FRAMEWORK OF HUMAN RESOURCE DEVELOPMENT

STRUCTURE

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1.0 OBJECTIVES

After studying this lesson, you should be able to understand-

• The concept of HRD.
• HRD models.
• Goals and challenges in HRD.
• Theoretical framework of HRD.

1.1 INTRODUCTION

Human resources development is a continuing process comprising three interdependent components:
• Investment in human resources to enhance productive capabilities.
• Utilisation of those human resources to produce increased output.
• Participation of the human beings who have improved resources (better education, better skills levels etc.) in the consumption of that increased output through a better quality of life. (See fig 1.1)

Sustainable human resources development must involve all three components, as seen in the diagram above. At a national level, investment in human resources must be turned into effective utilisation of those human resources if national output is to be increased on a sustainable basis.

At an individual level, investment in human resources improves earning capabilities. Therefore individuals and families have more money to do many things including pay for their own further skills development. There is a very strong link between investing in human resources development and improvements in the quality of life. Improvements in nutrition, health and education are key elements of an improved quality of life and must be considered important investments in human resources, particularly in
developing countries. Human beings cannot be developed if they do not have enough food, are in poor health or cannot read or write. For developing countries, it is extremely important that all members of the society have access to human resource development activities, especially the poor, women and populations in rural areas.

Participation and choice are key elements in this view of human resource development. The financial reward obtained from participation in production activity is the main way that individuals are able to participate in the quality-of-life benefits that are created by development. Increased job satisfaction and a sense of personal worth arising from increased productivity are also very important contributions to quality of life. The enhanced capabilities created by development enlarge the choices made available to both individuals and nations.

Historically, HRD has referred to developing human resources in order to increase economic productivity and therefore a nation’s wealth, that is, very closely linked with economic outputs. However, within current definitions and discussions, especially in the context of developing countries, there is more emphasis on the human aspects of HRD. So, in the development context the meaning of the term’s human resources development and human development are very much interconnected.

1.2 MEANING OF HUMAN RESOURCE DEVELOPMENT

According to the American Society of Training and Development (ASTD), HRD is the integrated use of training and development, organizational development, and career development to improve individual group, and organizational effectiveness. Society ‘is faced with new challenges and changes daily which increases the need to provide employees with appropriate learning experiences. Moreover, HRD helps organizations to provide learning related to the goals of the organization and to its employees.
This learning is accomplished by providing training, education, and development.

According to Leonard Nadler, author of *Developing Human Resources*,

- **Training** is a learning activity provided by employers to employees, to help them perform, their current jobs more efficiently;

- **Education** focuses on learning designed to prepare an individual for a job different than the one currently held; and

- **Development** focuses on providing knowledge or skills within a specified area, but is not necessarily job related.

### 1.3 THEORETICAL FRAMEWORK OF HRD

The Human Resource Development as a Function has evolved in India very indigenously from the year 1975 when Larsen & Toubro Company conceptualized HRD as an integrated system and decided to separate it from Personnel. Since then, in the last 25 years most organizations have started new HR Departments or re-designated their Personnel and other departments as HRD Departments. Today there are high expectations from HRD. Good HRD requires well structured function and appropriately identified HRD systems, and competent staff to implement and facilitate the change process.

In 1975 Larsen & Toubro a prominent Engineering Company in India had appointed two consultants from the Indian Institute of Management, Ahmedabad to study the performance appraisal system and make recommendations for improving it. The two consultants (Pareek and Rao, 1975) studied the system through interviews etc, and suggested a new system. Pareek and Rao (1975) recommended that “... Performance Appraisal, Potential Appraisal, Feedback and Counselling, Career Development and Career Planning and Training and Development get distinct attention as
unique parts of an integrated system which we call the Human Resources Development System”. Pareek and Rao (1977) in their second report of the Human Resources system in L&T recommended that the personnel function be viewed as Human Resources Function (HRF) and suggested a trifurcated function: Personnel Administration, HRD and Worker Affairs.

The consultants differentiated the HRD from other components of HRF and also integrated structurally and system-wise. Structurally the HRD is to be a subsystem of HRD and integration of this with the other two subsystems (Personnel Administration and Worker Affairs) to be done by the Director level person (for example Vice-President Personnel & HRD), through task forces and sub-system linkages. Inter system linkages were outlined between various HRD subsystems to have an integrated system. The principles designed deal with both the purpose of HRD systems and the process of their implementation. Some of these principles include:

1. HRD systems should help the company to increase enabling capabilities. The capabilities outlined in their report include: development of human resources in all aspects, organizational health, improvements in problem solving capabilities, diagnostic skills, capabilities to support all the other systems in the company, etc;

2. HRD systems should help individuals to recognize their potential and help them to contribute their best towards the various organizational roles they are expected to perform;

3. HRD systems should help maximize individual autonomy through increased responsibility;

4. HRD systems should facilitate decentralization through delegation and shared responsibility;
5. HRD systems should facilitate participative decision-making;

6. HRD system should attempt to balance the current organizational culture with changing culture; and

7. There should be a continuous review and renewal of the function. In sum, the Integrated HRD systems approach of Pareek and Rao (1975) has the following elements:

   (i) A separate and differentiated HRD department with full time HRD staff.

   (ii) Six HRD subsystems including OD,

   (iii) Inter-linkages between the various subsystems,

   (iv) linked to other subsystems of Human Resource Function.

After L&T accepted these recommendations in full and started implementing the State Bank of India the single largest Indian Bank and its Associates have decided to use the Integrated HRD systems approach and decided to create new HRD Department. Since then, by mid eighties a large number of organizations in India have established HRD Departments.

1.4 OTHER FRAMEWORK OF HR/MODELS

As HRD came to prominence in the last decade, other frameworks and models came into existence. Some of these are briefly reviewed here.

The Strategic HR Framework Approach. This framework formulated by Ulrich and Lake (1990) aims to leverage and/or align HR practices to build critical organizational capabilities that enable an organization to achieve its goals. This framework offers specific tools and paths to identify how a firm
can leverage its HR practices. Business strategy, organizational capabilities and HR practices are the three important elements in this framework.

*The Integrative Framework.* The integrative framework offered by Yeung and Berman (1997) identifies three paths through which HR practices can contribute to business performance:

1. by building organizational capabilities;
2. by improving employee satisfaction; and
3. by shaping customer and shareholder satisfaction.

Yeung and Berman (1997) argued for dynamic changes in HR measures to refocus the priorities and resources of the HR function. They argued that HR measures should be business driven rather than HR driven; impact driven rather than activity driven; forward looking and innovative rather than backward looking; and instead of focusing on individual HR practices should focus on the entire HR system, taking into account synergies existing among all HR practices.

*Human Capital Appraisal approach.* This approach outlined by Friedman et al (1998) of Arthur Anderson consulting company is based on the belief that there are five stages in the management of human capital: clarification stage, assessment stage, design stage, implementation stage and monitoring stage. There are five areas of human capital management: Recruitment, retention and retirement; Rewards and performance management; career development, succession planning and training; organizational structure, and human capital enablers. A $5 \times 5$ matrix using these five stages and five areas could be used to evaluate and manage the human capital well. For example in the clarification stage the managers examine their human capital programs to fit into their strategy and overall culture. They may also examine each of the areas to fit into the strategy etc.
**HRD Score Card Approach.** A recent approach formulated by Rao (1999) envisages that HR interventions in order to make the right business impact should be mature in terms of the HRD Systems, Competencies, Culture (including styles) and business linkages. The maturity level and the appropriateness of each of the subsystems of HR, the appropriateness of the HR structures and the level of competencies of HR staff, line managers, top management etc.; the HRD culture (defined in terms of Openness, Collaboration, Trust, Autonomy, Proaction, Authenticity, Confrontation and Experimentation) and the congruence of the top management and HR staff styles with HRD culture, and the extent to which all the systems and practices result in employee satisfaction and customer satisfaction etc. are assessed through a well formulated HRD audit.

**PCMM Approach.** Curtis and team (Curtis et. al, 1995) developed this approach for software organizations. The People Capability Maturity Model (P-CMM) aims at providing guidance on how to improve the ability of software organizations to attract, develop, motivate, organize and retain the talent needed to steadily improve their software development capability. A fundamental premise of the maturity framework is that a practice cannot be improved if it cannot be repeated. In an organization’s least mature state, systematic and repeated performance of practices is sporadic. The P-CMM describes an evolutionary improvement path from an ad hoc one. Inconsistently performed practices, to a continuously mature, disciplined, and continuously improving development of the knowledge, skills, and motivation of the workforce. The P-CMM includes practices such as work environment, communication, staffing, managing performance, training, compensation, competency development, career development, team building, and culture development. The P-CMM is based on the assumptions that organizations establish and improve their people management practices progress through the following five stages of maturity: initial, repeatable, defined, managed, and optimizing. Each of the maturity levels comprises of several Key Process
Areas (KP As) that identify clusters of related workforce practices. When performed collectively, the practices of a key process area achieve a set of goals considered important for enhancing workforce capability.

The integrated systems approach of Pareek and Rao envisaged a separate HRD department for effective designing and implementation of HRD systems. It envisaged strategy as a starting point (as in Ulrich and Lake, 1990); and therefore focused on all the systems to achieve business goals and employee satisfaction. It aimed at synergy (like in the integrated approach of Yeung and Berman), proposed the phased evolution of HRD function (like PCMM approach) and included most of the elements of the Human Capital approach. While each of the latter models have brought to focus one or the other most neglected dimensions that could be good pointers for not getting the best out of HR, the essence is very similar to Pareek and Rao’s approach. If the locally developed frameworks are not implemented well for reasons not associated with the framework but those associated with lack of understanding and seriousness, it may be presumed that advanced frameworks are even more difficult to adopt and get results. It is with this view that an attempt is made to assess the current status of HRD structures and practices in Indian Industry.

Organisations across the globe are finding that the winds of change and of competition are blowing across stronger than ever before. To cope with the extenuating circumstances, organisations are looking out for ways to continue existing and to keep prospering.

1.5 CHALLENGES IN HRD

The future looks even more exciting and threatening. Organisations are gearing up for the difficult times ahead by tapping all the resources on hand. Organisations realize that their people or employees would be one of the prime resources for establishing a competitive edge in the future.
Consequently, organisations would require workable strategies to align the individual talents/strengths of their people towards business goals. This is where Human Resources professionals can play a deciding role. They have to face newer challenges, take up different, unprecedented roles and in the process help the business achieve its goals.

How do we do that?

- What challenges are organisations most likely to face in the changed business scenario?
- What strategies & structural changes will help organisations respond to these challenges?

When Henry Ford proudly looked at the assembly-line winding its way on the shop-floor like a noisy car-vomiting snake, little would he have imagined that, soon this snake is going to be one of the most endangered species of its kind. The false economies in mass production and in huge inventories have been unceremoniously cast away today in this customer-pampering competitive market. Buzzwords like Right-sizing, Downsizing, Rationalisation, Golden Hand-shake have been welcomed by businesses while referring to the sheer number of employees. Manufacturing strategies such as “Flexible Manufacturing systems”, “Computer Integrated Manufacturing”, “Enterprise-wide Resource planning” are making the rounds of the shop-floors today.

If this is the present, what is the scenario going to be in the foreseeable future?

The future most definitely is going to be full of challenges, and businesses are going to be guided by continuous change on an uncertain and unclear path.
The future business scenario would be marked by the below mentioned features:

- **Rapid changes in Technology**: The world is facing a rapid change in technology and so our the organisations. The biggest and foremost challenge which comes before HRD is to make its workers/employees equipped with the changing technologies.

- **Transnational suppliers and customers**: Transnational suppliers and customers have now to be given a new face, as they need to play a transformational role in the changing scenario.

- **Fierce competition**: With the advent of globalisation, and entry of MNC’s & rapid changes in technology the Indian organisations face a fierce competition. To stand in the market and face the competition successfully has become one of the important challenges of HRD.

- **Innovation for survival**: Nothing is permanent except change. The biggest challenge, which comes before HRD professionals, is to provide development opportunities, latest updation of skills to the present employees. To meet the challenges and fierce competition Innovation is a key to success.

- **World-class Quality-demand of customer**: In today’s market Customer is the King. The products are to be manufactured as per the need, demand, want & desire of the customer. Every customer in the market looks for value of money. With increase in competition, and awareness of the customer to maintain quality at an affordable price is the need of an hour.

- **Mergers, Takeovers and Acquisitions**: With increase in competition, entry of MNC’s mergers, takeovers and acquisitions are bound to take place. With cross cultural mix, with diverse culture of various employees working in an organisation the
HRD department is responsible for providing all kind of developmental opportunities to its employees.

- High product differentiation achieved by very low manufacturing costs: Providing a distinct and a different product in the market which can satisfy the needs of the customer. With the increase in competition and ease in availability of substitutes the product should be differentiated with low manufacturing costs. Achieving a differentiation with low cost poses a challenge for HR manages.

- Extremely short lifecycles of products/services: As the memory of people is short so are now the lifecycles of product/services short.

- Quicker response to market. A good MIS accompanied with good HRD can enjoy the quicker response to market.

The new business environment also poses some challenges to the HR Professional, which he/she should gear himself for:

Countering Erosion of trust: The work place could become a very insensitive place because of business-decisions like lay-offs, Golden Handshakes, etc which might leave those lefts behind in a state of fright and suspicion. It is upon the HR Professional to take up this challenge of bringing in some sensitivity and trust into the work place.

Re-humanising: The past decade saw major efforts in the direction of humanising the work-place. The future might again require major efforts on part of the HR Professional to make bonds which have got more or less severed due to the onset of e-mail, telecommunication, flexitime etc. Employees would see less of each other due to the convenience offered by modern technology.

Managing the Contingent Work-force: A by-product of business strategy of keeping the permanent work force as small as possible is that there would
be a substantial number of peoples who would be required on contingencies only. This work-force chips in a fairly big way towards the business goals without being treated as part of the organisation. The contingent component could comprise of consultants, specialists, project teams, part-timers, temporary appointee’s etc. and the HR Person needs to make them feel required and appreciated.

*Double-income families:* The trend already is towards both the husband-wife going out of their homes in pursuit of their careers. This trend is only going to increase which would require the HRD to be responsive to their needs. An HR Department which could provide a in-house Liesure-planner, a Travel Manager, and an entertainment adviser would be appreciated.

*Faster, Non-Fussier Response:* The old bureaucratic ways of queries being replied to after filling up scores of forms and of policies, procedures being kept away in wraps should be challenged. A fresh air of transparency should be allowed to blow across the HRD setup.

*Individual attention:* As customizing is taking place in the services being offered and products being manufactured keeping in mind the needs of the discerning customer, so should the HR Professional handle the work force. Each individual is different from the other and hence deserves to handled differently. Discard those reams of policies and procedure manuals if they are not tuned to treat the individual knowledge worker in adjust manner.

*B2B (Back to Basics):* The HR professional would have to go back to that basic behavioural knowledge and put them to use in order to do justice to the multi-hued workforce. For quite some time these behavioural inputs have been put onto the back burner and more administrative aspects have gained
importance, which in turn has been the reason for the HR function to be treated as a non-critical function.

**Environmental-Scanning:** The latest trends in business and in its own function need to be known to the HR professional more than ever before for adding value to the function. For this the HR professional needs to be in touch with the external environment through any medium possible.

How the Organisation responds to the tremendous demands made by the market would be the key?

The whole organisation structure would need to be more organic than ever before to be able to survive and remain World-class. The stringent and ever increasing demands of the discerning customer would mean that organisations respond to the demands of the market before the competitor does. The structure would have to be lean enough to create synergy and dynamism for disseminating communication quickly across all levels. On the other hand the organisation would require highly competent individuals who take the process of innovation and knowledge-enhancement seriously.

The business scenario would impact the Organisation structure and on its Manpower Resources because of the change in existing and future organisation (see fig 2). Both the type of organisations differ from each other in the following way:

<table>
<thead>
<tr>
<th>Today’s Organisation</th>
<th>Future Organisation</th>
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<tbody>
<tr>
<td>Optimum Organisation</td>
<td>Minimalist Organisation</td>
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<tr>
<td>Specialist departments</td>
<td>Work groups</td>
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<td>Or divisions</td>
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<td>Less designations</td>
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<td>Onus on participation</td>
<td>Onus on entrepreneurship</td>
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<td>Career driven employee</td>
<td>Knowledge-driven</td>
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<td>Professional</td>
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Increased competition, technological development, and shorter product life-cycles all suggest that organisations must be able to respond more quickly to changes in the future than they have in the past. These conditions will require that the organisations operate differently. These differences will be seen in structure, decentralized decision-making, fewer or no job classifications, multi-skilled work forces, more effective communication among functional groups. To bring about these changes within the organisation, the HR Professionals need to get in their expertise and help evolve systems, which support the business needs. The key even then would lie with the Human Resources and not with the computers, not with the CNC machines. The most efficient information systems would be only as good as the “people” who make up the fabric of the company.
1.6 HRD GOALS

Employees and organizations will experience inevitable change. Human resource development (HRD) enhances employee competence in their jobs by increasing knowledge, abilities, and skills. In this environment, the employee will be primarily responsible for career development but the company will also have responsibilities that include clearly stating the company’s corporate strategy, its goals and providing information about its business. The organisations must follow those type of strategies which help in accomplishing organisational goals with an addition to develop the human resource.

Strategy

The business strategy must be linked with the human resource strategy. It is essential to consider the differing characteristics of people when setting a plan for an organization to follow. The stage of development-embryonic, high-growth, matures, or aging- that the company is in will determine the HRD goals.

Companies that are just starting out are interested in strong managers. The next stage is characterized by high growth. While vying for a place for their product in the market, they are also spending a lot of time developing their intellectual capital, i.e., their people. When at the mature stage, companies begin to put more limits on employee actions. Good managers at this stage can assemble employees to be able to perform tasks in the best way possible. Companies that are aging will be very concerned with economic survival and will need a staff that can revitalize it. Organizational culture will be strongest when the company is at the mature stage. “Culture is the pattern of basic assumptions a given group has developed in learning to adapt to both its external environment and its internal environment” [Cascio, 1998]. Corporate commitment must exist for establishing and clearly
communicating organizational culture. Managers who have well-developed human resource skills will recognize the value in a strong culture. They will be better suited and committed to aiding their staff in personal career development. There can be varying cultures across organizations. People who choose jobs that are in line with their own values and culture are likely to be more productive and well suited to work together [Blake]. Successful human resource managers must tie human resources to business strategy goals.

HRD can assist managers in adopting strategic thinking and can facilitate the implementation of business strategies [Garavan, Heraty, and Morley]. The role of human resource staff is changing all the time. Their responsibility in the future is to staff projects with people committed to fulfilling business strategy. Human resource functions such as compensation, benefits and recruiting can be out-sourced. The judgment, knowledge, and foresight needed to staff effectively and efficiently will be the most important role of the human resource manager [Weiss].

Developing the skills of this carefully chosen staff is essential to achieving business strategy. Continual education for employees is one of the most vital organizational strategic goals. When the right people are hired and their skills are developed on an ongoing basis, the human resource manager is insuring the staffing needs for future projects and goals. It only makes sense to keep good quality people and develop their skills to be exactly what you need. Their ability to adapt and change for newer projects will be a reflection of the development preparation that they have received.

Employees need to have good people skills in every organization. This certainly helps them to relate to customers. It also aids the organization by having a staff that can work well together. The development of human-relation skills can help to improve communication, which decreases conflict in the long-run.
Better understanding and effective communication abilities will no doubt increase productivity amongst staff. This creates a more positive work environment that motivates employees. Human-relation skill development means improved performance, which is a main business strategy goal [Dilenschneider].

Assessment

Part of development includes realizing the skills and abilities that employees already have. Even the most well trained employees will perform poorly if they are not assessed properly. Reinforcing previously covered information, teaching new concepts, and introducing new ideas are development aspects that must be measured and assessed. Employees need to know what is expected of them. Acceptable performance can only be known if the employees are assessed and if the assessment information is communicated to them. Then, the measurement of what people have learned after training will be more accurate. Feedback from managers to subordinates and vice versa is essential to the development function.

Research conducted over the past 70 years indicates tests to evaluate intellectual ability, the ability to draw conclusions from verbal or numerical information, and an individual's interests can help in selecting successful managers [Cascio]. An employee needs to be assessed-for readiness to accept management responsibilities. Assessment centers can focus on business simulations as well as formal assessments. These programs allow the employee to develop his/her skills in a structured and focused process. This kind of development encourages promotion and increases job satisfaction. Weaknesses are identified and the employee is empowered to tailor development to fit his or her future career plans.

These centers use multiple assessment techniques, such as situational tests, tests of mental abilities, and interest inventories. They also use
standardized methods to make inferences from these techniques as well as pooled judgments from multiple assessors to rate each candidate's behaviour. The assessment center prediction doesn't help very much if you are only trying to predict performance in management such as the clarification and evaluation of the promotion system in an organization. They are, however, helpful in capturing the promotion policy of the organization.

Both job and person analyses need to be included in assessment of the trainee [Cavanaugh].

Personality, motivation and the actual task can affect self-efficacy. This trait plays a big part in eventual performance on the job [Gist and Mitchell]. Development aimed at improving skills should increase self-efficacy.

It is important to remember that no one predictor of performance is perfectly valid and some mistakes in selection are inevitable. Conscious selection of managers and lower level employees based on their fit with demonstrated job requirements, the strategic direction of a business, and organizational culture will minimize mistakes and enable you to make optimum choices.

Post development evaluation criteria and processes are essential. People-management and management of change issues are the key future training and development needs for both multinational and indigenous organizations [Tregaskis]. Garavan, Heraty, and Morley discuss the differing interest groups' perceptions on evaluation of HRD programs. Senior and line managers use quantitative measures such as optimal utilization of human resources, increased productivity and enhanced employee flexibility to evaluate HRD success. HRD specialists and individual learners place more emphasis on qualitative criteria such as the number of training days, how many and who participated, and improved performance and career options. Individual learners were primarily concerned about their enhanced
employability resulting from certification, the range of competencies developed and the financial investment in their training.

**Return on investment**

By retaining employees, the value of their development increases. They will increase productivity and contribute to the over-all success of the organization. Their expanded knowledge makes them valuable assets for the company. Overtime, this added value will more than cover the costs of their development.

This reflects a payback model with an emphasis on quantitative and tangible results. However, senior managers, education providers, and HR and HRD specialists believe in the pay-forward model, i.e., results should accrue in the longer term primarily as cultural change and increased incorporation of corporate goals by individual employees. The pay-forward model “... is more in tune with the contribution ...” HRD specialists believe they can make [Garavan, Heraty, and Morley].

**Technology**

The responsibility for managing new technological advances has fallen on the human resource manager. Proper development of technical skills from understanding how to use a computer to interfacing with networks is increasingly difficult. If technical goals and strategies are expanded, the job of developing employees will be more focused.

Technological changes will alter the face of communication and also the way in which employees learn. People should be encouraged to develop their abilities individually especially with the ease of delivery of information through the Internet. Sharing knowledge, exchanging resources and learning can be improved within an organization. Interactive forums and tutorials
allow learning to be done from even the most remote area. Real-time conferencing allows employees to be students in virtual classrooms.

All levels of business functions need technological development. HRD should focus on competent trainers. These will be the people with initial responsibility for working on technical skills. Then, as programs are further developed, people will welcome the technological change as it works its way into the organizational culture. For example, if the accounting department is up and running with new systems, why isn't the administrative level? Employees will welcome chances to develop their technical skills to keep the internal competitive climate more equal.

Changes in organizational structure will enable management to develop technical skills. They should allow an organization to restructure by enabling employees to learn, make contacts, and develop more efficiently. This can be done with effective strategic goals that allow development to take place. An example would be to have development designed internally, but the actual training would be out-sourced.

Electronic performance support systems (EPSS) are the latest wave in the training and development arena [Marquardt]. These systems use computers to gain access to information, save it, and distribute it throughout an organization. This helps development because employees can gain a lot of information in a short period of time on an individual and basis staff support is minimal. HRD managers must know this system and how it relates to the work procedures of the organization.

Preparation for technology is the key. Seeking out instruction from people with technological backgrounds is a first step. Check out on-line tutorials with commercial services. Seminars, conferences and training programs are the best places to get the most up to date technological development information for yourself as well as for subordinates. Many
academic programs offer technological expertise. Books, magazines, and journals on technology are readily available. They also give information about the internet, EPSS and other on-line services. There are thousands of on-line sites that deal directly with technology and its impact on human resource development.

1.7 SUMMARY

Human Resource Development being one of the most integral part of Human Resource Management explains the need that the workforce/employees should be developed in such a manner that they prove an asset to the organisation. With minimum resources and less wastages an optimum production can be carried out. HRD helps organisations to provide learning related activities to its employees and employers.

Learning related activities include training the employees, educating them and developing them so that the major objective of HRD is accomplished i.e. to develop HR in such a way that it proves an asset to the organisation. As HRD came into existence various models related to HRD are also their such as The Strategic HR Framework Approach, The Integrative Framework, Human Capital Appraisal Approach, HRD Score Card Approach, PCMM Approach. The future looks even more exciting and threatening. The type of challenges which the organisations are going to face in near future results in (i) rapid changes in technology, (ii) transnational suppliers and customers, (iii) fierce competition, (iv) innovation for survival, world-class quality-demand of customer, (v) mergers, takeovers and acquisitions, (vi) high product differentiation achieved by very low manufacturing costs, (vii) extremely short lifecycles of products/services. To face these challenges the HR should have certain well-defined goals in front of them in terms of strategy, assessment, return on investment and technology.
1.8 KEYWORDS

**Performance Appraisal**: Evaluating an employee’s current and/or past performance relative to his or her performance standards.

**Human Resource Management**: The policies and practices involved in carrying out the ‘people’ or human resource aspects of a management position, including recruiting, screening, training, rewarding and appraising.

**Human Capital**: The knowledge, education, training, skills and expertise of a firm’s workers.

**Strategy**: The company’s long-term plan for how it will balance its internal strengths and weaknesses with its external opportunities and threats to maintain a competitive advantage.

1.9 SELF ASSESSMENT QUESTIONS

1. “Organizations don’t change. People change. And then people change organizations.” How does HRD change people?
2. Does HRD help in enhancing Quality of Life? If yes, how and also cite at least two examples to justify the statement.
3. Cite a practical example for the challenges faced by any Indian Organisation? What efforts are being put forward to face these challenges.
4. How do you sell the idea of the HR department to the managing partner?
5. If you were an HRD manager what would have been your role in today’s scenario?
1.10 REFERENCES/SUGGESTED READINGS


Web Sites

http://ifconsultants.com/BowieHRD/HRD.html
http://www.humanlinks.com/manres/articles/neworgsn.htm
http://www.humanlinks.com/manres/articles/setionl.htm
http://www.humanlinks.com/manres/articles
http://www.tvrls.com/structureofHRDdept.htm
http://chaos.va.givu.edu/faculty/chalofsky.htm
HRD CLIMATE AND PRACTICES IN INDIA

STRUCTURE

2.0 Objectives
2.1 Introduction
2.2 HRD climate and Organisational climate
2.3 Elements of HRD Climate
2.4 What contributes to HRD climate?
2.5 HRD Climate in Indian organizations
2.6 Highlights: HRD Practices in Indian Organisations
2.7 Trends: HRD in India
2.8 Summary
2.9 Keywords
2.10 Self Assessment Questions
2.11 References/Suggested Readings

2.0 OBJECTIVES

After reading this lesson, you should be able to understand-

- The concept of HRD climate and organisational climate.
- The elements of HRD climate.
- HRD climate and practices in Indian organisations.

2.1 INTRODUCTION

The HRD climate of an organisation plays a very important role in ensuring the competency, motivation and development of its employees. The HRD climate can be created using appropriate HRD systems and leadership
styles of top management. The HRD climate is both a means to an end as well as an end in itself.

Perception about an organisation’s goals and about decisions that a manager should take to achieve these goals comes not only from formal control systems but also through informal organisation. Both the formal and informal structure combines to create what is called organisational climate.

The term ‘climate’ is used to designate the quality of the internal environment which conditions in turn the quality of cooperation, the development of the individual, the extent of member’s dedication or commitment to organisational purpose, and the efficiency with which the purpose becomes translated into results. Climate is the atmosphere in which individuals help, judge, reward, constrain and find out about each other. It influences morale and the attitudes of the individual toward his work and his environment.

Organisational climate has been a popular concept in theory and research for sometime and has received a great deal of attention in the past 25 years. Guion (1973) has stated that, “The construct implied by the term ‘organisational climate’ may be one of the most important to enter the thinking of industrial psychologists in many years”. Twelve reviews of climate literature have appeared since the mid-1960s.

Hellriegel and Slocum (1974) define organisational climate as a set of attributes which can be perceived about a particular organisation and/or its sub-systems deal with their members and environment”. This definition implied that in the measurement of organisational climate:

a) perceptual responses sought are primarily descriptive rather than evaluative;

b) the level of inclusiveness of the items, scales ‘and constructs are macro rather than micro;
c) the units of analysis tend to be attributes of the organisation or specific sub-systems rather than the individual;
d) the perceptions have potential behavioural consequences.

Schneider (1975) has prepared a working definition of climate:

“Climate perceptions are psychologically meaningful molar descriptions that people can agree characterize a system’s practices and procedures. By its practices and procedures a system may create many climates. People perceive climates because the molar perceptions function as frames of reference for the attainment of some congruity between behaviour and the system’s practices and procedures. However, if the climate is one, which rewards and supports individual differences, people in the same system will not behave similarly. Further, because satisfaction is a personal evaluation of a system’s practices and procedures, people in the system tend to agree less on their satisfaction than on their description of the system’s climate”.

By its very nature, ‘climate cannot be described concretely. Some alternative characteristics are as follows:
• Focus on results versus focus on following work
• Individual accomplishment versus being a member of the team
• Initiative and risk-taking versus not rocking the boat
• Individual gains versus dealing with people vs avoidance of unpleasant actions
• Tough mindedness versus dealing with people vs avoidance of unpleasant actions
• The relative importance of participating management versus authoritarian management
2.2 HRD CLIMATE AND ORGANISATIONAL CLIMATE

HRD climate is an integral part of organisational climate. It can be defined as perceptions the employee can have on the developmental environment of an organisation. This developmental climate will have the following characteristics (Rao and Abraham, 1986):

- A tendency at all levels starting from top management to the lowest level to treat the people as the most important resource
- A perception that developing the competencies in the employees is the job of every manager/supervisor
- Faith in the capability of employees to change and acquire new competencies at any stage of life
- A tendency to be open in communications and discussions rather than being secretive (fairly free expression of feelings)
- Encouraging risk-taking and experimentation
- Making efforts to help employees recognize their strengths and weakness through feedback.
- A general climate of trust
- A tendency on the part of employees to be generally helpful to each other and collaborate with each other
- Team spirit
- Tendency to discourage stereo types and favouritism Supportive personnel policies
- Supportive HRD practices including performance appraisal, training, reward management, potential development, job-rotation, career planning, etc.

Organisations differ in the extent to which they have these tendencies. Some organisations may have some of these tendencies, some others may have only a few of these and few may have most of these. It is possible to workout the profile of an organisation on the basis of these tendencies.
HRD climate contributes to the organisations’ overall health and self-renewing capabilities, which in turn increase the enabling capabilities of individual, dyads, team and the entire organisation.

2.3 ELEMENTS OF HRD CLIMATE

The elements of HRD climate can be grouped into three broad categories—general climate, OCTAPAC culture and HRD mechanisms. The general climate items deal with the importance given to human resources development in general by the top management and line managers. The OCTAPAC items deal with the extent to which Openness, Confrontation, Trust, Autonomy, Proactivity, Authenticity and Collaboration are valued and promoted in the organisation. The items dealing with HRD mechanisms measure the extent to which HRD mechanisms are implemented seriously. These three groups were taken with the following assumptions:

a) A general supportive climate is important for HRD if it has to be implemented effectively. Such supportive climate consists of not only top management, line management’s commitment but good personnel policies and positive attitudes towards development.

b) Successful implemented of HRD involves an integrated look at HRD and efforts to use as many HRD mechanisms as possible. These mechanisms include performance appraisal, potential appraisal, career planning, performance rewards, feedback and counselling, training, employee welfare for quality work life, job-rotation, etc.

c) OCTAPAC culture is essential for facilitating HRD. Openness is there when employees feel free to discuss their ideas, activities and feelings with each other. Confrontation is bringing out problems and issues into the open with a view to solving them rather than hiding them for fear of hurting or getting hurt. Trust is taking people at their face value and believing what they say.
Autonomy is giving encouraging employees to take initiative and risks. Authenticity is the tendency on the part of people to do what they say. Collaboration is to accept interdependencies, to be helpful to each other and work as teams.

2.4 WHAT CONTRIBUTES TO HRD CLIMATE?

The following factors may be considered as contributing to HRD climate:

1) *Top Management Style and Philosophy*: A developmental style, a belief in the capability of people, a participative approach, openness and receptivity to suggestions from the subordinates are some of the dimensions that contribute to the creation of a positive HRD climate.

2) *Personnel Policies*: Personnel policies that show high concern for employees, that emphasise equity and objectivity in appraisals, policies that emphasise sufficient resource allocation for welfare and developmental activities, policies that emphasise a collaborative attitude and trust among the people go a long way in creating the HRD climate.

3) *HRD Instruments and Systems*: A number of HRD instruments have been found to generate a good HRD climate. Particularly open systems of appraisal with emphasis of counselling career development systems, informal training mechanisms, potential development systems etc. contribute to HRD climate.

4) *Self-renewal Mechanisms*: Organisations that have built in self-renewal mechanisms are likely to generate a positive HRD climate.

5) *Attitudes of Personnel and HRD staff*: A helpful and supportive attitude on the part of HRD and personnel people plays a very critical role in generating the HRD climate. If the personnel
behaviour of any of these agents is not supportive, the HRD climate is likely to be vitiated.

6) **Commitment of Line Managers**: The commitment of line managers to the development of their subordinates is a very important determiner of HRD climate. If line managers are willing to spend a part of their subordinates, it is likely to have a positive impact.

### 2.5 HRD CLIMATE IN INDIAN ORGANIZATIONS

The HRD climate as described in some of the Indian organizations is described below:

1. **Venture Finance Company (VFC)**: VFC is a professionally managed venture finance company, which enjoys both national and international patronage. It has provided managerial and financial support to over 45 companies. The total manpower currently is 34 out of which 26 are managerial cadre the remaining are clerical support staff. This is the smallest of the organizations studied. VFC does not have a separate department for HRD. Currently there is one executive who looks after HRD and one-deputy manager personnel and administrative matters.

2. **Consumer Products Company (CPC)**: This CPC is in consumer products. Talent recruitment, retention and excitement are the focus in HR. Company aims at fully establishing itself as an FMCG company. E-commerce, E-initiatives, diversification are some future possible areas of work. Total number of employees is about 800. A corporate personnel is headed by a President- HR (who also looks after an SBU besides all HR activities). There are 3 Deputy General managers (personnel administration, TQM, and health services), 1 manager estates, recruitment, and other HR issues, 1 civil manager, 2 assistant managers (payroll and training and performance management), 1 executive (recruitment, 360 feedback and other matters), 1 senior officer (secretary to President & compensation manager) and 1 officer
(administrative support in training, resignations, exit interviews, transfer etc). The Human Resources Function in this company is highly differentiated. The President- HR integrates it at the top level. There is no strong departmentation but specialization at individual level and a high degree of flexibility. The Managers in-charge of appraisals and training devote their full attention to these functions. OD, Career Planning, Potential appraisal are not focused at present. TQM and Feedback and Counselling are well integrated into the other systems.

3. Multinational Electronics Manufacturing Company (MEMC): MEMC is a world’s leading supplier of electrical and electronic connectors and inter-connection systems. Headquartered in the USA, MEMC has about 46,000 employees all over the world. It is a world-class technology leader and is frequently named as one of the top 50 patent-holding corporations in the world. Total number of employees in this company at the time of this study were about 600. The HR department had 6 employees, 1 Manager, 1 Asstt. Manager, 1 Senior Executive, 1 Officer, 1 Junior Officer, and 1 receptionist. The Head of HR integrates HRD function with the other HR Systems. While there are no separate departments, there are individual’s in-charge of different HR systems.

4. Tyre Manufacturing Company (TMC): TMC’s market share is considered to be one of the top in the tyre industry in India. Total number of employees in one of its plants studied is about 1400. The HR department has 21 employees, who look after personnel, safety, time, office, welfare etc. There is no HRD department separately. It is not a differentiated function. After the HRD audit the company decided to establish a separate HRD unit and integrate it with the personnel function at the plant level. At the top level in the corporate office there is a high concern for a competence building to meet changing needs of the industry.

5. Indian Multinational Company (IMC): This company is owned by an Indian Business House and is located in another country. It is a
manufacturing unit and employs a few Indians. It is the best rated company in the country where it is located. It is the first to get ISO-14001 and QS-9000 accreditation. 85% of its products are exported to about 30 countries (like UK, France, Spain, Italy, Israel, Etc) and most of its customers across the world consider it to be highly quality conscious and customer driven. It plans to double its production in the next five years. It intends to do so with an addition of less than 20% to its manpower. It had about 300 local employees and about 40 Indian Managers. The HR Department had a total of 31 staff of which there is 1 Deputy General Manager heading the functions; 3 officers are looking after training, personnel matters and safety. Of the remaining 9 are drivers, 2 receptionists, 4 safety technicians, 2 agricultural engineers; 1 nurse and other miscellaneous staff.

6. Automobile Manufacturing Company (AMC): This company envisions itself to be a world class organization in the next few years. Competition is on increase with the entry of multinationals and JVs. Total number of staff at managerial levels were over 1,700 technical and non-technical personnel. HRD staff consisted of 16 members. 6 had an engineering background, which gives them a technical advantage in the business of the company. Of them only two looked after Training and development and the rest looked after other HR functions including recruitment, induction etc.

7. Cement Manufacturing Units (CMUs): CMU-1 had a total of 154 staff and officers and 130 workmen. Of the 154 staff 27 are in Senior Managerial Cadre, 69 are Supervisors and Officers and 58 are Assistants. 77 of the 130 workers are skilled. A Deputy General manager Personnel & HRD who integrates both the functions manages the HR function. A manager and an officer assist him. CMU-2 is a market leader and is expected to be the largest single location manufacturing plant when its plans are achieved. The plant had employee strength of 450 workmen and 782 Officers. The officers include those of Marketing. There were 10 members in Personnel and HR department and 17 in welfare department.
The above description of the HR climate indicates that the HR Departments in Indian organizations (including one multinational located in India and one Indian Company located in another country) do not have well differentiated structures appropriate for HRD. They have well differentiated roles in Personnel but not in HRD. When it comes to HRD it seems that they structure the role in such a way that it is even mixed up with other personnel functions. As the structures are mixed and convenience based, the HRD activities also get mixed attention and are often convenience based. As a result various sub-systems of HRD do not get the attention they deserve.

Following the structuring suggestions by Pareek and Rao there should be separate functionaries available for handling Performance appraisal, Feedback and Counseling, Potential Appraisal and Development, OD, Training and Career Planning and Development. The HRD function is also very inadequately represented. On an average while there is one Personnel staff to look after the personnel management needs of every 100 employees. There is less than one full time person to look after the HRD needs of every 1,000 employees. This can be considered as very inadequate. Even those who are there are not well qualified in terms of learning methodology, human development and such other technical skills required to handle the competency building, commit building and culture building functions of HRD.

It may be concluded that the HRD Function in India is not appropriately structured in the country where the World’s first dedicated HRD department was started. The structures do not follow the principles envisaged by Pareek and Rao and are not differentiated as outlined by them. Indian organizations seem to have played only lip sympathy to HRD. More than 50% of the organizations do not even have a full time dedicated HRD Facilitator. Where there is one he is loaded with recruitment, salary administration and such other roles, which are not development roles.
2.6 HIGHLIGHTS: HRD PRACTICES IN INDIAN ORGANISATIONS

The HRD practices of the eight companies are presented in Table below:
### TABLE 1: SUMMARY OF HIGHLIGHTS OF THE HR CLIMATE AND SYSTEMS USED IN 8 INDIAN COMPANIES AS IN THE YEAR 2000

<table>
<thead>
<tr>
<th>HRD Dimension</th>
<th>VFC</th>
<th>CPC</th>
<th>TMC</th>
<th>MEMC</th>
<th>IMC</th>
<th>CMU-1</th>
<th>CMU-2</th>
<th>AMC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structure</td>
<td>Single person Department covering HRD as a part of Personnel and Administration. Reports to CEO.</td>
<td>Top-level President Corporate Personnel Function integrating HRD into it. Separate Managers allocated to HRD. Similar to L&amp;T model.</td>
<td>No separate HRD Function. HRD activities are part of Personnel &amp; Industrial Relations. HRD Audit recommended separate identity.</td>
<td>Top-level person incharge of HR and HRD. Integrates HR and HRD function. No separate HRD Managers. Chief spends time on HRD and pays special attention.</td>
<td>No separate HRD. HRD function looks after personnel administration. Training looked after by a separate functionary. After HRD Audit special attention being given to HRD.</td>
<td>No separate HRD. HRD integrated into HR Function, which handles HR Administration matters.</td>
<td>No separate HRD. Personnel function is separate and focuses on worker welfare and administration.</td>
<td>There is a separate HRD. Personnel function is separate and focuses on worker welfare and administration.</td>
</tr>
<tr>
<td>HRD Dimension</td>
<td>VFC</td>
<td>CPC</td>
<td>TMC</td>
<td>MEMC</td>
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<tr>
<td>Performance Appraisal</td>
<td>Trait based appraisal open changed to KPA based with quarterly performance review discussion after HRD Audit</td>
<td>Balance score card framework based KRAs identified Qualities used 360 degree feedback used for top management</td>
<td>Employee Development Review having goal setting and Behavioural attributes assessment; done annually</td>
<td>PBR Performance for Business Results, open system linked to business goals, annual system only</td>
<td>Open system with self appraisal promoting open discussion with superior; trait based only, KPA &amp; KRA’s absent; done annually</td>
<td>Annually done; Comprehensive and development oriented appraisal system, inclusive of Self appraisal, goals and accomplishments, personal attributes, team appraisal and appraisal of effort put in for subordinate’s development</td>
<td>Development Review Process initiated in 1994 focussing on Job Goals, Personal Traits and Personality, includes joint appraisal on some issues only</td>
<td>Annual Performance Review system, not perceived to be very transparent and open</td>
</tr>
<tr>
<td>Potential</td>
<td>No potential appraisal</td>
<td>No potential appraisal system</td>
<td>No potential appraisal system</td>
<td>No potential appraisal system</td>
<td>No potential appraisal system</td>
<td>Mention in Performance appraisal through recommendations for potential development</td>
<td>Mention in appraisal system, not focussed on or given required attention to</td>
<td>Not currently being introduced, succession planning present in some divisions</td>
</tr>
<tr>
<td>HRD Dimension</td>
<td>VFC</td>
<td>CPC</td>
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<tr>
<td>Feedback and Counselling</td>
<td>Performance counselling and feedback is done twice in the year and includes the appraisal exercise</td>
<td>No system providing feedback or counselling exist</td>
<td>Performance Review Development at start of appraisal only, counselling absent</td>
<td>Weak system of feedback giving, no counselling</td>
<td>Weak system of feedback giving at start of appraisal; counselling absent</td>
<td>Limited to appraisal feedback only; performance counselling non-existent</td>
<td>Performance feedback given during review sessions, counselling weak</td>
<td>Zilch Quarterly Feedback being introduced after the audit</td>
</tr>
<tr>
<td>Career Planning Development</td>
<td>No career planning</td>
<td>No career planning in organization, career development encouraged through training only</td>
<td>Zilch</td>
<td>Policy of Career &amp; succession Planning is documented</td>
<td>Zilch</td>
<td>Exists in form of “Reserve Pools”, but is limited to highest two positions in departments only</td>
<td>Zilch-no system exists</td>
<td>Zilch</td>
</tr>
<tr>
<td>HRD Dimension</td>
<td>VFC</td>
<td>CPC</td>
<td>TMC</td>
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<tr>
<td>Training and Development</td>
<td>T &amp; D is an area of high focus and importance, post training presentations and reports are mandatory, library of same is maintained</td>
<td>Continuous throughout the year, also as part of TQM, training needs identified, calendar prepared, internal faculty identified and developed, post training feedback monitored</td>
<td>Systematic T &amp; D needs identification done annually for Functional, Behavioural &amp; Managerial skills</td>
<td>Employee Training and Development needs identified and continuously facilitated through Total Productivity Management for technical skills, post training presentations and reports, no scientific identification of training needs</td>
<td>Continuous training and development needs identified through various sources and means, training calendar prepared for the year and communicated to all, systematically done and is continuous in the organization</td>
<td>Continuous activity, individual department for T &amp; D, training calendar made every year, training needs identified through brainstorming and interdisciplinary meetings</td>
<td>Technical training is highly emphasized, continuous activity, main focus on competency building high support from top management, post training data collection is weak</td>
<td></td>
</tr>
<tr>
<td>HRD Dimension</td>
<td>VFC</td>
<td>CPC</td>
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<tr>
<td>Organizationa l</td>
<td>Weak</td>
<td>Employee satisfaction surveys, climate diagnosis, manpower studies, benchmarking, marking, market surveys, action research, Kaizens, small group activities etc.</td>
<td></td>
<td>Culture Building; Annual day, sports</td>
<td></td>
<td>Sporadic and not given adequate focus in the organization</td>
<td></td>
<td>Managerial Grid &amp; Effectiveness programs conducted along with periodic diagnostic surveys</td>
</tr>
</tbody>
</table>
2.7 TRENDS: HRD IN INDIA

From the table the following trends maybe observed in terms of the HRD practices:

- Most organizations seem to have well developed performance management systems or are in the process of having the same. The performance management systems of all these organizations seem to be development oriented. This is more in that organization where there is separate HRD department or there is high emphasis on HRD.

- Feedback and Counselling is the second system most seems to follow. However this is integrated into the performance appraisal and hence diluted. The Feedback and review discussions are conducted more as a formality than with a high development orientation.

- There is no potential appraisal as a separate system in any of these companies. It is there as a part of the performance appraisal in a few of these. Only one of the organizations is planning to use Assessment centers.

- 360-Degree Feedback is being tried out in six of the eight organizations either as part of corporate initiative or on there owns initiative.

- Employee satisfaction surveys, TQM interventions, Total Productivity Management, Team Building workshops, Visioning exercises, Train the trainer programs etc. are some of the OD interventions being used by these organizations. However there is very little of in-house competencies in OD. OD interventions are largely outsourced. HRD Departments are not yet being developed as internal change agents or OD facilitators.
Training and development is well developed and well managed in these organizations. Internal Faculty has been developed in most of these organizations. Those organizations covered under ISO certification programs have given a systematic and high emphasis to training and development activities. They are still to graduate from Training and Development orientation to creation of a learning environment.

*Extent to which Integrated Systems Approach is being followed in Implementing HRD*: Table 2 presents a summary evaluation of the extent to which Pareek and Rao’s Integrated System Approach is followed in these eight organizations. The observations are derived from various audits.

**TABLE 2: EXTENT TO WHICH ELEMENTS OF PAREEK AND RAO’S (1975) INTEGRATED SYSTEMS APPROACH IS FOLLOWED:**

<table>
<thead>
<tr>
<th>Element</th>
<th>Extent to which followed</th>
</tr>
</thead>
<tbody>
<tr>
<td>• A differentiated structure with separate HRD Department and full-time staff</td>
<td>• None of the organization have differentiated HRD structures. Less than 50% have full time HR staff</td>
</tr>
<tr>
<td>• Six subsystems of HRD</td>
<td>• Only two or three are implemented well. Potential appraisal, career planning and OD are weak</td>
</tr>
<tr>
<td>• Inter linkages between subsystems</td>
<td>• Only performance Appraisal is linked to training and full potential of Performance appraisal is not used.</td>
</tr>
<tr>
<td>• Designed with 14 principles in focus</td>
<td>• The Principles are not used though occasionally some components figure out in terms of value.</td>
</tr>
<tr>
<td>• Linked to other systems of HRF</td>
<td>• This is done by default, as HRD does not have a separate identity</td>
</tr>
</tbody>
</table>
It is clear that from this table, that 25 years after the integrated HRD systems approach was made available in India; there is very poor implementation of the same. The approach is very simple, and locally evolved + with the help of Indian Managers. It is not well implemented in the experience of the authors due to

(a) lack of understanding and appreciation of the top management the significance of HRD and its linkages to business,

(b) lack of competent HRD staff;

(c) lack of professional preparation of HRD staff, and

(d) inadequate understanding HRD conceptualizations and frameworks.

The recent HRD frameworks are conceptually more heavy, culturally not very sensitive to Asian cultures and are more sophisticated in terms of larger number of variables they cover and linkages needed. The use of these frameworks and models to Asian organizations is doubtful unless implementation problems like the one mentioned above are taken care of.

### 2.8 SUMMARY

For the success of every organisation it is necessary to have an effective HRD climate in an organisation. A good HRD climate can help in maintain and building a better HRD structure which involves an equal distribution of responsibilities and authorities among the HR personnel.

HRD climate is well practiced in Indian organisations giving the HR personnel knowledge for to develop, how to develop and whom to develop.
2.9 KEYWORDS

**Line Manager:** A manager who is authorized to direct the work of subordinates and is responsible for accomplishing the organization’s tasks.

**Organisational Development:** A special approach to organisational change in which employees themselves formulate and implement change that’s required.

**Career Planning:** The deliberate process through which a person becomes aware of personal career related attributes and the lifelong series of steps that contribute to his or her career fulfilment.

**Competencies:** Demonstrable characteristics of a person that enable performance of a job.

**Training:** The process of teaching new employees the basic skills they need to perform their jobs.

2.10 SELF ASSESSMENT QUESTIONS

1. Cite two examples from Indian organisation and discuss the HRD practices done in these Organisations?

2. Effective climate leads to effective working. Explain the role of HRD in today’s organisation?

2.11 REFERENCES/SUGGESTED READINGS


8. IGNOU, School of Management Studies, “HRD for workers”, Main Issues in HRD block 4, MS-22HRD.

Websites

http://www.tvrls.com/StructureOfHRDDept.html
STAFFING HR FUNCTION

STRUCTURE

3.0 Objectives
3.1 Introduction
3.2 Staffing HR function
3.3 The new mandate for HR
3.4 HR specialists as strategic partners
3.5 HR As a Business Partner
3.6 Key functions
3.7 HR competencies
3.8 The strategic role of the HR director
3.9 Summary
3.10 Keywords
3.11 Self Assessment Questions
3.12 References/Suggested Readings

3.0 OBJECTIVES

After studying this lesson, you would be able to

- Explain the key functions expected from HR strategist
- Understand HR competencies
- Discuss strategic role of HR director

3.1 INTRODUCTION

To be full-fledged strategic partner with senior management, HR executives should impel and guide serious discussion of how the company
should be organized to carry out its strategy. HR must take stock of its own work and set clear priorities. At any given moment, the HR staff might have a dozen initiatives in its sights such as pay-for-performance, global teamwork, and action-learning development experiences. But to be truly tied to business outcomes, HR needs to join forces with operating managers to systematically assess the impact and importance of each one of these initiatives. Which ones are really aligned with strategy implementation? Which ones should receive immediate attention and which ones can wait? Which ones, in short, are really linked to business results?

3.2 STAFFING HR FUNCTION

- Quality improvement depends on high-quality personnel at all levels;
- Staff retention is important to support growth;
- The balance of motivation and cost reduction requires a clearly thought out reward strategy that has maximum impact without sending costs out of control;
- New HR technology can be used to capture process efficiencies and control costs;
- HR specialists will become subject experts in a team of internal consultants rather than members of the old-style hierarchy.

3.3 THE NEW MANDATE FOR HR

HR should not be defined by what it does but by what it delivers—results that enrich the organization’s value to customers, investors and employees. Ulrich believes that for HR to deliver excellence it should:

- become a partner with senior and line managers in strategy execution, helping to improve planning from the conference room to the market place;
• become an expert in the way work is organized and executed, delivering administrative efficiency to ensure that costs are reduced while quality is maintained;
• become a champion for employees, vigorously representing their concerns to senior management and at the same time working to increase employee contribution, that is, employees’ commitment to the organization and their ability to deliver results;
• become an agent of continuous transformation, shaping processes and a culture that together improve an organization’s capacity for change;
• communicate the importance of the soft, people-centred issues; define HR deliverables and be accountable for them; and
• invest in innovative HR practices.

3.4 HR SPECIALISTS AS STRATEGIC PARTNERS

As a strategic partner, the HR specialist performing the following functions:

1. *Shared mind-set:* To what extent does our company have the right culture to achieve our goals?
2. *Competence:* To what extent does our company have the required knowledge, skills, and abilities?
3. *Consequence:* To what extent does our company have the appropriate measures, rewards and incentives?
4. *Governance:* To what extent does our company have the right organization structure, communication systems and policies?
5. *Capacity for change:* To what extent does our company have the ability to improve work processes, to change and to learn?
6. *Leadership:* To what extent does our company have the leadership to achieve its goals?
3.5 HR AS A BUSINESS PARTNER

The four roles of HR as a business partner as defined by Morton (1999) are:

1. **Strategic partner** - the management of strategic human resources, aligning HR and business strategy.
2. **Change agent** - the management of transformation and change, creating a renewed organization.
3. **Administrative expert** - management of firm infrastructure, re-engineering organizational processes.
4. **Employee champion** - management of employee contribution, increasing employee commitment and capability.

The key functions of strategist, business partner, innovator and change manager are discussed in more detail below.

3.6 KEY FUNCTIONS

The strategist role

As strategists, HR practitioners address major long-term issues concerning the management and development of people and the employment relationship. They are guided by the business plans of the organization but they also contribute to the formulation of the business plans. This is achieved by ensuring that top managers focus on the human resource implications of their strategies. HR strategists persuade top managers that they must develop plans that make the best use of the organization’s human resources in terms of the required core competences. They emphasize, in the words of Hendry and Pettigrew (1986), that people are a strategic resource for the achievement of competitive advantage.
A strategic approach to managing people as described above means that HR strategists strive to achieve strategic integration and fit. Vertical integration or fit takes place when HR strategies are linked to and support business strategies. Horizontal integration or fit is achieved when a range or ‘bundle’ of coherent, interconnected and mutually reinforcing HR strategies are established.

**The business partner role**

As business partners, HR practitioners share responsibility with their line management colleagues for the success of the enterprise. As defined by Tyson (1985), HR specialists as business partners integrate their activities closely with top management and ensure that they serve a long-term strategic purpose, and have the capacity to identify business opportunities, to see the broad picture and to see how their HR role can help to achieve the company’s business objectives.

HR practitioners in their role as business partners are aware of business strategies and the opportunities and threats facing the organization. They are capable of analysing organizational strengths and weaknesses and diagnosing the issues facing the enterprise and their human resource implications. They know about the critical success factors that will create competitive advantage and they can draw up a convincing business case for innovations that will add value. In becoming a business partner, however, HR must still deliver effective administrative services.

**The innovator role**

Strategic approach to HRM will mean that HR specialists will want to innovate- to introduce new processes and procedures that they believe will increase organizational effectiveness.
The need for innovation should be established by processes of analysis and diagnosis which identify the business need and the issues to be addressed. ‘Benchmarking’ can take place to identify ‘best practice’ as adopted by other organizations. But in the interests of achieving ‘best fit’, the innovation should meet the particular needs of the business, which are likely to differ from those of other ‘best practice’ organizations. It has to be demonstrable that the innovation is appropriate, beneficial and practical in the circumstances, and can be implemented without too much difficulty in the shape of opposition from those affected by it or the unjustifiable use of resources- financial and the time of those involved.

The danger is that HR people may go in for ‘impression management’- aiming to make an impact on senior managers and colleagues through publicizing high-profile innovations. HR specialists who aim to draw attention to themselves simply by promoting the latest flavour of the month, irrespective of its relevance or practicality, are falling into the trap.

**The change manager role**

As Purcell (1999) has pointed out, “We need to be much more sensitive to the processes of organizational change and avoid being caught in the trap of logical choice”. Johnson and Scholes (1993) in their classic book on strategy, suggest that ‘organizations that successfully manage change are those that have integrated their human resource management policies with their strategies and the strategic change process’.

Strategies involve change, and failure to implement strategies often arises because the changes involved have not been managed effectively. HR practitioners can play major part in developing and implementing organizational change strategies. They must pay particular attention to managing change when implementing HR initiatives. This means considering:
• who will be affected by the change;
• how they will react to it;
• barriers to implementation and how they will be overcome;
• resource requirements for implementing change (these resources include the commitment and skill of those involved in the change as well as people, time and money);
• who is available to champion the change;
• how people will be involved in the change process, including the formulation as well as the implementation of changed policies;
• how the purpose and impact of change will be communicated to all concerned; what different skills and behaviours will be required and how they are to be developed;
• how the change process will be monitored;
• how the effectiveness of the change will be measured;
• what steps will be taken to evaluate the impact of change.

A change model used by HR staff at GE in the US to guide a transformation process in the company is shown in Table 3.1. The model is based on the statement that ‘change begins by asking who, why, what and how’.

### TABLE 3.1: CHANGE MODEL (SOURCE: ULRICH, 1998)

<table>
<thead>
<tr>
<th>Key success factors in change</th>
<th>Questions to assess and accomplish the key success factors for change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leading change (who is responsible?)</td>
<td>Do we have a leader:</td>
</tr>
<tr>
<td></td>
<td>• who owns and champions change?</td>
</tr>
<tr>
<td></td>
<td>• who publicly commits to making it happen?</td>
</tr>
<tr>
<td></td>
<td>• who will garner the resources necessary to sustain it?</td>
</tr>
<tr>
<td>Step</td>
<td>Description</td>
</tr>
<tr>
<td>------</td>
<td>-------------</td>
</tr>
</tbody>
</table>
| Creating a shared need (why do it?) | Do employees:  
- see the reason for the change?  
- understand why it is important?  
- see how it will help them and the business in the short and long term? | |
| Shaping a vision (what will it look like when it is done?) | Do employees:  
- see the outcomes of the change in behavioural terms (i.e. in terms of what people will do differently as a result of the change)?  
- get excited about the results of accomplishing the change?  
- understand how it will benefit customers and other stakeholders? | |
| Mobilizing commitment (who else needs to be involved?) | Do the sponsors of the change:  
- recognize who else has to be committed to the change to make it happen?  
- know how to build a coalition of support for the change?  
- have the ability to enlist the support of key individuals in the organization?  
- have the ability to build a responsibility matrix to make it happen? | |
| Modifying systems and structures (how will it be institutionalized?) | Do the sponsors of the change:  
- understand how to link it to other HR systems such as staffing, training appraisal, rewards, structure and communications?  
- recognize the systems implications of the change? | |
<table>
<thead>
<tr>
<th>Monitoring progress (how will it be measured?)</th>
<th>Do the sponsors of the change:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• have a means of measuring its success?</td>
</tr>
<tr>
<td></td>
<td>• plan to benchmark progress against both the results of the change and the process of implementing it?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Making it last (how will it get started and last?)</th>
<th>Do the sponsors of the change:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• recognize the first steps in getting it started?</td>
</tr>
<tr>
<td></td>
<td>• have a short-term and long-term plan to keep attention focussed on the change?</td>
</tr>
<tr>
<td></td>
<td>• have a plan to adapt the change over time?</td>
</tr>
</tbody>
</table>

### 3.7 HR COMPETENCIES

The three competencies HR staff should possess if they want to function as strategic business partners as defined by Morton (1999) are:

1. **Knowledge of the business:**
   - strategic capability;
   - financial capability;
   - technological capability.

2. **Knowledge of HR practices:**
   - staffing;
   - development;
   - appraisal;
   - rewards;
   - organization design;
   - communication.

3. **Management of change:**
   - knowledge of change processes;
   - skills as change agents;
   - ability to deliver change.
<table>
<thead>
<tr>
<th>Strategic capability</th>
<th>Seeks involvement in strategy formulation and contributes to be development of business strategy</th>
<th>Has a clear strategic vision of how HR can support the achievement of the business strategy</th>
<th>Understands the critical success of the business and the implications for HR strategy</th>
<th>Develops and implements integrated and coherent HR strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business cultural awareness</td>
<td>Understands the business’s environment and the competitive pressure it faces</td>
<td>Understands activities and processes of the business and how these affect HR strategies</td>
<td>Understands culture (values and norms) of the business as the basis for developing culture change strategies</td>
<td>Adapts HR strategies to fit business and cultural imperatives</td>
</tr>
<tr>
<td>Organizational effectiveness</td>
<td>Understands key factors which contribute to organizational effectiveness and acts accordingly</td>
<td>Contributes to planning transformational change programmes and managing change</td>
<td>Helps to develop a high-quality, skilled, committed and flexible workforce</td>
<td>Facilitates team building</td>
</tr>
<tr>
<td>Internal consultancy</td>
<td>Analyses and diagnoses people issues and suggests practical solutions</td>
<td>Adapts intervention style to fit internal client needs; acts as catalyst facilitator or expert as required</td>
<td>Uses processes consultancy approaches to help resolve people problems and issues</td>
<td>Coaches clients to deal with own problems; transfers skills</td>
</tr>
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<td>----------------------</td>
<td>--------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Service delivery</td>
<td>Anticipates requirements and sets up services to meet</td>
<td>Responds promptly and efficiently to requests for help and advice</td>
<td>Empowers line managers to make HR decisions but provides guidance as required</td>
<td>Provides cost-effective services in each HR area</td>
</tr>
<tr>
<td>Quality</td>
<td>Contributes to the development of a total quality approach throughout the organization</td>
<td>Identifies internal customer requirements for HR services and responds to their needs</td>
<td>Demonstrates a concern for total quality and continuous improvement in own work</td>
<td>Promotes total quality and continuous improvement in HR function</td>
</tr>
</tbody>
</table>
### 3.8 THE STRATEGIC ROLE OF THE HR DIRECTOR

HR directors have a key role in strategic HRM, especially if they are-as they should be-on the board. They are there to envision how HR strategies can be integrated with the business strategy, to prepare strategic plans, and to oversee their implementation. They should play a major part in organization development and change management and in the achievement of coherence in the different aspects of HR policy. HR directors who will most probably play a full strategic role as business partners are likely to be:

- very much part of the top management team;
- involved in business planning and the integration of human resource plans with business plans;
- well placed to exert influence on the way in which the enterprise is organized, managed and staffed-all with a view to helping it achieve its strategic objectives;
- professionally competent in HR techniques; however, their contribution and credibility will depend mainly on their business awareness and skills and their ability to play a full part as members of the top team;
- involved in resourcing at top and senior levels and in so doing be in a strong position to improve organizational effectiveness and, therefore, bottom-line performance;
- able to convince others of the need for change and to act as champions of change and as effective change agents;
• involved in shaping corporate culture and values;
• fully aware of the need to develop a vision of what the HR function exists to do, to define its mission, to provide leadership and guidance to the members of the function (without getting over-involved in day-to-day HR matters) and to maintain the quality of the support that the HR function provides to line managers;
• enablers and facilitators, but ones who are well placed to make a significant contribution to end-results by adopting an innovatory approach to the improvement of organizational effectiveness and by intervening as necessary on any matters where there are HR implications that will affect performance;
• essentially pragmatists who know about the theory of HRM but also know what is right for their organization and what will work there;
• good at defining and achieving deliverables.

3.9 SUMMARY

HR can and should play a key strategic role in developing and implementing various approaches. The essential function of HR is to prove its excellence in executing strategies, to improve planning, communicate the importance of the soft, people centered issues. As a business partner the role expected of HR are as strategic partner, change agent, administrative experts and employee champion. HR staff should possess knowledge of business, knowledge of HR practices, as a competencies and as a management of change.

3.10 KEYWORDS

Staff Manager: A manager who assists and advised line managers.
**SWOT Analysis:** The use of SWOT chart to compile and organize the process of identifying company strengths, weaknesses, opportunities, and threats.

**Competitive Advantage:** Any factors that allow an organisation to differentiate its product or service from those of its competitors to increase market share.

**Benchmark Job:** A job that is used to anchor the employee’s pay scale and around which other jobs are arranged in order of relative worth.

**Vision:** A general statement of its intended direction that evokes emotional feelings in organisation member.

### 3.11 SELF ASSESSMENT QUESTIONS

1. What do you mean by staffing HR functions?

2. How HR as a strategic partner is distinguished from HR as business partner?

3. Describe various key functions expected from HR strategist.

4. What do you mean by HR competencies?

### 3.12 REFERENCES/SUGGESTED READINGS


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DEVELOPING HR STRATEGIES

STRUCTURE

4.0 Objectives
4.1 Introduction
4.2 Framework of strategic HRD system
4.3 Strategic HRD Facilitators
4.4 Summary
4.5 Keywords
4.6 Self Assessment Questions
4.7 References/Suggested Readings

4.0 OBJECTIVES

After studying this lesson, you should be able to understand-
• Framework of developing HR strategies.
• Strategic HRD system.
• Concept of strategic HRD practices and facilitators.

4.1 INTRODUCTION

A strategy is a course of action planned to be undertaken to achieve desired goals. HRD strategy indicates the desired course of action planned by an organization to achieve HRD goals or HRD outcomes. The course of action may deal with the choice of various means to achieve the desired goal and a plan for implementing the chosen action. Thus the HRD strategy adopted by an organization may deal with the following dimensions:
• What are the HRD goals? What major purposes is the HRD strategy supposed to serve?
• What instruments are expected to be used? In what order are they expected to be used? What major purposes is the HRD strategy supposed to serve?
• What are the methods in which the instruments are envisaged to be implemented?

Now it is widely acknowledged that integration of HR strategy with business strategy is important for organizational success. HR strategy embedded in business strategy of the organization not only serves to attain the organizational objectives but also act as a key resource for competitive advantages.

In 1950s the writers like Peter Drucker and McGregor laid down the stress on the need of visionary goal directed leadership and management of integration. That was succeeded by the Maslow, Argyris, Herzberg, contributors of Behavioural Science Movement in 1960. The origin of HRM as a defined school of thought is usually traced back to the 1970s with a development of human resource accounting theory proposed by Flam holtz in 1974.

On the basis of existing literature on HRM/HRD, broadly, three models can be traced out.

• A Hard Varient Model

This model is also called as matching model of HRM developed from Michigan and New York Schools. This model was developed by Chandler (1962), Galbrith and Nathanson (1978) and Fombrun et al. (1984). They concluded that human resources could be obtained cheaply, used sparingly and developed and exploited to their full extent.
• **A Soft-varient Model**

This is Harvard Model, first articulated by Bear et al. (1984). The main contents of this model are policies and responsibility. They believed that commitment could be elicited from policies of mutuality, which in turn yield both better economic performance and greater human development. The main emphasis was on employer-employee relationship.

• **5-P Model**

Philosophy, policies programs, practices and processes are 5-Ps of strategic HRM that reveal a new trend in which HRM is becoming an integral part of business strategy. This model was developed by Schuler and Jackson (1987), Lengnick-Hall and Lengnick-Hall (1988), Brewster and Larsion (1972), Schuler (1992).

**SIGNIFICANCE OF HRD**

Fundamental changes in the business environment have created a sudden shift in focus of HR function. These changes include:

- Rapid rate of change in business.
- Raising costs, increasing competitive pressures and margins
- Rapid technological change: increasing demand for new skills through resourcing, education and retraining.
- Complex organization: product, geography, technologies, business function, customers/markets
- Flatter, leaner and more flexible organization
- Changing demographics, limited labour availability
- Responding to external forces: legislation and regulation, litigation, union relations and union avoidance, etc.
- Increasing multinational competition and collaboration, multilateral relationship.
Companies are beginning to recognize the importance of people to the success of business. Human resource issues are; in fact, business related issues as they influence the essence of business profitability, competitiveness, adaptability and flexibility.

4.2 FRAME WORK OF STRATEGIC HRD SYSTEM

Strategic HRD system consists of comprehensive and integrated set of arrangements which consist of two broader component i.e. Strategic HRD practices (SHRDP) and SHRD facilitators (SHRDF). SHRDP directly affect the development of human resources and SHRDF contribute for salutary HRD practices.

Strategic HRD practices

SHRDP is a holistic framework encompassing developmental fundamentals and initiatives. SHRD fundamentals are those components of HRD, which have to be strong enough to ensure a congenial atmosphere in an organization for implementation of SHRD initiatives. There are similar to hygiene factors suggested by Herzberg (1968). On the other hand, SHRD initiatives are similar to motivational factors and help in the success of strategic HRD. The presence of fundamental may not help the success, whereas their absence can adversely affect the developmental initiatives.

**SHRD fundamentals**

- Compensation
- Working Condition
- Family Welfare
- HRD Department/function

**SHRD initiatives**

- Training
Compensation

One of the important aspect is to establish equitable pay practices in an organization, because this aspect have a great impact on morale, retention and ability to attract capable employees. Compensation levels determine employee's life style, status, self-worth and attitudes towards the organization. The design of an organization's compensation system may have a critical impact on the organization's ability to achieve its strategic goals. Some of the new and improved methods of pay suggested by Dell and Mc Adams (1987) are flex-benefits, gain sharing, skill-based pay, performance shares, two-tier wages, bonuses and lump-sum merit awards. An organization must consider internal equity and external equity prior to design compensation programs. External equity occurs when an employer pays wage rates that correspond to those prevailing in the external labour market. Internal equity is the objective of setting wage rates that equates the jobs internal worth.

The objectives of compensation system include:

- Attraction and retention of employees
- Cost efficiency
- Legal Compliance
- Equitable salaries for all employees
- Motivating employee performance
Working condition and family welfare

According to Monnapa and Saiyadain (1983), there are two factors responsible for the performance of the job.

1. Appropriate welfare provisions
2. Physical environment of work.

The changes in these two brings about a temporary improvement in morale, leading to increased productivity. This is supported by “Howthorne effect.” The result of this study of the physical environment indicated that the design of office setting could have substantial effect to record reactions of people in offices. A well-maintained and designed office environment can promote individual well being and productivity.

In the First Five-Year Plan of Government of India, it was observed that working conditions required to be improved to a large extent in order to get the best production out of a worker.

The worker should at least have the means and facilities to keep himself in a state of health and efficiency. It was continued in the Second Five Year Plan recommending that due attention should be paid to the provision of welfare amenities to improve the working conditions of workers, and more importantly, to the effective implementation of the amenities that had already been provided under various states.

The success of Japanese companies on a global scale has been recognized to be linked, at least in part, with advanced employee family welfare polices (Townley, 1994). There are some reasons quoted regarding welfare provision for workers.

- Welfare provisions influence the sentiments of the workers and contribute to the maintenance of industrial peace.
- It helps to improve mental and physical health of workers.
- The salutary working conditions and better welfare measures motivate workers to sacrifice for organizational needs.

**Human Resource Department/Function**

The human resource function in organizations is continuing to grow in importance and influence.

- The vast potential for using human resource to enhance productivity, improve quality, spur innovations, contain costs and to satisfy customers.

- The integration of human resources into the main stream functions in the organization.

- The consequences of improper and ineffective human resource practices.

According to Baird and Meshoulam (1984), the human resource professionals need five kinds of skills to adopt a strategic orientation. These are: (i) information management skills- the knowledge of planning and planning methodology, (iii) management skills- skills in the various business functions and environment analysis, (iv) integration skills- competency at managing organizational interfaces, and (v) change management skills- the skills of anticipating the future, facilitating changes, and developing organizational activities.

**Training**

Training and development of employees is attracting increasing attention. The literature of recent years has stressed the importance of trying training to strategic business planning. The argument is convincing. Strategy linked training is essential to the success of contemporary firms challenged by increasing external and internal changes of organization. Instead of being activities peripheral to the achievement of corporate objectives, the human
resources of the organization are seen as a vital factor in corporate planning, and training and development as able to make an important contribution to the achievement of business success. The process of training and development must be tied to the overall strategic objectives of the organization.

Larson (1994) explains the reasons for such changes.

- An increasing complexity of production and administrative systems requires not only an update of functional skills, but in addition the acquisition of qualitatively different areas of skills and knowledge.
- There is an increasing pressure on individuals to assure that they are not only familiar with the fairly functional area, but have a general understanding of the tasks and processes of organization and interpersonal skills.
- With the increasing emphasis on organizational culture there is a pressure on the individual to be familiar with and behave in accordance with fundamental cultural values of the organization.

Training is a prime instrument in human resources and plays a vital role in securing organizational goals.

**Performance Appraisal**

Performance appraisal is the cornerstone of an effective Human Resource system. It provides the information needed to make fully informed strategic decisions by assessing the fit between current Human Resource Systems and those systems required by a change in strategic direction. Performance measurement is crucial for business.

A development oriented performance appraisal approach includes establishing performance goals and standards, monitoring progress,
reviewing actual performance, comparing actual performance with the pre-established goals, tying rewards to performance, making developmental plans, and agreeing on future performance goals and standards.

It is typically seen as having two purposes: Administration and development. Administration comprising such action as determining job assignments, rises, promotions and terminations and development consisting of providing feedback, coaching and identifying training needs.

The primary reasons for implementing performance appraisal system in the organization are compensation, performance improvement, feedback, documentation, promotion, training, transfer, discharge, lay-off, personnel-research, and manpower planning. However, Goodale (1992) identifies the failure of performance appraisal. The two reasons stated are: the way to design the forms and performance appraisal policies, the lack of adequate training for supervisors/managers in assessing and evaluating performance constructively.

**Job Enrichment**

When certain competitive task is added to job content, it is termed as “job enrichment”. Routine job and repetitive work become monotonous to workers.

Herzberg called it “vertical job loading factors”, and Hackman renamed it “implementing concepts” giving employee such tasks previously performed by inspection and supervisory staff, and decreasing discretion and accountability as well as variety and meaning. It is used to achieve organizational goals effectively and efficiently.

There are five ways to enrich the job.
1. **Formation of natural work unit:** The job task should be clearly identified, workers have some control over the job. This leads to bringing a sense of responsibility among them. The formation of natural work unit contributes to two core job dimensions: task identity and task significance.

2. **Establishment of workers-client relationships:** Workers seldom come in contact with the ultimate user of their product or service. If such relationship is maintained, job commitment and motivation will usually be enhanced. It contributes towards three core dimensions: skill variety, autonomy and feedback. Skill variety increases because a worker has a chance to maintain and manage a relationship with client. Autonomy increases because the worker is given responsibility to decide how to manage relationships with client. Feedback increases because direct contact has free movement of views and worker can receive both praise and criticism for his work.

3. **Combination of task:** A series of simple tasks are combined to form a new and larger work schedule. It also contributes to skill variety and task identity.

4. **Vertical loading:** It occurs when the gap between doing and controlling aspects of the jobs is reduced. The reserved responsibilities are now delegated to workers as a part of their job. It contributes to task significance and autonomy.

5. **Opening of feedback channels:** There are ways of opening of feedback channels so that each worker can monitor his or her performance. This principle helps to overcome the problem of failure to tell people how well they are doing.
Career Planning

Managing career rather than staffing job is now necessity in an organization. Changing employee attitudes, tight labour markets, increased pressure to control employee retention and productivity have stressed the time frame for considering actions affecting employee careers. The one of the ideal way to career development is to integrate the needs of the employee with the goals of job satisfaction and growth. The organization needs to tap the creative potential of all its employees to a far greater extent than ever before.

There are three approaches to charting the career path:

1. **The Traditional approach:** Employees and managers simply look at the chain of command in each organizational unit. Career progress is equated with upward mobility.

2. **Career path approach:** The job can be grouped after analysis in detail for similarities in work methods and/or work results. Individuals can move into altogether different job classes so long as similarities exist in activities or results.

3. **Lattice or network approach:** This is a way to establish a relationship between jobs. Individuals are capable to move to any other position over time. HR planner develops a matrix that describes what skill and what level of skills proficiencies are required to perform satisfactorily in every job. This information helps planner to develop a comprehensive directory and help an individual chart a course for career movement in almost any direction.

Career management efforts are one way of ensuring that employees are being offered opportunities to develop themselves, while at the same time, the
organization is creating a pool of internal talent. Hence, a growing number of organizations are creating full-fledged career development program.

**Communication**

Communication as an integral part of organization has increasing attention as to communicating the various business information to various kinds to employees. The content of communication has also varied widely and covered such issues as marketing, sales results, future developments, company policy, and industrial relation.

The various forms of communication have included the regular reports from senior management, special employee report similar to annual report to shareholders, letters and articles in company newspapers and circulars on notice boards or in pay slips.

HRM literature on the role of communication places emphasis on information about the organization strategy and financial results so those employees are more fully involved in the organization. Information sharing is an essential component of high performance work systems for two reasons. First, the sharing of information on things such as financial performance, strategy and operational measures conveys to the employees that they are trusted. Second, information is power, and sharing information spreads that power.

**Involvement and Empowerment**

The 1980s and 1990s have seen a substantial increase in the adoption of employee involvement techniques by employers. The main stress is to increase employee commitment to their work or to their organization in order to facilitate workforce suitably. By creating an environment in which employees could have greater control over their work, managers also assumed that worker would become more committed to their jobs, thereby enhancing
quality, safety and service with this view, many organizations encouraging employee involvement in decision-making.

There are three general participative programs.
1. Parallel suggestion involvement
2. Job involvement
3. High involvement system.

Beside this, the new employee involvement explains the four main types of techniques which can be found either alone or in various combination.
1. Joint consultation
2. Various types of direct communications like team briefing, employee financial reports, videos, and papers, news sheets that mainly disseminate information downward to individual employee.
3. “Add on” similar to “Quality circles” and “Total Quality Management”
4. Forms of financial participation, such as shares, profit, and bonus schemes.

India has a very long history of workers participation in management. This experience dates back to 1918, when the Tata Iron and Steel Company made an initial attempt to involve its workers in the management of the company.

4.3 STRATEGIC HRD FACILITATORS

Top management, trade unions, frontline officers/workers, devoid of any apprehension about the developmental issues might play a facilitator role, where as the apprehension of these players inhibit the SHRD practices. These factors are discussed here in detail.
Concern of Top Management

The mutual involvement of workers and management to achieve common goal is difficult due to significant differences in their interests. It creates conflict between employees and employer. The increased communication with employees, team participation technique, harmonization of terms and conditions, appraisal and reward can lead to difficulties between management and employees. It is believed that union management relationships are not voluntary. Management is required by law to bargain with union. Developmental initiatives could also turn out to be good for unions and not for employers. A few studies suggested that Quality-of-work-life (QWL) participation result in positive outcomes for unions.

Concern for Trade Unions

Linkages between unions and HRD initiatives are not simplistic. There are two strong conflicting arguments based on sound analytical and empirical studies. One is positive relationship and another is negative relationship.

The positive relationship: The approach assumes that mutual compatibility exists between the need of employees and employers. In the long run, there is a co-incidence of interest between employees, management and shareholders. If they have some conflicts in interests in short run, it would become ignored in lieu of common interest in long run. At bottom, the interests of unions and management are similar and compatible. They will tend to be trustworthy, mutually supported and helpful if they are given the chance. In a pro-active relationship, there is no need to take an opposing stand between union and management. In that way, union can become a supportive and collaborative unit with management for HRD initiatives, creating the right climate rather than opposing approaches and stands.
There are several enterprises that have adopted genuinely consultative IR systems, supplementing bargaining and creating substantive participative forum. An example is Durgapur Steel Plant, which achieved a major modernizing program through consultative method at every stage. The developmental interventions in the field of IR can help a great deal in creating a basic climate of trust and problem solving and bring out IR from traditional chaos, violence, conflict and litigation.

**The negative relationship:** HRM poses a threat to unions in following ways:

- The soft policies of HRM emphasize on establishing a commitment, which tends to reduce the collective representation and negotiation with union.
- The soft policies of HRM treat employees as valuable assets of organization, reducing the protective role of union against arbitrary and exploitative action of Union.
- HRM policies may obviate the need for a union at existing union plants and on green field sites.

According to Hyman, the object of joint consultation is replacing the collective bargaining by direct communication and involvement which aims to provide relationship between management and individual employees without mediation of unions. HRM is in essence the development of a set of policies, practices and arrangements designed essentially to individualize industrial relations, thus circumvent the unions and weaken individual membership commitment and loyalty to the union.

**Concern of frontline officers/supervisors**

Drucker noted that no job is going to change more in the next decade than that of the front line supervisor. And quite a few people in the workforce are less prepared for the changes and less likely to welcome. Loss of
authority, loss of identity, blur of hierarchical line between workers and front line supervisors, emergence of new individualistic worker, fear of substitutability need to acquire new managerial and technical skills seem to be major concern of front line supervisors. The level of sophistication of the foreman’s subordinates has risen along with their level of education. There might be some problems such as, role and status conflicts, peer relations among supervisors, and relationship with superiors. A number of predicted future trends seem to have ominous implications for the supervisor’s autonomy and influence. These are increased emphasis on various participative management techniques, increased use of self managed and autonomous work groups, increasing application of computer driven automation and information management in work place, continued growth in the size and importance of specialized staff units.

**Concern of Workers**

Concern of individual workers range from fear of substitution, loss of employment, possibility of redeployment, break of traditional norms, more exploitation, etc. and the apprehension that developmental initiative is an activity to discover the management prerogative exist and influence the implementation and effectiveness of HRD initiatives. It challenges the worker’s identification with the trade unions due to cultivation of internal mechanisms. Participation in developmental activities leads to a conflicting situation for an individual worker in terms of his loyalty to a union and organization.

**Industrial Relation Scenario**

The employment relationship in Indian organization is not voluntary. Labour legislation has placed more emphasis on regulatory, conflictual relationships. This hinders the developmental initiatives. Workers and employers both find that industrial relations system in India remains largely
static and shows a more traditional picture of IR with a rapid change. In the year 1992 alone, a total of 16,44,882 workers are involved in strikes and lockouts.

**Labour Status**

That our trade union and IR laws are hopelessly outdated, is a fact and supported by acknowledged experience for at least four decades. Our IR system confers on the Government to mediate between labour and management. The government does not want to give up its own power, but wants others to change. There are 150 central and state laws governing labour and trade unions. All of them bestow rights, privileges, facilities, remuneration and pay hikes with almost negligible linkage to performance of the individual or his contribution to the business result of the company. The industries cannot progress effectively in the present scenario. Management of many companies feel overwhelmed by existing labour laws and contend themselves by fulfilling their obligation mentioned in labour laws and thus do not examine the possibilities of going beyond statutory requirement and allocate resources for growth and development of workers. The significant advances in production and productivity will need to have a relook at the existing laws. The future conflict resolution will have to be free from outside influence, possessing independent character and provisions of industrial relations legislations should inspire greater confidence in the parties.

Gosh(1991) points out that the laws on occupational health and safety in India leave wide gaps, and the larger part of the working population is not protected. Sometime, it may be seen that increasing government legislation and regulation designed to further social goals and ensure fairness in employment practices, endanger a legislate flexibility and proactiveness. When decision are made in firms with an overriding concern for legality and avoidance of political litigation, other important decisions may be over looked.
Thus legalistic organization may increase control mechanisms, formal policies and adoption of legal procedures as culturally acceptable.

**Trainability**

The term trainability means aptitude of workers to learn and practice new things, physical health standards, academic background, and age which influences the workers development practices. Workers with better aptitude; health and academic background would be more enthusiastic in participating workers development activities. Or, the workers lacking these features have limited participation in those activities.

**Employment Externalization**

Employment externalization in organization occurs through two different forms: through contingent employment of workers, and outsourcing of services.

**Contingent Employment**

It is important to bring a workforce that has the ability to achieve competitive success that cannot be readily duplicated by others. In the face of changing basis of competitive success, the recent trends are using temporary help, part-time employees, and contract workers.

Labour market studies clearly show that sub-contracting has grown significantly over last ten years. Two decades ago, 19% of the workforce was full time employed by “Fortune 500” companies,’ the proportion has shrunk to 10%by1992, wherein many cases, all direct labour is temporary or contracted.

There are various reasons to use labour on part time bases, such as:

- The expanding service sector is rapidly becoming more labour intensive.
• Part-time worker proves more efficient and flexible staffing alternative.
• Just to bring down labour costs
• Part time employees allow organizations to respond quickly to cyclical economic pattern.

There are three broad categories among part time workers.

1. **Short time**- Employees are used by cyclical business e.g. construction, most work part time on an involuntary basis.

2. **Secondary Part time**- Jobs are characterized by low skill requirement and low pay. These part time workers are classic secondary labour markets relatively cheap, given no fringe benefits and no long term commitment by organization.

3. **Retention quality**- To attract and retain highly skilled employees whose personal lives prevent them from working full time.

A research conducted on seven-hundred part time workers in USA concluded that respondents believed that they were given insufficient autonomy to do their jobs correctly and they do not get paid according to their capabilities. Many of them commented on the boring and repetitive nature of their job and they felt that there was lack of training and education on new procedure and equipment.

Studies by Belous, Kassalow, Nye and Zeytinoglu concluded that the flexibility part time workers provide to their employers and the savings in the wages and benefits are employers primary reasons for hiring part-time workers.
Outsourcing

Outsourcing refers to a situation where a company sub-contracts to another supplier the work that it was previously performed in house. It means the externalizing of production and services. By outsourcing core activity, the opportunity to learn and to develop new combinations may be diminished. But it is often difficult to identify in advance where this new learning will come from.

Downsizing

Many scholars define it as a purposeful reduction-in size of an organization work force. During the last decade, downsizing has become the strategy favoured by many companies with a view to cope with fundamental and structural changes in the world economy.

The following factors necessitate downsizing:

- Acquisition and mergers leading to reduced personnel.
- Technological innovations, resulting in productivity need improvements that reduce the number of workers involved.
- International competition, causing product and employee redundancy.
- Slow economic growth.
- Need to be cost competitive.
- Changing market place.

In recent years, many firms are again re-examining their policies towards employment security. The changed technology shortened product life cycle and increased consumer sensitivity to product quality are all placing a premium on HR policies that can achieve high levels of employee motivation, commitment and flexibility. On the contrary, enhanced cost competition,
changing skill requirements and the maturity of market that had been expanding rapidly all lead to pressures to cut staffing level.

Many researchers concluded that serious problems arise in those organization where downsizing practices are followed. This is because of negative outcomes of downsizing like loss of morale, trust and decreased communication in organization. However, a few studies pointed out the positive outcomes such as expeditious decision making, more employee involvement and an opportunity for their personal growth.

4.4 SUMMARY

This lesson focused on understanding the framework of strategic HRD. Strategic HRD system consists of two broad components, namely SHRD practices and SHRD facilitators. SHRD practices encompassing developmental factors and initiative factors. SHRD developmental factors include compensation, working condition, family welfare, HRD function/department. SHRD initiative factors include training, performance appraisal system, job enrichment, career planning, communication, involvement and empowerment. SHRD facilitators include, concerns of management, concerns of workers, industrial relations scenario, labour statuses, trainability, employment externalization, manpower downsizing. The lesson has included the positive and negative outcomes of downsizing.

4.5 KEYWORDS

Job Enrichment: Redesigning jobs in a way that increases the opportunities for the workers to experience feelings of responsibility, achievement, growth and recognition.

Downsizing: The process of reducing, usually dramatically, the number of people employed by a firm.
Outsourcing: Letting outside vendors provide services.

Transfers: Reassignments to similar (or higher) positions in other parts of the firm.

Organisational culture: The characteristic values, traditions, and behaviours a company’s employees share.

4.6 SELF ASSESSMENT QUESTIONS

1. What do you mean by Strategic Human Resource Development? What is the significance of strategic HRD?
2. Discuss the framework of strategic HRD system.
3. Bring out the role of the HRD practices in strategic HRD system.
4. Differentiate SHRD fundamentals from SHRD initiatives.
5. What do you mean by strategic HRD facilitators? Discuss them.

4.7 REFERENCES/SUGGESTED READINGS

2. Armstrong, Micheal, Strategic Human Resource Management, Kogan Page
3. Ansoff, HI, Corporate Strategy, Tata McGraw Hill
CASE STUDIES OF HRD IN INDIAN ORGANISATION

STRUCTURE

5.0 Objectives
5.1 Introduction
5.2 Case study 1: Manufacturing industry
5.3 Case Study 2: Process Industry
5.4 Case Study 3: Service Industry
5.5 Summary
5.6 Keywords
5.7 Self Assessment Questions
5.8 References/Suggested Readings

5.0 OBJECTIVES

After reading this lesson, you should be able to understand-

- Qualitative analysis of the relationship between strategic responses of organisations and strategic HRD system.
- Case studies of HRD in three organisations representing manufacturing, process and service industry.

5.1 INTRODUCTION

In this lesson, an attempt is made to present qualitative analysis of the relationship between strategic responses of organizations and strategic HRD system with the help of Case studies in three organizations, each representing manufacturing, process, and service industries. These case
studies also represent three categories of ownership: Private sector, Public sector, and Multinationals.

Names of the organizations have been changed to protect their identity. All the three case studies have been carried out and analyzed on a common theme: Relationship between strategic responses and strategic HRD system.

5.2 CASE STUDY 1: MANUFACTURING INDUSTRY

A few electrical industries visualised that their future operations can be productive and profitable only if similar like-minded industries join together and reduce the number of competitors in the world market. This gave birth to a global company called X in 1989. The company X is a creation of merger of two giant organisations, namely A of Sweden, founded in 1883 and B of Switzerland, founded in 1889. The parent companies A & B are holding equal equity share of 50 percent in the new company X. This company which has its headquarters in Zurich is a leader in the field of electrical engineering. The company offers a wide spectrum of products and services for core sectors like power, transmission, transportation, oil, gas and telecommunication. It has presence in 140 countries with 1300 companies under its banner. The company X is once again poised for another merger with companies C that is presently its competitor worldwide.

Profile of Company X

In India, the company X has its operations in multi locations with sales turnover of Rs. 893.41 crore in 1998-99, with its Bangalore unit being the major contributor. The present study is mainly confined to the Bangalore unit. This unit manufactures a wide range of products including relays, power system capacitors, low voltage apparatus, instrumentation and control, chemicals and gas, etc. The business environment in which company X currently operates is very dynamic and highly competitive. Political,
economic, social and technological forces are causing dramatic changes in its 
markets. With the opening up of Indian economy, the customers of company X 
have a wide choice of products to choose from and became very demanding. 
The progressive reduction in import duty on power plant equipment as a part 
of liberalisation programme resulted in decreased product prices. These, in 
turn, are impacting the way company X must operate.

The company, which performed financially well till 1996 is facing stiff 
competition from national and international players like BHEL, Siemens, 
Cegelec, Alsthom and Crompton Greaves. The total sales of a company in 
1996 was 1185.56 crore Rs. and it declined to 893.41 crore Rs. in 1998. The 
profit after tax was 154.92 crore Rs. and it declined to 37.73 crore Rs. in 1998.

**Strategic responses in Company X**

Company X, realising the changing scenario, began strengthening its 
internal systems and processes in order to survive and grow. The strategic 
measures it has taken as part of its strengthening programmes are discussed 
below. Some of the strategic measures were conceived at the level of 
Bangalore unit and therefore these are unit specific, whereas other measures 
like mergers, total optimisation of processes, business area concept, R & D 
systems, mission and objectives were conceived and designed at global level 
and are implemented in its Bangalore unit as part of the global strategic 
programme under the guidance of global corporate headquarters.

**Portfolio related strategic responses in Company X**

As already stated, company X is poised for another merger with its 
competitor world-wide. The merger process, which already began in some of 
the countries, is expected to cover the Indian operations by the end of 1999- 
2000 financial year. The company X will be holding nearly 50 percent of stake 
in the new company as per the understanding of merging companies. The
head of Bangalore unit is one of the members of the team that is helping a high-level task force in the present merger process.

**Process Related Strategic Responses in Company X**

A team was formed in the beginning of 1990 to address specific issues concerning business processes. The team identified the following as threats and weaknesses of the company X.

- Company X is not a customer-focused organisation.
- Competitor hit rate is twice the hit rate of company X.
- Poor supply chain management.
- Lack of integration between tools across the value chain.
- Company X reinvents the wheel on proposal and order know-how.
- Too little to identify and share best practices.

The company attempted to capitalise on the above findings in the later part of 1990. A series of strategic measures were initiated to overcome the above-mentioned threats and weaknesses. Some of these strategic responses are briefly discussed here.

**Time based management (TBM)**

Time based management programme was designed to address the following key areas:

- Number of customer complaints
- Firstpass yield of products
- Inventory
- DSO (Day’s Sales Outstanding)
- Supplier on time delivery
TBM has been in implementation since 1991. Some of these practices have been integrated with the TQM initiatives started in the company at a later stage.

**TABLE 5.1: PROCESS RELATED STRATEGIC RESPONSES IN COMPANY X**

<table>
<thead>
<tr>
<th>Year</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>Total Optimisation of Processes</td>
</tr>
<tr>
<td>1997</td>
<td>R&amp;D Strategy</td>
</tr>
<tr>
<td>1996</td>
<td>I.T. Strategy</td>
</tr>
<tr>
<td>1995</td>
<td>Setting up of Revised Quality Policy &amp; Operational Measures, Goal Setting Process</td>
</tr>
<tr>
<td>1994</td>
<td>Cost Reduction Strategy-</td>
</tr>
<tr>
<td>1993</td>
<td>Team Building, Cellular Functioning, Flat Organisation, Business Area Concept</td>
</tr>
<tr>
<td>1992</td>
<td>Setting Mission and Core Values</td>
</tr>
<tr>
<td>1991</td>
<td>Setting up of Quality Policy, TQM, ISO-9000 Certification</td>
</tr>
<tr>
<td>1990</td>
<td>Time Based Management</td>
</tr>
</tbody>
</table>

**Total Quality Management (TQM)**

TQM drive started in company X from 1991 onwards. The purpose was to provide a framework for achieving improvement in business performance and change in attitude/culture by a series of systematic activities encompassing concepts (creating the willingness), systems (creating the environment), and tools (creating the ability). The company had articulated a revised quality policy in 1995. The key features of this quality policy are:

- Providing value to the customers and to the society
- Continuously meeting and improving upon customer’s expectations
- Achieving continuous improvement through increased awareness and sense of responsibility among employees
Mission and core values

Company X has set a mission statement and core values as given in Table 5.2.

<table>
<thead>
<tr>
<th>TABLE 5.2: MISSION AND CORE VALUES OF COMPANY X</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company X mission is to fully support the nation’s needs for meeting dependable electric energy requirements, while fully respecting environmental demands.</td>
</tr>
<tr>
<td>• To be the most technologically advanced and quality minded electrical engineering company and promote energy efficiency, higher productivity and quality in all activities</td>
</tr>
<tr>
<td>• To be a world class company</td>
</tr>
<tr>
<td>• Provide to customers high quality and values in activities and products</td>
</tr>
<tr>
<td>• To continuously improve competence, motivation and creativity of employees</td>
</tr>
<tr>
<td>• Contribute to the nation’s economic growth and living standards through operational excellence</td>
</tr>
<tr>
<td>• Endeavour to be good corporate citizens</td>
</tr>
</tbody>
</table>

Core Values: Our values will form the basis for attitudes and behaviour. Through these values we will ensure that we ‘PULL TOGETHER IN THE SAME DIRECTION’ and act as a cohesive entity.

We believe in:

• Corporate Unity
• High Business Ethics
• Customer Focus
• Employee Focus
• Quality
• Environmental Protection
• Action Orientation
Cost reduction (CR)

Cost reduction strategies in company X include material reduction, standardisation, import substitution, application engineering, product engineering and manufacturing, reduction in manufacturing cycle time computerisation and improved first pass yield.

Information technology (IT)

The company X is on its way to implementing ERP package. The ERP model takes care of all the functional activities such as sales and distribution, materials management, production planning, quality management, plant maintenance, human resources, financial accounting, project systems, and fixed assets management. The company aims to achieve comprehensive implementation of ERP by 2001.

First pass yield concept (Zero defect process)

Towards ensuring continuous improvement in quality of goods and to attain the level of zero defect in every process/stage of manufacturing, i.e. to achieve 100 percent quality assured output, the management implemented the concept of first pass yield in manufacturing process. This intervention is similar to benchmarking practice. It has gained momentum from 1995 onwards. Further, the company concentrated on reducing mistakes in design engineering and production, and segregated the mistakes to focus on preventing their recurrence.

Goal setting programme (GSP)

The company set for itself certain targets in 1995 to improve its market share and profitability. These are given in Table 5.3.
TABLE 5.3
THE BUSINESS GOALS OF COMPANY X

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Retention and improvement of market share (%) of accessible market share</td>
<td>46</td>
<td>47</td>
<td>48</td>
<td>50</td>
</tr>
<tr>
<td>Profitability improvement (%)</td>
<td>17</td>
<td>14</td>
<td>14</td>
<td>15</td>
</tr>
<tr>
<td>Cash flow improvement</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventory (%)</td>
<td>16</td>
<td>12</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>DSO (Sales Debt)</td>
<td>110 days</td>
<td>100</td>
<td>95</td>
<td>90</td>
</tr>
</tbody>
</table>

Research and development (R&D)

The company leverages on its global resources for the research and development activity. The budget of R&D for the financial year 1997-98 stood at $2.4 billion. Ninety percent of total R&D budget finds immediate practical application at the market interface. This massive investment funds cross-border research programmes to achieve new levels of productivity and to speed up the next generation of products.

Total optimisation of processes (TOPs)

TOPs is specific to company X with an objective to build a project engineering value chain that firmly kept in mind company’s profitability.

TOP consists of vision and processes that will be implemented as a common way of working in all its operations. These are:

- Enhanced international coordination of resources
- Focus on process speed and quality as a means to improvement
- Seamless work-flow supported by information management
- Supply chain delivering at the right time and at the right place
• Requirement based engineering leading to productivity
• Object oriented reusability and standardisation on a global basis
• Optimised bid and proposal through a selective sales tunnel
• Increased views of empowered cross-functional teams.

**Structure Related Strategic Responses in Company X**

*Introduction of Cellular Functioning (CF):* In 1993, the company introduced a concept called cellular wherein a team of engineers, finance, marketing, procurement/purchase and personnel people sit across to ensure completion of a particular job according to the schedule. This cellular functioning is similar to matrix structure.

*Flat structure and business area concept:* In order to achieve speedy functioning and to minimise overheads, company X had carved out a few business areas consisting of various business units and also flattened the structure. Consequent upon this reorganisation, now there are 37 business areas within the company X. Each business area is responsible for its own profit and loss and accountable for its business performance. The designations are deglamorised by clubbing the grades. However, this flattening is confined only to managerial cadre.

**Strategic HRD System in Company X**

There are 4200 employees working at 14 locations in Company X, out of which 687 employees are working at its Bangalore unit. The Bangalore unit comprises 413 management staff, 143 plant workers, and 131 supervisory and general staff. 143 workers form the core group of shop floor activity in the Bangalore unit. In addition, 34 workers are employed in administrative department as general staff. The HR practices and employment conditions of workers differ from one location to another in the company. Most of the practices in the company are unit specific and need not be prevalent across
the company. Therefore, practices described here are largely specific to Bangalore unit and are pertinent to worker category.

**Strategic HRD Practices in Company X**

*Compensation*: The bilateral forums decide the basic compensation and various allowances payable to workers in the company X. The frequency of pay revision for the workers is once in three years. Four wage settlements have taken place since 1987 between the union and management revising the pay structure of workers. The data related to pay scales during the period between 1987 and 1999 are given in Table 5.4.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>E4</td>
<td>385-1135</td>
<td>435-1410</td>
<td>935-2560</td>
<td>1385-3884</td>
</tr>
<tr>
<td>E3</td>
<td>335-985</td>
<td>385-1235</td>
<td>885-2260</td>
<td>1335-3535</td>
</tr>
<tr>
<td>E2</td>
<td>285-835</td>
<td>335-1060</td>
<td>835-1960</td>
<td>1285-3185</td>
</tr>
<tr>
<td>E1</td>
<td>110-460</td>
<td>210-810</td>
<td>710-1585</td>
<td>1160-2760</td>
</tr>
</tbody>
</table>

The pay scales as shown in Table 5.4 came into operation by virtue of respective bilateral settlements reached between the union and the management of Bangalore unit of company X as per Section 12(3) read with 18(3) of Industrial Disputes Act, 1947. The memorandum of settlement takes care of various allowances payable to the workers such as ERA, conveyance allowance, shift allowance, capacitor shop allowance, washing allowance, attendance bonus, apart from minimum and maximum of basic pay. Workers are also entitled to receive soft employee advances like house building advance, conveyance advance and festival advance.

A performance-related bonus scheme has also been introduced from January 1996 in addition to the statutory bonus. The objective of this scheme
is to share gains of productivity achieved with all the employees. A maximum amount equivalent to 10 percent of basic plus dearness allowance shall be payable on 100 percent achievement of the set targets. A committee comprising representatives of workers and management fixes the targets. The parameters for fixing the targets for a particular year are quantitative (manufacturing revenue) as well as qualitative (manufacturing cycle time, first pass yield). The performance bonus is payable proportionately in case of failure to achieve 100 percent fixed targets.

**Working conditions**

The Bangalore unit of Company X allocates substantial funds for housekeeping and maintenance of work place. The unit is proud of owning an automated canteen with all the facilities where the prices are highly subsidised. A contractor maintains housekeeping and horticulture works under a contract service agreement. A survey was conducted in 1999 covering all the employees for the purpose of renewal/ceasing of the existing contract of housekeeping and horticulture. A total of 85 percent of the employees felt the performance of the contractor is good and the work place is maintained in a clean and hygienic manner. Good ventilation, illumination and lighting at the work place are ensured optimally and adequate facilities are made available for drinking water, cloakrooms and a creche. The unit also has won prizes for its housekeeping standards from local associations of Bangalore.

**Family welfare**

The dependants of the employees are eligible for medical assistance. Leave” travel concession facility is also extended to them once in two years up to a distance of 1500 km each way. The employees are paid Rs. 100 per month as education allowance to take care of the children’s education. Other benefits such as provident fund, gratuity, group insurance and incentive for practising family planning are extended to the employees as a measure of social
security. In case of death of an employee, the children of the deceased will be given all the financial assistance for their education up to graduation level.

**HR function/Department**

The personnel policy of Company X is aimed to attract, retain and motivate the best talents in the industry (see Table 5.5). The company also has a manual containing the operational features of the personnel policy.

<table>
<thead>
<tr>
<th>TABLE 5.5 PERSONNEL POLICY OF COMPANY X</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfied customers and motivated employees are of vital importance for the long-term competitiveness of the Company X. Each employee shall:</td>
</tr>
<tr>
<td>• Understand his/her role</td>
</tr>
<tr>
<td>• Have the necessary empowerment</td>
</tr>
<tr>
<td>• Take responsibility</td>
</tr>
<tr>
<td>• Develop his/her competence: knowledge, will and ability.</td>
</tr>
<tr>
<td>• Clearly defined objectives for both the individual and the work team shall be the cornerstone of our activities.</td>
</tr>
<tr>
<td>• Respect and confidence in the individual shall characterise our work environment.</td>
</tr>
<tr>
<td>• The local unions shall be natural cooperation partners.</td>
</tr>
<tr>
<td>• Each manager at Company X shall continually develop his/her management skills and leadership so as to be able to assume full responsibility for the employees.</td>
</tr>
<tr>
<td>• Planning discussions shall be held at least once a year with each individual employee.</td>
</tr>
<tr>
<td>• The goal of our learning organisation is to achieve a continuous development of competence, internal mobility as well as employee development and provide career opportunities consistent with abilities.</td>
</tr>
</tbody>
</table>
• Ethics, equal opportunities and an open and honest exchange of thoughts and ideas are the cornerstone of our actions.
• The implementation of the personnel policy is a strategic issue in which we must all participate.

A Vice-president heads the personnel department at corporate centre, whereas Deputy General Managers head the departments at various locations. The Personnel Department at Bangalore unit is headed by a Dy. General Manager and assisted by five executives. A flat structure is practised in Personnel Department and all the five junior and middle level executives report directly to the Dy. General Manager. All the personnel executives are professionally qualified and they were given a six-week intensive induction training before joining the Personnel Department.

Training

The company has a clearly defined training policy. The essence of the policy is that training programmes shall aim at improving the current performance of an employee and prepare him/her to assume future positions. The policy also emphasises the need to continuously update the training technology and resources available within Company X and initiate programmes to develop competent internal training resource persons.

The data on training needs for the workers are generated based on (a) performance appraisal reports, (b) periodical training needs surveys, (c) specific demands from the business units for specific training/educational inputs to solve identified operating problems, and (d) based on data collected by interviewing the employees.

The company also has a scheme for sponsoring the workers to higher studies such as engineering, sciences etc. Workers are eligible to receive full salary and allowances for such period of sponsorship apart from
reimbursement of expenses for purchase of books and payment of tuition fees. The training budget has been increasing to Rs. 9 lacs in 1998-99, total number of employees trained are 177 in 1998-99 and total programmes covered are 41 in 1998-99.

Performance appraisal

The objectives of performance appraisal system of Company X are:

- Role clarity and rapport building between team members and team leader
- Building team functional skills
- Counselling for professional development
- Internalising the concept of customer focus
- Providing job related training inputs

The team leader evaluates the performance of workers once in a year. The process envisages that the team leader discusses with the team member (worker) while evaluating the individual’s performance. An opportunity is given to a worker to list out his/her contributions/achievements and the difficulties faced while executing various assignments.

Job enrichment

There are three levels in the skill profile of workers: (a) skilled, (b) semi skilled, and (c) unskilled. There is a similarity in the job description and the nature of assignments given to the semi-skilled and skilled employees. There is no specific effort either contemplated or made to enrich the role of workers except for introduction of team working. The team functioning gives scope for a worker to contribute and perform more than what is expected from him/her.
Career planning

No systematic career planning is followed for workers. The guidelines for promotion of workers suggest that promotions shall be made based on consistent good performance on the job and shall be decided by a committee constituted for the purpose. A written promotion policy covering worker category came into existence in 1993 pursuant to a memorandum of understanding reached between the representatives of union and management. According to this MOU, a worker shall be considered for promotion on completion of five years in a particular grade.

Communication

The communication policy of Company X states that communication will be open, uniform and honest with all employees through free exchange of ideas, open-house sessions, and disseminating information. The company uses communication mechanisms such as publishing house journals, regular meetings with employees at team, business unit and business area levels. The employees are also free to meet any functionary for obtaining either business-related information or employee-related information. The HR Department of the unit has developed a communication bulletin software (in Lotus notes) and made it accessible to all the employees. The updated information is displayed on the bulletin on a weekly basis for the benefit of all employees. Apart from this, the head of Indian operations of Company X addresses all the employees in an open forum twice a year. This address, inter alia, provides information on future business plans and current performance of the organisation.

The company also introduced a suggestion scheme in 1992 to provide an additional forum for self-expression and to develop constructive and creative thinking. A total of 217 suggestions were received in 1996, 213 in 1997, and 272 in 1998.
Employee involvement and empowerment programmes

250 Small Group Activities (SGAs) with an average membership of 6 per SGA were working in the Bangalore unit, mainly on locally identified problems.

SGAs have achieved success in first pass yield in
- 420 KV tank cover leaks from 45 percent to 100 percent
- Particular type of PCBs from 45 percent to 100 percent
- M.V. Housing machining from 30 percent to 100 percent
- EDF Cu. Gas pipe leak from 49 percent to 100 percent
- GO Cu. Gas pipe leak from 30 percent to 100 percent
- MC support from 35 percent to 100 percent
- Blow-off pipe from 40 percent to 100 percent

SGAs also achieved reduction of cycle times in:
- Erection of HV circuit breakers, from 6 days to 3 days
- Manufacturing tingle of HV circuit breaker, from 120 days to 48 days. Suppliers bill passing time, from 60 days to 14 days.
- Engineering time control panels, from 32 weeks to 16 weeks.
- There are more than half a dozen participatory committees functioning in areas like safety, canteen, sports, housekeeping and welfare.

Strategic HRD Facilitators in Company X

Concerns of management: Senior executives have expressed no apprehension or inhibition about various Strategic HRD practices. However, the head of the HR function stated, in response to a specific query, that the involvement of workers does not arise at the policy or strategy making level as these are mostly decided either at country headquarters or at international headquarters of the company. Further, an HR manager opines that some kind
of expertise, knowledge and analytical capabilities are prerequisites for understanding the business process, business opportunities, markets and competitors in order to evolve measures like TOPs. It appears that lack of confidence in workers’ abilities to understand strategic issues and a strong belief that workers need not have any role in strategy are the stumbling blocks for employee involvement at strategy making level.

**Concerns of union:** The union did not seem to have major apprehensions as they are taken into confidence prior to implementation of various Strategic HRD practices. However, union office bearers expressed that they will be happy if their participation is solicited at the policymaking level also. There was no evidence of conflict between small group activity and union activities. Rather, the union had extended unstinted support to the’ SGAs and they are confident that management will not utilise SGAs either to substitute or destabilise the collective bargaining forces in the company. The union office is provided with all the infrastructures like computer, a conference hall facility for seating 15 people, telephone, etc. The union appeared to have no significant apprehension about Strategic HRD practices of employee involvement programmes like SGAs. However, the unions were cautious and watchful of various participatory activities to ensure that collective bargaining issues are not addressed in such forums.

**Concerns of frontline officers**

In a typical sense, there was no supervisory category in Company X on the shop-floor. Team leaders will perform the role of coordinator for a particular assignment. However, these team leaders also have a formal executive position in the company. The frontline officers expressed positive opinion about the importance of strategic HRD practices. They believe that distinct advantages could be derived from worker development, e.g. (a) enhanced involvement of workers, (b) easy communication with workers, and
(c) improved abilities. There seems to be no significant apprehension in the minds of frontline officers about worker development.

*Concerns of individual workers:* The individual workers are generally supportive of strategic HRD practices.

They believe that worker development measures would provide an opportunity for them to learn and contribute as well as gain respect and recognition. They agree that there was intensification of work as a result of measures like TQM and TOPs. However, this neither bothered nor discouraged them to embrace these schemes.

**Industrial relations scenario**

Industrial relation scenario in Company X is peaceful. There is one trade union affiliated to AITUC representing the workers and one staff association representing the general staff. The IR related data are given in Table 5.6. There is no possibility of inter-union rivalry as only one union is representing all the workers. They do not seek third party intervention in bilateral settlements, except for formal involvement of State Labour Authorities at the time of wage settlement.

**TABLE 5.6**
**INDUSTRIAL RELATIONS SCENARIO IN COMPANY X**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of disputes</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>No. of conciliations</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>No. of adjudications</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>No. of strikes</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>No. of gheraos</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>No. of demonstrations</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>No. of disciplinary cases</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>--------------------------</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>No. of suspensions</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>No. of dismissals</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Company X had signed five agreements with the union during the period between 1990 and 1999. Company management takes the union into confidence for implementation of any new schemes or for alteration of the existing schemes.

**Labour statutes**

All important labour laws like Compensation Legislation (Payment of Wages Act, 1936, Minimum Wages Act; 1948, Payment of Bonus Act, 1965 etc.), Regulatory Legislation (Factories Act; 1948), Social Security Legislation (EPF & MP Act, 1952, WC Act, 1923, Payment of Gratuity Act, 1972, Maternity Benefit Act, 1961 ), Industrial Relations Legislation (Industrial Employment (Standing Orders) Act, 1946; Industrial Disputes Act, 1947, Trade Union Act, 1926, etc) are applicable to this organisation, An executive in HR Department is assigned the responsibility of ensuring compliance of these laws in the Bangalore unit.

**Trainability**

The average age of the workers is 33 years in the company as on 1999. Except for 19 workers employed on humanitarian grounds, the education level of workers is good. Most of them are ITI holders and a number of them are pursuing Diploma in Engineering as part timers. These indices prove that the trainability of workers is fairly high in Company X.
Employment externalisation

57 peoples are employed as contract workers to work in the areas of housekeeping, horticulture and canteen services. The contract workers are paid a salary equivalent to minimum salary of E 1 in Company X. They are also being extended all the basic amenities such as canteen services, cloakroom facilities, and creche facilities. Proper care is taken to ensure that these employees are covered under provident fund, gratuity, and ESI. Employment of the workers in principal areas of work was not noticed. Though care was taken to ensure minimum facilities to these workers as prescribed under the law, the same were not comparable with that of regular workers in the main plant. The company has the practice of outsourcing certain services, which are fundamentally not a part of its operations. This is preferred on account of financial reasons.

Downsizing

There is no scheme or policy for early separation of workers from the services of company. The Bangalore unit, in its history of fifteen years, has never terminated the services of any employee either as a downsizing strategy or for any other reason.

Questions for discussion

1. The relationship between strategic HRD practices and strategic HRD facilitators in company X has been found to be significantly positive. Discuss in detail.
2. Merger could play a major role to describe strategic HRD system. Comment.
3. How time based management is useful to implement the strategic HRD system in a company X?
4. Please elicit the factors having the insignificant relationship with strategic HRD system.

5.3 CASE STUDY 2: PROCESS INDUSTRY

Introduction

If there is one industrial product that has revolutionised socio-economic fabric in the 20th century, it is petrochemicals and the rainbow spectrum of downstream products that permeate every facet of human life today. India was a late entrant in the field of petrochemicals.

The petrochemical demand in the initial phase was met through imports. Synthetic detergents and fibers were perceived as luxury goods and attracted high levels of customs tariff. This scenario prevailed till the beginning of 1960s.

A committee appointed by Government of India in 1960 reviewed the development of petrochemical industry in India. The committee, which was headed by Dr. G.P. Kane, submitted its report in December 1961. The committee did emphasise the importance of setting up of petrochemical industry in India. Initially, ONGC was given responsibility of examining (a) the availability of naphtha and other raw materials, (b) targets of production consistent with the projections of market demand, (c) investment for the development of petrochemical industries and (d) taking follow-up action for setting up petrochemical complex in India. Accordingly, ONGC invited proposals from international companies for setting up petrochemicals complex in 1963. Proposals came from a consortium led by Union Carbide, Dow Chemicals, Philips Petroleum and Bachtel Corporation. But, none of the proposals materialised. The domestic private sector was also reluctant to invest in this industry because (a) the industry was highly capital intensive, (b) it involved handling and processing of hazardous materials, (c) it involved...
development of nascent markets, and (d) new technologies were to be managed with a skill base that was inadequate.

**Profile of Corporation Y**

The Government of India took a decision to setup a petrochemical complex in the State sector in contrast to the original concept of involving private sector. Accordingly, Corporation Y was incorporated in 1969. The Corporation had achieved the setting up of an integrated petrochemical complex by 1978. Today, the Corporation is a Rs. 3,691.4 crore company. It owns and operates three petrochemical complexes: a naphtha-based complex at Vadodara; a gas-based complex at Nagothane, and another gas-based petrochemical and chlor-alkali complex at Dahej. The Corporation also owns a catalyst manufacturing facility at Thane. Corporation Y, as it stands now, is already one of the most integrated petrochemical complexes in the world and the largest of its kind in Asia.

Corporation Y that had a smooth sailing has been witnessing sweeping changes in petrochemical sector during post-liberalisation period. The petrochemical industry in the recent past has seen (a) removal of licensing, (b) lowering of import tariffs, (c) decanalisation of feed stocks, and (d) rapid changes in international petrochemical industry such as capacity mergers, higher volumes, and a drive towards greater cost competitiveness. Due to this changing environment, the profits of Corporation Y were adversely affected in the recent fiscal years. This situation is further worsened by (a) abnormal escalation in input prices, primarily of petroleum products, (b) escalation of power, transportation and interest costs, and (c) market situation not allowing matching increase of input costs with output prices. Further, the Southeast Asian economic crisis that began in 1997 also started showing its fun impact and the worst sufferer of the crisis has been polypropylene where the drop in price is substantial. Prices of PVC also declined dramatically on
account of oversupply in the domestic market. Further, Corporation Y is also likely to face stiff competition from the domestic petrochemical organisations like Reliance, Haldia, Nirma, and GAIL, in addition to the international players.

**Strategic Responses in Corporation Y**

Corporation Y, sensing the cyclical and rapid changes in the external environment, started repositioning itself internally. The Corporation conceived and adopted a series of strategic measures to cope with the turbulent situation. Some of the significant strategic measures implemented or being planned are now discussed. Strategic response such as business area segmentation is confined to Nagothane complex and does not find place in other complexes.

**TABLE 5.7: STRATEGIC RESPONSES IN CORPORATION Y**

<table>
<thead>
<tr>
<th>Year</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>Diversification</td>
</tr>
<tr>
<td>1998</td>
<td>Decision of Privatisation</td>
</tr>
<tr>
<td>1997</td>
<td>Conferring Navratan Status, ISO-9002 Certification</td>
</tr>
<tr>
<td>1996</td>
<td>Business Area Segmentation</td>
</tr>
<tr>
<td>1994</td>
<td>Exchange of Collaborations</td>
</tr>
<tr>
<td>1993</td>
<td>Emphasis on Marketing Strategy</td>
</tr>
<tr>
<td>1992</td>
<td>Disinvestment</td>
</tr>
<tr>
<td>1991</td>
<td>Formation of Joint Ventures</td>
</tr>
<tr>
<td>1990</td>
<td>Articulation of Company Mission and Objectives</td>
</tr>
</tbody>
</table>

**Portfolio Related Strategic Responses in Corporation Y**

*Disinvestment:* The Government of India decided to disinvest from Corporation Y in 1992. The first disinvestment was done in February 1992. The Government sold 20 percent of its holding to financial institutions in
India. With this, UTI and others became the first set of non-government shareholders in Corporation Y.

The Government allowed the Corporation to expand equity to part finance the investment of its Dahej complex. The first domestic public issue for 20 million equity shares of face value Rs. 10 with a premium of Rs. 150 had announced in November 1992.

The Corporation is the first corporate in Asia to have pierced the sovereign ceiling in any form of external borrowing. The Corporation offered FCCBs worth US $ 175 million in February 1997. The issue was priced at US $13 per GOS, with 3 underlying shares.

As a result of this move, Government of India’s equity as on 20th September 1998 was down to 59.47 from 100 percent in 1992. The Government equity holding will further dilute to marginally over 51 percent if all the FCCB holders opt for conversion of the same to equity shares.

**Privatisation**

The Government of India decided on 16th December 1998 to retain only 26 percent of its holding by disinvesting 25 percent of its equity shares to a strategic partner, including handing over of management control. The global consulting firm, Warburg, Dillion & Reid is helping the Corporation to identify the strategic partner to whom it can transfer 25 percent of stake along with complete management control of the Corporation. Giant multinationals such as Shell, Exxon, Dow and Indian giant Reliance Industries limited and IOCI have put in an ‘expression of interest’ to pick up the stake. Shareholders of IPCI passed the resolution on February 27, 2001 concerning the transfer of the company’s Vadodara unit along with its workforce to Indian Oil Corporation limited (IOCL).
Navratan status

The Government of India on 28th February 1997 declared Corporation Y as one of the Navratan companies. This means that the Corporation belongs to the select groups of blue chip public sector enterprises that are given additional autonomy in matters related to administration and finance.

Joint Ventures

Corporation Y is involved in the formation of the following joint ventures:

- Corporation Y and General Plastics, BY, Netherlands have jointly ventured to manufacture advanced engineering plastics in India. This joint venture company was incorporated in 1991 with equal equity of 50 percent each. Manufacturing facility has been set up for alloys, blends and composites of engineering thermoplastics.

- Corporation Y is the main promoter of a joint venture under the auspices of Gujarat Chemical Port Terminal Company Ltd. incorporated in 1992. The objective of this JV is to construct and operate a state-of-the-art liquid chemical handling port at Dahej. The other promoters of this company include GSFC, GMFC, GACI, GIIC, GMB and Groc.

- Preparations are under way for setting up a company called The Indian Petrovin Ltd. at Dahej as a joint venture.

Acquisitions

Catalysis/surface sciences and manufacture of specialty catalysts in particular, have been identified as critical to the production processes of the Corporation. Accordingly, as a strategic move, Corporation Y has acquired catalysts and absorbents division of Associated Cement Companies at Thane.
Diversification

The Corporation has plans to diversify into refining and power generation by 2002. The Corporation also has plans to achieve backward integration of its petrochemical business in the near future.

Process Related Strategic Responses in Corporation Y

Quality policy: As part of the Corporation's commitment to quality in every sphere of its activity, a quality policy has been conceived. The essence of the quality policy is:

- To meet customer's requirement through continuous improvement.
- Stewardship to society through innovation, technology, and growth.
- Development of team culture through promoting the concept of internal customers.

International quality certification

The Corporation has acquired ISO-9002 certification for the products LOPE, PPLP, LLDPE, during 1997. It is planning to obtain the certification for three more products, viz. LAB, PVC, and PBR-2. Proposals have been submitted for certification under ISO-14000 for its Environmental Management System.

Mission and objectives

The mission and objectives of the Corporation are given now.

Mission

- To be a leader in the field of petrochemicals and related industries.
• To remain technologically progressive and maximise returns on investments.

**Corporate objectives**

• To create sound base for production of petrochemicals
• To maximise capacity utilisation
• To assist users by providing technical guidance
• To create strong R&D base
• To earn reasonable returns on investment

**Marketing strategy**

Corporation Y has a track record of developing markets for petrochemical products from nascent levels. It followed a three-pronged marketing strategy, viz. (a) market development, (b) entrepreneur development and (c) machinery development. It emphasizes development of small-scale industries as apart of entrepreneur development. The Corporation opened up nationwide distribution network to remain closer to customers, i.e. within 200 km of radius anywhere in the country and adopted a uniform pricing policy throughout the country. There are over 78 consignment stockiest with over 120 warehouses throughout the length and breadth of the country. In the recent past, special groups were set up to collect and compile market information in order to improve response style to changes in the market. It has also installed Very Small Aperture Terminal (V-SAT), one of the latest communication technologies at various locations, to monitor the product movement to customers.

**Research and development**

Corporation Y established a full-fledged R&D center to achieve maximum indigenisation, import substitution, and development of processes and technologies that are specific to the industry. This research centre has
been mandated to provide valuable in-house support to the Corporation’s commercial activities in the areas of process development, new materials, analytical support for improving quality standards, energy efficiency, optimisation of local resources, cost effectiveness and environmental protection.

**Collaborations**

The Corporation received as well as offered overseas collaborations. (Table 5.8)

**TABLE 5.8**

COLLABORATIONS OF CORPORATION Y

<table>
<thead>
<tr>
<th>Received</th>
<th>Offered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stone &amp; Webster, USA</td>
<td>Kerthh, Malaysia</td>
</tr>
<tr>
<td>Hoechst, Germany</td>
<td>NNPC, Nigeria</td>
</tr>
<tr>
<td>Scientific Design, USA</td>
<td>NPC, Iran</td>
</tr>
<tr>
<td>British Petrochemicals, UK</td>
<td>Belgium Government</td>
</tr>
<tr>
<td>Lummus Company, UK</td>
<td></td>
</tr>
<tr>
<td>Chemiean Lagenbao, Germany</td>
<td></td>
</tr>
</tbody>
</table>

**Inventory management**

The Corporation seta target of achieving year-end stocks of finished goods not exceeding 29 sales-days and receivables to 46 sales-days by 1999-2000. If this target is achieved, this will save crores of rupees in terms of interest and storing costs of inventory.

**Structure Related Strategic Responses in Corporation Y**

Corporation Y introduced the concept of Business Area Segmentation in 1996 for greater accountability among various units. The delayering efforts started in 1997 are still in their initial stages. The nine-level hierarchies in
the supervisory category are proposed to be reduced to four-level hierarchies by clubbing certain grades. However, this was not extended to workman category.

**Strategic HRD System in Corporation Y**

Corporation Y has manpower strength of 13,402 comprising supervisory and non-supervisory category. Workers are called as non-supervisory category in Corporation Y; 9675 employees are working in non-supervisory category. This non-supervisory category is employed in different technical and non-technical trades. The complex-wise total manpower strength of the Corporation and grade-wise non-supervisory profile is given below:

<table>
<thead>
<tr>
<th>TABLE 5.9</th>
<th>COMPLEX-WISE MANPOWER</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Baroda Complex*</td>
</tr>
<tr>
<td>Supervisory Technical</td>
<td>1983</td>
</tr>
<tr>
<td>Non-technical</td>
<td>729</td>
</tr>
<tr>
<td>Total Non-supervisory</td>
<td>2712</td>
</tr>
<tr>
<td>Technical</td>
<td>2524</td>
</tr>
<tr>
<td>Non-technical</td>
<td>4704</td>
</tr>
<tr>
<td>Total</td>
<td>7228</td>
</tr>
</tbody>
</table>

*Inclusive of manpower at CC, R & D and Marketing set-up.

Corporation claims that its wage policy is market-driven and performance linked. Pay scales were revised once in three years till 1979, once in four years till 1987, and once in five years till 1992. The pay scale in the corporation are revised in consultation with trade unions. All the pay revisions as shown able were implemented in pursuance to the memorandum
of settlement arrived at between the management and trade unions in terms of section 12(3) read with section 18(3) of the Industrial Disputes Act, 1947. The said memorandum of settlement, apart from the wage revision, deals with issues such as pay fixation formula, stagnation increments, dearness allowance, ERA, CCA, transport subsidy, shift allowance, washing allowance, canteen subsidy, cash handling allowance, and remote posting allowance. These allowances also undergo upward revisions along with base pay structure.

Apart from these, the employees are entitled to receive soft loans like house building advance, conveyance advance, festival advance, food grain advance, natural calamity advance, etc. Social security benefits like gratuity, provident fund, and pension are also extended to these employees.

**Working conditions**

Adequate facilities for drinking water, sanitation, illumination, ventilation, spacing, refreshment, creche, and cloakroom are provided. Provision of congenial working environment is given due priority. The company received ‘the sword of honour’ from British Safety Council in 1996 for its commitment to adopting high standards of safety in all its units.

**Family welfare**

The employees and dependent family members are eligible for a number of benefits including medical assistance, children’s education, and leave travel concession. Housing facilities are provided to all the employees in townships, which have civic amenities like super bazaars, parks, and approach roads. The medical assistance extended to employees and their families is unlimited. The Corporation runs schools for the benefit of employee’s children, where fees are highly subsidized. Transport is provided at nominal cost for commuting between townships and the nearest town/city.
Sports complexes, both for indoor and outdoor games, are developed for the benefit of residents of the township.

**HR department**

No written HR policy is adopted in the Corporation. Neither an HR plan linked to business plan nor an independent plan was developed except for a personnel manual containing rules and regulations. A Director heads HR function at the corporate level. An executive at the level of DGM heads HR Department at the complex. These HR Department heads are assisted by a number of supervisory and non-supervisory staff. HR activities at corporate and complex levels are shown in Table 5.10.

**TABLE 5.10**  
**HR ACTIVITIES IN CORPORATION Y**

<table>
<thead>
<tr>
<th>At Corporate Level</th>
<th>At Complex Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR policies</td>
<td>Establishment matters</td>
</tr>
<tr>
<td>Manpower planning</td>
<td>non-managerial recruitment</td>
</tr>
<tr>
<td>Recruitment</td>
<td>Movement &amp; Growth of Personnel</td>
</tr>
<tr>
<td>Training &amp; Development</td>
<td>Plant Industrial relations</td>
</tr>
<tr>
<td>Movement &amp; Growth of Personnel</td>
<td>Contract Labour Regulations</td>
</tr>
<tr>
<td>Corporate Industrial Relations</td>
<td>Employee Welfare</td>
</tr>
<tr>
<td>Wage Negotiations</td>
<td>Legal &amp; Disciplinary Matters</td>
</tr>
<tr>
<td>HR Interventions</td>
<td>Plant Level Training</td>
</tr>
<tr>
<td>Allied Administrative Responsibilities</td>
<td>Other Administrative Matters</td>
</tr>
</tbody>
</table>

There is a mix of professionally qualified and non-qualified personnel in the HR Department. In fact, line executives head two groups at Corporate HR and HR departments of two complexes.
Training

The company’s training policy states that one-third of the workforce must be trained every year. In other words, each individual must undergo a structured training programme at least once in three years. Training related data are given in Table 5.11. The training calendars for the period between 1995-99 have a unique theme for each year, which attempt to draw a balance between technical and soft-skills programmes. The training planner includes computer programs, Refresher workshops, a fair mix of maintenance (electrical, mechanical and instrumentation) along with sessions on process (handling plant emergencies, and quality related process control! operation of pumps and columns).

In the case of worker-employees, group-needs. are identified. Training centre representatives meet line managers in small groups and list needs that will update knowledge, develop skills and reorient attitudes. Midterm additions and deletions are made, based on recommendations of departmental heads.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Training Budget (in Rs. lakhs)</td>
<td>102</td>
<td>110</td>
<td>131</td>
<td>148</td>
</tr>
<tr>
<td>No. of Training Man-days</td>
<td>4520</td>
<td>7840</td>
<td>9800</td>
<td>10400</td>
</tr>
<tr>
<td>Training Days per Employee</td>
<td>1/2 day</td>
<td>2/3 day</td>
<td>1 day</td>
<td>1 day</td>
</tr>
<tr>
<td>No of Programmes</td>
<td>78</td>
<td>91</td>
<td>102</td>
<td>107</td>
</tr>
<tr>
<td>No of Retraining Programmes</td>
<td>28</td>
<td>25</td>
<td>30</td>
<td>40</td>
</tr>
<tr>
<td>No of Non-supervisory Personnel Trained</td>
<td>2102</td>
<td>2932</td>
<td>3984</td>
<td>4011</td>
</tr>
</tbody>
</table>

Themes like cost consciousness, quality, energy conservation, and having a business attitude have been the focus of worker training over the
last four years. A comprehensive databank on internal expertise is available, and the training centre and faculties are drawn from this pool. Most of the trainers have undergone ‘Train the Trainers’ programmes.

**Performance appraisal system**

The work performance and behaviour of non-supervisory personnel is to be assessed once in a year by an assessing officer not below the rank of Asst. Officer, reviewed by an Officer/Sr. Officer, and accepted by Dy. Manager/Manager. The data generated from the appraisal system is used as a managerial tool for deciding placements and assignments. The assessment is carried out on a six-point scale, six being ‘excellent’ and one being ‘poor’. The performance during the year is to be assessed against 10 parameters:

(i) Understanding the job
(ii) Execution of assigned responsibilities
(iii) Ability to undertake additional responsibilities
(iv) Initiative and innovativeness
(v) Handling of machines, equipment and tools
(vi) Punctuality
(vii) Team working qualities
(viii) Discipline
(ix) Efforts towards safety
(x) Efforts towards self-improvement.

There is no formal system of counselling the employees for their performance-related problems. The performance appraisal activity is treated as confidential and no discussions are held with the employee while appraising his/her performance.
**Job enrichment**

Efforts/programmes intended to enrich the job content of non-supervisory staff are absent. There are six grades in this category classified into unskilled, semi-skilled, and skilled. The job descriptions and specifications for semi-skilled and skilled are identical. There are various trades in the non-supervisory category and each trade has a job description. These descriptions are very narrowly defined in order to ensure specialisation. The job content does not materially change across the grades in semi-skilled and skilled category.

**Career planning**

Formal career planning is non-existent in the organisation. Upgradation cum-promotion guiding principles came into existence in 1988 as a result of a bilateral agreement. The said agreement provides for upgradation of the non-supervisory staff periodically when vacancies are not available, and promotion where vacancies are available. Promotion means advancement from unskilled group to semi-skilled group and from semiskilled group to skilled group within the non-supervisory category. Upgradation means placement of an employee from lower scale/grade to the next higher scale/grade within the same skill group/cadre on fulfilment of the required resident period. The resident period is five years for SSC or ITI qualified and six years for those below SSC. The Departmental Promotion Council meets once in a quarter to order promotions/upgradations. The guidelines prescribe administering a screening test by DPC for the purpose of assessing the suitability for promotions. Screening test is carried out on a maximum of 100 marks comprised Seniority (40 marks), Educational qualifications (15 marks), Relevant experience (10 marks), Annual appraisal (5 marks), and DPC (30 marks).
Communication

The mechanisms used for the purpose of communication with and among workers include joint management councils, the monthly newsletter and meeting by head of the departments occasionally. No specific policy or guidelines have been pronounced for communication.

Involvement and empowerment programmes

The following committees are operating in the corporation:

- Plant level committee
- Area level committee
- Statutory committees like canteen committee, safety committee.

Seventeen quality circles were formed at Nagothane complex. These QCs were working in the areas of manufacturing, support service and pure services. The tales of success of the quality circles here range from simple measures to save oil, and solving their parking problems to designing a multi-purpose clamp, for which the corporation shall be applying for a patent. Some of the quality circles also won appreciation from Quality Circle Federation of India.

Strategic HRD facilitators in Corporation Y

Concerns of management: Management had allocated sufficient funds for worker development but involved itself intermittently. It appears that they had no hesitation in extending the benefits and allocating the funds for conventional initiatives like compensation and welfare facilities for workers. But they lack belief in the abilities of workers and lack initiative to experiment with workers on issues like involvement and empowerment. Certainly, the representatives of management do not think that unions are trustworthy and could be taken into confidence in implementation of various
measures like disinvestment or quality initiatives or technological upgradation. The management definitely played a facilitator role as far as compensation, working conditions and family welfare issues are concerned. The same approach seems to be lacking in respect of other Strategic HRD practices. The reasons may be many, including a doubt whether these Strategic HRD practices can result in any positive contribution, and unwillingness of some people to take pains to offer guidance.

Concerns of unions: Unions had played a facilitator role in ensuring Strategic HRD practices like compensation, family welfare, working conditions, and promotions at regular intervals. However, they have not played any role in Strategic HRD practices like training, performance appraisal, employee involvement and empowerment in the Corporation. Rather, they were cautious with, the interventions like quality circles. They also play a significant role in generating awareness among workers about the developments taking place in the Corporation. The workers would have not got certain benefits and perks but for the unions and their efforts. The role of unions also appears to be mixed, it was that of a facilitator and inhibitor. They are supportive of some Strategic HRD practices but are apprehensive of job enrichment, communication, involvement and empowerment programmes.

Concerns of frontline officers: The frontline officers appear to be unhappy with unionism and their dominant perception of worker is that they are irresponsible people with unlimited freedom and no accountability. They also think that workers are more protected than officers and see them as a privileged class on certain matters like overtime and leave sanctions. However, there are also tales about efforts taken by some officers in grooming the workers and offering good guidance and on-the-job training. They do not perceive workers as a ~at or people who can substitute them if they acquire the requisite skills. Contrary to this, they strongly believe that most of the workers lack abilities to undertake important works. It may be concluded
that some of the frontline officers play a facilitator role and some of them play an inhibitor role in the worker development.

Concerns of individual workers: Here also, there are divergent groups viewing Strategic HRD practices differently. Some workers see Strategic HRD practices as a big opportunity for upgrading their skills and carving a career path in the Corporation while some are apprehensive that management will certainly dislocate them if they acquire a particular skill. Some of them perceive no tangible benefits in any of these initiatives. Therefore, here also, some individual workers play the role of facilitator and some, the role of inhibitor.

Industrial relations scenario

There was evidence of inter-union rivalry as well as inter-union rivalry, There were nine trade unions representing the workers in the Corporation. They are affiliated to different central bodies like BMS, AITUC, INTUC, NFPBW having belief in different ideologies. The trust between management and unions is far from complete. Both the unions and management think they are representing different causes. An industrial dispute or two and a few demonstrations are reported every year. The industrial relations related data are given in Table 5.12.

<table>
<thead>
<tr>
<th></th>
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<tbody>
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<td>1</td>
</tr>
<tr>
<td>No. of strikes</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>No. of gheraos</td>
<td>7</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>No. of demonstrations</td>
<td>3</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>No. of disciplinary cases</td>
<td>21</td>
<td>13</td>
<td>19</td>
</tr>
<tr>
<td>Cases of suspension</td>
<td>2</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>---------------------</td>
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<td>---</td>
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</tr>
<tr>
<td>Dismissals</td>
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<td>0</td>
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</tr>
<tr>
<td>Withholding of increment</td>
<td>7</td>
<td>0</td>
<td>2</td>
</tr>
</tbody>
</table>

**Labour status**

All important labour laws, like Compensation Legislation (Payment of Wages Act, 1936; Minimum Wages Act, 1948; Payment of Bonus Act, 1965 etc.); Regulatory Legislation (Factories Act, 1948); Social Security Legislation (EPF & MP Act, 1952; WC Act, 1923; Payment of Gratuity Act, 1972; Maternity Benefit Act, 1961) and Industrial Relations Legislation (Industrial Employment (Standing Orders) Act, 1946; Industrial Disputes Act, 1947; Trade Union Act, 1926 etc.) are applicable to this organisation. However, the Corporation has secured exemption from Payment of Gratuity Act, EPF & MP Act, and ESI Act, since schemes which are superior to what was prescribed under these laws were being implemented. Further, orders, guidelines and notifications issued by Govt. of India from time to time are implemented in the Corporation.

**Trainability**

The average age of the non-supervisory staff as on March 1999 stood at 38.3 years.

**Employment externalisation**

A large number of contract workers are employed in miscellaneous works like canteen services, horticulture, and sanitation. The corporation, on the demand of trade unions, had agreed to regularise the services of contract workers who were on its rolls during 1981-1989. Accordingly, a memorandum of settlement was arrived at with unions in July 1995. In pursuance to this memorandum of settlement, 1604 contract workers were to be made regular.
employees in a phased manner commencing from July 1996. This process has been completed in March 2001. In spite of this regularisation process, the engagement of contract labour still continues. These contract workers are paid minimum wage as prescribed under the Minimum Wages Act, and are not eligible for any other facility or benefit given to regular workers.

**Downsizing**

A voluntary retirement scheme is under implementation in Corporation Y. It is mainly intended to prematurely retire the employees who are medically unfit. 41 employees in non-supervisory category had opted for separation of their services under this scheme. However, the scheme is applicable to all regular employees of the Corporation who have completed ten years of service and are over 40 years of age. The discretionary power to extend the facility to a particular employee is vested with management.

**Questions for discussion**

1. The relationship between strategic HRD practices and strategic HRD facilitators in company Y has been found to be significantly positive. Discuss in detail.

2. Acquisition, diversification, disinvestment and joint ventures could play a major role to describe strategic HRD system. Comment.

3. How time based management is useful to implement the strategic HRD system in a company Y?

4. Please elicit the factors having the insignificant relationship with strategic HRD system.
5.4 CASE STUDY 3: SERVICE INDUSTRY

Introduction

The environment of banking sector is undergoing a rapid transformation. Government of India is implementing the recommendations of Narasimham Committee in a phased manner as part of its liberalisation programme that began in 1991. The recommendations of Narasimham Committee have far reaching consequences to the banking industry and will influence the operations of industry in more ways than one. The implementation of the first phase of recommendations is almost complete and the second phase is under way. Due to these widespread reforms, there is an intense competition in the banking sector, and achieving adequate levels of business growth and profitability demands extra effort from organisations. The banks more than ever before have to ensure (a) quality of assets/improved return on assets, (b) reduction of non performing assets, (c) internal control and housekeeping, (d) automation (information technology), (e) enhanced customer service, (f) widening the client base, (g) increase in deposits, (h) introduction of new customized products, and (i) spread of operations in order to survive in the turbulent environment. The entry of foreign banks and new private sector banks has brought further competition and complexity in the domestic banking sector.

Profile of Bank Z

Bank Z was incorporated in the year 1930, by a group of businessmen, with an objective of catering to the needs of small businessmen in the city of Bangalore. Today, it is the largest domestic private sector bank with an asset base of Rs. 600 crore. The bank serves its three million customers through a vast domestic network of seventeen regions consisting of 336 branches and 101 extension counters spread across the length and breadth of the country. Financially, the bank has been doing moderately well. The deposits which
stood at 100 crore in 1985 rose to approximately 5700 crore in 1998. The bank continued to make profits in the face of deregulation, stiff competition and volatility in markets. However, the bank could achieve a growth rate of 13.4 percent only in deposits in the year 1997-98 in comparison with average growth of 19.7 percent of other scheduled commercial banks. The profits of the bank also have come down in the last two financial years, as compared to 1996-97 and 1995-96 levels.

**Strategic Responses in Bank Z**

Bank Z had realised, in the early 1990s, the need to strengthen itself internally. Deregulation of banking sector has left no choice but to opt for reorienting its strategy. The bank started articulating a theme for every fiscal year to excel in its operations and gain maximum business advantage. For example, the bank operated on the theme of “sustained profitable growth in the year 1997-98”, while the focus was on “diversified and balanced business portfolio in the year 1998-99”. A comprehensive strategic intent was evolved, involving a cross-section of management staff in 1996. The essence of the strategic intent is to retain the leading position among the private sector banks through the following measures:

- Sustained profitable growth
- Improved return on assets
- Balanced business portfolio
- Strengthening of assets portfolio Focus on retail banking
- Thrust on trade finance
- Efficient collection and payment services Establishment of strong customer relationships
- Agility and exploitation of synergies in investment and treasury operations
- Containing cost-income ratio
• Leverage IT and branch network Training/upgradation of human skills
• Enhanced customers’, shareholders’, and employees’ satisfaction

In order to realise this strategic intent, the bank has taken a number of strategic measures which are now discussed.

**Portfolio Related Strategic Responses in Bank Z**

*Diversification*: The Bank proposes to diversify into the following areas of business by 2002:

- Consumer Finance. Mutual Funds
- General Insurance

*Joint ventures*: Bank Z is trying to form joint ventures with some of the international players in order to expand its operations. The proposal is in its initial stages and is expected to take a concrete shape by the year 2001.

*Collaboration*: The Bank is negotiating with a major European Insurance company for a possible collaboration to launch insurance operations in India

**Process Related Strategic Responses in Bank Z**

*Customer service*: The following measures have been taken to enhance the customer service.

- Introduction of Automatic Teller Machines (ATMs) in select metro branches
- Reduction in customer redressal period
- Extension of business hours at Tele Banking Counters (TBCs). Rejuvenation of customer service committees
- Working on Sundays and closing on local market holidays, at rural and semi-urban branches
• Providing uniformity of service to all the customers

**Marketing strategies**

• Brand building
• Advertisements/Corporate campaigns
• Reorientation of marketing teams and the marketing tool kit. Upgradation of skins of marketing personnel
• Surveys on working performance of branches

**Information technology**

• E-mail facility to 200 locations
• CMS to 50 locations
• Setting up of Central Data Repository
• Developing databases of all branches based on Oracle-2000, CIS, New TB and BSRS
• Automating Forex Services
• Interconnecting all regional offices to corporate office.
  Development of IT packages for new products

**Cost reduction**

The aim of cost reduction is to:

• Tighten the negotiations with the printers/suppliers/dealers and
• Negotiate the prices for a longer period
• Purchase items in bulk, as per actual requirement, wherever possible
• Avail trade discount/cash discount
• Bring about cost awareness among employees through various training programmes
• Ensure that branches/offices are not maintaining excess stocks
• Conduct periodical stock taking at branches/offices, identify the unused items and ensure that they are returned to P &S department, for recycling

R&D strategies: The Bank has come up with innovative schemes from time to time, such as flexi-vyapar, flexi-save based on its experience, and scanning of market demands.

Core competence: The bank is making efforts to build goodwill among customers as its core competence. The success of the bank in retaining the customer loyalty seems to be the basis for this. According to corporate planning department of the bank, one-fourth of its customers are loyal and do repeated business with the bank.

Quality strategy: The following systems, aimed at quality, are strictly followed in Bank Z.

- Good inspection system
- Adherence to customer service manual
- Customer satisfaction

Quality certification: The bank is in the process of obtaining ISO certification for a majority of its operations.

Benchmarking: Bank Z follows internal benchmarking strategy. The bank identifies high performing branches, which are called strategic business branches. These branches are identified based on criteria of: (a) low cost deposits and (b) customer service. The other branches are encouraged to achieve the same standard and business performance of strategic business branches.
Vision and mission statements: The vision and mission statements of Bank Z are given in Box 5.13.

| TABLE 5.13 |
| VISION AND MISSION OF BANK Z |

**Vision**

*The past of the Bank has been a Testimonial for the promises kept up, while the future holds far greater promise.*

*Amidst the challenges of the day, Bank Z strives to be a sound, solid and sophisticated organisation, where customer focus is a Core Value; Employee Growth-a Commitment; Shareholder prosperity-a prime priority and Societal Welfare-a Sincere Concern. Come-Join a movement called Bank Z, either way, you are a Winner, for sure.*

**Mission**

- Bank Z will strive to be the Leader among Indian Banks in terms of Profitability, Productivity and Innovation, while continuing to meet its social commitments and retain its premier position in the private sector. It shall endeavour itself to be the most modern and model bank and a financial supermarket.

- Bank Z aims at Total Customer Satisfaction by rendering efficient, quick and diversified services at reasonable cost through Improved Technology.

- Bank Z will build a Highly Motivated and Committed Team of staff by nurturing a good work culture to achieve superior individual Performance.

- Bank Z will be the Place of Pride for all its customers, employees and shareholders.
Structure Related Strategic Responses in Bank Z

- In the year 1996, the Bank has introduced flat structure in place of a tall hierarchical structure. The zonal system has been removed to facilitate a direct interaction and speedy business transactions between branches and regional offices.

- In 1997, the bank introduced the profit center concept. According to this concept, each region is a profit center and is accountable for its business performance.

Strategic HRD System in Bank Z

The total manpower strength of the Bank stood at 5877, out of which 3780 are workmen. These workmen are employed in clerical and subordinate (attendants, security guards) cadres. These employees play a significant role in the functioning of the Bank, as they are the frontline people transacting business with the customers. The Strategic HRD practices in the Bank are now discussed.

Strategic HRD Practices in Bank Z

Compensation

Bank Z is a member of Indian Banks Association (IBA). Therefore, it implements the wage settlement entered by IBA with All India Bank Employees Association (AIBEA). Currently, the Seventh Bipartite Agreement is being implemented in the Bank.

Apart from basic pay, the employees are paid dearness allowance quarterly, based on All India Average Working Class Consumer Price Index. The employees are entitled to receive dearness allowance of 0.17 percent of basic pay to 0.35 percent of basic pay for every raise of 4 points in the said index.
The employees are also entitled to receive a wide range of allowances and perks like house rent allowance, city compensatory allowance, washing allowance, hill and fuel allowance, water scarcity allowance, split duty allowance, and canteen subsidy. They are also eligible to receive soft loans such as house building advance, vehicle loan, overdraft against deposits, loans against NSC/Gold/LIC policies, and festival advance. Statutory benefits, like bonus, social security schemes like gratuity, provident fund, pension and group personal accident insurance are also given.

**Working conditions**

Emphasis is laid on ensuring congenial physical working environment in the bank, first, to attract the customers and, second, to provide a comfortable working place for the staff. The bank generally selects good locations, hires suitable accommodation to locate the branches, and house-keeping is given due priority. Importance is given to illumination, ventilation, drinking water, sanitation facilities, and seating arrangements. Bank Z has standardised layout, ambience, space for seating of the staff, and furniture for staff.

**Family welfare**

The bank provides medical aid to the dependant family members of the employee to the extent of 75 percent of the actual expenses incurred for medical treatment in case of hospitalisation. A monthly medical aid ranging from Rs. 870 to Rs. 1070 is payable to take care of non-hospitalisation medical requirements. The employees are also paid education allowance @ Rs. 100 per month to take care of children’s education. Each employee, along with the dependant family members, is entitled for leave travel concession once in two years to undertake a journey up to 3000 km. Bank Z has also introduced pension scheme as prevalent in the banking industry w.e.f. 1 November 1993.
In the case of death of an employee, the family members are also eligible to receive benevolent fund of Rs. 50,000 and Rs. 25,000 from death relief fund.

**HR function/department**

The bank has no written Human Resource Policy. But it has a few booklets containing rules and regulations governing the sanction of advances and service conditions. The memoranda of settlements reached between IBA and AIBEA form a vital part in the personnel policy of the bank. An Executive Director who is assisted by four senior level executives at Corporate Centre heads the HR Department in Bank Z. A middle-level executive heads each regional HR Department. There is a five-level hierarchy in the corporate HR Department and a three-level hierarchy in the region. Line managers are heading the regional HR departments. These line managers have no formal qualification in the human resource management but they were given in-house training in the personnel roles and regulations of Bank Z.

**Training**

Bank Z is yet to evolve a training policy. However, it follows a custom of training every employee a minimum of two or three days in a year. The Bank has a full-fledged training centre at Bangalore with all the requisite facilities such as classrooms, hostel and related infrastructure. The training budget is Rs. 14,18,240 lacs in 1998-99, number of programmes covered are 101, and number of employees trained are 2142.

The business plans of the organisation are claimed to be playing a vital role in determining the type of programmes and number of people required to be trained. It was said that the training needs of the clerical and subordinate cadre are assessed based on the performance appraisal system. Apparently, the views of various branch managers, departmental heads at regional and
corporate centre are also taken into consideration while finalising the training programmes.

A scheme encouraging the staff to acquire additional qualifications like CAIIB, CA, ICWA is in vogue. The employees acquiring these qualifications will be rewarded with a monetary incentive and earn extra credit points for promotion to higher posts.

**Performance appraisal system**

No written appraisal policy is available in the Bank except for a performance appraisal format. The clerical and subordinate staff will be appraised once in a year by a Reporting Officer and the appraisal will be countersigned by an Appraising Authority. The employees are evaluated on a five-point scale (point 5 denotes “Excellent” and point 1 “Unsatisfactory”) based on the following parameters.

- Job knowledge
- Intelligence
- Attendance, punctuality and dependability
- Inter-personal relationship, integrity and honesty

The performance appraisal system in the Bank is used for the purposes of training, transfers, promotions, and placement in a particular function. The appraisal system is treated as confidential. The system does not require either Reporting Authority or Appraising Authority to discuss with the employees while evaluating their performance. There is also no evidence of formal counselling system in practice.

**Job enrichment**

No specific programme/effort is either designed or implemented to enhance the job content of the clerical subordinate staff. However, as a norm,
employees will be exposed to all the operations in a branch working. In other words, they are required to work in different functions in their career and generally will not be allowed to serve in a particular function for a long time. This practice ensures a kind of job rotation to all the employees. The employees are also given a common designation of a clerk irrespective of the actual job profile. In a branch situation, not more than three hierarchical levels are followed. These include clerks/subordinate staff, accountants/officers, and branch manager. This system of horizontal structure also allows employees to perform a variety of assignments.

**Career planning**

No formal career planning is carried out in the bank. The promotion policy of the clerical and subordinate staff is governed by a memorandum of settlement arrived at between the management of the bank and the union under section 2(p) and section 18(1) of the Industrial Disputes Act, 1947. In pursuance to the said settlement, subordinate staff on completion of three years of service and on obtaining B.Com. qualification shall be eligible to the clerical cadre subject to qualifying in an oral test. The subordinate staff who are not qualified commerce graduates are required to appear for a written examination, followed by an oral test. A separate channel is available for the clerical staff with higher qualifications like CA, ICWA, ACS, CAIIB for being promoted as officers. The bank allows a maximum of 5 percent of vacancies exclusively for the internal clerical staff in the direct recruitment of Scale 1 Officer category.

**Communication**

The bank publishes a monthly newsletter, which is circulated to all the employees. All important developments, new policies, and business plans are intimated to employees through this newsletter. There is no evidence of any other communication mechanism other than the newsletter.
Employee involvement and empowerment programmes

The first quality circle was started way back in 1987 at the Nariman Point branch of the Bank. This quality circle came into existence on voluntary efforts of the concerned branch manager with active support of employees. Eventually, many more branches have adopted this concept of quality circle. A number of projects have been handled by these quality circles, which include, layout of branches, customer relations, implementation of daily operations, and assignment of responsibilities among themselves. 68 quality circles are functioning in different branches of the Bank. Except for quality circles, there is no other forum or mechanism available to the employees for participating in managing any activity in the bank. Mumbai is leading with maximum number of quality circles 11 in Bank Z, followed by Rubli, Kolar and Gulbarg with 6 quality circles. Bangalore and Vijayawada comprises 5 quality circles, Chennai and Delhi with 3 and 1 respectively.

Strategic HRD Facilitators in Bank Z

Concerns of management

The management treats the clerical and sub-staff as unionised and in bank terminology as award staff. They are cautious about upgrading the skills of clerical staff beyond a level. They also believe that highly skilled clerical staff are most likely to quit the organisation for other careers. The concern was that staff who are well-trained in and exposed to these functions may be lured by other banks, offering them higher positions and higher pay packets.

Concerns of unions

The unionism and unions are very strong in the Bank. The union was confident that management takes no chance in either avoiding or substituting unionism by any other mechanism. They played a facilitator role in Strategic
HRD practices like compensation, family welfare and promotions, and not played any specific role in others.

**Concerns of frontline officers**

There is some evidence pointing to the fear of sub-suitability and threat to authority being felt by officers in junior management group. They were not happy with the promotion policy that permits clerical staff to reach officer category on acquiring the required qualifications. They strongly feel that workers are overprotected by the unions and are accorded an over privileged status by management. These apprehensions do play an adverse role in certain Strategic HRD practices. However, some officers do possess the positive feelings and encourage the clerical as well as sub-staff to acquire higher qualifications and upgrade their skills.

**Concerns of individual workers**

Some of the individual employees were happy with what they have. They are not much interested to appear for promotion tests and interviews. Their concern was that becoming an officer means no choice in many issues, including place of posting.

**Industrial relations scenario**

The bank employees struck work for a day in 1998, resulting in loss of 3371 man-days. Again in 1999, employees went on strike for two days causing loss of 8000 man-days. The industrial relations scenario is illustrated in Table 5.14. The relationships between clerical and subordinate staff and management are totally regulated by the bilateral forum. Management also does not venture into taking any decision related to this staff without consulting the unions. The bilateral forum decides the major aspects of employment of the clerical and subordinate staff. Issues like compensation, allowances, transfers, promotions, disciplinary procedure are certainly within
the purview of the bilateral forum. In a way, the management has no exclusive freedom to undertake any major intervention, even the one like training. For example, IBA had to negotiate with the unions for implementing the computer awareness programme in the banks. The rigidity has brought great job security and good compensation to the workers but lack of flexibility brought no tangible benefit in terms of Strategic HRD practices like communication, employee involvement, and empowerment.

TABLE 5.14
INDUSTRIAL RELATIONS SCENARIO IN BANK Z

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</tr>
</thead>
<tbody>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>No. of gheraos</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>No. of demonstrations</td>
<td>2</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>No. of disciplinary cases</td>
<td>37</td>
<td>41</td>
<td>26</td>
<td>29</td>
<td>30</td>
</tr>
<tr>
<td>Cases of suspension</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>2</td>
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<tr>
<td>Dismissals</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Withholding of increments</td>
<td>10</td>
<td>13</td>
<td>4</td>
<td>11</td>
<td>11</td>
</tr>
</tbody>
</table>

Bank Z has signed a total of 25 agreements with unions between 1986 and 1995. In brief, the employment relationship in the bank in respect of clerical and subordinate staff is highly collective, formal and contractual.

**Labour statutes**

All important labour legislations like EPF &MP. Act, 1952, Payment of Gratuity Act, 1972, Trade Union Act, 1926, Industrial Employment (Standing Orders) Act, 1946, and Industrial Disputes Act, 1947 are applicable to the Bank.
**Trainability**

The average age of clerical staff in the bank is shown in Table 5.15. The academic profile of clerical staff comprises mostly ordinary graduates (823) and undergraduates (924).

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
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<tbody>
<tr>
<td>18-25</td>
<td>74</td>
<td>90</td>
<td>164</td>
</tr>
<tr>
<td>26-30</td>
<td>311</td>
<td>134</td>
<td>445</td>
</tr>
<tr>
<td>31-35</td>
<td>325</td>
<td>96</td>
<td>421</td>
</tr>
<tr>
<td>36-40</td>
<td>618</td>
<td>110</td>
<td>728</td>
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<td>41-45</td>
<td>492</td>
<td>134</td>
<td>626</td>
</tr>
<tr>
<td>46-50</td>
<td>217</td>
<td>57</td>
<td>274</td>
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<tr>
<td>51-55</td>
<td>34</td>
<td>20</td>
<td>54</td>
</tr>
<tr>
<td>56+</td>
<td>10</td>
<td>1</td>
<td>11</td>
</tr>
</tbody>
</table>

**Employment externalisation**

People are employed on part-time basis in branches for the housekeeping activity. Similar practice is followed in regional and corporate offices.

**Downsizing**

No scheme or policy is formulated for the separation of employees from the services of Bank. However, an informal practice of persuading the employees to render the resignation on account of underperformance/health reasons exist.
5.5 SUMMARY

Case study method is one of the off-the-job techniques for training and developing managers. The case study method presents a trainee with a written description of an organisational problem. The person then analyzes the case, diagnoses the problem, and presents his or her findings and solutions in a discussion with other trainees.

5.6 KEYWORDS

**Case Study Method**: A development method in which the manager is presented with a written description of an organisational problem to diagnose and solve.

**Strategic HRM**: Formulating and executing HR systems—HR policies and activities—that produce the employee competencies and behaviours the company needs to achieve its strategic aims.

**Leveraging**: Supplementing what you have and doing more with what you have.

**On-the-Job Training**: Training a person to learn a job while working on it.

**Unsafe Conditions**: The mechanical and physical conditions that cause accidents.

5.7 SELF ASSESSMENT QUESTIONS

1. The relationship between strategic HRD practices and strategic HRD facilitators in Bank Z has been found to be significantly positive. Discuss in detail.

2. Draw a relationship between portfolio related strategic responses and process related strategic responses.
3. Please elicit the factors having the insignificant relationship with strategic HRD system.

5.8 REFERENCES/SUGGESTED READINGS

2. Armstrong, Micheal, Strategic Human Resource Management, Kogan Page
3. Ansoff, H I, Corporate Strategy, Tata McGraw hill
HRD FOR WORKERS

STRUCTURE

6.0 Objectives
6.1 Introduction
6.2 Rationale of HRD for workers
6.3 HRD for Workers
6.4 HRD Mechanisms for Workers
6.5 Operationalising HRD for Workers
6.6 Summary
6.7 Keywords
6.8 Self Assessment Questions
6.9 References/ Suggested Readings

6.0 OBJECTIVES

After reading this lesson, you should be able to understand-
• Various aspects of HRD for workers.
• HRD mechanisms for workers.
• How to operationalize HRD for workers.

6.1 INTRODUCTION

The professional and managerial interest in the field of Human Resource Development (HRD) seems to have occurred only for over a decade now. A number of initiatives have been taken both by scholars and managers to propagate the values of HRD and initiate HRD systems in many companies both public sector and private sector. Most of the published work on HRD in
public and private sector focuses on use of HRD instruments like Performance Appraisal, Potential Appraisal, Training Role Analysis etc. for developing managerial resources. HRD for workers has been attempted only in a limited way and that too only recently. In recent years, the need for HRD for workers has been echoed both by professionals as well as academicians. While the need for HRD for a worker is voiced at different levels, there is very little that has been done in this area. There can be several reasons for such a trend:

a) An assumption that development of managerial resources itself should result in workers’ development through management techniques and style.

b) Workers’ constituency is a stormy area and any effort for HRD for workers will bring unions into focus.

c) Lack of integration between existing HRD and IR in many organisations.

d) Keeping HRD as a non-bargainable issue.

e) Prevailing IR climate in the organisation.

Despite this, it is now increasingly realised that workers constitute a major resource in any organisation and therefore any neglect to develop and nurture this resource is likely to produce counter-productive results. It is also felt that for long, workers have been treated as property of trade unions and in the process they are alienated from management. Research has revealed that workers feel equally alienated from trade unions which over the years have developed into an oligarchic and bureaucratic institution. Such alienation both from management and unions have in general concentrated on their role as a protest organisation and have done pretty little in the area of development for workers. Many management’s feel overwhelmed by existing labour laws and contend themselves by fulfilling their ‘obligations under’ labour laws and are not willing to examine the possibilities of going beyond statutory requirements and allocate resources for growth and
development of workers. In this background, it is necessary to both the employees and trade unions to change their orientation and increasingly focus on developmental Issues.

HRD for workers is quite different in content and processes than HRD for managerial staff. For example, some basic education and training has to be taken for granted in any HRD effort for managers but the same may not be the case when attempting to do HRD for workers. Similarly, workers do not constitute a static group in the sense of their knowledge and skills. Within workers group there are different categories of workers like skilled workers, semi-skilled workers and un-skilled workers and each of these categories may require a different HRD input.

Similarly, different HRD programs may have to be designed for covering workers of different sectors. They are likely to be different in their meaning and content. For example, agriculture workers, construction labour, etc. will require a different kind of HRD effort to give them basic sustenance level unlike their counter parts in prosperous industrial sector who are much beyond sustenance level and for them the meaning and content of HRD would be much different.

6.2 RATIONALE OF HRD FOR WORKERS

Any developmental effort directed on particular groups of employees would be inadequate and their impact in the organisational growth and development will be marginal unless the developmental efforts are directed to cover all sections of employees. Even the most developed managers would find it difficult to achieve corporate objectives in the company of stagnant alienated and demotivated workforce. If competent and qualified managers could alone run the organisation, workers would not have been needed.
In any organisation, workers constitute 70-80% of the work force. If the organisational efforts are directed to develop this resource to unleash the latent potential in them, the organisation will bloom with energy. In many organisations, specially service organisations like banking, 80% of first level officers come from the ranks. In several other organisations, 40-50% of the first line executives come from workmen category. Thus, development of workers assumes critical significance both for the present as well as the future.

Several developments having long term consequences are taking place which require increasing attention to develop the workers. Some such developments are:

**Emerging Public Sector**

In a developing country like ours, public sector has come into being as a major instrument of economic and social transformation. Public sector seeks to achieve the commanding heights of our national economy. A major challenge to HRD in public sector is the heterogeneous composition of work force in so far as their education exposure and work attitudes are concerned. The ‘population mix’ of workers category comprise workmen from socially disadvantaged groups, women and their category like physically handicapped and representations from religious minority groups. This makes use of HRD much more imperative as each group has its own assumption about the other and biases and prejudices based on consideration of caste, sex, language and religion calls for much more integrated effort to create cohesion in the work force.

**Changing Profile of Working Class**

The modem worker is no more a dumb entity. Today, he is more articulate, demanding and knowledgeable. If the potential of modem worker
is allowed to be developed, he is capable of graduating to new positions requiring better application of his knowledge and skills. Conversely if he is neglected and alienated, he can prove to be a big social liability.

Modern industrial worker is today much better compensated than perhaps, his brethren in other sectors. But his needs are now changing. Together with this, the new worker has desired to say in organisational matters. The continued political pressure for workers’ participation in management is an additional factor which should make an organisation to focus on developing alround capabilities in workers which enables them to participate meaningfully in the matters concerning them.

**Technological Change**

The technological changes are forcing organisations to adopt new structures and to adapt to new environment. Obsolescence of certain jobs due to technological upgradation will make it imperative for organisations to prepare workers with new skills and attitudes to cope with changes. Recent spurt in computerization calls for training, retraining and job shifting for workers. They also need confidence to adjust to technological revolution in view of confused talks about workers future in a new technological context.

Apart from this, organisations must find ways to involve the whole person in the job so that work and life are related more meaningfully. In this context, it should be recognised that money alone is an insufficient motivator and work must be viewed with a sense of satisfaction. Therefore, the rationale and need for HRD for workers hardly need more emphasis.

**6.3 HRD FOR WORKERS**

HRD for workers is a process by which the workers are helped in a continuous and planned way to:

a) develop occupational capabilities.
b) Develop intellectual, psychological, social and cultural aspects.

c) Develop higher level of achievement, motivation and self-management skills, and

d) Develop confidence, initiative and entrepreneurship

One result of development should be to realise the potential of people and help them to realise the various resources they have at their command—resources of personnel and individual strength as well as resources in the environment.

The goals of HRD for workers are following:

a) Men at the centre of development

b) Delineation of man that he becomes the object of development.

c) Development of collective personality of workers.

d) Participation.

e) Self-reliance as the expression of workers owns faith in their ability.

HRD for workers should increase the power of those who have traditionally been deprived of such power. This power in the context of creating confidence in workers to influence the course of action.

6.4 HRD MECHANISMS FOR WORKERS

Who are the assets?

HRD needs to consider the multiple interests, expectations and perceptions of HRD constituents. These “actors” include senior/top managers, HRD managers/specialists, line managers, trade union representatives, professional HRD consultants, individual learners/employees, national training agencies, external training providers, and educational establishments. Each constituent has a varying degree of power and/or
influence. See Table 6.1 for a listing of HRD issues/philosophies supported by each constituent.

It is important for the organization to carefully select the highest-caliber managers and lower-level employees who will profit from development programs because innovative and motivated performers don’t evolve from marginal performers. Every employee has the right to feel valued and needs career development rewards. A promotion is an obvious motivator. However, career development is not that simple. Managers need to foster the skills and abilities of people. By helping employees to develop their skills, they risk losing the employee to an advanced position in another organization. Nonetheless, the manager must contribute to career development to establish loyalty. It is ironic, but the most loyal employees in an organization are the ones most likely to leave and pursue other employment options if not properly rewarded.

People go through many changes in life. Marriage, children, divorce, relocation, and aging are examples. Personal backgrounds and experiences will shape the way in which development can occur. Managers need to focus on the development tasks that employees have to handle in the early, middle, and late stages of their careers. There are specific groups that need special emphasis on development.

**Women & Minorities**

Companies wanting to have a competitive edge in the workforce area also want to establish development programs for women and minorities. The number of women and minorities in the workforce is increasing rapidly and they will continue to be promoted into top positions, start their own businesses and be prominent leaders in the business community. Organizations will be wise to acquire women and minorities who will commit themselves to strategic positions.
The value of human resources must be maximized. What better way to boost value than to invest in HRD skills? By recruiting more women and minorities, organizations are levelling the playing field that has been dominated by white men. Developing their skills and abilities will help the organization to outplay the competition.

Mentoring can lead to development, growth, and learning. It can also maximize our natural capacity to form attachments [Collier]. Specialized leadership programs are an excellent mentoring tool that can be utilized. By following examples, women and minorities can develop strong leadership styles, confidence, and boost self-esteem. Communication skills can be improved so that innovative ideas can be seen as more effective when delivered in the right way.

Women and minorities will network in the business world through leadership programs. The more open the development of their skills, the more willing women and minorities will be to speak freely. Good ideas will not be lost and the organization is sure to gain. This networking is an opportunity for self-advancement and promotion beyond the scope of their job.

Keep in mind that good leadership skills are not gender specific. Women and minorities need to be able to handle all kinds of business people. The opportunities for open and desirable work places need to be there for all employees. In this way, the development of women and minorities will encourage them to advance to leadership positions.

Career transitions sweeping the world generate macroeconomic developments that emphasize cross-cultural and cross-national differences which will impact how people are managed and developed [Sparrow]. Improved understanding may also come with diversity training. The increase of minorities and women in the workforce can shape organizational practices and create cultural differences amongst staff [Tregaskis]. A workforce of
minorities and women will be better able to work and to feel that they belong when the employees are trained in diversity awareness issues.

**Older workers**

The work force is aging. People are healthier and living longer. They face reduced retirement funds and must continue to work. Managers can capitalize on the knowledge and experience that older workers have. Older workers have the potential to learn and be devoted to developing their work skills [Judy and D’Amico].

Age and performance have been shown to be unrelated [Judy and D’Amico]. Therefore, aging and the loss of ability to function that accompanies it are not factors with older workers. Aging only affects performance when it is linked to the stability and growth of the individual.

Older workers can enhance communication in an organization. This is because they can act as mentors or responsible examples. To attract this kind of worker, managers need to make jobs, benefits and development opportunities better than the option of retirement. By retaining would-be retirees as consultants or in full- or part-time positions, companies are eliminating the need to find replacements for people who already know and are committed to their jobs.

**Youth**

Employers need to identify necessary work skills and to hire and train young people. This kind of development sets the foundation for the workforce in a positive way. Paradoxically, the United States has both the highest levels of degree achievement and the highest levels of educational underachievement [Tregaskis]. Local governments, business associations, and employers need to aid in education expansion, training, and employment opportunities for young people who are given needed opportunities for jobs
Adult mentors can build confidence as well as help youth take responsibility for their behavior. They can help the student learn technical skills and develop realistic goals and expectations [Collier]. Eventually employers will get mature and responsible adults to work in their organizations.

Schools, communities, parents, employers and youth should create partnerships for the assessment and planning of resources [Puglisi]. The assessment would help to plan the actions for providing for the needs of young workers. Planning reasonable part-time work schedules, providing education, and assisting in various physical and learning disabilities are examples of how these needs can be met.

**Contingent workers**

With contingent workers, it is important to remember budget limitations. Training the contingent worker is often necessary so that they are able to improve their performance and to produce the best results. Contingent workers are hired to complete specific tasks. It might be assumed that they already have the exact skills that you are looking for to get the job done in the best way. Otherwise, you would have trained a permanent employee to do the job. If contingent workers will not be a permanent part of an organization, training/development dollars should be committed to existing and/or future permanent workers.

**Senior Level Executives**

Executive development programs should enhance an executive’s leadership abilities in terms of profits and reducing costs. Leadership models help to define actions required by managers. This leadership emphasis is reinforced in the organization through effective and responsible managerial staff [Mailliard].
Senior level executives are a resource that will be targeted by job recruiters and headhunters. If development has been productive and thorough, excluding huge salary raises and sign-on bonuses, the executive will choose to stay. The level of individual interest in employee development should be strong enough to encourage loyalty [Koonce].

**HR managers**

HRD managers spend so much time developing their employees' careers that they overlook their own. They too need to understand that they are responsible for themselves. They can not get too focused on budgeting and time constraints, otherwise they will be overwhelmed and not able to tend to their own career development needs [Overman].

These managers need to make strategic decisions for themselves as well as for their organization. They should view themselves as part of the teams, not just the function that supports the team. Senior management wants human resource technician's as well as open thinkers. It is difficult to have both in the same people. A varied mix will help to balance the needs of the managers, their employees and the organization as a whole.

The human resource generalist role is becoming obsolete and HR professionals are now expected to provide support, service, consulting and leadership [Walker]. Expanding current job descriptions for themselves involves increased responsibility. Risks will have to be taken in order to expose the human resource manager to other areas of an organization. They may find that they are pleased where they are. Or, they may choose to move into an entirely different discipline, say accounting, for the sake of broadening abilities, knowledge and skills.
How to make HR as asset?

In order to provide meaningful development opportunities, the material must be appropriate and substantial [Moore]. Also, practice and feedback are essential. Business (with government help) need to concentrate on 70% of non-college graduates who enter the U.S. workforce. Also, schools and employers must develop closer ties.

As a result of increased demands for readiness and flexibility and ongoing changes in the business environment, organizations need to shift from static fit to dynamic adjustment by their workforce. They “... need to devote additional attention to non-task-specific competences and their significance for efficiency, competitiveness, and career mobility” [Nordhaug]. These competences include firm specific, non-technology-related tasks. Under the current neoclassical human-capital theory, the development of firm-specific knowledge and skills is paid for by the employer but the development of general competence is financed by the individual, although these skills are transferable across employers. Nordhaug lists six competence categories:

Meta-competences are predominantly interpersonal and conceptual skills related to people management as well as analytical problem-solving skills. Technical skills are largely ignored.

General industry competences are top-level managers able to be shifted from one industry to another with ease or are there industry- and firm-specific conditions like technology, culture and traditions that prevent transferability?

Intraorganizational competences focus on internal networking capabilities, and knowledge of firm-specific information and culture.

Standard technical competences include knowledge about processes, techniques, tools, etc., related to the business.
Technical trade competences are related to knowledge and skills limited to one industry or public sector generated through vocational education, on-the-job training, apprenticeships, etc.

Idiosyncratic technical competences are the narrow range of knowledge and skills that generate congruence and do not facilitate change within the organization.

Table 6.1 lists some dominant issues/philosophies on HRD as described by Garavan, Heraty, and Morley. Where the learning needs are individual in focus, HR specialists, senior managers and education providers believe the primary responsibility for financial, motivation and commitment falls on the individual learner. Also, the U.S. has the highest mobility rate, which is sometimes used as an excuse for U.S. employers’ not investing in training and development [Tregaskis].

**TABLE 6.1**

<table>
<thead>
<tr>
<th>Issue/Philosophy</th>
<th>Description</th>
<th>Espoused by</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instrumental</td>
<td>Views HRD in terms of formal courses with a focus on subject matter and plenty of trainers</td>
<td>HRD specialists, line managers, trade unions and national training advisors</td>
</tr>
<tr>
<td>Existentialist</td>
<td>Preference for one-on-one learning situations, self-managed learning, facilitation rather than information transfer, and self-evaluation</td>
<td>Senior managers, individual learners, HRD specialists and education providers</td>
</tr>
<tr>
<td>Interventionism</td>
<td>The organisation has primary responsibility to develop and educate its human resources</td>
<td>Trade unions, HRD specialists, individual learners, and HRD consultants</td>
</tr>
<tr>
<td>Centralism</td>
<td>The training and development activity is controlled by central department</td>
<td>HRD and training consultants</td>
</tr>
<tr>
<td>Issue/Philosophy</td>
<td>Description</td>
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</tr>
<tr>
<td>Decentralization</td>
<td>Training and development should not be disseminated from a central point</td>
<td>Line specialists, trade unions, and individual learners</td>
</tr>
<tr>
<td>Traditionalism</td>
<td>Most important investment in HRD should occur at the beginning, i.e., front-loading, because it assumes low levels of skill obsolescence and low rates of technological development over the career</td>
<td>Individual learners and trade unions</td>
</tr>
<tr>
<td>Continuous development</td>
<td>Where learning is ongoing, varied and subject to individual learner priorities</td>
<td>Management education providers and HRD consultants</td>
</tr>
<tr>
<td>Humanism</td>
<td>Emphasizes the priorities of the learner and the longer-term contribution to the HRD investment</td>
<td>Individual learners, trade unions and HRD specialists</td>
</tr>
<tr>
<td>Utilitarianism</td>
<td>Development should have immediate value to the organisation</td>
<td>Senior manager, line managers and HRD specialists</td>
</tr>
<tr>
<td>Maintenance orientation</td>
<td>Reinforces the status quo with no change in current practices and values</td>
<td>Individual learners, trade unions and line specialists</td>
</tr>
<tr>
<td>Change orientation</td>
<td>Concentrates on individual, team and organizational change that includes facilitation of structural change, innovation, teamwork and improved performance</td>
<td>HRD specialists, senior managers, HR specialists and education providers</td>
</tr>
<tr>
<td>Structural-functional perspective</td>
<td>Believe the role of HRD is to repair skill gaps and other deficiencies</td>
<td>Individual learners, national training advisers and trade-unions</td>
</tr>
<tr>
<td>Mechanistic learning process</td>
<td>Structured, one-time process aimed at large groups</td>
<td>Trade unions, individual learners and line managers</td>
</tr>
<tr>
<td>Flexible learning process</td>
<td>Flexible and focussed on the learner</td>
<td>Senior managers, HRD specialists, and educational HRD providers</td>
</tr>
<tr>
<td>Issue/Philosophy</td>
<td>Description</td>
<td>Espoused by</td>
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</tr>
<tr>
<td>Priority</td>
<td>Organisational vs. individual learning needs</td>
<td>Most espoused organizational priority with trade unions and individual learners placing a higher priority on individual needs.</td>
</tr>
<tr>
<td>HRD as change-agent and consultant</td>
<td>HRD is responsible for flexibility and suggesting innovations</td>
<td>Senior management, HR managers, HRD specialists</td>
</tr>
<tr>
<td>HRD as diagnostic function</td>
<td>HRD is responsible to identify, coordinate and provide learning activities to cost-effectively repair skill gaps</td>
<td>Trade unions, external training providers and individual learners</td>
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<thead>
<tr>
<th>Flaw</th>
<th>Suggested Improvements</th>
</tr>
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<tbody>
<tr>
<td>The current process takes too long</td>
<td>Hire search firms to identify new board members who can step in as CEO if necessary.</td>
</tr>
<tr>
<td>The current system produces leaders who are too insular and therefore need to rely on their internal authority</td>
<td>Broaden the experience of would be CEOs enough to give them visibility outside the organization.</td>
</tr>
<tr>
<td>Methods tie executives too closely to tradition</td>
<td>Focus more on the ability to adapt to change than on a specific skill during development</td>
</tr>
<tr>
<td>Flaw</td>
<td>Suggested Improvements</td>
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<tr>
<td>People may be trained in skills they already possess</td>
<td>Research the individual’s work history and tailor the program to meet his/her specific needs. Pay careful attention to reliability and validity of the knowledge to be imparted.</td>
</tr>
<tr>
<td>The development budget may be wasted on ‘rest and recuperation’ session.</td>
<td>Ensure that the program does not merely entertain and that job skills or job knowledge is imparted.</td>
</tr>
<tr>
<td>The budget may be spent on fancy hardware that meets the training director’s needs but not the organization’s</td>
<td>Specify the kinds of competencies that are necessary and ensure that development goals are clear.</td>
</tr>
</tbody>
</table>

As mentioned earlier, the focus, direction, content and mechanisms for HRD have to be different for workers than for managerial staff. This is because of the job requirement, existing level of knowledge and competence, number of target groups to be covered etc. Therefore, in the traditional mechanism of HRD for managerial staff like Performance Appraisal, Potential Appraisal, and Role Analysis etc. cannot be replicated for workers who at a particular stage of their development may have limited utility for these mechanisms. It would be difficult to propose that worker, as a group will have common needs for development because in different sectors, the focus and direction of HRD for workers may be different. Following mechanisms have been tried by Indian organisations for workers’ development with considerable success. These mechanisms are merely illustrative and not exhaustive, as there may be many more ways to develop workers. All these mechanisms are linked with overall personnel policy in any organisation.
Training

Training in the Nineties has become an absolute necessity. Organisations are spending increasing amounts of money to make sure that they have employees that are well qualified. “Training consists of planned programs designed to improve performance at the individual, group, and/or organizational levels” [Cascio].

By centralizing course development and delivery, training efforts can be expanded without increasing cost. This happens when different business cultures are combined into cohesive units that focus on the customer. Training is not a cure for what is broken with a company and its staff, development of abilities is [Modic].

Training is an important mechanism for workers development. For overall development and growth of workers, the direction of training effort need to be focussed not only on job skills, but inter-personal skills, collaborative skills and team building skills. Besides this, skills in problem solving and self-management are also required. Routine training programmes for upgrading only technical competence of workers have limited value for overall growth and personality development of the worker. Government of
India in 1957 formulated a scheme of workers’ education with the objective of developing strong and more effective trade unions through better-trained officials and more enlightened members.

The National Commission on Labour had proposed to improve the scheme in view of several gaps in the existing scheme. One of the main lacunae of this scheme has been that its entire focus has been to develop trade union leadership rather then development of workers as an individual in all aspects.

The effort in training has to be basically an institutional effort, depending upon the actual training needs of workers in the technological context of a particular industry. More often it is presumed that technical training by itself will create alround competence amongst workers but that would be taking a narrow view. Behavioural training is equally important to develop inter-personal skills and also skills to help them in improving quantity of their life in general.

Counselling

Counselling is an important mechanism to provide timely guidance to workers and help them learn from their own mistakes. The counselling effort needs to be well meaning and serious and it is preferable if it is initiated by trained counsellors. Timely counselling can help avoid many conflict situations and eventually help workers both in their personal and job life. Many Indian companies have trained counsellors, who work full time and extend counselling services to workers. Larsen and Toubro, and Voltas are two companies in private sectors that have taken significant initiative in this direction.
Counselling services may be extended to the personal and family life of workers. Counselling to help a worker to plan the careers of his own children can have high motivational value.

**Participation**

Workers’ participation in management is a very potent mechanism for all-round growth of workers and also all-round growth of companies. Pitiably, however, not much has either been initiated or achieved in this direction. Partly the problem is that the scheme of workers’ participation in management is always pushed by statutory mechanisms and to that extent it is considered as coercion from the government. The overall industrial relations environment and the inter-union rivalry add to the problem. In this atmosphere, the employers have mostly played safe. Failure of the institutions of Work Committee and Joint Management Councils are examples of inadequacy of governmental interventions. Research findings reveals that worker director scheme even in white collar industry like banks have hardly created any positive climate in industrial relations. One of the important reasons for the cynicism amongst employers about any participation mechanism seems to be lack of experimentation in this area. A handful of companies have however experimented though in a limited manner, the participation of workers in the affairs of management.

**Employee Welfare**

The issues related to welfare are very much germane to the overall development of workers, both their physical being and psychological being. Employee welfare programmes create a sense of belonging and adequacy that benefits the organisation in the long run. In a highly inflationary economy like ours, the wages are barely adequate for day-to-day sustenance of workers. Unless adequate welfare programmes exist in the form of educational subsidies, health and medical benefits etc. workers are likely to
languish at the present level and quality of their life is likely to suffer. What are required in welfare programmes are the concern and the pro-activity for worker welfare. Voluntaries are the hallmark of pro-activity in welfare programmes. Most welfare programmes for industrial workers are in the form of statutory labour laws. The development of workers can be actuated by pro-activity on the part of employers in initiating welfare programmes that are in consonance with the emerging needs of workers. Tata Iron and Steel Co. (TISCO) is the finest example of pro-active initiative ort the part of house of Tatas. In the field of labour welfare, they have introduced almost all the welfare schemes like eight-hour working day, free medical aid, schooling facilities for children, leave with pay, provident fund scheme, workmen compensation scheme, medical benefit, profit sharing benefit, retirement gratuity etc. much before the statutes came into force.

Quality of Work Life

For overall development of workers, only good wages and service conditions are not adequate. Equally important is the environment in which they work. This mostly relates to physical environment such as heating and air-conditioners, lighting and safety and general aesthetic atmosphere in the organisation. Quality of work life is focused generally on these aspects and also on other motivational factors such as flexibility in working hours, autonomy and discretion in the performance of jobs and the very nature of the work etc. One good initiative was taken by a public sector undertaking Bharat Heavy Electricals Ltd (BHEL) some years ago, which undertook initiative in improving quality of work life.

Quality Circles

Quality Circle is a small group activity where in a small group of employees on voluntary basis meet periodically to discuss work-related problems. Experience with quality Circle in Japan and elsewhere is very
encouraging in terms of involvement of workers in the work-related matters and psychological satisfaction. In a last few years, many companies, both in private sector and public sector have experimented with Quality Circle and the results are very encouraging. In fact, Quality Circle is an important HRD mechanism for the involvement of workers at the grass root levels. This also unleashes JK Jute, Bharat Electronics, BHEL, HMT etc. and some service organisations like banks have experimented with Quality Circles in recent years.

**Grievance Mechanism**

In large organisation, there is a tendency to ignore the grievances of workers and many a times, individuals are not encouraged to put-forth their grievances and the only mechanism to deal with workers grievance is through trade unions. Absence of timely disposal of grievances is creating a sense of frustration and eventual conflict in the organisation. Many developmental efforts become counterproductive on the aggrieved groups of workers and therefore, a quick system of grievance redressal is a developmental mechanism. It requires initiative in developing skills in first line supervisors and others in handling day-to-day grievances. Some companies like TISCO have elaborate grievance redressal machinery, which has the record of successful functioning.

**Control and Ownership**

According to Garavan; Heraty and Morley, ownership and control of HRD activities is subject to actor perceptions, which make it difficult to determine accountability. Line specialist groups feel they should control and that HRD’s role is to provide effective service. Individual learners and external training providers prefer shared ownership and collaboration. Trade unions, senior managers and HR specialists believe line specialists and individual learners should own HRD while control is the responsibility of
HRD. There has been a shift in responsibility for HRD investment to the individual learner. This probably reflects today’s reduced job security and the utilization of development to build commitment and increase the employee’s future employment as well as his/her competencies. It is generally believed that it is senior management’s role to provide financial and psychological support and demonstrate commitment to investment.

High-flyer programs [Larsen, London, Weinstein and Raghuram] [Tregaskis], i.e., fast-track career-development programs for designated high-potential managers, were common in the 1960s and 1970s in large, bureaucratic and stable organizations. This all changed in the 1980s when companies needed to downsize and did not require as many fast-track trainees. These programs are also used to enhance corporate-image for external recruiting [Tregaskis]. However, fast tracking by-passes the talents of the subordinates of program participants causing discontent and jealousy while putting tremendous pressure on the selected few. Larsen, London, Weinstein and Raghuram discuss the human-capital theory (concentrates on the actual competence level of the individual) and the organizational-structure approach (argues that career opportunities are determined by internal activities such as organizational changes, redesigning- of jobs, the competition for specific vacancies when they arise, etc.). They believe that high-flyer programs may continue to be of use for large, mature organizations but companies with more project- or network-based organizations may find them disadvantageous. They also suggest that virtual organizations will have short life expectancies due to the nature of the work and will require external career development programs.

Why provide development opportunities...

With effective recruitment selection systems created through the HRD function, organizations are encouraging retention. The philosophy is that
recruitment needs to initially select those employees with the right skills who are likely to have good job performance. Use available screening and selection procedures to determine reliability, job-relatedness, and validity of proposed development programs.

Designing and implementing development activities is a difficult challenge for human resource managers. Employee retention is a measurable part of development practices. Other areas of development such as helping employees to be and feel productive are intangibles; Retention will happen if employees motivated to perform. Developmental techniques to enhance learning and growth may be the key to this necessary motivation.

Job involvement and organizational commitment are ways to predict job turnover. A lack of development opportunities leads to reduced retention rates [Moore]. By performing a job well, employees increase their self-confidence and add to their feeling of being needed. This increases their job involvement and their attitude is positive. The commitment on the part of the organization is to help employees meet their basic living needs such as good pay, benefits, and promotions. This leads to an increased commitment to the organization.

Increasing an individual's employability outside the company increases his/her job security. It enhances their desire to be loyal to their current employer who has taken the time to ensure the future of the employee. Development provides learning opportunities for both the employee and the organization. For the employee, it creates an interesting and challenging work environment. For the organization, it gives them the opportunity to provide feedback to the employee about job performance. Keeping people growing and learning is what keeps them interested.

Research indicates that an individual employee's vocational qualifications and the existence of a policy statement, i.e., company buy-in,
are the most important factors. Also, the absence of a company policy leads to reduced training and development programs [Thompson, Mabey, Storey].

A new perspective that promotes HRD as a function that enhances performance, multiple skill development and job advancement rather than simply a mechanism for developing core skills is evolving: This perspective emphasizes development of individuals that will result in boundary less career opportunities, enhanced employability and continuous personal development [Garavan, Heraty, and Morley].

6.5 OPERATIONALISING HRD FOR WORKERS

On the basis of the foregoing discussions, it is proposed that following initiatives need to be taken by management for initiating HRD for workers:

1. Creating a developmental Climate
2. Developing developmental style of leadership amongst all the managers
3. Legitimising the role of unions in traditionally ‘non bargainable’ issues
4. Continuous interaction and dialogue with unions in identifying and prioritising areas of HRD for workers.

6.6 SUMMARY

In a country like India, there is a vast reservoir of latent talent in workers which if nurtured and chiselled carefully can increase organisational synergy. Creation of necessary ‘climate’ for development is, however, a prerequisite. Both management and trade unions have to shed their traditional role towards workers and show progressive attitude. For the success of every organisation it is necessary to have an effective HRD climate in an organisation. A good HRD climate can help in maintaining and building a better HRD structure, which involves an equal distribution of responsibilities
and authorities among the HR personnel. HRD climate is well practiced in Indian organisations giving the HR personnel knowledge for to develop, how to develop and whom to develop.

6.7 KEYWORDS

Grievance: Any factor involving wages, hours or conditions of employment that is used as a complaint against the employer.

Quality Circles: A small group activity in which a small group of employees meet periodically to discuss work related problem voluntarily.

Job Sharing: Allows two or more people to share a single full-time job.

Tash Analysis: A detailed study of a job to identify the specific skills required.

Unfair Labour Practice Strike: A strike aimed at protesting illegal conduct by the employer.

6.8 SELF ASSESSMENT QUESTIONS

1. Cite two examples from Indian organisation and discuss the HRD practices done in these organisations?
2. Effective climate leads to effective working. Explain the role of HRD in today’s organisation?
3. Discuss how HRD for workers is different than HRD for managers.
4. Discuss how the seven HRD mechanisms suggested in this unit contribute to competency development and motivation development of workers and also in developing a healthy organisational climate.
6.9 REFERENCES/ SUGGESTED READINGS


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http://lenny.uvm.eduiresearch/inProgressIResources/HRMGuidelEmployee/Dev/Emp/Deve.htm
HUMAN RESOURCE DEVELOPMENT:
STRATEGIES AND SYSTEMS

STRUCTURE

7.0 Objectives
7.1 Introduction
7.2 Portfolio Related Strategic Responses
7.3 Process Related Strategic Responses
7.4 Structure Related Strategic Responses
7.5 Summary
7.6 Keywords
7.7 Self Assessment Questions
7.8 References/Suggested Readings

7.0 OBJECTIVES

After studying this lesson, you should be able to understand-
- Various HRD approaches for coping with organizational changes.
- Portfolio related strategic response.
- Process related strategic responses.
- Structure related strategic response.

7.1 INTRODUCTION

The changes taking place in technology, demographics, markets, consumers and their preferences, and in economies have a significant impact on an organisation. This chapter aims at understanding the impact of
changes such as globalisation, liberalisation, and technological and market changes on organisations as well as to examine how organisations respond to these environmental changes and what strategies they adopt to cope with such changes.

The impact created by changing environment of organizations, fuelled by globalization, liberalization, technological changes and market changes forces the organizations to make various strategic responses. These responses largely revolve around and are based on changing the portfolios, modifying organizational processes, or altering the organizational structures. These responses can, therefore, be broadly classified into: (i) Portfolio related strategic responses, (ii) Process related strategic responses, and (iii) Structure related strategic responses.

7.2 PORTFOLIO RELATED STRATEGIC RESPONSES

Companies around the globe are witnessing a changed business environment. In order to meet the challenges that have been thrown up by these changes, many organisations responded by changing their portfolios: of businesses, products, markets, capital, and even business units. Some companies have entered into strategic alliances or collaborations with others to gain access to new technology, new products, and new markets. Some companies have merged with other companies while some have acquired or taken over others to increase their market share. Many companies have formed joint ventures with others to enter into new businesses and exploit the emerging opportunities. Some companies have diversified into other areas while some divested their business units. Also, some bought their shares back while government have resorted to disinvestments in state-owned public sector enterprises (PSEs). Each of these portfolio related responses is now discussed.
Mergers, Acquisitions and Takeovers

In today’s business world, mergers, acquisitions, and takeovers have become prime issues. We are witnessing this century’s fourth wave of mergers and acquisitions. Indeed, more than 76,000 mergers and acquisitions have been announced since 1963 in US alone. Indian companies, too, have started responding to changes such as liberalisation and deregulation.

The terms acquisition and takeover are used synonymously here. Acquisition or takeover is different from merger. Acquisition implies that a company unilaterally relinquishes its independence and adapts to another firm’s plans, while in mergers, all combining firms relinquish their independence and cooperate, resulting in the establishment of a common corporation. The takeover of companies is always not friendly. Sometimes, an aggressive firm tries to take over a firm against its desire, resulting in a hostile takeover.

The attempts at merger and acquisition activities during the initial period in India were more in the nature of testing the new environment. The actual wave in the Indian context is said to have started after 1994 when the necessity of formulating a new takeover code was felt by the regulatory agencies. During the period from 1991 to 1998, a total of 241 mergers and acquisitions have taken place, of which 185 acquisitions were complete, whereas 56 are in the process.

In India, hostile takeovers are expected to become a major mode of acquisition. Radhakrishnan and Augustine (1996) have tried to list the potential target companies in India on the basis of parameters such as promoters’ stake, holding pattern, and market capitalisation, and revealed that:

- Companies where promoters have less than 50% stake are vulnerable for takeover. Many Indian companies fall under this
category. In fact, promoters have a majority stake in only 140 of the top 500 companies in India.

- In case the holding pattern is considered as a criterion for identifying the takeover targets, then most of the Indian companies come under this category. Because threat of takeover is higher when the group companies have less than 20% stake in their companies and of the balance (public holding constitutes 35%, about 30%) is held by financial institutions and the rest by foreign institutional investors and mutual funds.

- In terms of market capitalisation, nearly 425 companies of the top 500 companies have less than Rs. 500 crore while several have less than Rs. 100 crore.

Many theories have been advanced to explain why mergers and other forms of restructuring take place. Efficiency theories imply social gains from M&A activity, in addition to the gains for participants. The differential efficiency theories say that more efficient firms will acquire less efficient firms and realise gains by improving their efficiency. The related inefficient management theory suggests that target management is so inept that virtually any management could do better, and thus could be an explanation for mergers between firms in unrelated industries. The operating synergy theory postulates that mergers help achieve economies of scale that otherwise cannot be obtained. The financial synergy theory hypothesises complementaries between merging firms. The undervaluation theory states that mergers occur when the market value of target firm stock, for some reason, does not reflect its true or potential value. The theory of strategic alignment to changing environment says that mergers take place in response to environmental changes.

Some have argued that mergers increase value and efficiency and move resources to their highest and best uses, thereby increasing shareholder
value. Others are sceptical. They argue that companies acquired are already efficient and that their performance after merger is not improved.

**Demerger**

Demerger involves spinning of a business/division in a diversified company into a stand alone new company along with free distribution of its shares to the existing shareholders of the original company. Demerger is usually resorted to for addressing the problems of conglomerate discount, for permitting direct portfolio decision by investors, and for facilitating sharp and uncluttered managerial focus. There have been a few cases of demergers in India in the recent past. Examples include demerger of Hoechst Schering Agrevo Ltd. from Hoechst India Ltd., demerger of Ciba Specialities from Hindustan Ciba-Geigy Ltd., demerger of Sandoz India Ltd. from the old Sandoz, and demerger of Aptech from Apple Industries Ltd.

**Diversification**

Diversification has been increasingly used by large corporations as a strategy, for adapting to changes in the business environment. Corporate diversification is everywhere. Virtually all of the Fortune 500 companies are diversified, many of them to a great extent. Major environmental factors which caused firms to diversify into new areas were technological innovation, globalisation of markets and deregulation. The essence of diversification is taken as “reaching out” into new areas, requiring the development of new competencies or the augmentation of existing ones. In short, diversification is the process whereby a corporation moves into additional businesses.

Some of the important reasons for diversification are:

- Diversification reduces risk by stabilising profits and reduces the vulnerability of a business to changes in its competitive
environment. Spreading the investment over several businesses reduces risk.

- Diversification is a method of exploiting an organisation’s strategies in innovation, technology, management and cash resources.
- If the profitability of the existing business of a firm is likely to decline, or is unlikely to grow significantly, then diversification may be a way to achieve growth.

Diversifications are of two types: *Related diversification* where it is essentially limited to a firm’s current field, and *unrelated diversification* which entails the spreading of an investment portfolio over a wide range of companies, and which can take the form of entry into new markets. A number of studies have examined whether related or unrelated diversification resulted in better performance. The results present a mixed picture. Some studies reported that related diversification performs better than unrelated diversification, as well as no difference in performance between related and unrelated diversification, and yet others that there is no real difference.

Examples of diversified firms in India include Reliance Industries (Petrochemicals, Textiles, Power, Advertising), BPL (Whitegoods, Power), Nagarjuna Group (Power, Fertilisers, Finance), Tata (Paper, Tea, Automobiles, Steel, Telecommunications, Software, Consultancy), Aditya Birla Group (Cement, Textiles, Rayon, Palm oil), etc.

**Share Buyback**

The Indian Companies Act, 1956 does not permit a company to buy back its own shares. However, the 1997 budget presented on 28th February, 1997 has proposed to permit buyback of shares. Some of the features of the buyback scheme will enable companies to buy back their shares in order to reduce their outstanding share capital and improve their earnings per share.
A corporation may repurchase its own shares of common stock in the open market by a tender offer or by private negotiation. Open market repurchases of common stock are virtually identical to what occurs when any other investor purchases the company stock through a broker. Negotiated repurchases generally involve a smaller number of shareholders who own a significant block of the company’s common stock. According to Brokaw III and Plohn Jr. (1990), corporations repurchase their own shares, the prime reasons being to:

- invest excess cash at a higher rate of return on equity, change the capital structure,
- increase earnings per share,
- increase the book value per share of the remaining shares,
- use as an acquisition currency,
- offset dilution of issuer plans, such as stock purchase, stock option,
- dividend reinvestment or similar plans for employees or security holders of the issuer, and
- eliminate smaller shareholdings and thus reduce servicing costs.

Many Indian companies such as TELCO, TISCO and Reliance Industries have had substantial cash flows and could therefore undertake buy back of shares.

**Divestiture**

Deregulation has provided momentum for highly publicised divestitures. Divestiture represents the sale of a segment of a company to a third party. Assets, product lines, subsidiaries, or divisions are sold for cash or securities or some combination thereof. Why would a Chief Executive Officer divest a key division, subsidiary or joint venture interest? Most outside observers will jump to the conclusion that the business is a loser or
that current management cannot turnaround the subsidiary or division. However, new circumstances have complicated the reasons for divestiture. The divestiture decisions can be made for several reasons, including streamlining the corporation, eliminating a losing or low return business, lack of business, or the avoidance of exposure of assets to political risk.

Divestitures are highly prevalent among all restructurings that have taken place since the beginning of 1980s. As much as 40 per cent of the restructurings during the 1980s involved divestitures. Many companies, which only a few years ago were actively diversifying through acquisitions, are now trying to sell those same businesses. It is important that divestiture analysis, planning and implementation are viewed as positive activity and they should be considered as an integral part of a company’s growth strategy, opine many strategic planners. As divestments represent an important part of corporate management’s responsibilities, they should be managed strategically. Divestiture can take a variety of forms, including sale, merger, liquidation and spin off.

**Disinvestment**

Disinvestment involves sale of only part of the equity holdings held by the Government to private investors. Disinvestment process, therefore, leads only to dilution of ownership and not transfer full ownership. It is the extent of disinvestment that would determine the degree of dilution of ownership and, consequently, the degree of control that could be exercised by the Government over the Public Enterprise after disinvestments. The objectives of disinvestments are broadly similar to those of privatisation, i.e. improving the performance of public enterprises to function as commercial entities.
Joint Venture

Our enterprising system is on trial. Companies are now expected to provide sustained growth in the face of global competition and rapid technological changes. This pressure has fermented a search for creative ways to improve our adaptability in managing business firms, and joint ventures provide hope in this area. The term Joint Venture means the creation of a new organisational entity by two or more partner organisations. Joint ventures are formed for a variety of reasons. For instance,

1. Intention to expand their domain overseas.
2. To deal with the growing world market integration.
3. The intensified degree of international competition.
4. The increasing importance of new technologies.
5. To leverage the resources of firms.
6. To reduce manufacturing cost.
7. For diffusing new technologies.

Examples of joint ventures in Indian industry include Tata Information System Limited (a joint venture of IBM World Trade Corporation and Tata Industries Limited), TTL-Hitachi joint venture (joint venture between Cummins Engine Company Incorporated of US and TELCO to manufacture diesel engines), Ranbaxy-EliLilly joint venture, Ansal Group and Daewoo joint venture to develop roads and express highways, and Unitech-Hyundai joint venture. Further, the Telecom sector, which has just been opened up for private sector firms, has led to formation of a series of joint ventures between the Indian partners and foreign companies such as Reliance and Nynex Corporation, Aditya Birla Group and AT&T, Tata Industries and Bell Canada, Essar Group and Bell Atlantic, Ashok Leyland and Singapore Telecom, etc.
**Strategic Alliances/Collaborations**

Strategic alliance may be defined as two or more independent firms involving shared control and continuing contributions by all partners for mutual benefit. They are characterised by defined business objectives, long-term objectives, distinct and non-equity contributions by both parties, and active participation by both parties. As economies become increasingly global, industrial boundaries blur, and technology keeps redefining markets, the need for forging strategic alliances will continue to increase.

**Different Types of Strategic Alliances**

<table>
<thead>
<tr>
<th>Alliance Type</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collaborative advertising</td>
<td>American Express and Toys RUs (cooperative effort for television advertising and promotion)</td>
</tr>
<tr>
<td>R&amp;D partnership</td>
<td>Cytel and Sumitomo Chemicals (alliance to develop the next generation of biotechnology drugs)</td>
</tr>
<tr>
<td>Lease service agreements</td>
<td>Cigna and United Motor Works (arrangement to provide financing services for non-US firms and governments)</td>
</tr>
<tr>
<td>Shared distribution</td>
<td>Nissan and Volkswagen (Nissan sells Volkswagens in Europe and Volkswagen distributes Nissan’s cars, also in Europe)</td>
</tr>
<tr>
<td>Technology transfer</td>
<td>IBM and Apple Computers (arrangement to develop the next generation operation system)</td>
</tr>
<tr>
<td>Cooperative bidding</td>
<td>Boeing, General Dynamics and Lockheed (cooperated together in winning the contract for an advanced tactical fighter)</td>
</tr>
<tr>
<td>Cross manufacturing</td>
<td>Ford and Mazda (design and build similar cars on the same manufacturing/assembly line)</td>
</tr>
<tr>
<td>Resource venturing</td>
<td>Swift Chemical Co., Texasgulf, RTZ and US Borax (Canadian-based mining natural resources venture)</td>
</tr>
<tr>
<td>Government and industry partner</td>
<td>DuPont and National Cancer Institute (DuPont worked industry partner with NCI in the first phase of the clinical cancer trial)</td>
</tr>
<tr>
<td>Internal spin-offs</td>
<td>Cummins Engine and Toshiba Corporation (created a new company to develop, market silicon nitride products)</td>
</tr>
<tr>
<td>Cross licensing</td>
<td>Hoffman-LaRoche and Glaxo (HL and Glaxo agreed for HL to sell antac, an anti-ulcer drug in United States)</td>
</tr>
</tbody>
</table>


In India, one notices that Indian companies have started forming strategic alliances from the early 1990s. Strategic alliances in India include alliances between Arvind Mills Limited and Alamic Fabrics, Doordarshan and CNN, Videocon and Sansui, etc. This move reflects the adaptability of Indian companies in the current dynamic situation.

7.3 PROCESS RELATED STRATEGIC RESPONSES

Equally potential strategic responses can be made by organisations to improve their performance by process improvement strategies. Unlike the portfolio related strategies, process related strategies look, largely, within the systems and procedures with a view to improving them, thus making significant gains. These responses take the form of improving quality, benchmarking, cost management, asset utilisation, JIT, Project Management, etc. Organisations have adopted these measures to do more with less inputs and reap high benefits.

Quality Strategies

Quality is a dynamic concept that is continuously adapting to respond to the changing market requirements. In competitive environment, companies world-wide are becoming more quality oriented and in recent years many of
them have introduced total quality initiatives. The world-wide success of quality management as a business strategy is evident in the status enjoyed by quality awards such as the Malcolm Baldrige National Quality award. Quality is a predictable degree of uniformity and dependability, at low cost and suited to the market. The fundamental principles comprises four core concepts, viz. (i) delighting the customer, (ii) management by fact, (iii) people-based management, and (iv) continuous improvement. Quality, therefore, has many dimensions to it and these dimensions vary depending on the subject. The dimensions associated with quality in manufacturing are performance, features, reliability, conformance, durability, serviceability, aesthetics, perceived quality and services are time, timeliness, completeness, courtesy, consistency, accessibility and convenience, accuracy, responsiveness.

**International Quality Certification Programmes**

In order to develop a more reliable and durable production and distribution system, many nations and their industries have joined in to bring an international series of quality standards, popularly known as ISO-9000. International organisations for Standardisation's ISO-9000 series of quality standards were developed by ISO Technical Committee in 1987. Many nations approved them instantly and they became the standards for the world marketplace. Since introduction, the ISO-9000 standards have been adopted as a national standard by nearly every industrial country in the world. It is not a legal requirement to do business, but compliance greatly facilitates the process of doing business with member countries.

**Just-in-time (JIT) Inventory**

Just-in-time technique has probably received more attention in a shorter time than any other new manufacturing technique. In an increasingly competitive business environment, many firms are focussing on JIT as a method of improving their financial position. Just-in-time means that in a
flow process, the right parts needed in assembly reach the assembly line at the time they are needed and only in the amount needed. A company establishing this flow can approach zero inventory.

JIT has been cited by *The Economist* (September 30, 1989) as Japan's most important contribution to the industrial world. By most accounts, Toyoto is the originator of JIT and the model of this approach, which is also known as the Toyoto Production System. Since then, many firms have developed and implemented their own version of JIT under different names such as ZIPS (Zero Inventory Production System), MAN (Material-As-Needed), and Nick of The Time.

In India, Bajaj Auto and Lucas-TVS use ABC classification based JIT to ensure that inventory level is kept at minimum. Wipro Corporation developed suppliers within 50 kilometres radius to bring down inventories from 15 days in 1992 to three days in 1998. So is the case with Samtel Color which relocated its plant to take delivery of electron guns and deflection-yokes twice a day, while Ashok Leyland used JIT to reduce its inventories and save Rs. 8.5 crore a year (Dubey, 1999). Implementation of JIT calls for a fundamental change in many aspects of the business such as establishing lot size, selecting suppliers, product specifications, mode of transportation, packaging, and paperwork.

**Benchmarking**

Benchmarking has been described as one of the major management revolutions of the 1990s. Benchmarking is a systematic process of searching for best practices, innovative ideas, and highly effective operating procedures that lead to superior performance. No individual, team, or operating unit-no matter how creative or prolific—can possibly parent all innovations. No single department or company can comer the market on all good ideas. Spendolini (1992), after surveying 49 benchmarking companies, has defined
benchmarking as “a continuous (1), systematic(2), process (3), for evaluating (4), the products (5), services (5), and work processes (5), of organisations (6) that are recognised (7) as representing best practices (8) for the purpose of organisational improvement (9)”. Juran defines benchmarking as “appoint of reference from which measurements and comparisons' of any sort may be made”.

There are various types of benchmarking used today. Internal benchmarking is the analysis of internal evaluation of the enterprise, which compares the enterprise performance level with industry standards. External benchmarking involves looking outside the industry. By looking outside, the company often discovers new ways of doing things, which are more creative than those ideas that are traditionally discovered within the same industry. Competitive benchmarking focusses on the company's direct competition. Industry benchmarking takes a slightly broader view and targets companies with dissimilar products within the same industry. Generic benchmarking occurs when a particular process or business function is evaluated against target companies regardless of their industry. Functional benchmarking compares a particular business function at two or more companies. Strategic benchmarking evaluates the strategies of other organisations in similar situations.

Organisations use benchmarking for a variety of purposes. Some organisations position benchmarking as part of an overall problem solving process with a clear mandate for organisational improvement. Others position benchmarking more as a proactive mechanism to keep themselves aware of state-of-the-art business practices. For example, NIIT benchmarks its non-performance costs against those of an automobile and a tool manufacturing company. TELCO turns to the global automobile majors to set the bar for its debt profile and interest costs. Madura Coats benchmarks its process and
manufacturing costs against those of the plants of its parent, Coats Viyella, in 80 countries.

Core Competence

The idea of core competence was enunciated by Prahlad and Hammel (1990) who defined it as “the combination of individual technologies and production skills that underlie a company’s myriad product lines”. For example, Sony’s core competence is miniaturisation that allows the company to make everything from the Sony Walkman to video cameras to note-book computers. Canon’s core competencies in optics, imaging, and micro-processor controls have enabled it to enter markets as seemingly diverse as copiers, laser printers, cameras and image scanners. Properly identified and exploited competencies can be powerful competitive weapons. The success of Honda Motor Company during the past 20 years can be attributed to its focus on a single core competency: Small Engine Manufacture.

Setting Vision, Mission and Objectives

Vision describes aspirations for the future, without specifying the means that will be used to achieve those desired ends. An enterprise vision is the integrative synthesis of the future desired result that both legitimises and energises stakeholders. The enterprise vision is not achieved through calculating, or quantitative-and analytical techniques. It is an imaginative, intuitive synthesis that evokes the committed response of stakeholders because it gives voice to their most cherished work aspirations. They should provide directional momentum and key value priorities. The five steps for developing a vision which includes telling; selling, testing, consulting and co-creating.
The mission

After the vision has determined what is socially worth doing, the mission provides the institutional purpose for the legitimate existence of the firm. A well-conceived mission statement defines the distinctive purpose that sets an organisation apart from others. It identifies the scope of the organisation’s operations in terms of products/services offered and markets served.

Objectives: To fulfil its mission, an organisation must complete the next step of stating and achieving its objectives. Objectives determine what is to be accomplished by when and should be quantified if possible. Organisations the world over have drafted their visions to identify their missions and accomplish the objectives, in view of the obvious benefits in the form of direction, momentum, and focus. Indian companies too have followed suit.

Cost strategies: There is a lot of emphasis on implementation of cost reduction strategies in the corporate sector world-wide. Cost effective strategy is a planned campaign aimed at cutting costs and overheads by a specified amount. The need to manage costs across the organisation in a holistic fashion was first realised by the Japanese corporations seeking to storm European and US markets with incredibly low priced products. Much of the economic resurgence of Corporate Japan in the 1970s was powered by its ability to manufacture products of high quality, and at costs lower than those of their Western counterparts. Manufacturing techniques like Kaizen, the Toyota production system and Kanban have formed the basis for this.

Asset Utilization Strategies

The competitive environment has forced the organisations to become more efficient in terms of costs and operations. Organisations have responded by increasing their installed capacities, on the one hand and enhanced
capacity utilisation, on the other. It is believed that increased installed capacity helps organisations to achieve economies of scale while enhanced capacity utilisation makes them more efficient.

**Technological Upgradation**

Modernisation or technological upgradation is essential to bring about a refinement in the end-product with more precision, better quality and consistency. Indian industry realised this and has embarked upon a major modernisation drive. Modernisation processes in steel, engineering and textile industries are different, but they all are aimed at one and the same objective of improving quality at reduced costs and thus making the business more profitable. Towards this, industries have to make changes in processes, products and upgrade their technologies. Most of the Steel Authority of India Ltd. (SAIL) plants have been modernised. Modernisation includes upgrading the technology of steel melt shop, wire rod mill process, etc. Modernisation in engineering industry pertains to automation of welding and material handling. Some textile mills in the private as well as the public sector have taken a number of measures to upgrade their technology, mainly the weaving operations.

**Indigenisation**

Many organisations resorted to indigenisation to reduce costs and to ensure control over supplies. Indigenisation provides an opportunity to substitute and replace foreign technologies, thereby leading to significant cost savings. In India, Technology Policy Statement (TPS) was formulated in 1983 with the basic objective of developing indigenous technology. It is aimed at attaining technical competence and self-reliance, reducing vulnerability, particularly in critical areas and making maximum use of indigenous resources.
Information Technology

Information technology is changing the way companies operate. It is difficult to underestimate the strategic significance of information technology. This technology is transforming the nature of products, processes, companies and industries. Parsons (1983) developed a model, as shown in Table 7.1, illustrating the impact of information technology on the business strategy. He says that information technology strategy varies widely from firm to firm. In some firms, IT is a top-level strategic concern while in others, it is just an administrative convenience.

<table>
<thead>
<tr>
<th>Industry Level</th>
<th>• IT Changed all Industry’s</th>
<th>• Products &amp; Services</th>
<th>• Markets</th>
<th>• Production Economics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm Level</td>
<td>• IT Affects Key Competitive Forces</td>
<td>• Buyers</td>
<td>• Suppliers</td>
<td>• Substitution</td>
</tr>
<tr>
<td></td>
<td>• New Entrants</td>
<td>• Strategy Level</td>
<td>• Rivalry</td>
<td>• IT Affects a Firm’s Strategy</td>
</tr>
<tr>
<td></td>
<td>• Strategy Level</td>
<td>• Low-Cost Leadership</td>
<td>• Product Differentiation</td>
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<tr>
<td></td>
<td>• Concentration on Market or Product Niche</td>
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</table>

Indian industry has begun to employ information technology in a strategic manner to achieve business objectives. This was facilitated by the
availability of large skilled manpower and availability of technology at affordable prices.

**Research and development**

Research and development can be a competitive advantage as, it can lead to new or improved product in marketing, and it can lead to the development of improved manufacturing or material processes to gain cost advantage through efficiency. The Industrial Research Institute has defined R&D as the translation of research findings or other knowledge into a plan or design for new, modified or improved products/services. The firms that succeed in global competition will be those that employ technology to maintain an edge in product quality and innovation, and have an advantage in production and marketing.

**Marketing Strategies**

In view of the fierce competition in the market place, companies have started developing marketing strategies, even resorting to restructuring their marketing departments to implement the strategies, and reach to the target markets. A corporation to differentiate itself positively from its competitors’ using its corporate strength to better satisfy customer needs in a given environmental setting can define marketing strategies as an endeavour. It involves selecting a target market and determining the best marketing mix to reach it. The mix consists of four elements: Product, Pricing, Place and Promotion.

**Project Management**

Effective project management for engineering/construction projects is essential in today’s very demanding business environment. Project management, in the business and industry fields, is defined as managing and
directing time, material, personnel and costs to complete a particular project in an orderly and economical manner, and to meet established objectives in time, money value and technical results. The location, type, technology, size, scope and speed are normally the factors that determine the effort needed in executing a project. There are several techniques that would contribute significantly towards effective project management. These can be broadly grouped under the following heads:

1. Project Selection Techniques
   - Cost benefit analysis
   - Risk and sensitivity analysis

2. Project Execution Planning Techniques
   - Work Breakdown Structure
   - Project Execution Plan (PEP)
   - Project responsibility matrix
   - Project management manual

3. Project Scheduling and Co-ordinating Techniques
   - Bar charts
   - Life cycle curves
   - Line of balance
   - Networking techniques (PERT / CPM)

4. Project Monitoring and Progressing Techniques
   - Progress Measurement Technique (Prompt)
   - Performance Monitoring Technique (Permit) Updating,
   - Reviewing and Reporting Technique

5. Project Cost and Productivity Control Technique
   - Productivity budgeting technique
   - Value engineering
6. Project Communication and Clean-up Techniques
   - Control room
   - Computerised information system

7.4 STRUCTURE RELATED STRATEGIC RESPONSES

A study conducted by AIMA (1995) on corporate restructuring found that a number of Indian private and public sector companies have introduced changes in their structures such as flattening of organisational hierarchies, creation of strategic business units, creation of profit centres, changing from functional structure to divisional structure, and decentralisation of decision making.

Strategic Business Unit Organisation Structure

A Strategic Business Unit (SBU) is a grouping of business subsidiaries based on some important strategic elements common to all. A Strategic Business Unit structure encompasses a set of relatively autonomous entities governed by a central administration. It started in 1971 in the executive offices at General Electric, the world's most diversified company. Corporate management at GE had been plagued, during 1960-70, with massive sales growth, but little profit growth. Thus, in 1971, GE executives were determined to supplement its vaunted system of management decentralisation with a new, comprehensive system for corporate planning. The resulting system was based on the new concept of Strategic Business Units-SBUs, as they are now commonly called.

The SBU concept of planning is based on the following principles:
   - The diversified firm should be managed as a portfolio of businesses, with each business unit serving a clearly defined product-market segment with a clearly defined strategy.
• Each business unit in the portfolio should develop a strategy tailored to its capabilities and competitive needs, but consistent with the overall corporate capabilities and needs.
• The total portfolio of business should be managed by allocating capital and managerial resources to serve the interests of the firm as a whole to achieve balanced growth in sales, earnings and asset mix at an acceptable and controllable level of task. In essence, the portfolio should be designed and managed to achieve an overall corporate strategy.

The SBU concept provides broadly diversified companies with a way to rationalise the organisation of many different businesses and a management arrangement for capturing strategic business fit that benefits and streamlines strategic planning and budgetary processes.

Matrix Structures

Most of the companies, to cope with the changing environmental realities, have introduced a new form of structure called matrix. Matrix structure has spread most rapidly in organisations where people work on projects, such as research and development units, advertising agencies and management consultancies. In recent years, the matrix structure is spreading through all types of organisations. A matrix organisation is a structure with two (or more) channels of command, two lines of budget authority and two sources of performance and reward. Davis and Lawrence (1978) observe that a matrix type organisation is a genuinely different structural form and represents a new way of life. It breaks the unity of command principle: two reporting channels; two bosses and shared authority, to create a new kind of organisational climate. The matrix is designed to cope with varied activities required in a complex, project oriented business. Matrix structure is an
attempt to combine the advantages of both functional and divisional structures, comments.

**Delayering/Flat Organisation Structure**

The organisation structures are becoming less hierarchical. The flat organisation structure is a mechanism for decentralising common management decisions. Hierarchies are getting flatter rather than taller. A flat structure has few levels, with relatively large work groups at each level. It possesses quick information handling characteristics due to a truncated hierarchical communication network. Many companies are, therefore, currently trying to remove status and rank differences. Reliance Industries Ltd. has reduced the levels in the organisation from 10 to 3. Mahindra and Mahindra reduced the number of managerial levels from 13 to 6. More and more organisations seem to be opting for flat organisation structures with an intention to remove dysfunctional effects of hierarchy, to remove barriers to communication and make the decision process faster and more efficient. The potential consequences of delayering are intended to be faster response to the competitive and market changes.

**7.5 SUMMARY**

The world has undergone many a dramatic change over the last few decades, particularly in the last decade. The forces of liberalisation, globalisation, technological changes, and market changes have greatly changed the business environment. Organisations were required to respond in a strategic manner to the changes taking place in order to survive and progress.

The strategic responses made by organisations, discussed in this chapter, ranged from mergers and acquisitions to delayering. Each and every strategic response presupposes the involvement of people and invariably
affects the people. In the case of mergers, people are affected by the confluence of cultures, systems, and procedures; whereas quality and benchmarking strategies required major shift in the approaches people take to various problems. In the case of delayering, people are faced with job enrichment on the one hand and insecurity on the other. The role of people in the implementation of strategic responses has a significant bearing on the success rate. It is, therefore, imperative for organisations to look at the human issues involved before implementation of any strategic responses.

7.6 KEYWORDS

**Just-in Time Inventory**: A flow process in which the right parts needed in assembly reach the assembly line at the time they are needed and only in the amount needed.

**Benchmarking**: A systematic process of searching for best practices, innovative ideas, and highly effective operating procedures that lead to superior performance.

**Divestiture**: Sale of a segment of a company to a third party.

**Demerger**: Spinning of a business/division in a diversified company into a stand alone new company.

**Systems**: A group of interrelated components to achieve a common predefined goal.

7.7 SELF ASSESSMENT QUESTIONS

1. In order to meet the organizational changes what have been the strategies adopted by organization?
2. What are portfolio related strategic responses?
3. Discuss the HRD approaches to deal with different types of strategic alliances.
4. Explain process related strategic responses of organization to changing environment.

5. Explain structure related strategic responses of organization to changes.

6. Write short note on the followings:
   i) Merger and acquisition
   ii) Joint venture and alliances
   iii) Just in time
   iv) SBU

7.8 REFERENCES/SUGGESTED READINGS


2. Armstrong, Micheal, Strategic Human Resource Management, Kogan Page

3. Ansoff, HI, Corporate Strategy, Tata McGraw Hill


5. www.Google.com