying decisions of the customer network.
- Even for global customer accounts, the actual delivery of goods and services must be executed at the local level. Yet local country managers cannot be given total freedom in their operations with global customer accounts. They must orient their actions around their global customers' need for consistency both in product and service features and in marketing terms and conditions. Another challenge in capturing the economies of global scope lies in being responsive to the tension between two conflicting needs: the need for central coordination of most elements of the marketing mix, and the need for local autonomy in the actual delivery of products and services.

4. Tapping the optimal locations for activities and resources

Even though global economies have become increasingly integrated and influenced by the media so that cultures take on many of the same aspects, most countries will continue to be largely heterogeneous for years to come. Intercountry heterogeneity has an impact on the need for local adaptation in a company's products and services. But differences across countries also reveal themselves in the form of differences in cost structures and skill levels. A firm that can exploit these intercountry differences better than its competitors has the potential to create significant proprietary advantage.

In performing the various activities along its value chain (e.g., R&D, procurement, component manufacturing, assembly, marketing, sales, distribution, and service), every firm has to make a number of crucial decisions, including where the activity will take place. Optimizing the location for every activity in the value chain can yield one or more of three strategic benefits: performance enhancement, cost reduction, and risk reduction.

Performance enhancement. Fiat's decision to choose Brazil, rather than its native Italy, to de- sign and launch the Palio, its "world car," and Microsoft's decision to establish a corporate re- search laboratory in Cambridge, U.K., are good examples of location decisions that were guided predominantly by the goal of building and sustaining world-class excellence in the selected activities. Location decisions can affect the quality with which any activity is performed in terms of availability of needed talent, speed of learning, and the quality of external and internal coordination.

Cost reduction. Two examples of location decisions founded predominantly on cost-reduction considerations are: Nike's decision to source the manufacture of athletic shoes from Asian countries such as China, Vietnam, and Indonesia; and the decision of Texas Instruments to set up a software development unit in India. Location decisions can affect the cost structure in terms of the cost of local manpower and other resources, the cost of transportation and logistics, as well as government incentives and the local tax structure."

Risk reduction. Given the wild swings in exchange ratios between the U.S. dollar and the Japanese yen (in relation to each other as well as to other major currencies), a critical basis for cost competition between Ford and Toyota has been their relative ingenuity at managing currency risks. For these competitors, one of the ways to manage currency risks has been to spread the high cost elements of their manufacturing operations across a few select and carefully chosen locations around the world. Location decisions can affect the risk profile of the firm with respect to currency, economic, and political risks.

Challenges. There are challenges associated with using geographical differences to create global competitive advantage:

- The way in which activities are performed depends not only on the characteristics of the factor inputs but also on the management skills with which these inputs are converted into value-added outputs. The choice of a seemingly optimal location cannot guarantee that the quality and cost of factor inputs will be optimal. Managers must ensure that the comparative advantage of a location is captured and internalized rather than squandered because of weaknesses in productivity and the quality of internal operations. Ford Motor Company has amplified the proprietary advantage of locating some of its manufacturing operations in Mexico. People often assume that, in countries such as Mexico, lower wage rates come side-by-side with lower productivity. While this may be true statistically for the country as a whole, it does not have to be so for a specific firm.

- Unemployment in Mexico is higher than in the U.S., Ford can be more selective about whom it hires in its Mexican operations. Given lower turnover of employees, the company can also invest more in training and development. Thus the net result can be not just lower wage rates but also higher productivity than in the U.S.

- The optimality of any location hinges on the cost and quality of factor inputs at this location relative to all other locations. This fact is important because countries not only evolve over time, but do so at different rates and in different directions. Thus for any particular activity, today's choice location may no longer be optimal three years down the road. A relentless pursuit of optimal locations requires the global company to remain somewhat footloose. Nike continuously assesses the relative attractiveness of various manufacturing locations and has demonstrated a willingness and ability to shift locations over time. Managers should not let today's location decisions diminish the firm's flexibility in shifting locations as needed.

- Optimal locations will generally be different for different resources and activities. Yet another challenge in fully capturing the strategic benefits of optimal locations is to excel at coordination across dispersed locations. Texas Instruments' high-speed telecommunications chip, TCM9055, was conceived in collaboration with engineers from Sweden, designed in France using software tools developed in Houston, produced in Japan and Dallas, and tested in Taiwan

5. Maximizing knowledge transfer across locations

Foreign subsidiaries can be viewed from several perspectives. One way to view Marriott's subsidiary in the U.K. is in terms of its market position within the U.K.'s hotel industry. An alternate view of Marriott U.K. would be as a package of tangible assets, such as buildings, equipment, and capital. Yet another view would be to see Marriott U.K. as a reservoir of knowledge in areas such as real estate development, revenue management, hotel operations, and customer service. Building on this last perspective, we can view every global company not only as a portfolio of subsidiaries with tangible assets, but also as a portfolio of knowledge centers.

Given the heterogeneity of countries, every subsidiary has to create some degree of unique knowledge to exploit the resource and market opportunities of the local environment. Of course, not all locally created knowledge is relevant outside the local environment. For example, the ability to execute advertising in the Japanese language has little or no value outside Japan. However, other types of locally created knowledge may be relevant across multiple countries, and, if leveraged effectively, can yield strategic benefits to the global enterprise, ranging from faster product and process innovation to lower cost of innovation and reduced risk of competitive preemption.

Faster product and process innovation. All innovation requires the incorporation of new ideas, whether they are developed internally or acquired and absorbed from others. A global company skill at transferring knowledge across subsidiaries gives these subsidiaries the added benefit of innovations created by their peers. By minimizing, if not altogether eliminating, counterproductive reinvention of the wheel, product and process innovations get accelerated across the entire global network. Procter & Gamble's highly successful launch of Liquid Tide in the U.S. market in the late 1980s occurred at least partly because the development of this product incorporated technologies pioneered in Cincinnati (a new ingredient to help suspend dirt in wash water), Japan (cleaning agents), and Brussels (ingredients that fight the mineral salts present in hard water).

Lower cost of innovation. A second by-product of not reinventing the wheel is considerable savings in the costs of innovation. For example, the efficient stocklist-based distribution system developed by Richardson Vicks' Indian operations, now a part of Procter & Gamble India, found ready applicability in the company's Indonesian and Chinese operations.'6 Such cross-border replication of an innovation from one country to another eliminates or at least significantly reduces the costs associated with from-the-ground-up experimentation in that country.

Reduced risk of competitive preemption. A global company that demands constant innovations from its subsidiaries but does not leverage these innovations effectively across subsidiaries risks becoming a fountain of new ideas for competitors. Procter & Gamble is keenly aware of these risks. Several of P&G's subsidiaries are dedicated to improving the fit, performance, and look of the disposable diaper. Over the last decade, P&G's ability to systematically identify the successful innovations and expedite a global rollout of these innovations has thwarted competitors from stealing its new ideas and replicating them in other markets. Effective and efficient transfer of knowledge across subsidiaries has helped P&G safeguard its innovations and enabled it to significantly reduce the risk of competitive preemption.

Challenges. Most companies tap only a fraction of the full potential in realizing the enormous economic value inherent in transferring and leveraging knowledge across borders. Some of the primary reasons are:

- Knowledge transfer from one subsidiary to another cannot occur unless the source and the target units and an intermediary, such as regional or corporate headquarters, recognize the existence of unique know-how in the source unit, and the potential value of this know-how in the target unit. Since significant geographic, linguistic, and cultural distances often separate subsidiaries, the potential for knowledge transfer can easily remain buried under a sea of ignorance. Companies face the management challenge of creating mechanisms to systematically and routinely uncover the opportunities for knowledge transfer.

- A subsidiary with uniquely valuable know-how is likely to enjoy a knowledge monopoly within the global enterprise. Power struggles are also both normal and ubiquitous in any organization. Thus at least some subsidiaries will view uniquely valuable know-how as the currency through which they acquire and retain power. The symptoms of this pathology are most obvious in the case of manufacturing facilities where relative superiority on an internal basis often serves as survival insurance in a footloose corporation. Management must ensure that subsidiaries are enthusiastic rather than reluctant to share what they know.

- Like the knowledge-is-power syndrome, the not invented-here syndrome is also a chronic malady in many organizations. Two of the engines of this syndrome are egodefence mechanisms that induce some managers to block information suggesting the greater competence of others, and power struggles that lead some managers to pretend that the knowhow of peer units is neither unique nor valuable. Global enterprises committed to knowledge transfer must also address the management challenge of making subsidiaries eager rather than reluctant to learn from peer units.

- Only a subset of an organization's knowledge exists in the form of codified knowledge, such as a chemical formula, an engineering blue-print, or an operations manual. Such codified knowledge readily lends itself to transfer and distribution across subsidiaries through electronic or other mechanisms for document exchange. However, much valuable know-how often exists in the form of tacit knowledge that is embedded in the minds, behaviour patterns, and skills of individuals or teams-for example, a vision of a particular technology's future roadmap, and competencies at managing global customer accounts. With effort and investment, it might be possible to articulate and codify some of the tacit knowledge. Nonetheless, its embedded and elusive nature often makes tacit knowledge impossible to codify and thus difficult to transfer. The global enterprise must design and erect effective and efficient bridges for the transfer of knowledge (especially, nonmodifiable tacit knowledge) across subsidiaries.

6.4. SELECTION & STAFFING OF INTERNATIONAL EMPLOYEES

Making an effective selection decision for an overseas assignment can prove to be a major problem. Typically, this decision is based on international selection criteria, which are factors used to choose international managers. These selections are influenced by the Multinational Corporations experience and often are culturally based. Sometimes as many as a dozen criteria are used, although most Multinational Corporations give serious consideration to only five or six.

1. Adaptability to Cultural Change

Overseas managers must be able to adapt to change. They also need a degree of cultural toughness. Research shows that many managers are exhilarated at the beginning of their overseas assignment. After a few months, however, a form of culture shock creeps in, and they begin to encounter frustration and feel confused in their new environment. One analysis noted that many of the most effective international managers suffer this cultural shock.

Organizations examine a number of characteristics to determine whether an individual is sufficiently adaptable. Examples include work experiences with cultures other than one's own, previous overseas travel, knowledge of foreign languages (fluency generally is not necessary), and recent immigration background or heritage. Others include

(1) the ability to integrate with different people, cultures, and types of business organizations;

(2) the ability to sense developments in the host country and accurately evaluate them;

(3) the ability to solve problems within different frameworks and from different perspectives;

(4) sensitivity to the fine print of differences of culture, politics, religion, and ethics, in addition to individual differences; and

(5) flexibility in managing operations on a continuous basis despite lack of assistance and gaps in information.

2. Physical and Emotional Health

"Most organizations require that their overseas managers have good physical and emotional health. Some examples are fairly obvious. An employee with a heart condition would be rejected for overseas assignment; likewise, an individual with a nervous disorder would not be considered. The psychological ability of individuals to withstand culture shock also would be considered, as would the current marital status as it affects the individual's ability to cope in a foreign environment.

3. Age, Experience, and Education

Most Multinational Corporations strive for a balance between age and experience. There is evidence that younger managers are more eager for international assignments. These managers tend to be "worldlier" and have a greater appreciation of other cultures than older managers do. By the same token, young people often are the least developed in management experience and technical skills; they lack real-world experience. To gain the desired balance, many firms send both young and seasoned personnel to the same overseas post.

Many companies consider an academic degree, preferably a graduate degree, to be of critical importance to an international executive; however, universal agreement regarding tie ideal type of degree is non-existent. MNC's, of course, use formal education only as a point of departure for their own training and development efforts.

4. Language Training

One recognized weakness of many Multinational Corporations is that they do not give sufficient attention to the importance of language training. English is the primary language of international business, and most expatriates from all countries can converse in English. Those who can speak only are at a distinct disadvantage when doing business in non-English-speaking countries.

5. Motivation for a Foreign Assignment

Although individuals being sent overseas should have a desire to work abroad, this usually is not sufficient motivation. International management experts contend that the candidate also must believe in the importance of the job and even have something of an element of idealism or a sense of mission. Applicants who are unhappy with their current situation at home and are looking to get away seldom make effective overseas managers.

Some experts believe that a desire for adventure or a pioneering spirit is an acceptable reason for wanting to go overseas. Other motivators that often are cited include the desire to increase one's chances for promotion and the opportunity to improve one's economic status. For example, many U.S. MNCs regard international experience as being critical for promotion to the upper ranks. In addition, thanks to the supplemental wage and benefit package, U.S. managers sometimes find that they can make, and especially save, more money than if they remained stateside.

6. Spouses and Dependents or Work-Family Issues

Spouses and dependents are another important consideration when a person is to be chosen for an overseas assignment. If the family is not happy, the manager often performs poorly and may either be terminated or simply decide to leave the organization.

One popular approach in appraising the family's suitability for an overseas assignment is called adaptability screening. This process evaluates how well the family is likely to stand up to the rigors and stress of overseas life. The company will look for a number of things in this screening, including how closely knit the family is, how well it can withstand stress, and how well it can adjust to a new culture and climate.

7. Leadership Ability

The ability to influence people to act in a particular way-leadership-is another important criterion in selecting managers for an international assignment. Determining whether a person who is an effective leader in the home country will be equally effective in an overseas environment can be difficult, however. When determining whether an applicant has the desired leadership ability, many firms look for specific characteristics, such as maturity, emotional stability, the ability to communicate well, independence, initiative, creativity, and good health. If these characteristics are present and the person has been an effective leader in the home country, MNC's assume that the individual also will do well overseas.

8. Organization-Specific Requirements

The human resource practitioner needs to consider the organisations requirements before selecting a candidate, host country governments can stop the transfer of expatriates. The host government, is the ones that issue the working permits and visas to the expatriates, therefore, the parent country needs to prove that there is no available host national country. Legislations and changes of the employee must be addressed; assignments abroad means that the expatriate must move to another country with family to remote or war-torn environments, where living conditions can be challenging. Some host countries do not issue work permits to females, this can make it difficult, for the spouse to adapt. An organisation specific requirement is implemented during the formation of an independent relationship flanked by computer resources, which includes the evaluation of the comparative precedence between default recommendation and alternative recommendation; and using the highest precedence recommendations to set up a link among the computer resources.

6.5. DEVELOPING CROSS CULTURAL SENSITIVITY TRAINING & DEVELOPMENT OF INTERNATIONAL STAFF

Companies with multicultural workforces face a number of issues with their onboarding, training and development programs. Companies must ensure that the level of quality of orientation and training programs is consistent for employees regardless of their country of origin. Further, when an employee is sent to work in a foreign country, a business must provide cultural and occupational training that the worker will need to be successful.

6.5.1. Training International Employees

When developing training programs for foreign employees, developers should be aware of the differences between high context and low context cultures. They must also recognize how the design of a training program can influence the participation and effectiveness of particular cultures. Thus, training must be strategically planned for international employees. The goal must be clearly defined and objectives must be established that support the goal. The objectives should specify the training methods, media and support material to be utilized. Depending on an employee's language and culture, carefully tailored approaches to training will yield more effective results.

A company must be prepared to have slides, employee manuals, onboarding materials and other materials translated into the languages of participants and, when necessary, have interpreters present for training events. In the United States, companies routinely order the English to Spanish translation of employee manuals, safety manuals, standard operating procedures and quality manuals to support their domestic workers.

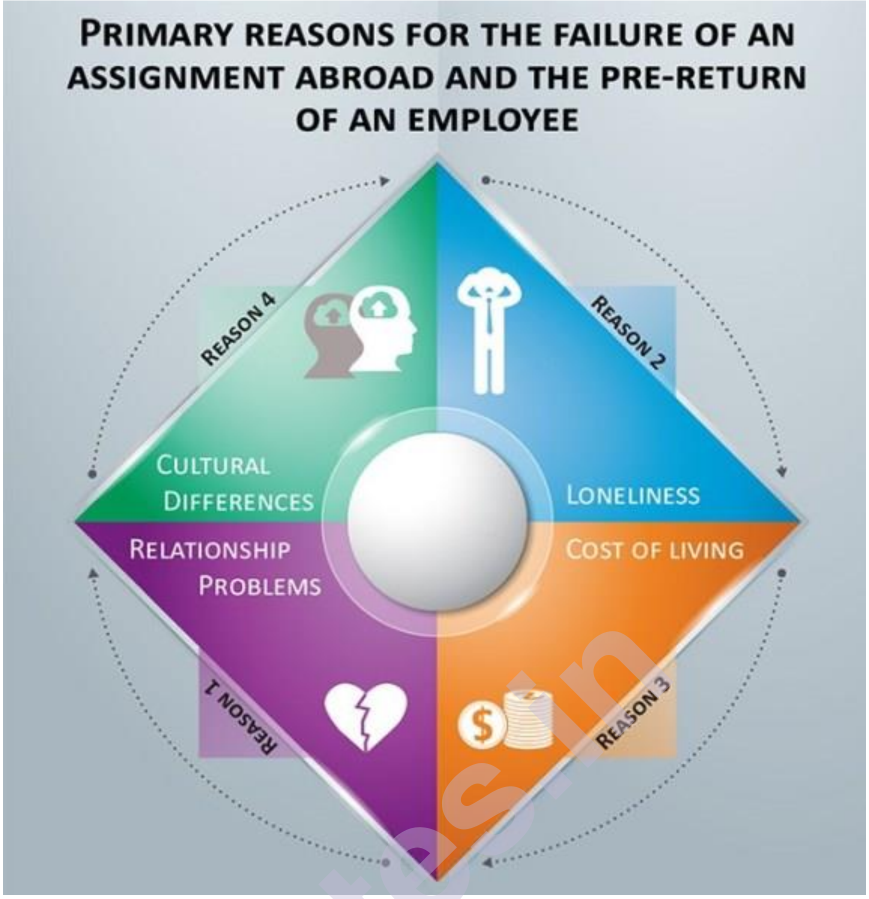
In addition to focusing on cultural and socioeconomic characteristics of new employees, attention should also be focused on the backgrounds of the trainers. Also characteristics, including level of education attained, reading comprehension and access to the Internet at home, will determine the feasibility of online training.

Throughout the development of the training program, managers should be mindful of situations and conditions that could distract the program from meeting its goal. To ensure the program stays on course, the goals of the program should be measurable, linked to performance and approved by top management.

The primary reasons for the failure of an assignment abroad and the pre-return of an expatriate include cultural differences, loneliness, high cost of living and relationship problems.

6.5.2. Cross-Cultural Preparation

Prior to relocating an employee to a foreign country, a business often provides cross-cultural preparation to the worker and his family. In the past, cross-cultural preparation wasn't something that U.S. businesses provided. However, American companies have witnessed large numbers of employees returning home prior to completing their assignments. One study suggests that U.S. companies lose $2 billion annually from overseas assignments that were terminated prematurely by the employee. Cross-cultural preparation teaches the employee how to conduct business and get things done by introducing business practices and cultural norms of the foreign country.



Generally, the first step in a program involves identifying candidates who are most likely to succeed overseas. Ideal candidates are highly proficient in their job, effectively communicate at home and abroad, display patience rather than vagueness, express cultural sensitivity, show enthusiasm and self-motivation and are interested in learning new languages and cultures. However, the most important determinant to the success of a candidate is the long-term support of the employee's spouse.

After careful screening of employee and spouse, a cross-cultural preparation program should be designed that includes three stages: Preparation, Acclimation and Repatriation.

- **Preparation**

  Preparation takes place before the employee is sent overseas. This training includes training on the language, culture and customs of the country. The employee, spouse and children are briefed on housing, shopping, healthcare, education and other information needed for general daily life. Employees meet with managers who brief the employee on career growth projections. Instruction typically includes presentations and exercises that allow for interaction with others who have successfully completed similar assignments.

- **Acclimation**

  The employee and family receive more comprehensive training once they arrive in the host country. The host family enters a mentoring program that helps them assimilate into their new environment. The employee is typically assigned to a mentor at work who counsels the employee on the new work environment.

- **Repatriation**

  Coming back home can sometimes be a traumatic experience. While the employee and family have been away, sometimes for several years, significant changes in their community and in the company may have occurred. Colleagues, managers and other confidants may have left the company. During their time away, employees should be encouraged to stay current and build relationships with changes at home. This can be done through employee newsletters and by making effective use of the occasional return trips.

6.6. COMPENSATION APPROACHES & ISSUES PERFORMANCE MANAGEMENT IN INTERNATIONAL ORGANIZATIONS

6.6.1. Approaches to International compensation

There are two basic approaches to determine the international compensation package:

1. **Going Rate Approach**

   This is based on local market rates. It relies on comparisons of surveys of the local nationals, expatriates of same nationality and expatriates of all nationalities' pay packages. In this approach, the compensation is based on the selected survey comparison. The base pay and benefits may be supplemented by additional payments for low pay countries.

- **The advantages of the Going Rate Approach are**
  - Equality with local nationals
  - Simplicity
  - Identification with the host country
  - Equity amongst different nationalities

- **The disadvantages of Going Rate Approach are**
  - Variation between assignments for the same employees
  - The rivalry between expatriates of the same nationality in getting assignments to some countries
  - Potential re-entry problems in the home country

2. Balance Sheet Approach

The Balance Sheet Approach to international compensation is a system designed to equalize the purchasing power of employees at comparable position levels living abroad and in the home country and to provide incentives to offset qualitative differences between assignment locations. The balance sheet approach is widely used by international organizations to determine the compensation package of the expatriates. The basic objective is the maintenance of living standards of the home country plus financial inducement.

- Goods and Services: Outlays incurred in the home country for food, personal care, clothing, household furnishing, recreation, transportation, and medical care.
- Housing: All major costs associated with housing in the host country.
- Income Taxes: Parent country and host country income tax expenditures.
- Reserve: Contribution to savings, payments for benefits, pension contributions, investments, education expenses, social security taxes, etc.

- **The advantages of the Balance Sheet Approach are:**
    - Equality between assignments and between expatriates of the same nationality.
    - Facilitates expatriate re-entry
    - Easy to communicate to the employees
- **The disadvantages of the Balance Sheet Approach are:**
    - It can result in considerable disparities between the expatriates of different nationalities and between expatriates and local nationals.
    - It can be quite complex to administer due to changing economic conditions, taxation etc.

6.6.2. Issues Performance Management in International Organizations

International performance management is the evaluation of an individual who works in a foreign subsidiary on a temporary basis to transfer knowledge or develop global leadership skills. At its best, international performance management should feed into the global goals of the business.

There are many challenges associated with expatriate performance management. Although we have listed some below, they are likely to vary by business. Ideally work to identify the challenges your company is likely to encounter and attempt to mitigate them in the expatriate performance management plan.

- **Environmental variations**

  Performance management systems rarely work in the same way domestically and internationally. Environmental variations including; different growth rates, the immediate environment and differences in performance, usually mean international performance appraisals need to be unique to each expatriate manager.

- **Time and distance**

  Improvements in technology make this less of an issue than it once was, but time differences and local infrastructure will impact on performance and appraisals. This is particularly true of expats working in underdeveloped countries.

- **Cultural adjustment**

  The employee's ability to adjust to the organisational culture within the subsidiary, as well as the wider culture within their new country, is likely to impact performance. An understanding of the local organisational culture by the HR team, the management team and the employee will facilitate the creation of a measurable international performance management system.

- **Inconsistency of implementation**

  Like all performance development, it will only be successful if implemented consistently in company subsidiaries. Oversight of this may be a challenge if most Human Resource functions are centralised to headquarters, meaning some employees thrive while others are left directionless.

6.7. INTERNATIONAL INDUSTRIAL RELATIONS

"Industrial Relations" refers to all types of relations between employers and workers, be they at national, regional or company level; and to all dealings with social and economic issues, such as wage setting, working time and working conditions. Each industrial relations system is grounded in the national historical, economic, and political context and therefore differs from country to country. As part of industrial relations, social dialogue is key for communication and information sharing; for conflict prevention and resolution; and for helping overcome work-related challenges. Social dialogue has demonstrated its potential as an instrument for democratic governance and participation; a driver for economic stability and growth; and a tool for maintaining or encouraging peaceful workplace relations.

Industrial relations or employment relations is the multidisciplinary academic field that studies the employment relationship; that is, the complex interrelations between employers and employees, labour/trade unions, employer organizations and the state.

The increasing global demand for flexible labour has led to changes in the manner in which the human resources are mobilized in the workplace, working practices and wages, mobility of the workforce, and the set of skills expected from individual labour. However, this process naturally challenges institutionally and statutorily regulated industrial relation systems in many countries. The global economic integration and interdependence have made the industrial relations susceptible to international competition and changes, which previously used to be confined within the national rules and regulations. In this context, the industrial relations system has to undergo critical changes, especially in the case of the power and legitimacy of trade unions. The critical issue here is to find the balance between the government regulations regarding industrial relations and the global trend of labour market deregulation while remaining competitive.

Permanent employment has become a thing of the past. Technology and automated industrial processes have made it possible for employers to get the same (or increased) level of output with a reduced workforce. The hierarchical boundaries and distinctions between the management and laborers have blurred, and focus is given on innovation, efficiency, and productivity. The emergence of new concepts in organizational designs such as cross-functional teams, virtual and boundaryless organizations are preferred over traditionally rigid organization structures. The production process has thus evolved to become more standardized, stable, and segmented. As a result, employment conditions are independently determined by the company policies rather than the government rules and regulations. This changing environment provides little to no opportunity for trade unions and collective bargaining, which is fundamental to any industrial relations.

- **Theoretical perspectives -** Industrial relations scholars such as Alan Fox have described three major theoretical perspectives or frameworks, that contrast in their understanding and analysis of workplace relations. The three views are generally known as unitarist, pluralism, and the radical or critical school. Each offers a particular perception of workplace relations and will, therefore, interpret such events as workplace conflict, the role of unions and job regulation differently. The perspective of the critical school is sometimes referred to as the conflict model, although this is somewhat ambiguous, as pluralism also tends to see conflict as inherent in workplaces. Radical theories are strongly identified with Marxist theories, although they are not limited to these.

- **Pluralist perspective -** In pluralism, the organization is perceived as being made up of powerful and divergent sub-groups, each with its own legitimate interests and loyalties and with their own set of objectives and leaders. In particular, the two predominant sub-groups in the pluralist perspective are the management and trade unions. The pluralist perspective also supports that conflict is inherent in dealing with industrial relations since different sub-groups have different opinions in the day-to-day operations.[citation needed] Consequently, the role of management would lean less towards enforcing and controlling and more toward persuasion and coordination.[citation needed] Trade unions are deemed legitimate representatives of employees,[30] conflict is resolved through collective bargaining and is viewed not necessarily as a bad thing and, if managed, could, in fact, be channelled towards evolution and positive change.

- **Unitarist perspective -** In unitarism, the organization is perceived as an integrated and harmonious whole with the idea of "one happy family" in which management and other members of the staff all share a common purpose by emphasizing mutual co-operation. Furthermore, unitarism has a paternalistic approach: it demands loyalty of all employees and is managerial in its emphasis and application. Consequently, trade unions are deemed unnecessary since the loyalty between employees and organizations are considered mutually exclusive, and there cannot be two sides of industry. Conflict is perceived as destructive and [citation needed] the result of poor management.

- **Radical or Critical perspective -** This view of industrial relations looks at the nature of the capitalist society, where there is a fundamental division of interest between capital and labour, and sees workplace relations against this background. This perspective sees inequalities of power and economic wealth as having their roots in the nature of the capitalist economic system. Conflict is therefore seen as a natural outcome of capitalism; thus, it is inevitable and trade unions are a natural response of workers to their exploitation by capital. Whilst there may be periods of acquiescence, the Marxist view would be that institutions of joint regulation would enhance rather than limit management's position as they presume the continuation of capitalism rather than challenge it.

Key Issues in International Industrial Relations

- **Who should handle Labour Relations; Headquarter or the subsidiary in the concerned country.**

  The national dissimilarities in economics, political, and legal systems create diverse labour-relations system across countries, MNCs HQs typically delegate the control over labour relations to their foreign subsidiaries. Having said that, the participation of the MNC headquarters in host-country labour relations is impacted by 4 key elements:

  1. In case there is a high level of inter-subsidiary production integration, the labour relations function is centralised and is coordinated by the head quarter.

  2. The nationality of ownership of the subsidiary has an influence on who should take care of employee relations.

3. Furthermore, subsidiary character has a bearing on who should deal with employee relations.

4. Finally, where a subsidiary is dependent more on its parent company for resources, you will see a greater corporate involvement in labour relations.

- **Trade Union Tactics -** Trade Unions make use of a number of tactics to deal with international business:

  1. The most common one is 'strike'. A strike is a concerted and temporary suspension of work, intended to put pressure. Unions should be cautions prior to resorting to a strike in international scenario because the bargaining power of a union could possibly be threatened or weakened by the financial resources of an MNC. This is especially evident where a multinational firm uses transnational sourcing and cross subsidization of its products or parts across different international locations.

  2. Form International Trade Secretariats (ITSs): There are Fifteen ITSs who help the exchange of information. Main objective of ITSs is to accomplish transactional bargaining with the MNCs.

  3. Lobbing for limited national legislations: Trade unions have for several years lobbied for restrictive national legislation in the U.S. and Europe. Trade unions pursue restrictive national legislation to avoid the export of jobs via multinational investment policies.

  4. Intervention from the global body like ILO, UNCTAD, EU, OECD: ILO has issued guidelines which cover disclosure of information, competition, financing, employment, industrial relations, taxation, science and technology.

- **Political -** There is little doubt that national industrial relations (IR) systems continue to be greatly different. There are 3 faces of industrial relations which the international union movement encounters in the international environment, specifically social democracy, neo-liberal and authoritarian. The dissimilarities in national industrial relations systems are also mirrored in the structure, power and status of individual actors in the system. For example, trade unions maintain a comparatively strong position within the Scandinavian IR model while their role is a lot more limited in the US context. The international labour movement is usually prohibited direct access to robust intergovernmental establishments like the WTO. So they have to depend on national government to represent their interests to these institutions. Significantly, the interests of government might not always be directly in-line with the union movement.

- **Social and Identity -** A key problem with the international labour movement and specifically international collective bargaining is the absence of identity that individual workers have with their international associates. Additionally, they see these peak associations to be a lot more conservative than activists at the local level. Associated with this point, there is a common lack of solidarity between actors at a national level. Additionally, there are endemic cultural, social and language differences among individuals in different countries resulting in lowering the degree of a shared identity between workers on an international level.

6.8. Legislation and the international workforce

The first moves toward international labour conventions date back to the beginning of the 19th century. Robert Owen in England, J.A. Blanqui and Villerme in France, and Ducepetiaux in Belgium are considered precursors to the idea of international regulation of labour matters. However, David Legrand, an industrialist from Alsace, put forward this idea most systematically, defending it and developing it in repeated appeals addressed to the governments of the main European countries from 1840 to 1855.

In the second half of the 19th century, the idea was first taken up by private associations. Thereafter, a number of proposals to promote international regulation of labour matters were made in the French and German parliaments. The first official initiative came from Switzerland – where, following proposals made in 1876 and 1881 and in consultation with other European countries, the Swiss government suggested convening a Conference on the matter in Bern in May 1890.

The establishment of an International Association for the Legal Protection of Workers, the seat of which was in Basle, was followed by a congress held in Brussels in 1897. The activity of this private organization led the Swiss government to convene international conferences in 1905 and 1906 in Bern, where the first two international labour conventions were adopted. One of these related to the prohibition of night work for women in industrial employment, and the other to the prohibition of the use of white phosphorus in the manufacture of matches.

During World War I, the trade union organizations of both sides, as well as those of neutral countries, insisted that their voice be heard at the time of the settlement of peace, and that the peace treaties contain clauses for improving the condition of workers. The peace conference entrusted the examination of this question to a special commission known as the Commission on International Labour Legislation. The work of the Commission led to the inclusion in the Treaty of Versailles and the other peace treaties of Part XIII, which dealt with labour matters. This section of the treaties provided for the establishment of an International Labour Organization, which might adopt conventions and recommendations in this field. Conventions would be binding only on those states which ratified them. (See Constitution of the International Labour Organization, adopted by the Peace Conference in April of 1919)

In October 1919, the International Labour Conference met in Washington to adopt the first Conventions and to appoint the Governing Body. Since then, the International Labour Conference has met regularly in general once a year, except during the Second World War.

At the end of the Second World War, the International Labour Conference adopted in May 1944, in Philadelphia, a Declaration (Philadelphia Declaration), which defined again the aims and purposes of the Organization. This Declaration reaffirmed in particular,

- that labour is not a commodity,
- that freedom of expression and of association are essential to sustained progress,
- that poverty anywhere constitutes a danger to prosperity everywhere and
- that the war against want requires to be carried on with unrelenting vigour within each nation, and by continuous and concerted international effort in which the representatives of workers and employers, enjoying equal status with those of governments, join them in free discussion and democratic decision with a view to the promotion of the common welfare.

The Declaration affirmed that all human beings, irrespective of race, creed or sex, have the right to pursue both their material well-being and their spiritual development in conditions of freedom and dignity, of economic security and equal opportunity. It also referred to the social aspect of economic and financial measures. The Declaration then defined a number of specific objectives of the ILO, such as

- full employment and the raising of living standards,
- facilities of training policies in regard to wages, hours of work and other conditions of work calculated to ensure a just share of the fruits of progress to all,
- the effective recognition of the right of collective bargaining,
- the co-operation of management and labour in the continuous improvement of productive efficiency, and
- the collaboration of workers and employer in the preparation and application of social and economic measures, the extension of social security measures to provide a basic income to all in need of such protection, and comprehensive medical care, etc.

Apart from the ILO standards, an increasing number of bilateral and regional agreements have been concluded in the field of labour.

The general trend of agreements has been the constant broadening of their scope, both as regards the fields covered, the categories of persons protected and the framework within which the matters are treated. Thus, a number of these instruments go beyond the traditional field of labour law and touch upon matters of civil liberties and penal law, of property law etc.

6.9 PURPOSE OF INTERNATIONAL LABOUR LAW

1. Competition

Various arguments have been advanced over the years in support of international labour law. The argument concerning international competition was used in its most extensive form throughout the 19th and at the beginning of the 20th century. The argument was that international agreements in the field of labour would help prevent international competition from taking place to the disadvantage of workers, and would constitute a kind of code of fair competition between employers and between countries.

This argument is generally given less prominence today, since it has been realized:

- that competition did not prevent the main industrialized countries of Europe from adopting the first labour laws
- that the cost and the competitive value of products depend on many factors other than labour costs (in fact, factors that increase labour costs, such as investments in training, safety and health, etc., can increase competitive value)
- that countries that are the most successful in world markets are not those where the conditions of work are the less favourable.

However, globalization (and especially trade liberalization) have again brought up discussions on the relationship of competition to very poor working conditions in developing countries and loss of jobs in developed countries. The discussion is focused mainly on developments in industries where manual labour and low skills dominate production.

2. World peace

At the end of World War I a new argument appeared, namely that injustice in the social field endangers peace in the world, and that action against such injustice therefore serves the cause of peace.

It has been pointed out that measures of social justice – which provide, among other things, for trade union rights – are bound to strengthen democratic regimes, which are more likely than authoritarian governments to be peace loving. Social peace within countries may also sometimes be related to international peace, inasmuch as internal tensions may have repercussions abroad. Stress has equally been laid on the positive and dynamic concept of peace, involving the establishment of stable, just and harmonious conditions both within individual countries and between different countries. This would be accomplished by eliminating, inter alia, rivalry on world markets arising out of too great a disparity in labour conditions. It has also been claimed that the establishment of international labour standards aimed at improving the condition of mankind develops a common sense of solidarity internationally, and fosters a climate of mutual collaboration and understanding that transcends racial and national differences.

Yet progress toward these goals is threatened by many forces. Extremism – religious, ethnic, and political – is on the rise, often fuelled by growing disparities in levels of development. Despite the growth of democratic forms of government, violations of human rights continue in too many countries. The number of armed conflicts currently under way is only slightly less than at the end of the Cold War. Although the threat of nuclear war between the superpowers seems less likely, there is the frightening prospect of nuclear weapons loosely controlled by weak governments.

3. Social justice

The driving force behind the idea of international labour law was the notion of social justice. In the field of labour, the humanitarian concern originally appeared in the face of conditions of great hardship imposed on the workers by industrialization. It was the mainspring of the movement, the first achievement of which was the adoption on both the national and international levels of measures to protect children from conditions of work that had shocked the public conscience.

The expression "social justice" itself was introduced in 1919 in the course of the discussions which took place at the peace conference, when the original Constitution of the ILO was being drafted as part of the Treaty of Versailles. This notion has certainly been the most powerful driving force in the development of international labour law.

It has often been stressed that economic growth does not automatically ensure social progress. Nevertheless, there remains a widespread tendency to give economic development precedence over social considerations. It is, therefore, the function of international labour standards to promote balanced economic and social progress.

4. Consolidation of national labour legislation

Even when the labour legislation or practice of a country has reached a certain level, it may be desirable for the country to ratify a Convention that provides for a standard corresponding to the existing national situation. This is because, even if no substantial change is called for, ratification of the respective Convention could contribute to the consolidation of national labour legislation by acting as a guarantee against backsliding. There have been cases in which the existence of international commitments based on ratified Conventions has prevented governments from adopting retrograde measures they had contemplated, particularly in times of crisis.

As a result of the widespread economic, commercial, technological, social and even cultural changes that have taken place in the past two decades, governments have been amending their labour legislation to meet new needs and accommodate new circumstances.

5. Source of inspiration for national action

In addition to the international commitments to which they may give rise, international labour standards can serve as a general guide and as a source of inspiration to governments by virtue of their authority as texts adopted by an assembly composed of representatives of governments, employers and workers of nearly all countries of the world. They may also for that reason provide a basis for the claims of workers and guide the policy of employers. International labour standards have thus developed into a kind of "international common law". Their influence is in many ways similar to that found elsewhere in various periods in the history of civil law – for example, the influence of Roman law, or of certain later European legal codifications. Those in charge of social policies in various countries have often highlighted this role of international labour law.

6.9.1. Global Instruments of international labour law

1. ILO Instruments

ILO sources of international labour law can be found in the Constitution of the Organization, and in its numerous Conventions and Recommendations. While the Constitution of the ILO mainly contains provisions relating to the functioning of the Organization, it also lays down a number of general principles which have come to be regarded in certain respects as a direct source of law. Such principles are contained in the Preamble of the Constitution and in the Declaration concerning the Aims and Purposes of the Organization, adopted by the Conference in Philadelphia in 1944 and incorporated in the ILO Constitution in 1946.

2. ILO Conventions

Specific features of Conventions

Conventions are instruments designed to create international obligations for the states which ratify them. In addition to its Conventions, the ILO has adopted a number of Recommendations, which are different from the point of view of their legal character. Recommendations do not create obligations, but rather provide guidelines for action.

Conventions have a number of specific features, which can be grouped under four main ideas:

1. Conventions are adopted within an institutional framework. Thus, the adoption of Conventions does not follow the type of diplomatic negotiation which is usual in the case of treaties.

They are rather prepared in discussions in an assembly that has many points in common with parliamentary assemblies. This also partly explains the fact that unanimity is not necessary for the adoption of Conventions. For the same reason, only the International Court of Justice can interpret the Conventions. The revision of Conventions is made only by the General Conference, which is the legislative body of the Organization. (See overview of supervisory system)

2. The International Labour Conference, which adopts Conventions, is constituted by representatives of governments, employers and workers, each delegate being entitled to vote individually.

3. A two-thirds majority is sufficient for the adoption of a Convention, and governments should submit the Convention to their competent authorities for ratification, i.e. as a rule to their parliaments. Also, the governments have the obligation, when requested, to supply reports on various issues related to Conventions. (See overview of supervisory system)

4. Some Conventions include flexibility clauses, because they are generally directed towards countries with very different economic, social and political conditions, as well as different constitutional and legal systems. The flexibility clauses comprise options regarding the following:

   a. **Obligations:** possibility of choosing, at the time of ratification, by means of formal declaration, the extent of the obligations undertaken. (f.ex. Social Security Convention, No. 102)

   b. **Scope:** Governments may decide for themselves, subject to certain consultations, what the scope of the Convention shall be (f.ex. Conventions of minimum wage fixing machinery, Nos. 26 and 29), or they may be permitted to exclude certain categories of persons or undertakings (f.ex. Conventions on night work, Nos.41 and 89), or the definitions of persons covered may be based on a specified percentage of the wage earners or population of the country concerned (f.ex. many social security Conventions), or exceptions are allowed for a certain part of the country (Various types of Conventions, f.ex. Nos. 24, 25, 62, 63, 77, 78, 81, 88, 94, 95, 96 etc.), or governments may themselves define a certain branch, industry or sector (f.ex. Weekly rest Convention, No. 106)

   c. **Methods:** State which ratifies a Convention shall take such action as may be necessary to make effective the provisions of such Convention, custom, administrative measures or, in certain circumstances, collective agreements.

6.9.2. Core Conventions

While ILO Conventions are not ranked in terms of their order of importance, there is an underlying hierarchy, which can be discerned. In the first category are Conventions dealing with freedom of association and collective bargaining (Conventions Nos. 87 and 89), forced labour (Conventions Nos. 29 and 105), non-discrimination in employment (Conventions Nos. 100 and 111) and child labour (Convention 138).

These core Conventions were identified and given prominence in the Conclusion of the World Summit for Social Development in 1995 (See Copenhagen Declaration on Social Development). In the second category are technical standards, which establish norms to improve working conditions.

- **Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87)** Establishes the right of all workers and employers to form and join organizations of their own choosing without prior authorization, and lays down a series of guarantees for the free functioning of organizations without interference by the public authorities. In December 1997, 121 countries had ratified this convention.

- **Right to Organize and Collective Bargaining Convention, 1949 (No. 98)** Provides for protection against anti-union discrimination, for protection of workers' and employers' organizations against acts of interference by each other, and for measures to promote collective bargaining. In December 1997, 137 countries had ratified this convention.

- **Forced Labour Convention, 1930 (No. 29)** Requires the suppression of forced or compulsory labour in all its forms. Certain exceptions are permitted, such as military service, convict labour properly supervised, emergencies such as wars, fires, earthquakes, etc. In December 1997, 145 countries had ratified this convention.

- **Abolition of Forced Labour Convention, 1957 (No. 105)** Prohibits the use of any form of forced or compulsory labour as a means of political coercion or education, punishment for the expression of political or ideological views, workforce mobilization, labour discipline, punishment for participation in strikes, or discrimination. In December 1997, 130 countries had ratified this convention.

- **Discrimination (Employment and Occupation) Convention, 1958 (No. 111)** Calls for a national policy to eliminate discrimination in access to employment, training and working conditions, on grounds of race, colour, sex, religion, political opinion, national extraction or social origin and to promote equality of opportunity and treatment. In December 1997, 129 countries had ratified this convention.

- **Equal Remuneration Convention, 1951 (No. 100)** Calls for equal pay for men and women for work of equal value. In December 1997, 135 countries had ratified this convention.

- **Minimum Age Convention, 1973 (No. 138)** Aims at the abolition of child labour, stipulating that the minimum age for admission to employment shall not be less than the age of completion of compulsory schooling, and in any case not less than 15 years (14 for developing countries). In December 1997, 59 countries had ratified this convention.

6.9.3. The ILO Declaration on Fundamental Principles and Rights at Work

The 86th International Labour Conference (1998) adopted by an overwhelming vote a solemn ILO Declaration on Fundamental Principles and Rights at Work, committing the Organization's member States to respect, to promote and to realize in good faith the right of workers and employers to freedom of association and the effective right to collective bargaining, and to work toward the elimination of all forms of forced or compulsory labour, the effective abolition of child labour and the elimination of discrimination in respect of employment and occupation. The Declaration underlines that all member countries have an obligation to respect the fundamental principles involved, whether or not they have ratified the relevant conventions.

The Declaration includes provision for follow up, in particular :

- annual follow-up concerning non-ratified fundamental Conventions, which will cover each year the four areas of fundamental principles and rights specified in the Declaration. It will be based on reports requested from governments which have not ratified one or more of the fundamental Conventions, on any changes which may have taken place in their law and practice. These reports will be reviewed by the Governing Body. With a view to presenting an introduction to the reports thus compiled, drawing attention to any aspects which might call for a more in-depth discussion, the Office may call upon a group of experts appointed for this purpose by the Governing Body.

- global report which will cover, each year, one of the four categories of fundamental principles and rights in turn. The report will be drawn up under the responsibility of the Director-General and will be submitted to the Conference for tripartite discussion.

In his address to the conference, Michel Hansenne, Director General of the ILO, said that "it was high time for the ILO to give itself the means to address the social consequences of the globalization of the economy......I believe we can all be proud of the Declaration that has been adopted ", adding that "the ILO can now proceed on the basis of a truly global set of common social values."

It is a historic step", said Bill Jordan, General Secretary of the international Confederation of Free Trade Unions (ICFTU) "and it establishes workers' fundamental rights as the ground-rules of globalisation .....The Declaration sends the ILO into the next millennium well-placed to meet the challenge of globalisation... Trade unionists world-wide are going to use this new tool as a powerful instrument in defence of their fundamental rights".

The Chairperson of the Workers' Group of the Conference, Bill Brett , said that he was pleased to note " that we have indeed created a powerful search-light which will illuminate those areas that have previously remained in darkness. "

6.10.INTERNATIONAL LABOUR STANDARDS EXPATRIATION & REPATRIATION EMERGING TRENDS IN INTERNATIONAL LABOUR MARKETS

- **Expatriation**

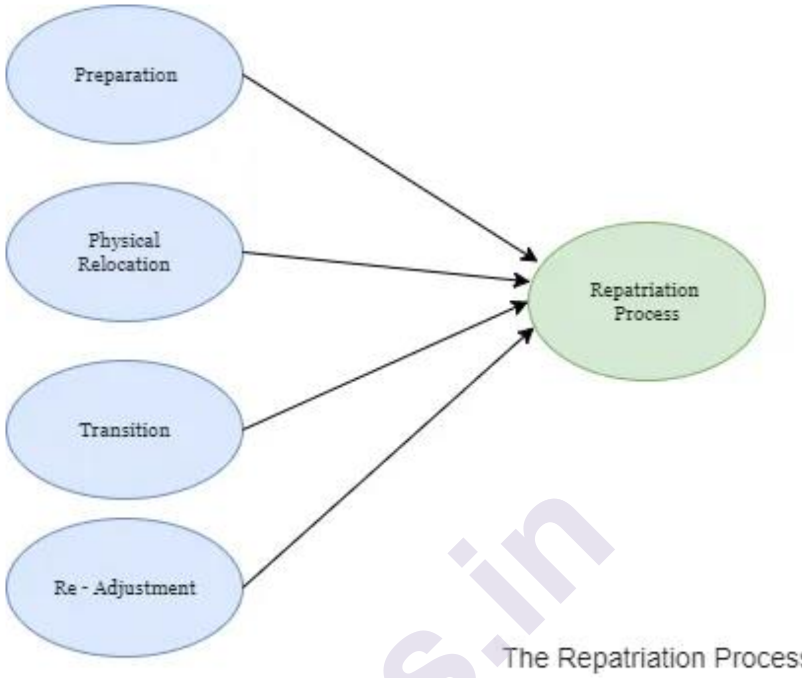
  An expatriate is an employee who has left his native land and is working and temporarily residing in a foreign country. An expatriate can also be a citizen who has relinquished citizenship in their home country to become the citizen of another country. The term originates from the Latin words, ex (out of) and patria (fatherland).

  A firm's employees who are transferred out of their home base into some other area of the firm's international operations are referred to as expatriates. The practice of global mobility of a company's workforce helps in building competitive advantages. All expatriate employees are entitled to receive an expatriate premium while working in a foreign country. This includes monetary benefits and non-monetary incentives like housing and education.

  When the initiative for expatriation comes from individuals rather than employers, it is called self-initiated expatriation (SIE). An illustration of this is the fact that some Asian Companies have recently hired a number of Western managers. Dubai is a country where the population is composed predominantly of expatriates from countries like India, Pakistan, Bangladesh and Philippines, with only 20% of the population made up of citizens. Most popular expatriate destinations are Spain, followed by Germany and Britain.

- **Repatriation**

  Before elaboration on the stages in the repatriation process, it is useful to understand that on completion of the overseas assignment, the MNC brings the expatriate back to the human country, although not all foreign assignments end with a transfer to home- rather the expatriate is re-assigned to another international assignment. Some employees are made to travel around the globe frequency in which case they form part of the MNC's international cadre of managers. Even with such managers, repatriation is essential, particularly at retirement.



The Repatriation Process

Preparation involves developing plans for the future and gathering information about the new position. The firm may provide a checklist of items to be considered before the return to the home(e.g. closer of bank accounts and settling bills) or a through preparation of the employee and his or her family for the transfer to home.

Physical relocation refers to saying good bye to colleagues and friends, and traveling to the next posting, usually the home country. Personalized relocation reduces the amount of uncertainly stress, and disruptions experienced by the repatriate and family.

Transition means setting into temporary accommodation, where necessary, making arrangement for housing and schooling, and carrying out other administrative tasks such as renewing driving license, and opening bank account.

Readjusting involves coping with reverse culture shock and career demands. Of all the steps in the repatriation process, re-adjusting is the most difficult one. The re-entry adjusting is a tough task because of multiple factors. First there is anxiety experienced when he or she returns home, the apprehensive being accentuated by the uncertainly about the placement in the firm, career prospects and a sense of isolation, feeling of devaluing the international experience, coping with new role demands and probable loss of status and pay.

MNC respond to the repatriation problem in several ways. Many firms have formal repatriation programs. Some companies assign the expatriate to a mentor, popularly called as the godfather. The mentor is usually in a more senior position than the expatriate and knows him or her personally. The purpose behind the use of a mentor is to remove the sense of alienation through the provision of information (e.g. workplace changes) on a regularly basis, so that expatriate is better prepared for the conditions he or she is likely to face upon re-entry. The mentor should also ensure that expatriate is not side-lined when important decisions are made regarding positions and promotions.

- **Challenging of re-entry**

Repatriation poses certain problems more intense than those encountered at expatriation. Infect, assignee views expatriation as sort of reward for impressed performance but repatriation is perceived as the end of a honeymoon on his or her career. Challenging of re-entry relate to the individual assignee as well as the MNC

- **Individual perspective**

Challenges from the assignee perspective include personal and professional. From a personal perspective, the assignee experience reverse culture shock. The returnee expects that the country would remain the same when he or she had left. But after repatriation the assignee finds that things are not the same. Political, economic, social and cultural climate has changed. Moreover, the returnees themselves are not same old individuals. The stay abroad has brought changes in their perception, attitudes, habits and practices. These changes have created high expectations about the home country, but the hopes do not match with reality. They exhibit fussiness about everything and this separates expatriates from home country citizens. It Is not be assignee alone facing the adjusting problem. Even the spouse has the same problem. Children too find re-entry difficult. Coming back to school, attempting to regain acceptance into peer groups and being out-of-touch with current slang, sports, and fashion do cause problems.

Lowered social status, deleted spendable income, housing problem, problem of children's school difficulty of club membership and the like add to re-entrant's problems.

Professional disappointments add to the returnee's woes. The repartee feels that his or her skills acquired while on foreign service are no more in use. The repatriate is of the opinion that job at the home is lacking in organization is unfairly ignoring the global competence acquired by the returnee. Worst, organizations may not guarantee jobs to the returnee. Often, due to poor career planning, repatriates are placed in a holding pattern- being assigned jobs that are available, without regard to the individual's abilities, capabilities and needs. Many returnees companies that, upon returns they are offered a limited member of career choices and are rarely considered for promotions-which make them feel that they have removed from the main stream of corporate advancement.

- **Challenges from organization Perspective**

  As is too wellknown majority of the returnees consider quitting the organization. Considering the investment made on training, position, maintaining the assignee while on assignment, his or her quitting will adversely affect the MNC 's bottom line. Often loss of the multinational becomes gain for a rival. When an experienced assignee quits and joins a rival organization the latter tends to gain competitive advantage. In addition, high withdrawals by returnees may after the company's ability to hire bright individuals in future.

6.10.1. The benefits of International labour standards

International labour standards are first and foremost about the development of people as human beings. In the Declaration of Philadelphia (1944), the international community recognized that "labour is not a commodity". Labour is not an inanimate product, like an apple or a television set, that can be negotiated for the highest profit or the lowest price. Work is part of everyone's daily life and is crucial to a person's dignity, well-being and development as a human being. Economic development should include the creation of jobs and working conditions in which people can work in freedom, safety and dignity. In short, economic development is not undertaken for its own sake, but to improve the lives of human beings. International labour standards are there to ensure that it remains focused on improving the life and dignity of men and women.

Decent work resumes the aspirations of humans in relation to work. It brings together access to productive and suitably remunerated work, safety at the workplace and social protection for families, better prospects for personal development and social integration, freedom for individuals to set out their claims, to organize and to participate in decisions that affect their lives, and equality of opportunity and treatment for all men and women.

- **An international legal framework for fair and stable globalization**

  Achieving the goal of decent work in the globalized economy requires action at the international level. The world community is responding to this challenge in part by developing international legal instruments on trade, finance, the environment, human rights and labour. The ILO contributes to this legal framework by elaborating and promoting international labour standards aimed at making sure that economic growth and development go hand-in-hand with the creation of decent work. The ILO's unique tripartite structure ensures that these standards are backed by governments, employers and workers alike. International labour standards therefore lay down the basic minimum social standards agreed upon by all the players in the global economy.

- **A level playing field**

  An international legal framework on social standards ensures a level playing field in the global economy. It helps governments and employers to avoid the temptation of lowering labour standards in the hope that this could give them a greater comparative advantage in inter- national trade. In the long run, such practices do not benefit anyone. Lowering labour standards can encourage the spread of low-wage, low-skill and high-turnover industries and prevent a country from developing more stable high-skilled employment, while at the same time slowing the economic growth of trade partners. Because international labour standards are minimum standards adopted by governments and the social partners, it is in everyone's interest to see these rules applied across the board, so that those who do not put them into practice do not undermine the efforts of those who do.

- **A means of improving economic performance**

  International labour standards have been sometimes perceived as being costly and therefore hindering economic development. However, a growing body of research has indicated that compliance with international labour standards is often accompanied by improvements in productivity and economic performance.

  Minimum wage and working-time standards, and respect for equality, can translate into greater satisfaction and improved performance for workers and reduced staff turnover. Investment in vocational training can result in a better trained workforce and higher employment levels. Safety standards can reduce costly accidents and expenditure on health care. Employment protection can encourage workers to take risks and to innovate. Social protection, such as unemployment schemes, and active labour market policies can facilitate labour market flexibility, and make economic liberalization and privatization sustainable and more acceptable to the public. Freedom of association and collective bargaining can lead to better labour–management consultation and cooperation, thereby improving working conditions, reducing the number of costly labour conflicts and enhancing social stability.

  The beneficial effects of labour standards do not go unnoticed by foreign investors. Studies have shown that in their criteria for choosing countries in which to invest, foreign investors rank workforce quality and political and social stability above low labour costs. At the same time, there is little evidence that countries which do not respect labour standards are more competitive in the global economy. International labour standards not only respond to changes in the world of work for the protection of workers, but also take into account the needs of sustainable enterprises.

- **A safety net in times of economic crisis**

  Even fast-growing economies with high-skilled workers can experience unforeseen economic downturns. The Asian financial crisis of 1997, the 2000 dot-com bubble burst and the 2008 financial and economic crisis showed how decades of economic growth can be undone by dramatic currency devaluations or falling market prices. For instance, during the 1997 Asian crisis, as well as the 2008 crisis, unemployment increased significantly in many of the countries affected. The disastrous effects of these crises on workers were compounded by the fact that in many of these countries social protection systems, notably unemployment and health insurance, active labour market policies and social dialogue were barely developed.

  The adoption of an approach that balances macroeconomic and employment goals, while at the same time taking social impacts into account, can help to address these challenges.

- **A strategy for reducing poverty**

  Economic development has always depended on the acceptance of rules. Legislation and functioning legal institutions ensure property rights, the enforcement of contracts, respect for procedure and protection from crime – all legal elements of good governance without which no economy can operate. A market governed by a fair set of rules and institutions is more efficient and brings benefit to everyone. The labour market is no different. Fair labour practices set out in international labour standards and applied through a national legal system ensure an efficient and stable labour market for workers and employers alike.

  In many developing and transition economies, a large part of the work- force is engaged in the informal economy. Moreover, such countries often lack the capacity to provide effective social justice. Yet international labour standards can also be effective tools in these situations. Most ILO standards apply to all workers, not just those working under formal employment arrangements. Some standards, such as those dealing with homeworkers, migrant and rural workers, and indigenous and tribal peoples, deal specifically with certain areas of the informal economy. The reinforcement of freedom of association, the extension of social protection, the improvement of occupational safety and health, the development of vocational training, and other measures required by international labour standards have proved to be effective strategies in reducing poverty and bringing workers into the formal economy. Furthermore, international labour standards call for the creation of institutions and mechanisms which can enforce labour rights. In combination with a set of defined rights and rules, functioning legal institutions can help formalize the economy and create a climate of trust and order which is essential for economic growth and development.

- **The sum of international experience and knowledge**

  International labour standards are the result of discussions among governments, employers and workers, in consultation with experts from around the world. They represent the international consensus on how a particular labour problem could be addressed at the global level and reflect knowledge and experience from all corners of the world. Governments, employers' and workers' organizations, international institutions, multinational enterprises and non-governmental organizations can benefit from this knowledge by incorporating the standards in their policies, operational objectives and day-to-day action. The legal nature of the standards means that they can be used in legal systems and administrations at the national level, and as part of the corpus of international law which can bring about greater integration of the international community.

QUESTIONNAIRE

1. How does globalization affect HR strategy?
2. What are the strategic HR issues in global environment?
3. What are the benefits of a strong global HR strategy?
4. What are the characteristics of human resources in globalization era?
5. What is the role of globalization in HR development and training of employees?
6. What challenges do global organizations face when establishing HR policies?
7. How the global HR system can be effectively implemented?
8. How does HR support strategic management in a global organization?
9. What are the challenges of designing and implementing a global integrated HRM system?
10. How does globalization affect training and development?

SUMMARY

An effective global human resources strategy can be vital in building and securing a sustainable advantage over their competition.

One of the fundamental steps towards building a global human resources strategy should be to end favouritism towards managers that are nationals of the country in which they are based.

To convert global presence into global competitive advantage, companies must exploit five value creation opportunities: adapting to local market differences, exploiting economies of global scale, exploiting economies of global scope, tapping the optimal locations for activities and resources, and maximizing knowledge transfer across locations.

Making an effective selection decision for an overseas assignment can prove to be a major problem. Typically, this decision is based on international selection criteria, which are factors used to choose international managers. These selections are influenced by the Multinational Corporations experience and often are culturally based.

Companies with multicultural workforces face a number of issues with their onboarding, training and development programs. when an employee is sent to work in a foreign country, a business must provide cultural and occupational training that the worker will need to be successful. When developing training programs for foreign employees, developers should be aware of the differences between high context and low context cultures. Prior to relocating an employee to a foreign country, a business often provides cross-cultural preparation to the worker and his family.

There are two basic approaches to determine the international compensation package: going rate approach and balance sheet approach. Going rate approach is based on local market rates. It relies on comparisons of surveys of the local nationals, expatriates of same nationality and expatriates of all nationalities' pay packages. Balance sheet approach to international compensation is a system designed to equalize the purchasing power of employees at comparable position levels living abroad and in the home country and to provide incentives to offset qualitative differences between assignment locations.

International performance management is the evaluation of an individual who works in a foreign subsidiary on a temporary basis to transfer knowledge or develop global leadership skills.

"Industrial Relations" refers to all types of relations between employers and workers, be they at national, regional or company level; and to all dealings with social and economic issues, such as wage setting, working time and working conditions.

The national dissimilarities in economics, political, and legal systems create diverse labour-relations system across countries, MNCs HQs typically delegate the control over labour relations to their foreign subsidiaries

The first moves toward international labour conventions date back to the beginning of the 19th century. Robert Owen in England, J.A. Blanqui and Villerme in France, and Ducepetiaux in Belgium are considered precursors to the idea of international regulation of labour matters.

Purpose of international labour law is that international agreements in the field of labour would help prevent international competition from taking place to the disadvantage of workers, and would constitute a kind of code of fair competition between employers and between countries. Injustice in the social field endangers peace in the world, and that action against such injustice therefore serves the cause of peace. The driving force behind the idea of international labour law was the notion of social justice. the labour legislation or practice of a country has reached a certain level, it may be desirable for the country to ratify a Convention that provides for a standard corresponding to the existing national situation.

ILO sources of international labour law can be found in the Constitution of the Organization, and in its numerous Conventions and Recommendations.

While ILO Conventions are not ranked in terms of their order of importance, there is an underlying hierarchy, which can be discerned. In the first category are Conventions dealing with freedom of association and collective bargaining (Conventions Nos. 87 and 89), forced labour (Conventions Nos. 29 and 105), non-discrimination in employment (Conventions Nos. 100 and 111) and child labour (Convention 138).

The 86th International Labour Conference (1998) adopted by an overwhelming vote a solemn ILO Declaration on Fundamental Principles and Rights at Work, committing the Organization's member States to respect, to promote and to realize in good faith the right of workers and employers to freedom of association and the effective right to collective bargaining, and to work toward the elimination of all forms of forced or compulsory labour, the effective abolition of child labour and the elimination of discrimination in respect of employment and occupation.

An expatriate is an employee who has left his native land and is working and temporarily residing in a foreign country. Repatriation poses certain problems more intense than those encountered at expatriation.

As is too wellknown majority of the returnees consider quitting the organization. Considering the investment made on training, position, maintaining the assignee while on assignment, his or her quitting will adversely affect the MNC ‘s bottom line.

International labour standards are the result of discussions among governments, employers and workers, in consultation with experts from around the world.

REFERENCE

https://www.santaferelo.com/en/mobility-insights/news-and-blog/ten-steps-to-an-effective-global-human-resources-strategy/

https://www.jstor.org/stable/4165734?seq=3#metadata_info_tab_contents

https://www.mbaknol.com/international-business/selection-criteria-for-international-assignments/

https://theintactone.com/2019/02/09/shrm-u4-topic-6-global-workforce-training-and-development/

https://www.vskills.in/certification/tutorial/approaches-to-international-compensation/

https://www.allianzcare.com/en/employers/employer-blogs/2018/11/performance-management.html

https://www.ioe-emp.org/policy-priorities/industrial-relations

https://industrytoday.com/impact-of-globalization-on-industrial-relations/

https://www.whatishumanresource.com/approaches-to-industrial-relations

https://universalteacher.com/1/key-issues-in-international-industrial-relations/

https://training.itcilo.org/actrav_cdrom1/english/global/law/lablaw.htm

https://theintactone.com/2019/02/09/shrm-u4-topic-11-expatriation-and-repatriation/

https://www.ilo.org/global/standards/introduction-to-international-labour-standards/the-benefits-of-international-labour-standards/lang--en/index.htm

❄❄❄❄❄❄❄