

PERFORMANCE MANAGEMENT

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Contents

<i>Preface</i>	<i>iii</i>
<i>List of Exhibits</i>	<i>xiv</i>

Part One

FOUNDATIONS OF PERFORMANCE MANAGEMENT

Human Resource Management for Organizational Performance	2
1. Human Resource Management	5
Introduction to Human Resource Management	5
Definitions of Human Resource Management	8
Models of Human Resource Management	10
Theoretical Frameworks of Human Resource Management	16
Characteristics of Human Resource Management	19
Concept of Competitive Advantage	20
Linking Human Resource Strategy with Business Strategies	27
Typology of Human Resource Management	33
Competitive Advantage of Family-Owned Enterprises	34
Competitive Advantage through Organizational Culture	39
Integrated Model of Human Resource Management	43
Conclusion	44
<i>Summary</i>	<i>45</i>
<i>Key Terms</i>	<i>46</i>
<i>Concept Review Questions</i>	<i>47</i>
<i>Critical Thinking Questions</i>	<i>47</i>
<i>Web-based Exercise</i>	<i>47</i>
2. Performance Management	48
Introduction to Performance Management	48
Performance Appraisal to Performance Management	50
Concept and Perspectives of Performance Management	53
Definitions of Performance Management	60
Philosophy Behind Performance Management	62
Pre-requisites of Performance Management	64
Characteristics of Performance Management	65
Objectives of Performance Management	66

Principles of Performance Management	67
Performance Management Model	68
Importance of Performance Management	70
Benefits of Performance Management	71
Imperatives of Performance Management	71
Antecedents of Performance Management	73
Determinants of Job Performance	73
Personality and Job Performance: The Five-Factor Model	75
Elements of Effective Performance Management	77
Challenges to Performance Management	78
<i>Summary</i>	79
<i>Key Terms</i>	80
<i>Concept Review Questions</i>	81
<i>Critical Thinking Questions</i>	81
<i>Web-based Exercise</i>	81
3. Performance Management System	82
Introduction to Performance Management System	82
Performance Management System	84
Objectives of Performance Management System	95
Functions of Performance Management System	95
Characteristics of Effective Performance Management System	97
Competency-based Performance Management System	98
Performance Management System Checklist for Managers	102
Electronic Performance Management	103
<i>Summary</i>	106
<i>Key Terms</i>	107
<i>Concept Review Questions</i>	108
<i>Critical Thinking Questions</i>	108
<i>Web-based Exercise</i>	108
4. Performance Counselling	109
Introduction to Performance Counselling	109
Concept of Performance Counselling	110
Definition of Performance Counselling	111
Principles of Performance Counselling	112
Performance Counselling for Higher Job Performance	112
Performance Counselling Skills	115
Performance Counselling Checklist for Managers	119
<i>Summary</i>	120

<i>Key Terms</i>	121
<i>Concept Review Questions</i>	121
<i>Critical Thinking Questions</i>	121
<i>Web-based Exercise</i>	122
<i>Case Study</i>	122

Part Two

PERFORMANCE MANAGEMENT PROCESS

Introduction to Performance Management Process	124
Preconditions for the Successful Institution of Performance Management Process in an Organizational Context	126
Performance Management Process	127
5. Performance Planning	129
Meaning of Performance Planning	129
Performance Planning Defined	131
Theories of Goal Setting	133
Introduction to Setting Performance Criteria	138
Setting Performance Criteria Defined	139
Characteristics of Performance Criteria	139
Principles of Setting Performance Criteria	139
Process of Setting Performance Criteria	140
Characteristics of Performance Planning	144
Objectives of Performance Planning	145
Importance of Performance Planning	146
Methodologies of Performance Planning	147
Process of Performance Planning	150
Barriers to Performance Planning	151
Characteristics of Effective Performance Plan	152
Overview of Competency Mapping	152
Competency Defined	153
Competency Mapping Defined	154
Methods of Competency Mapping	155
Competency Mapping and its Linkage to Performance Planning	156
<i>Summary</i>	160
<i>Key Terms</i>	161
<i>Concept Review Questions</i>	161
<i>Critical Thinking Questions</i>	162
<i>Web-based Exercise</i>	162

6. Performance Managing	163
Meaning of Performance Managing	163
Performance Managing Defined	164
Characteristics of Performance Managing	164
Objectives of Performance Managing	164
Importance of Performance Managing	165
Process of Performance Managing	165
<i>Summary</i>	167
<i>Key Terms</i>	168
<i>Concept Review Questions</i>	168
<i>Critical Thinking Questions</i>	168
<i>Web-based Exercise</i>	168
7. Performance Appraisal	169
Meaning of Performance Appraisal	169
Performance Appraisal Defined	170
Characteristics of Performance Appraisal	172
Objectives of Performance Appraisal	173
Importance of Performance Appraisal	177
Principles of Appraising Performance	177
Process of Performance Appraisal	179
Approaches to Performance Appraisal	191
Methods of Performance Appraisal	194
Designing Performance Appraisal Form	222
Common Rating Errors	224
Common Pitfalls of Performance Appraisal	228
Advantages and Disadvantages of Performance Appraisal	230
Elements of Good Performance Appraisal System	231
Appraising Employees Objectively	234
Achieving Effective Performance Appraisal	236
<i>Summary</i>	242
<i>Key Terms</i>	242
<i>Concept Review Questions</i>	243
<i>Critical Thinking Questions</i>	243
<i>Web-based Exercise</i>	243
8. Performance Monitoring	244
Meaning of Performance Monitoring	244
Performance Monitoring Defined	244
Characteristics of Performance Monitoring	246

Objectives of Performance Monitoring	247
DSMC/ATI Performance Improvement Model	247
Importance of Performance Monitoring	251
Process of Performance Monitoring	251
Ongoing Mentoring and Protégé Development	257
Mentoring Defined	258
Performance Management Documentation	265
Annual Stocktaking	267
Performance Management Audit	268
<i>Summary</i>	271
<i>Key Terms</i>	271
<i>Concept Review Questions</i>	272
<i>Critical Thinking Questions</i>	272
<i>Web-based Exercise</i>	272
<i>Case Study</i>	272

Part Three

IMPLEMENTING PERFORMANCE MANAGEMENT

Introduction to Implementing Performance Management	276
9. Performance Management Implementation	277
Bottlenecks in the Implementation of Performance Management	277
Strategies for Effective Implementation of Performance Management	283
Factors Affecting Effective Use of Performance Management	288
Operationalizing Change Through Performance Management	289
Concept of High-performance Teams	292
Characteristics of High-performance Teams	294
Determinants of High Performance Teams	295
Building and Leading High Performance Team	296
Organizational Culture and Performance Management	297
<i>Summary</i>	300
<i>Key Terms</i>	301
<i>Concept Review Questions</i>	301
<i>Critical Thinking Questions</i>	302
<i>Web-based Exercise</i>	302
10. Performance Management Linked Reward Systems	303
Introduction to Reward Management	303
Reward Management Defined	305

Objectives of Reward Management	305
Components of Reward System	306
Relationship of Job Performance with Job Satisfaction	306
Linkage of Performance Management to Reward and Compensation Systems	309
Implications of Performance Management on Organizational Reward System	319
<i>Summary</i>	327
<i>Key Terms</i>	328
<i>Concept Review Questions</i>	329
<i>Critical Thinking Questions</i>	329
<i>Web-based Exercise</i>	329
<i>Case Study</i>	330

Part Four

HR, ETHICS, AND PERFORMANCE MANAGEMENT

Introduction	332
Ethics: A Curtain Raiser	333
11. Role of HR Professionals in Performance Management	335
Role of HR Professionals in Improving Organizational Performance	335
HR Professionals and Performance Management System:	
An Overview of Current Competencies, Roles, and Problems	341
Seven Sins of HR Professionals	350
Seven Rules of Excellence for HR Professionals	354
Value Creation for Organizational Excellence	357
Effective Strategic Roles for HR Professionals	361
Appraising HR Function: Energizing for Corporate Success	366
Future Roles of HR Professionals in Performance Management	
in the Knowledge Millennium	371
<i>Summary</i>	376
<i>Key Terms</i>	377
<i>Concept Review Questions</i>	377
<i>Critical Thinking Questions</i>	378
<i>Web-based Exercise</i>	378
<i>Case Study</i>	378
12. Ethics in Performance Management	381
Introduction	381
Ethics in Performance Management	385
Ethics Defined	390

Ethical Performance Management Defined	392
Principles of Ethical Performance Management	394
Objectives and Significance of Ethics in Performance Management	395
Ethical Issues and Dilemmas in Performance Management	397
Ethical Strategies in Performance Management	404
Developing Code of Ethics in Performance Management	410
Future Implications of Ethics in Performance Management	411
Performance Management in Multinational Corporations	414
<i>Summary</i>	425
<i>Key Terms</i>	425
<i>Concept Review Questions</i>	426
<i>Critical Thinking Questions</i>	426
<i>Web-based Exercise</i>	427
<i>Case Study</i>	427
Epilogue	429
Appendices	435
1. Introduction to Case-study Method	437
2. Performance Appraisal Checklist for Managers	440
3. Performance Appraisal Forms (Generic)	441
<i>Performance Management Proforma</i>	441
<i>Performance Appraisal Form (Key Performance Area Based)</i>	450
<i>Performance Appraisal Form (Balanced Scorecard Based)</i>	458
4. Industry-specific Competencies and its Implications on Performance Management	461
<i>Performance Appraisal Form (BPO Company)</i>	476
<i>Performance Appraisal Form (IT Company—ERP)</i>	478
<i>Performance Appraisal Form (IT Company—Software Development)</i>	483
<i>Performance Appraisal Form (Retail Company)</i>	485
<i>Performance Appraisal Form (Multi-speciality Hospital)</i>	490
<i>Performance Appraisal Form (NGO)</i>	493
References and Select Bibliography	494
<i>Index</i>	509

1

Human Resource Management

OBJECTIVES

After studying this chapter, you will be able to

- understand the concept of human resource management
- understand different models of human resource management
- develop a keen understanding of different theoretical models of human resource management
- examine the concept of competitive advantage in the organizational context
- explore the linkage of human resource management with business strategies of the organization
- develop an insight into the typology of human resource management
- examine the key to competitive advantage of family-owned enterprises
- understand how organizational culture can be a source of sustained competitive advantage
- get an overview of linkage of performance management in the human resource management system

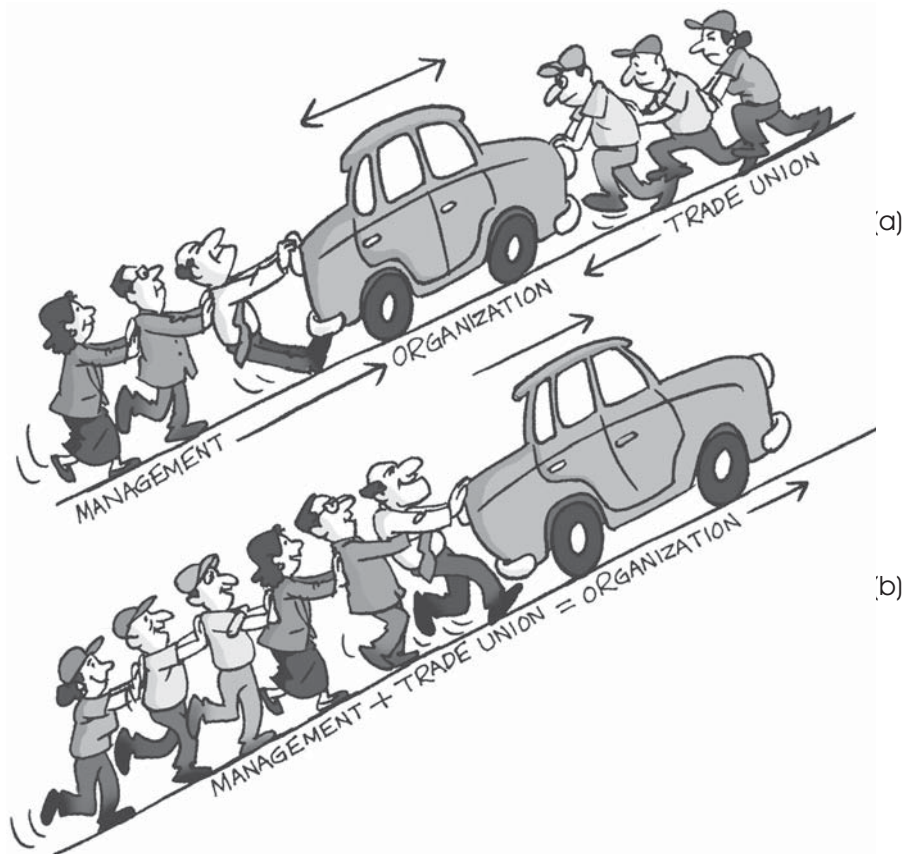
INTRODUCTION TO HUMAN RESOURCE MANAGEMENT

Human resource management (HRM) is a general term used to describe a variety of functions aimed at effectively managing an organization's employees or human resources. It is a philosophy of people management, based on the belief that human resources are uniquely important to sustain business success. An organization gains competitive advantage by using its people effectively, drawing on their expertise and ingenuity to meet clearly defined objectives. Human resource management is aimed at recruiting capable, flexible and committed people, managing their performance, and developing key competencies. Its purpose is to ensure that the employees of the organization are used in such a way that the employer obtains the greatest possible benefit from their abilities, and the employees gain both material rewards and psychological satisfaction from their work.

With the globalization of world economy, the market place has become highly complex, turbulent, and competitive. People are at the heart of business success. Organizations need to build, sharpen, and leverage on their competitive advantage—people. For organizations, employee actions directly influence the 'intangible' but very real assets that often account for more than half of an organization's value. Intangible assets drive enhanced fiscal accountability, programme effectiveness, and customer-centred service. These intangible assets—for example, customer loyalty, capacity to innovate and change, brand image, intellectual capital, and leadership effectiveness—depend heavily on

employee capabilities and commitment. They are of top concern to organizations today, as they strive to deliver greater and greater value to stakeholders. Human resource management is increasingly grappling with these challenges, which is changing the role and perceptions of this function in the organization. The management of people is the most critical component of an organization's ability to implement its strategy effectively, and compete in an increasingly complex and dynamic global economy. In today's rapidly changing and highly competitive environment, the human resource function plays an increasingly important role in an organization's ultimate success or failure. Where success was once dependent upon an organization's ability to discover and manage natural resources, today success goes to the organizations that most effectively discover and manage their human resources.

The key differentiator between the corporate winners and losers in the twenty-first century will be the effectiveness of the human organization. Therefore, a consistent theme in the present times for the competitive future has been the building



(a) Personnel at work! (b) HRM in action!

and operating organizations that will be more customer responsive. Responsiveness includes innovation, faster decision making, leading an industry in price or value, and effectively linking with suppliers and vendors to build a value chain for customer. To support the value chain argument, research indicates that employee attitude be correlated highly with customer attitude. This brings out the need for managing employees on a proactive basis.

Human resource management, in the sense of getting things done through people, is an essential part of every manager's responsibilities, but many organizations find it advantageous to establish a specialist division to provide an expert service dedicated to ensuring that the HR function is performed efficiently. 'People are our most valuable asset' is a cliché that no member of any senior management team would disagree with. Yet, the reality for many organizations is that their people remain undervalued, under-trained, and under-utilized. The rate and pace of change organizations are facing has never been greater, and organizations must absorb and manage change at a much faster rate than in the past. In order to implement a successful business strategy to face this challenge, organizations, large or small, must ensure that they have the right people capable of delivering the strategy. Due to increased complexity in global business, one of the challenging and crucial functions of HR management involves managing talent. The marketplace for talented, skilled people is competitive and expensive. Taking on new staff can be disruptive to existing employees. It also takes time for new staff to develop cultural awareness and product/process/organization knowledge, and gain experience.

As organizations vary in size, aims, functions, complexity, construction, the physical nature of their product, and appeal as employers, so do the contributions of HR management. But, in most cases the ultimate aim of the HRM function is to 'ensure that at all times the business is correctly staffed by the right number of people with the skills relevant to the business needs', that is, neither overstaffed nor understaffed, either in total or in respect of any one discipline, work grade or work unit.

Human resource management plays a pivotal role in proactive management of employees for effective orientation of people philosophies with organizational objectives. Therefore, HR management is the effective use of human resources in order to enhance organizational performance, as confirmed through numerous research work such as that of Michie and Sheehan (1999), Huang (2000), Michie and Sheehan-Quinn (2001), Cooke (2001), Rondeau and Wagar (2001), Kelliher and Riley (2002), etc.

Therefore, it may be concluded that an organization committed to HR management performs better. Hence, HR management is the foundation of excellent corporate performance.

Exhibit 1.1 What experts say on HR

Human capital is increasingly being recognized as the important determinant of organizational performance and enhancing the individual has never been so important. Today, it is far more important to empower an individual in such a way that they can be placed anywhere on the globe.

– N.S. Rajan, Partner, Human Capital, Ernst & Young

Source: Business Manager, December 2006.

DEFINITIONS OF HUMAN RESOURCE MANAGEMENT

A few noteworthy definitions are

1. Human resource management refers to attracting, developing, and maintaining an effective workforce.
(Ronald J. Ebert and Ricky W. Griffin 2006)
2. Human resource management is the integration of all processes, programmes, and systems in an organization that ensure staff are acquired and used in an effective way.
(Stephen P. Robbins et al. 2005)
3. Human resource management refers to the policies, practices, and systems that influence employee’s behaviour, attitudes, and performance.
(Gomez-Mejia et al. 2002)
4. Human resource management is a philosophy of people management based on the belief that human resources are uniquely important in sustained business success. An organization gains competitive advantage by using its people effectively, drawing on their expertise and ingenuity to meet clearly defined objectives. Human resource management is aimed at recruiting capable, flexible and committed people, managing and rewarding their performance, and developing key competencies.
(Alan Price 2003)
5. Human resource management involves all management decisions and practices that directly affect the people who work for the organization.
(Robert Krietner 2004)
6. Human resource management is the way an organization manages its staff and helps them to develop.
(Willy McCourt 2004)
7. Human resource management is a strategic and coherent approach to the management of an organization’s most valued assets: the people working

there who individually and collectively contribute to the achievement of its objectives.

(Michael Armstrong 2003)

8. Human resource management is a distinctive approach to employment which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce, using an integrated array of cultural, structural and personal techniques.

(John Storey 1995)

9. Human resource management is the science and the practice that deals with the nature of the employment relationship and all of the decisions, actions, and issues that related to that relationship. In practice, it involves an organization's acquisition, development, and utilization of employees as well as the employee's relationship to an organization and its performance.

(Gerald R. Ferris 1995)

10. Human resource management refers to managing the employment relationship.

(Shaun Tyson 1987)

Human resource management may be defined as the process of identification, development, and utilization of suitable personnel in conjunction with strategic objectives of the organization and within the parameters of the socio-legal framework of the organization for achieving its mission, objectives, and goals successfully.

From an analytical study of the aforementioned definitions, we may conclude that HR management is the proactive implementation of the strategies, plans, and programmes required to attract, motivate, develop, reward, and retain the best people to meet the organizational goals and operational objectives of the organization. Thus, HR management refers to a set of interrelated organizational functions and processes, including staffing the organization, designing jobs and teams, training and developing skilled employees, assessing and rewarding employee performance, and maintaining and retaining employees for organizational success. Human resource management has moved from a support-staff function to a more strategic role in organizations.

Examination of these definitions brings forth broadly two schools of thought wherein HR management has been described, as depicted in Fig. 1.1.

Process concept is based on the premise that HR management consists of a sequence of logical activities carried out with the objective of attaining competitive advantage for organizations. It is a process because from the forecasting for human resources at HR planning stage to separation, a sequence of interlinked activities is

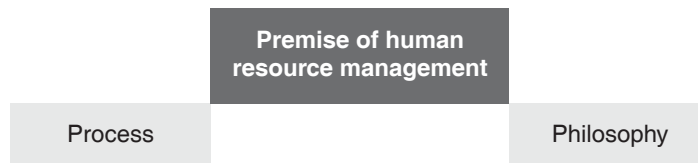


Fig. 1.1 Premise of human resource management

carried out. The aim is to create a high performing workforce through an array of techniques pertaining to functional—performance management, career development, etc., cultural—organization development, grievance management, collective bargaining, etc. and personal—employee counselling, performance counselling, etc.

Philosophy concept is based on the premise that competitive advantage can accrue to an organization only when people management is guided by fundamental human values such as respect, dignity of labour, justice, integrity, and fair play so that the natural talents and abilities of employees can be harnessed and leveraged upon.

But, does it mean that there is an inherent contradiction in the definitions of HR management? No, ‘process’ and ‘philosophy’ aspects of HR management are two sides of the same coin. This is because HR management is the people’s part of the management, and management is an art, a science, and a system. Philosophy concept refers to the art side of the management, and the process concept refers to the science and system part. HR management is a science because all the tasks and activities are goal oriented and divided into rational and sequential steps. It is a system because all the activity stages are interconnected and interdependent. For example, if employees are not selected, then performance appraisal cannot be conducted, and if performance appraisal is not effectively carried out, then training and development efforts cannot be undertaken.

It is worth noting here that the problem comes back to the idea of people being labelled as ‘assets’ and ‘resources’, which John Morris (1974) eloquently exposed in his pointed distinction between ‘human resources’ and ‘resourceful humans’. Human resources are the readily manipulated foot soldiers of organizations; resourceful humans are the managers and others, but particularly managers who initiate. The best test of resourcefulness then is to go out and start one’s own business.

MODELS OF HUMAN RESOURCE MANAGEMENT

Several schools of management in the US and UK (also France and Japan) have made significant contributions to the development of the mainstream theory of HR management. In the 1980s and 1990s two approaches have been, and still are,

Exhibit 1.2 People management at Electrolux

Mr Anirudh Dhoot, Managing Director, Electrolux, in an interview with Mr Anil Kaushik, Editor, *Business Manager*, said:

“Our philosophy is treating employees as one of the most precious instruments of growth of the group. We believe that [an] employee at whatever level he is contributing to the operations, is first of all a human being and we understand well his needs and also how to take care. We give priority to the

proper work life balance of employees so that every morning they come to their workplace with renewed vigor. It is good not to make statements but to act upon. We believe in action.

The crux of our philosophy is about building a relationship of trust. The human resources have to be of highest quality and key to success is in implementing solutions by delivering high performance through people centric process.”

Adapted from: Business Manager, January 2007.

dominant in the field, that is, Harvard model approach and Stakeholders Systems model approach. Many other models of HR management have been formulated such as

- Michigan Model (Fombrun et al. 1984), which views HR management as a direct result of the organization’s mission and strategy;
- New York Model (Schuler and Jackson 1987), which advocates that a range of ‘needed role behaviours’ could be deduced from Porter’s earlier works on competitive strategies, and these could provide a set of prescriptions for desirable strategic choices for HR management function;
- The MIT Model (Kochan et al. 1986), which describes three phases of development—the new deal phase attributed to high levels of regulation in the workplace and the non-union phase identifiable by extensive HR management policies designed to promote individual commitment and the new industrial relations phase, which assumes that joint consultation between employees and employers increases the levels of cooperation and flexibility in the workplace which provides organizations with adaptability and representation;
- The Warwick Model (John Storey 1992), which provides a number of key attributes and indicators of people management and highlights the differentiation between personnel management and HR management approaches;
- The AIX Model (Maurice et al. 1980, 1986), which underlines the significance of social and educational systems in the management of human resources; and
- The Japanese Model (Tung 1984), which emphasizes how quality considerations can be integrated into people management techniques.

The Harvard model is generally considered a more western point of view and is a classical model which focuses on linking people to business strategy, whereas the

latter (stakeholder model) is more global and seeks to address ethical and effectiveness considerations. The differences are fundamental and have their effects on the way employees are managed in their organizations.

Two prominent models of HR management are described in the following paragraphs.

Harvard Model

The Harvard model was developed at Harvard University as an element of the MBA programme by academicians such as Professor Michael Beer (1984). It opens avenues for a sophisticated analysis of how the people management function might have an impact on business strategy. This model suggests that HR management decisions should be informed by both stakeholder interests and also a set of situational factors. Therefore, the focus is on the effect of external factors—stakeholder interests and the situational factors on HR policy.

Effective HR management is about balancing off these various interests, of which employee groups are a key component, whilst responding also to the changes in situational factors by making appropriate policy decisions in the areas of HR flow, reward systems, work systems, and employee influence.

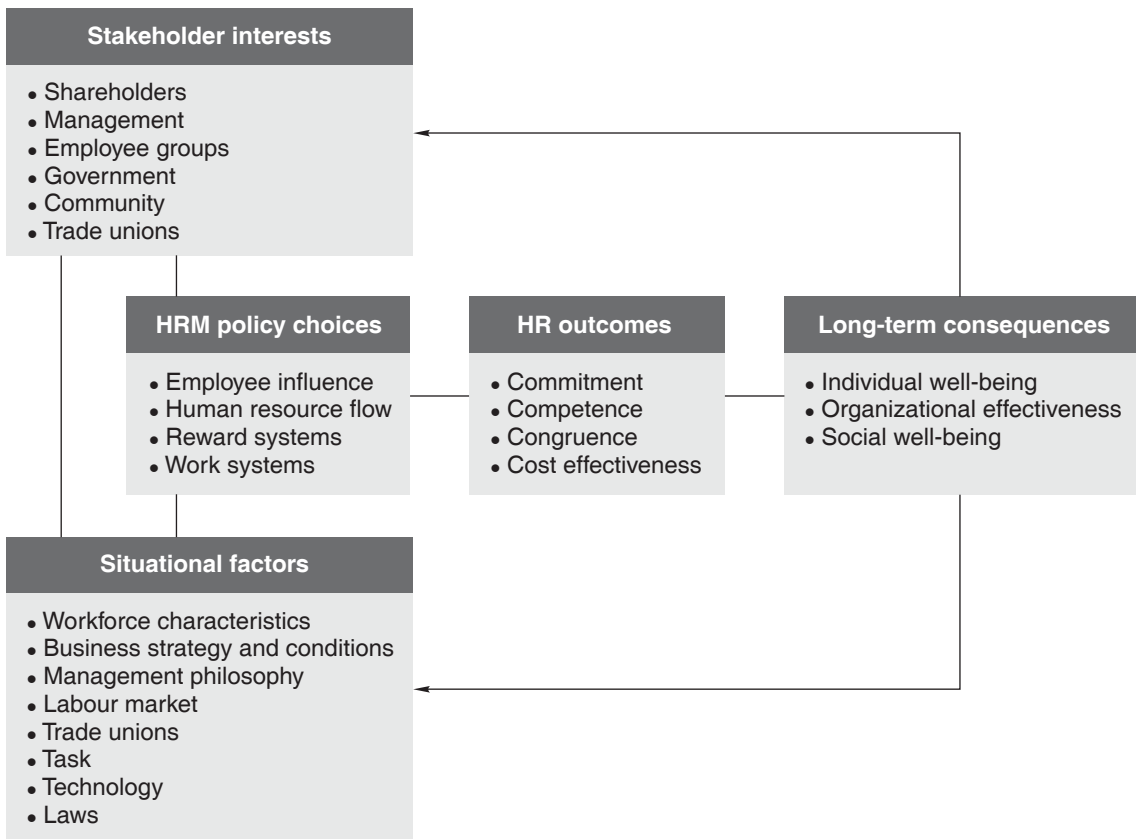
The Harvard model of human resource management is depicted in Fig. 1.2.

Besides, HR management is assigned to contribute to HR outcomes—commitment, competence, congruence, and cost effectiveness and to long-term consequences—individual well-being, organizational effectiveness, and societal well-being. Through this form of engagement, each individual could be harnessed to drive business performance, as the commitment of the employee is aligned with the goals and strategy of the organization for which they work.

Under this model, the employment relationship is seen as a blending of business and societal expectations. Although business strategy has a major role to play, a number of other factors such as socio-cultural considerations, including patterns of unionization, labour market regulation, workforce characteristics, and community values are included.

Stakeholder Systems Model

The Stakeholder Systems Model was proposed by Freeman (1984) and Wheeler and Sillanpaa (1997). Today, organizations are faced with increased social pressure to behave in a socially responsible manner. In part, this pressure comes from society at large, in its role as one of several stakeholders of the organization. But society is just one of several stakeholders for organizations, and consequently, for HR management. This model (see Fig. 1.3) incorporates ethical and effectiveness considerations within a stakeholder systems model of HR management. The model

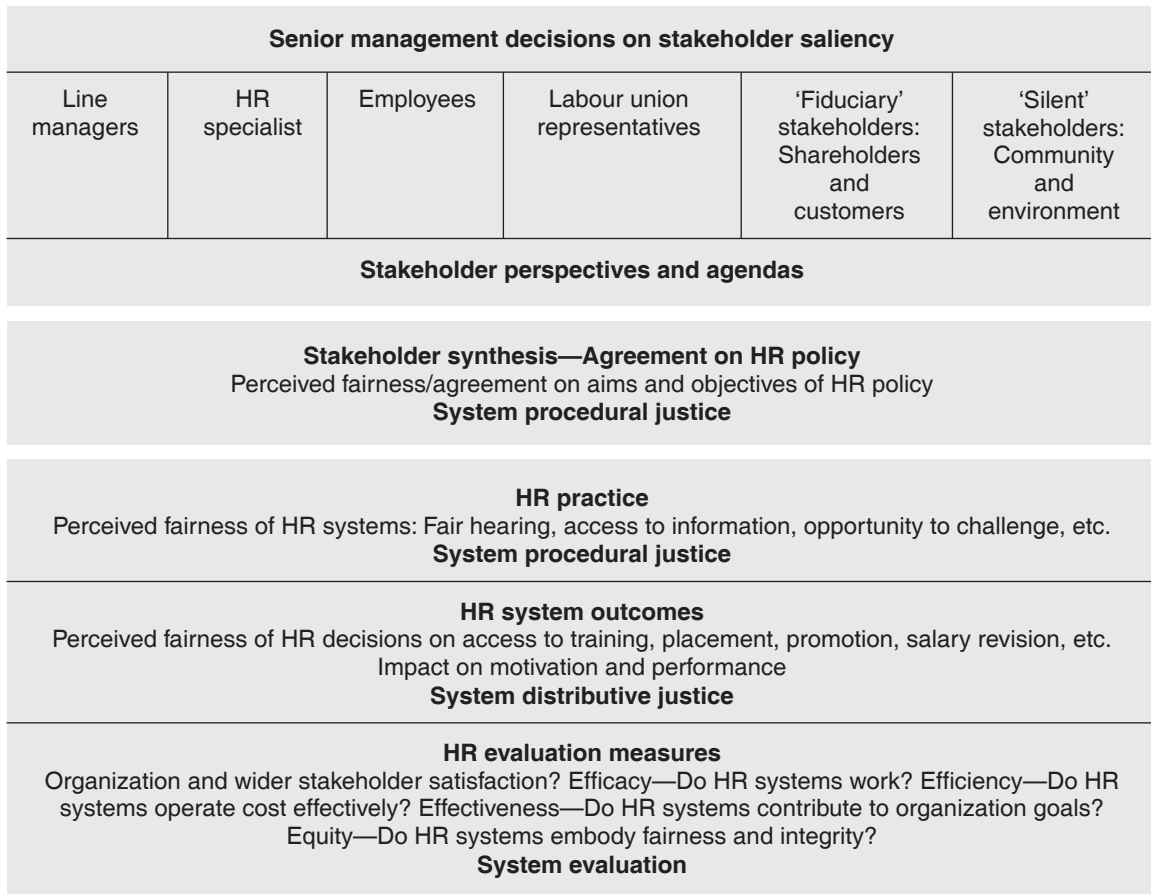


Source: Beer et al. (1984).

Fig. 1.2 Harvard model of HRM

delineates design, operation, and evaluation system stages and their organizational justice dimensions within a stakeholder-accountable model of HR management.

It assumes a range of stakeholder perspectives and agendas in relation to HR management philosophy and process within an organization that recognizes obligations to a number of salient stakeholder groups. The organization as a whole can be viewed as a stakeholder of HR management. The organization's objectives of improving productivity, profitability, and surviving in general impact HR management. The employees are one of the most important stakeholders in the organization, even in those organizations not owned by the employees. The emphasis placed on the role of the employees within the organization has increased, particularly in light of the adoption of strategies of total quality management and customer-focused management.



Source: John Simmons (2002).

Fig. 1.3 Stakeholder systems model of HRM

Senior managers assess the significance of stakeholder perspectives to the organization by assessing the legitimacy, leverage, and urgency of particular stakeholder claims in relation to organization objectives. Their decisions mean certain stakeholder perspectives are acknowledged as requiring reconciliation with those of other salient stakeholder groups.

Under this model, stakeholders include both internal and external stakeholders. Internal stakeholders include managers, employees, labour representatives, and the HR specialist within the organization. External 'fiduciary' stakeholders include customers and stockholders who influence from a distance via manager's recognition of their importance—and 'silent stakeholders' such as communities and environment are principally influenced by system outcomes. The emphasis on customer service

and strategic partnering with customers has become more prominent, in part as a result of the just-in-time manufacturing initiatives and total quality management.

Investors are viewed as one of the most important stakeholders because without their capital, the business would cease to continue. The time orientation of the investors is a driving force for the organizations as well. To the extent that investors are focused solely on the short-term profits of the organization, the well-being of the organization can be jeopardized. Society in general is viewed as being a stakeholder as well. Societal needs are made manifest in several different arenas—the legal framework under which the organization operates, the social mores of the region in which the organization operates, and the constraints imposed by the natural environment.

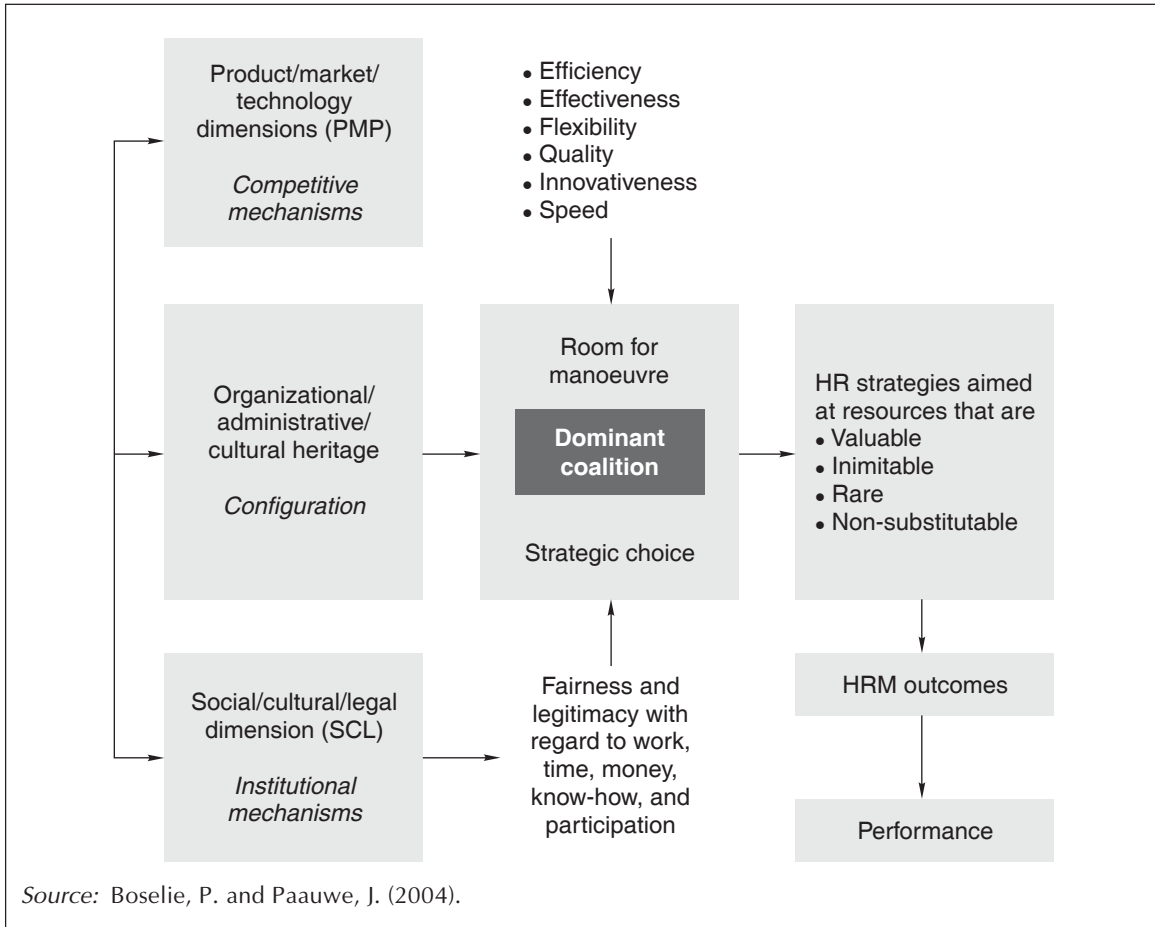
Stakeholder synthesis processes to reconcile competing stakeholder perspectives and agendas range from management discussion and decision through to more structured and participatory processes such as SWOT analysis, Delphi technique, or soft systems methodology. The extent to which the process produces agreement between stakeholders on HR philosophy and its operations are measures of ‘system procedural justice’. The perceived fairness of HR system outcomes such as access to training, promotion, salary revision, etc. are qualitative and quantitative measures. These include organization and wider stakeholder satisfaction with the system as well as assessment of its process operation, resource utilization, organizational contribution, and overall equity—that comprise an overall evaluation of HR management in the organization context.

As a result of the development of these models, the means for HR to affect an organization’s success has opened up. Executive expectations about what HR could provide have widened. Keenoy (1999) compares HRM with a hologram to emphasize the point:

As with a hologram, HRM changes its appearance as we move around its image. Each shift of stance reveals another facet, a darker depth, a different contour. As a fluid entity of apparently multiple identities and forms, it is not surprising that every time we look at it, it is slightly different. This is why, conceptually, HRMism appears to be a moving target, and why, empirically, it has no fixed (fixable) forms.

Not surprisingly, there is a multiplicity of interpretations available, some in the shape of formal models. The two most influential are the Harvard and Michigan models from the 1980s. More recently, ‘best practice’ approaches have featured, of which the most significant have been by Pfeffer and Ulrich. Pfeffer argues that the greatest competitive advantage is to be obtained from people rather than technology. He contends that investment in technology is not enough, because that technology is (or soon will be) available to competitors. And the more complex the technology—the more it requires people skills anyway.

Exhibit 1.3 A contextually based human resources theory



THEORETICAL FRAMEWORKS OF HUMAN RESOURCE MANAGEMENT

The area of HR management today is being supported, developed, and understood using a variety of theoretical frameworks. Jackson and Schuler (1995) provide the following frameworks:

Resource Dependence Theory Resource dependence theory stems from the relationship between an organization and its constituencies. This theory emphasizes the need for resources as being primary in the determination of policies and procedures. Organizations are viewed as being able to succeed by gaining and retaining control over scarce valuable resources, such as human resources.

Competitive Advantage Theory Competitive advantage theory dictates that a competitive advantage exists if the resource is rare, inimitable, non-substitutable,

and valuable. Competitive advantage can be sustained through continued training, support of organizational culture, selection processes, performance management, and other traditional HR practices.

Institutionalist Theory Institutionalism suggests that organizations operate in a manner consistent with the rationalised myths that will garner them legitimacy in their external environment. This external environment is made up of a broad variety of stakeholders. This adherence to rationalized myths in an attempt to retain legitimacy results in both survival and constraints on organizational actions.

Agency Theory Agency theory is perhaps one of the most related theories to HR practices. From the legal perspective, an agency relationship exists between an employer and an employee. Agency theory posits that this relationship may be subject to difficulties to the extent that the employer and the employee (the principal and the agent, respectively) have differing goals, and when monitoring the employee's actions is difficult for the employer.

General Systems Theory General systems theory views systems as made up of complex, independent parts. Inputs to this open system come from the environment, are transformed during processing through the system, and are returned to the environment. Using an open-systems model, HR management is studied as a sub-system within the larger system of the organization.

Human Capital Theory Human capital theory appears largely in the economics literature in reference to people's productive capacities. The crux of this theory is that people are of value to the organization because they make it productive. In essence, the organization has invested in people just as they had invested in machinery, viewing them as an additional type of capital.

Life-cycle Theory Life-cycle theory notes that there are several stages in the life of an organization. These stages have been described as start-up, growth, maturity, decline, and revival. As an organization moves through these stages, HRM practices that fit with the life-cycle stage of the organization will result in organizational effectiveness.

Role Behaviour Theory Role behaviour focuses on the interdependent role behaviours as building blocks for the organizational system. According to Katz and Kahn (1978), role behaviours are defined as 'the recurring actions of an individual, appropriately interrelated with the repetitive activities of others so as to yield a predictable outcome'. The primary means by which the organization sends role information through the organization, supports desired behaviours, and evaluates role performances in HR management.

Organizational Change Theory Organizational change theory focuses on the difference in form, quality, or state over time in an organizational entity. Organizational change theory adds two pieces to the understanding of HR management. First, in

management of organizational change, organizations need to ensure congruence between the stated goals and stated changes and the enacted changes. Second, people need to change in order to affect organizational changes, which requires an active role being played by HR management.

Transactions Cost Theory Transactions cost theory takes an economic viewpoint of the creation of governance structures which establish, monitor, evaluate, and enforce exchanges agreed upon earlier. Central to this theory are two assumptions—‘bounded rationality’ and ‘opportunism’. Opportunism assumes that if any potential for advantage exists, it will be taken. On the part of employees, the potential for opportunism exists when the employee is specially trained or possesses specialized knowledge or skills, which have a market value to other organizations. Bounded rationality dictates that there are a limited number of options that can be assessed by any given organization prior to making a decision. Human resource activities seek to take advantage of bounded rationality while attempting to prevent the exercise of opportunism through the execution of contracts, the creation of monitoring and compliance assurance systems, and through the revision of the contracts as and when necessary.

Strategic Contingency Theory Strategic contingency theory recognizes that there are several strategic typologies. The choice made by an organization of which strategy to pursue requires systematic management of human resources in order to ensure appropriate and successful implementation. Strategic contingency theory posits that the choice between various typologies is dependent upon the environment within which the organization operates.

Organizational Learning Theory According to organizational learning theory, perspective prior learning facilities should exist in order to make the learning and application on new, related knowledge feasible. This idea can be extended to include the case in which the knowledge in question is itself a set of learning skills constituting an organization’s absorptive capacity.

Information Processing Perspective This perspective is based on the premise that organizations are created to facilitate the flow of information for effective individual and organizational decision making. The focus is on the capacity and facilitation characteristics of organizational structure and practices such as human resource ones that support, encourage, and reward transfer of information within the organization, across its boundaries to international joint venture partners and the international joint venture itself, and that enables the organization to acquire knowledge to transform the data and information.

All these theories are being used today to help develop the area of HR management. Many are also being used to help develop and understand international HR management.

Many HR management theories and practices used in current management literature have originated from Western countries, and particularly from the US which has benefited the economic achievements of the industrialised world (Jaegar 1993). Hence, many developing countries choose to use these Western HR management practices, grossly disregarding the fundamental differences in socio-cultural settings, local conditions, and circumstances. Why do many developing countries blindly believe that Western HR management practices are transferable to their countries? This can be explained by 'social comparison' in the social identity theory (Tajfel & Turner 1979). In social comparison theory, people compare their own group with others and look for reasons as to why the other group is better, and identify themselves with that group. Nevertheless, the term 'Western' HR management practice is too broadly based because even among Western countries, the cultural values are different and varied. These effects have been witnessed in the unprecedented reshaping of managerial values, attitudes, and behaviours as reported in a variety of cross cultural studies (Westwood & Posner 1997; Falkenberg 1998). Hence, the term 'culturally alien' HR management practices is used to refer to HR management concepts and practices that are imitated by the host country companies from an alien culture without any conscious and rational choice, and which does not support the existing values of the host country. Alternatively, culturally indigenous HR management practices of a host country organization are those based on the host country's context of economic, political, and cultural factors that mould an employee's work assumptions, beliefs, and values.

A number of HRM theorists will have reservations in accepting the culturally indigenous HR management practices argument because they might believe that management practices evolved through the period of feudalism till socio-technology. Hence, HR management practices have to be innovative at every evolutionary stage to make them work effectively for the organization. This is because culturally indigenous HR management practices evolved along with a country's national culture, and are time-tested. Therefore, adequate consideration has to be given to develop synergies between the culturally indigenous HR management practices of the country of focus and an organization's HR management practices that are evolved from 'alien' cultures (Bartlett et al. 2002). Hence, national culture is an essential component of HR management of any multinational corporation.

CHARACTERISTICS OF HUMAN RESOURCE MANAGEMENT

Human resource management possesses the following characteristics:

1. *A part of management discipline* It is a part of management discipline, but not a discipline in itself. It is a field of study. It derives concepts, principles, techniques, and application tools from management science.

2. *A growth strategy* It is a strategy to enhance organizational performance through development of competencies of employees on a long-term basis.
3. *A comprehensive and coherent approach* It provides for mutually supportive employment policies and practices for enhanced contributions of human resources.
4. *Emphasis on strategic management* It emphasizes on the strategic management of people which achieves a tight fit or integration between the organizational mission and objectives and HR strategy.
5. *Commitment oriented* It seeks to attain competitive advantage through people by soliciting their commitment to the organizational objectives and strategy.
6. *Universal phenomenon* Managing human resources are the fundamental requirements of managing business organizations successfully, as human resources are the resources of all resources. Their effective management can ensure continued success year after year.

CONCEPT OF COMPETITIVE ADVANTAGE

Concept of competitiveness is becoming very important in today's world, as organizations and industries face unparalleled competition and survival crisis. Competitiveness is a complex term and can be defined in several ways, ranging from domestic resources cost ratio concept to competitive advantage concept encompassing segmented markets, differentiated products, economies of scale, and so on and so forth.

Competitiveness can be defined at three levels: nation, industry/sector, and organization level. There are many different definitions of the comprehensive concept of competitiveness. The functional definitions of competitiveness at three levels as given by D'Cruz (1992) are

- *Country competitiveness* Extent to which a national environment is conducive or detrimental to business. Based on the environment, investment of multinational corporations are impacted. In developing countries like India, FDIs play a pivotal role in its economic and social development.
- *Industry/sector competitiveness* Extent to which an industry or a business sector offers potential for growth and attractive return on investment. The concept can also be defined as the collective ability of organizations in the sector to compete internationally. Regulatory framework such as flexible labour legislation is a major determinant of organizational competitiveness in global markets. It is worth noting that in a developing country like India, flexible labour legislation can help increase competitiveness of its industry in the global context.

- *Organizational competitiveness* Ability to design, produce and/or market products or services superior to those offered by competitors, considering the price and non-price qualities.

According to the strategy guru, Porter (1998), competitiveness is directly related to the prosperity of a nation. In international markets, it is the organizations, not nations, that compete among themselves. Competitive advantage is largely determined by the industry's structural characteristics that influence an organization's performance (Porter 1980).

In the recent years, the concept of competitive advantage has taken centre stage in discussions of business strategy. There are various schools of thought on the concept of competitive advantage. One school of thought says that value is created by favourable terms of trade in product markets; another school of thought holds that advantage is revealed by 'super-normal' returns, and yet another school of thought ties advantage to stock-market performance. To illustrate various approaches to these schools of thought, summarization of various thoughts by important contributors on the term 'competitive advantage' are listed below:

Michael Porter (1980) is of the opinion that competitive advantage is at the heart of an organization's performance in competitive markets, and goes on to say that competitive advantage means having low costs, differentiation advantage, or a successful focus strategy. Competitive advantage grows fundamentally out of a value an organization is able to create for its buyers that exceeds the organization's cost of creating it.

Dierickx and Cool (1989) have echoed Barney (1986) in arguing that competitive advantage is not obtainable from freely tradable assets. If a privileged product market position is achieved or protected by the deployment of scarce assets, it is necessary to account for the opportunity cost of those assets. Many inputs required to implement a strategy may be acquired in corresponding input markets. In those cases, market prices are indeed useful to evaluate the opportunity cost of deploying those assets in product markets. However, the deployment of such assets does not entail a sustainable competitive advantage, precisely because they are freely tradable.

Peteraf (1993) defines competitive advantage as being sustained above normal returns. She defines imperfectly mobile resources as those that are special or specific to the organization, and notes that such resources can be a source of competitive advantage because any Ricardian or monopoly rents generated by the asset will not be offset entirely by accounting for the asset's opportunity cost that is, value to others.

John Kay (1993) defines distinctive capabilities as ones derived from characteristics that others lack, and which are also sustainable and appropriable. A distinctive capability becomes a competitive advantage when it is applied or brought to a

market. He measures the value of competitive advantage as value added, with the cost of physical assets measured as the cost of capital applied to replacement costs.

Brandenberger and Stuart (1996) discuss multi-agent games (industries) and examine the conditions under which players can appropriate a portion of the total gains to trade. Agents include buyers, suppliers, and producers. Total gains to trade are maximum available from the assignments among agents. They conclude that the maximum value appropriated is limited by the agent's value added to the game—the amount of the game's total value must be different from that of its competitors enjoying a favourable asymmetry.

Ghemawat and Rivkin (1999) say that an organization that earns superior financial returns within its industry or its strategic group over long run is said to enjoy a competitive advantage over its rivals.

Besanko et al. (2000) say that when an organization earns a higher than the average rate of economic profit of other organizations competing within the same market, the organization has a competitive advantage in that market.

Saloner et al. (2001) hold that most forms of competitive advantage mean either that an organization can produce some service or product that its customers value than those produced by competitors, or that it can produce its service or product at a lower cost than its competitors. They also say that in order to prosper, the organization must also be able to capture the value it creates. In order to do so, the organization must have a sustainable competitive advantage.

Barney (2002) articulates the opinion that an organization experiences competitive advantages when its actions in an industry or market create economic value and when some competing organizations are engaging in similar actions. Barney ties competitive advantage to performance, arguing that an organization obtains above-normal performance when it generates greater than expected value from the resources it employs.

Various strategy consulting firms measure competitive advantage in terms of shareholder returns (Rumelt et al. 2003).

Carpenter and Sanders (2007) define competitive advantage as 'a firm's ability to create value in a way that its rivals cannot'.

Competitive advantage may be defined as an advantage over competitors gained by a firm's ability to create value for the stakeholders most notably the customers, either by lowest cost or most differentiated position by making use of its superior resources, intangible assets and distinctive competencies that generates greater than expected value from the resources it employs and intangible assets and distinctive competencies it possesses that allows the firm to adapt fast to changing opportunities and enhance the value chain.

Hence, competitive advantage is an advantage over competitors gained by offering consumers great value, either by means of lower prices or by providing greater benefits and service that justifies higher prices. Competitive advantage is the result of an organization's planned strategy. The strategic direction is realized through the ability of producing greater profits than the competitors. Therefore, when an organization sustains profits that exceed the average for its industry, the organization is said to possess a competitive advantage over its rivals. It is an advantage that enables business to survive against its competition over a long period of time.

Michael Porter identified two basic types of competitive advantage: cost advantage and differentiation advantage. A competitive advantage exists when the organization is able to deliver the same benefits as competitors, but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products and/or services (differentiation advantage). Thus, a competitive advantage enables the organization to create superior value for its customers, and superior profits for itself.

Many factors are responsible in producing a position of competitive advantage. Some of these are environmental factors; others are resources and competencies of the single organization. The relationship between the organization and the industrial environment in which it operates is responsible for realizing a successful market position and develops along three dimensions. First of all, the organization develops a consistent system of strategic objectives, adopting a complex of coherent functional policies. Second, the system of objectives and policies must be kept consistent with the external conditions of the market; that is, the strengths and weaknesses of the industry which the organization must consider in deciding strategies and policies. Nevertheless, the organization's adaptation to industrial environment requirements has to be seen in a dynamic form, in which the organization constantly adapts its action to external and internal changes, in a continually changing pattern. Therefore, industrial environment defines opportunities, risks, resources, and costs organizations must take into account.

According to the new resource-based view of the organization, competitive advantage is achieved by continuously creating new resources and capabilities and developing existing ones that are superior to its competitors, in response to rapidly changing market conditions. Resources are all those physical, human, and financial assets contributing in different ways to the input-output production process realized by the organization. These resources are employed, separately or as a complex, and their employment allows the organization to develop a sum of knowledge and operative capabilities, resulting in greater competencies. Thus, competencies result from the way the organization uses its resources to create knowledge and skills. Resources are freely acquired in the market, while competencies are internally

developed by the organization in its day-by-day activity and by the use of acquired resources. For resources, capabilities and competencies to have strategic value and, therefore, give rise to persistent competitive advantages, they must comply with the following conditions (Barney 1991): they have to be difficult to imitate by current competitors; they have to be difficult to substitute by current and new competitors; and they have to be valuable, that is, positively valued on the market.

Among these resources and capabilities, in the new economy, knowledge represents the most important value—creating asset. Knowledge-based assets hold special promise because organization specificity, causal ambiguity, and social complexity make them hard to imitate. The resources and capabilities together form distinctive competencies which enable innovation, efficiency, quality, and customer responsiveness for creating a cost advantage or differentiation advantage. Since different organizations have different characteristics, therefore each organization needs to develop its own strategic resources, capabilities, and competencies. This implies that different organizations will have a different framework of competitive advantage. Figure 1.4 illustrates the aforementioned points.

The opportunity for an organization to sustain competitive advantage is determined by its capabilities of two kinds—distinctive capabilities and reproducible capabilities—and their unique combination to create and achieve synergy. These distinctive capabilities, the characteristics of the organization which cannot be replicated by competitors, or can only be done so with great difficulty, are the basis of competitive advantage. Distinctive capabilities can be of many kinds: patents, exclusive licences, strong brands, effective leadership, teamwork, or tacit knowledge. Reproducible capabilities are those that can be bought or created by competitors, and thus by themselves cannot be a source of competitive advantage.

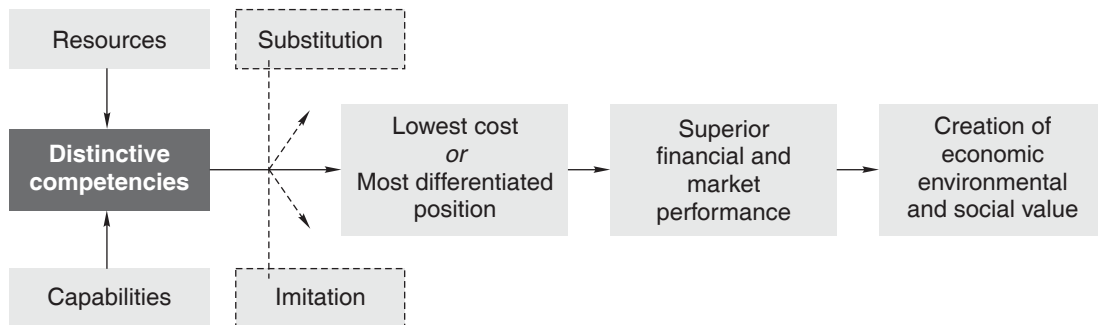


Fig. 1.4 'Resource-based view' model of competitive advantage

Exhibit 1.4 Types of competitive advantage

Time-based advantage, Cost-based advantage, Technology-based advantage,	Differentiation-based advantage, and Early-adoption-based advantage.
Examples:	
Organization	Distinct advantage
Federal Express	Superior service
McDonalds	More for your money
Mercedes	Engineering design and performance
3M Corporation	Technological leadership
Dr. Pepper	Different task
Rolex	Prestige
Caterpillar	Spare parts availability
<i>Adapted from: Sekar et al., January–March 2007, Indian Journal of Training and Development of Indian Society for Training & Development.</i>	

However, an organization's technologies, products, and structures can be copied by competitors. No one, however, can match its highly charged, motivated people who care for their organizations. People are the organization's most important asset and, at the same time, its most under-utilized resource. They are the organization's repository of knowledge and skill base that makes the organization competitive. Well-counselled and highly motivated people are critical to the development and execution of strategies, especially in today's fast-paced, more perplexing world, where top management alone can no longer assure the organization's competitiveness and superior performance. Superior performance needs a business strategy which is seamlessly integrated with HR strategy of the organization, as depicted in Fig. 1.5. This means that human resources are an important source of competitive advantage which can be realized through performance management—a key HR strategy. Therefore, performance management is a business strategy for attaining and sustaining competitive advantage through human resources.

The GEM conceptual model suggests that the social-cultural-political context within a country must foster certain 'general national framework conditions' which can generate not only the opportunities for entrepreneurship, but also the capacity for entrepreneurship, in particular, the skills and motivation necessary to succeed. Together, the entrepreneurship opportunities, on the one hand, and the skills and motivation on the other, lead to business dynamics that yield creative destruction, a process in which new organizations are created and older, less efficient organizations are destroyed. The overall result for a country is thus economic growth.

Every competitive advantage is predicated upon a particular set of conditions that exist at a particular point in time for particular reasons. Experience has shown that many of the competitive advantages have been transitory in nature because of changes in environmental, firm, market, and other factors. As organizations compete in the marketplace, they tend to develop innovations in capabilities, resources, capacity, intangible assets, products, services, etc. and host of other factors in order to create a level playing field which causes a particular competitive advantage to disappear over the time. However, this does not mean that the search for competitive advantage is futile; rather it reveals that organizations have to continuously strive to develop newer advantages over the competitors in order to not only replace disappearing old advantages but to create new competitive advantages. Hence, competitive advantage is a relentless pursuit for survival and growth in a dynamic and fiercely competitive global marketplace.

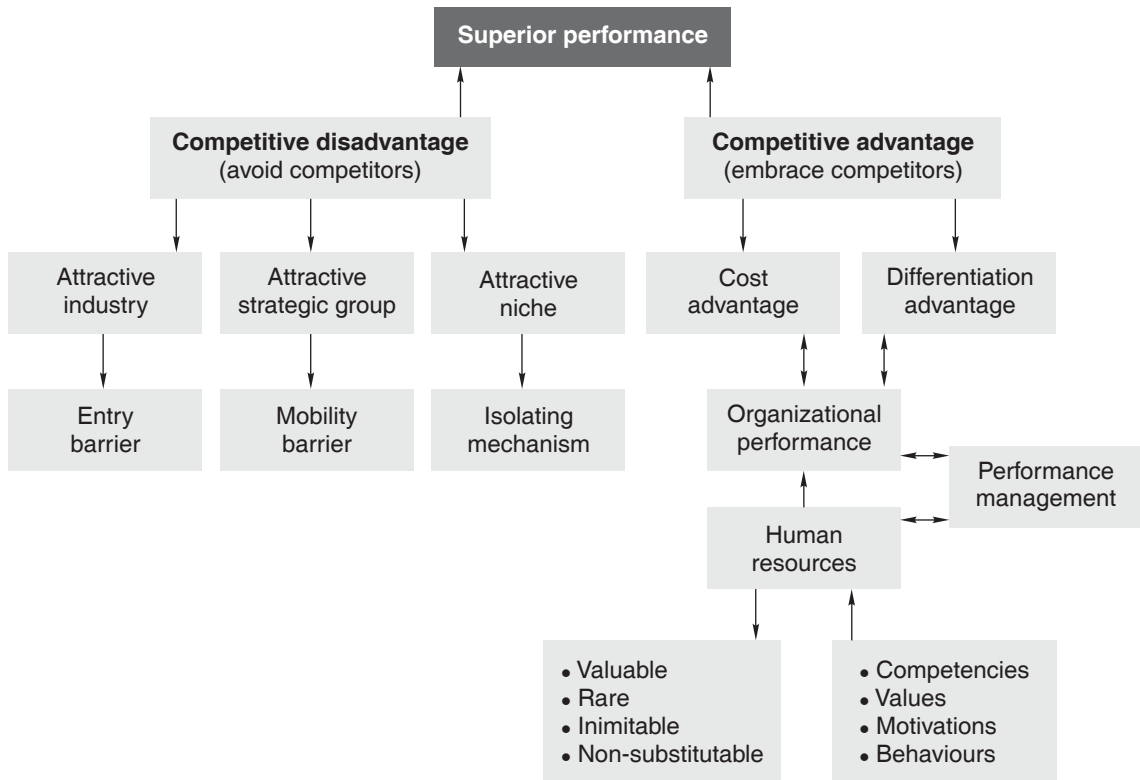


Fig. 1.5 Sources of superior performance

LINKING HUMAN RESOURCE STRATEGY WITH BUSINESS STRATEGIES

Organizations are under increasingly diverse and mounting pressures due to more sophisticated markets, changing customer choice, and global competition. For instance, Vikram Rao (2007) argues that key success factors for Indian textile industry involves devising new strategies aimed at improving productivity, efficiency, quality control, faster product innovation, technology upgradation, and quick response to changes in customer expectations. Various researches (Skinner 1969; Hill 1987; Hayes and Pisano 1994) have indicated customer expectations in terms of quality, delivery, flexibility, and innovation, which are popularly termed as competitive priorities or manufacturing performance objectives. These competitive priorities are as follows:

- *Cost* production and distribution of product at low cost
- *Quality* manufacture of products with high quality or performance standards
- *Delivery dependability* meet delivery schedules
- *Delivery speed* respond quickly to customer orders
- *Flexibility* react to changes in production, changes in product mix, modifications in design, fluctuations in materials, changes in sequence
- *Innovation* introduction of new product and processes

In view of these points of priority, the market for products is becoming increasingly volatile. Coupled with this, social groups and environmentalists are bringing increased pressure on organizations to improve the reliability and safety of their products and services, and their manufacturing processes.

Indian manufacturers have long followed an opportunistic approach to growth, and paid very little strategic attention to their human resources. However, in the changed competitive business scenario, manufacturing organizations have to improve their competitiveness to survive and sustain themselves. In the following part of this discussion, we shall explore how organizations can build a sustainable competitive strategy by aligning with the greatest resource—human resource.

Today's complex and competitive business landscape is characterized by flattening, downsizing, decentralization, restructuring, mergers and acquisitions, joint ventures, technological changes, outsourcing and responsiveness of organizations wherein highly trained and committed employees, not machines, are often an organization's best competitive key. The main source of competitiveness is the development of organization-specific resources that generate knowledge, quality of products and process, innovation, and flexibility. In view of this, most organizations believe that human resource, rather than financial or technological resources can offer a competitive advantage. In other words, sources of competitive advantage have shifted from obtaining and allocating low cost financial capital and physical

assets to obtaining, developing, and allocating human capital and knowledge assets. Therefore, human resource is increasingly recognized as a source of competitive advantage and an increasing amount of evidence shows it to be (Pfeffer 1994; Ulrich 1997; Wright et al. 1994). Based on a study conducted by Watson Wyatt in 2003, and focusing on HR operations in global organizations, results showed:

- Great HR practices increase shareholder value from 12 to 25 per cent on average
- Poorly executed and applied HR practices decrease shareholder value from 15 to 34 per cent on average
- Small and medium businesses do not develop human resource as a competitive advantage
- Of most business assets, 85 per cent are intangible and people related

Therefore, the use of appropriate bundles of consistent HR management practices seems to be the most effective way to improve organizational performance. In order to obtain a competitive advantage from human resource, there is a growing need to link human resource with the business strategies because HR strategy* is a part of business strategy.† A business strategy is sometimes termed as a competitive strategy also. The task of business strategy is to determine how the organization will deploy its resources within its environment and so satisfy its long-term goals, and how to organize itself to implement that strategy (Grant 2002). It may be seen as the search for a favourable competitive position in an industry, and aims to establish a profitable and sustainable position against the forces that determine industry competition. This brings out the increasing role of HR in implementing business strategies successfully. Although other functional strategies such as marketing, product branding, manufacturing, quality, and R&D are important, HR strategy is more critical to the successful implementation of an organization's business strategy, given that people form the backbone of implementation of any strategy. It can be argued that that in order to achieve competitiveness through HR, organizations must have a highly capable workforce and high levels of motivation, as well as a supportive work environment for employees to turn their abilities into high performance. Therefore, it is highly imperative for organizations to align HR with business strategies, and to emphasize the kinds of HR policies and practices that are most appropriate to the selected business strategy of the organization. The

* HR strategy refers to the specific HR courses of action, activities, programmes, ideas, policies, practices, and decisions that the management deliberately uses to achieve the aims of the organization in a way that helps it to gain or maintain an edge on the competition.

† Business strategy refers to the plan of action that strategic managers adopt to use an organization's resources and distinctive competencies to gain a competitive advantage over its rivals in a market or industry.

assumption that HR management is derived from business strategy leads to what Boxall (1995) calls the matching model, which emphasizes that organizational effectiveness depends on a tight fit between HR management strategy and business strategy. This implies that the essence of business strategies is to decide how to compete against industry competitors to gain the target market, and human resource helps in making the same happen in an inimitable manner. Failure to match business strategy to the resources and capabilities of the organization can be disastrous. Therefore, organizations that match their HR activities/strategies with their business strategy, business environment, organizational characteristics, and organizational capabilities will be more successful than those organizations that do not (see Fig. 1.6).

Thomson and Strickland (2003) have identified five business strategies: low-cost provider strategy, broad differentiation strategy, best cost provider strategy, focused strategy based on low cost, and focused strategy based on differentiation. As business strategies seek to achieve an organization's mission and objectives, linking human resource to business strategies means integrating people management policies, practices, and programmes with decisions about the results an organization intends to obtain. Different industrial environment, organizational objectives, and mission statements require different strategies. Once the business strategy has been determined, HR strategy is devised to support the selected strategy. Therefore, the challenge emerges to match the philosophy, policies, programmes, practices, and processes—the five Ps—in a way that will stimulate and reinforce the different employee role behaviours appropriate for each business strategy. That is, human resource must be tailored to the needs of business strategy. Good people management has a positive effect on a range of issues, from increasing employee productivity and reducing absenteeism, to improving profitability which can be leveraged by linking human resource to business strategies.

Let us now examine linkages of HR with different business strategies.

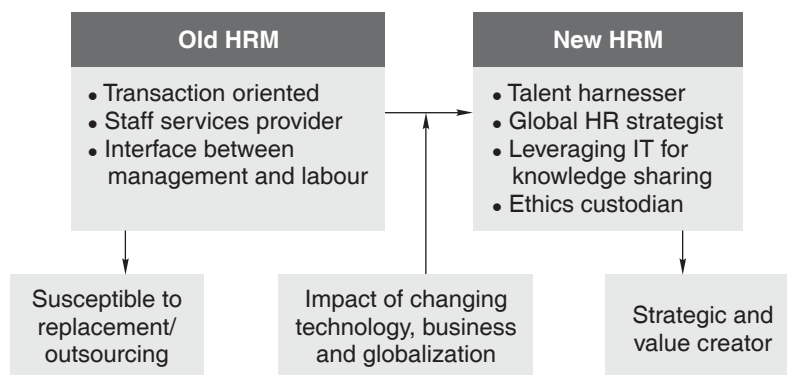


Fig. 1.6 Changing role of human resource management

Linking Human Resources with Low-cost Business Strategy

An organization pursuing a low-cost or cost leadership strategy seeks to attain lowest cost structures in its industry in order to offer products at the lowest possible price to the customers. Such organizations essentially engage in price differentiation as a basis of competition. These organizations are often good in engineering, purchasing, manufacturing, and supply chain. They exercise tight control on cost, have frequent and detailed control reports, and have strong organizational structures. It is pertinent to mention here that organizations need not only to sell what customers want at a low price but also have to make it faster (speed).

In order to link human resources to low-cost business strategy of the organization effectively, such organizations hire highly skilled personnel and maintain a lean workforce, make increased use of outsourcing, have a low participation in decision making, low wages, narrow career path, less job security (more emphasis on flexi-employment), high result orientation, lack of empowerment, innovation, or creativity, and little investment in training and development activities. Such manufacturing organizations appraise individual performance more rigorously and avoid measuring team performance.

Schuler and Jackson (1987) opine that if management wants to pursue cost leadership strategy, this entails designing jobs which are repetitive, require minimal training, cutting staff numbers to the minimum, and rewarding high output and predictable behaviour.

A good example of cost leadership strategy pursued by manufacturing organizations pertains to auto ancillary or auto components industry in India. Gurgaon is the major automotive component manufacturer's hub in the northern India. Most of these companies are contractually bound by their principals to reduce the price of their products every year often by 3 to 5 per cent.

Linking Human Resources with Differential Business Strategy

An organization pursuing a differentiation strategy seeks to attain uniqueness of its products that it intends to sell to the customers. Such organizations essentially engage in building brands, creating brand loyalty and customer loyalty as a basis of competition. This business strategy is comparatively less sensitive to price. These organizations emphasize on innovation, creativity, risk taking, and high tolerance to ambiguity and unpredictability. They thrive on high quality, excellent after-sales service, innovative design, latest technology, and up-market image.

In order to link human resource to the differentiation business strategy of the organization effectively, such organizations hire talents, allow high participation in decision making, provide high wages and performance-pay-based incentives, broad career path, high job security, high task- and result-orientation, high degree of

empowerment, innovation or creativity, team work, and high investment in training and development activities. Such manufacturing organizations leverage competencies, manage learning linkages, build organization work design capabilities and develop leadership. They also have a strong culture which seeks to fit talent management, HRM development, career management, performance management, and compensation management with differentiation strategy.

Schuler and Jackson (1987) opine that if management wants to pursue differentiation strategy, this entails selecting highly skilled individuals, giving employees more discretion, using minimal controls, making a greater investment in human resources, providing more resources for experimentation, allowing and even rewarding occasional failure and appraising performance for its long-run implication.

A good example of differentiation strategy pursued by manufacturing organizations pertains to consumer electronics giant Sony in India. Going by its tagline, 'It's a Sony', the company emphasizes brand loyalty, high quality, and contemporary technology for its products. Its products are often costlier by 15–20 per cent against competitors in the same product range.

One of the critical differences between the low-cost and differentiation strategies is the future orientation. A short-term focus is generally characteristic of a low-cost strategy. Alternatively, differentiation through quality enhancement requires an intermediate to long-term focus (Schuler & Jackson 1987).

Linking Human Resources with Focus Business Strategy

An organization pursuing a focus strategy seeks to focus on specific market segment(s) and therefore, it is also called the 'niche market' strategy. Such organizations essentially engage in serving the needs of limited customer group or segment. A focus strategy may encompass a low-cost strategy or differentiation strategy for serving a particular market segment as a basis of competition.

In order to link HRM to focus business strategy of the organization effectively, such organizations can choose the HRM strategies of a pure cost leader or broad differentiator.

A good example of focus strategy pursued by manufacturing organizations pertains to ready-made garments manufacturing giant in India, Madura Garments. It manufactures and markets several international apparel brands in India, primarily Van Heusen, Louis Philippe, and Peter England. Van Heusen and Louis Philippe are top of the line range and are targeted mostly at urban upper middle class gentry whereas Peter England is reasonably priced and is targeted at the mid-price segment of the market. The brand stands for 'fashion at honest pricing'.

Human resource is an integral component of strategic business planning. Without effective HRM, an organization may not be able to sustain competitive advantage, and can retreat to an inferior position within an industry. Therefore, human resource is an essential ingredient of any successful business strategy. A particular business strategy, that is, cost leadership, differentiation and focus strategy carries clear implications for human resource. To gain a competitive advantage from human resource, there is an increasing importance to view human resource from a strategic angle and to link human resource with the business strategies. However, though some organizations appear to be successfully aligning human resource policies with business strategy, this development do not seem to be widespread. Often these organizations' human resource activities do not support business needs, but serve their own purpose. It could be due to the fact that management does not systematically build a business strategy, thus leaving plenty of room for the subjective interpretation of business needs by functional managers.

Creating 'fit' between the core characteristics and the choice of business strategy can help secure employee behaviours and attitudes necessary for the successful implementation of business strategy. This strategic approach can provide a direction in the planning and management of human resources, thereby promoting organizational effectiveness and efficiency. Linking human resource to business strategies has important practical implications for managers. It provides a method for examining the appropriateness of workplace attitudes and behaviours required for effective implementation of business strategies. Hence, CEOs need to give more

Exhibit 1.5 HR strategy at Sona Koyo

Sona Koyo Steering Systems Ltd., the flagship company of The Sona Group is currently the largest manufacturer of steering systems for passenger cars and utility vehicle market in India with a market share of 45%.

The HR strategy to sustain business excellence stands out in three stages

Commencement Instigation of all HR interventions is towards desired effect. For HR intercessions we pursue commotions like competency identification and assessment of current and estimated skill levels desired to fulfil the goals and alignment of these goals across functions. This ensures the right person at right place, clarity of goals, and more

Source: Hari Nair, August 2006, Business Manager.

customer focus. All these processes are customary amid TPM and TQM

Practicing Following the culture of TPM and TQM, an apparent career succession and talent management conduit is ensured with appropriate reward and retention policies, and it builds Sona Koyo as 'Employer of Choice' by way of involved, aggravated, and enthusiastic workforce.

Breakthrough Manpower setting up through mechanised HR information systems ensures systematic, speedy, and much effective decision building. This crafts HR as a strategic partner, change leader, subject expert, and a front-line champion.

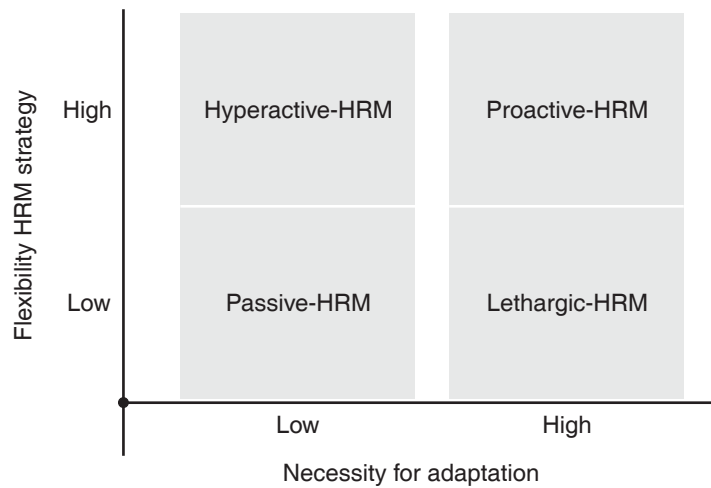
of their personal time and commitment to linking human resource to business strategies for attaining and sustaining excellent business results, year after year.

TYPOLOGY OF HUMAN RESOURCE MANAGEMENT

The impact of human resource management on organizational performance has emerged as a dominant issue in the human resource management field and is generating great interest for both academics and practitioners. There is a large and growing body of evidence (Huselid 1995; Guest et al. 2003; Wright et al. 2003) that demonstrates a positive linkage between the human resource management and organizational performance. The emphasis on human resource management in organizations reflects the view that market value depends less on tangible resources, and more on intangible ones, particularly human resource. There are a variety of different theories, including general systems theory, role behaviour theory, institutional theory, resource dependence theory, human capital theory, transaction cost economics, agency theory, and the resource-based theory of the organization, that have been used to explain the HRM–performance link, as we have already seen. Many human resource management scholars have adopted the resource-based theory of the firm (Barney 1995; Lado & Wilson 1994), given that a strategic approach to human resource management recognizes that human resources are a key source of competitive advantage because it is the skills, behaviour and values of human resources that are paramount in sustaining high performance (Pfeffer 1998). Although these perspectives have different focuses, they generally converge on the importance of human resource management practices in the determination of both employee and organization level performance outcomes.

Rodriguez and Venture (2003), in a study of 120 Spanish manufacturing firms, found that human resource management practices exercises a positive effect on the overall performance of organizations. Therefore, the typology of human resource management in an organization in the context of performance management assumes importance. Rudiger G. Klimecki and Stefan A. Litz (2004) has given the following typology of human resource management, as depicted in Fig. 1.7.

A ‘lethargic-HRM’ employs no change for enhancing the design of the human resource management practices, even though there is the need for a proactive management of the change of the ‘human resources’ in order to meet the new organizational requirements for problem solving. It is rather obvious that this kind of human resource management creates problems for the organization when a high adaptation capability of the workforce is needed. The top right cell is labelled ‘proactive-HRM’ since a high flexibility enhancing human resource management strategy meets the strong need of adaptation of the workforce’s qualifications and motivations. The term proactive-HRM stresses the openness and active management



Source: Klimecki and Litz (2004).

Fig. 1.7 Typology of human resource management

of a rather intensive change and development of the workforce in periods of a strong necessary. ‘Passive-HRM’ refers to the type of human resource management which is based on a combination of a low flexibility enhancing human resource strategy, and a low necessity for adaptation of the organizational workforce. If there is only a low need for change, there is no particular necessity to stimulate the change capability and process of human resources proactively. This kind of human resource management can be particularly well suited for organizations in periods of a relatively low need for change of the workforce. ‘Hyperactive-HRM’ refers to the type of human resource management which is based on a combination of a high flexibility enhancing human resource strategy and a low necessity for adaptation of the organizational workforce. This kind of human resource management may result in over eagerness for change process than necessary which could lead to frustration of the workforce. Proactive-HRM focuses on rigorous recruitment and selection procedures, extensive and relevant training and management development activities, incentive pay systems, and performance management processes. Therefore, proactive-HRM is needed for the success of performance improvement of the organization because attaining and sustaining competitive advantage through employee development is the foundation of such organizations.

COMPETITIVE ADVANTAGE OF FAMILY-OWNED ENTERPRISES

The competitive advantage of family-owned enterprises in this knowledge age where professionalization of management has assumed phenomenal importance is a matter

of debate in professional and academic circles. The extent of the financial, intellectual, and human capital inflows and outflows has assumed magnanimous proportions which can result in the success or failure of any business today. In spite of these capital constraints, family-owned enterprises seem to have been growing in emerging markets and are viewed as 'engines' of the economy.

All these years family-owned enterprises has been under criticism for altruism, nepotism, and weak risk-bearing attributes, which is believed to harm the efficiency and long-term sustainability of these enterprises in a fast-changing dynamic global business scenario. However, most of the business houses across the world are family-owned or controlled. For instance, Shanker and Astrachan (1996) estimated that about 22 million businesses in the US were family-owned or controlled, accounting for approximately 92 per cent of all businesses and about half of the gross domestic product. Neubauer and Lank (1998) estimated that in Europe, the percentage of family-owned enterprises ranges from 70 per cent in Portugal to more than 95 per cent in Italy, with other European countries ranging between 80 and 95 per cent. In the Middle East, it is more than 95 per cent. Excluding government-owned enterprises would increase the percentage even more, thereby highlighting the important role played by family-owned enterprises in the context of business and economic development. The scenario prevailing in Indian context is no different from what is mentioned in the earlier lines.

Family-owned Enterprises

Family-owned enterprises refer to those businesses in which the family either owns the business outright or if they have gone to the markets for capital, still hold enough of the stock that enables them to retain management control without fear of being replaced or voted out. Of late, the way these family-owned enterprises are viewed is increasingly changing. Their economic importance and ubiquity are now routinely emphasized and the way family-owned enterprises accumulate and utilize their resources are now assuming paramount importance.

To understand what makes family-owned enterprises gain and/or sustain competitive advantage, we need to refer to the agency theory. The agency theory suggests that owing to unification of ownership and control, these enterprises tend to have low agency costs because they, in order to retain ownership, pay premium to minority shareholders. In this process, the value of these enterprises depresses thereby inhibiting its growth due to capital constraint. Consequently, heirs to large family fortunes are less likely to fund innovative ventures, more likely to entrench their management, and more likely to seek to preserve their wealth through political lobbying. But as we have seen earlier, family-owned enterprises enjoy a numerically dominant position in most of the economies and have been doing so for centuries.

It may therefore be argued that social cohesion of the family provides it distinct advantages in business landscape that is fraught with uncertainty and high risks. However, there is growing evidence that family-owned enterprises retain their advantages in more developed economies and in highly codified legal environments.

A key strategic advantage for family-owned enterprises lies in its ability to foresee market, product, and service that may not be profitable today or may not exist at all, but in the long term it can prove to be highly beneficial to the enterprise. This implies that these enterprises have a long-term visibility of business for making appropriate decisions; they may even evolve unconventional strategies to realize their foresightedness. This is because family-owned enterprises have a personal interest and have fewer committees, hierarchies, and other constituencies that management must deal with, which makes decision making faster. Communications are easier and, if it is necessary or wise to hold a family council about the decision, it is relatively easy to accomplish.

Generally, people are more prudent with their own, as opposed to 'other peoples', money. Family-owned enterprises hire professional managers for their expertise and they are expected to employ rational–calculative decision criteria in their capacity as managers. Managers in these enterprises are also expected to employ rational–calculative decision criteria but the family control the rights that permit the family to intervene in the affairs of the enterprise to substitute other, 'particularistic' criteria of their choosing. This liberty entails greater variability in the exercise of authority. Since family-owned enterprises do not have to grapple with managerial aspirations of an employee so that his resume looks attractive for the next job in another company, these enterprises can easily engage in cautious growth and reasonable diversification that can build wealth and strength for the family. To assure accountability, managers in public enterprises are subject to a set of organizational rules, policies, and formal planning procedures that fragment authority in a bureaucratic system of checks and balances, which is missing in family-owned enterprises. Therefore, the alignment of interest between the senior management and the family in family-owned enterprises is stronger and strategic, which reduces the chances of failure to a substantial extent.

Since family is the key to success of businesses, and it will be prudent to assert that trust is the foundation of the family. Trust forms the basis on which these enterprises function well, anywhere in the world. At the same time, differences among family members can prove fatal for these enterprises as well. Family businesses have a different relationship where management and ownership overlap, even in large family-owned or controlled 'public' enterprises. The key decision makers are nevertheless only the family. The existence of covenants allows the family to appoint the CEO or board members, or even bypass the board for certain decisions. Perhaps more importantly, shareholders and family are the same entity.

Therefore, working in the best interest of shareholders is the same as working in the best interest of the family, and vice versa. The key trust relationships on which these enterprises must work are those between generations, between family branches when the enterprises grow bigger and survive long enough that more than the entrepreneurial members are involved, and between key non-family managers and family employees as well as management. For instance, in a large family-owned and controlled diversified business house, there is a practice that every audit process involves a person, known as *babu auditor* who has been directly engaged by the family to oversee the entire audit process for the best possible results. It is not that the family does not believe the capability of the auditors they have engaged, but the purpose of deputation of *babu auditor* is to facilitate the process of audit so as to gain a deeper insight into accounting/organizational processes and practices. Such a concept of having a *babu auditor* is neither thinkable, nor practiced even in large public or state-owned enterprises. Thus, trust between these constituencies of family-owned enterprises is vital to its survival and sustenance.

Trust is a crucial component of all business transactions all over the globe. Family-owned enterprises have distinctive advantages in terms of their holistic understanding of dynamics. Because in a public-owned enterprise, professional managers are accountable to shareholders, it is difficult for them to justify tacit and extra-contractual commitments, or to justify relationships upon compassionate or personal criteria. This implies little expectation of future obligation; parties are free to seek new business partners and to transfer their business, if better contractual returns are offered, or if partners begin to falter in their performance. However, in the context of family-owned enterprises, the situation is just the reverse, that is, these enterprises can justify relationships based on compassionate and personal criteria, and therefore they are able to seek and sustain the commitment of the other partner for a longer period. Formal contracting with a few preferred partners exists, which depends upon the personal and particularistic values of the family, whereas the efficacy of such contracting processes is critically dependent upon the acuity and business sense of the family, which varies from enterprise to enterprise, and across generations. This results in a better understanding between the partners of a business transaction and each potential partner looks upon the other as 'someone like us'.

A key factor in building and maintaining trust is communication. It is, therefore, important for family members to consciously and deliberately plan how to communicate about business, in addition to whatever informal communication takes place between them. Most successful family businesses have specific family council meetings about the business that include all family members. They may be annual or more frequent, depending on geographical spread of business and other pertinent factors. In addition, family members can be invited to observe board meetings on a regular or periodic basis. To educate the younger generation about

business before they take responsibility for the operations, some family businesses have 'junior boards' that are briefed by managers in the same way that the real board is briefed.

Competitive advantage

Hence, these particularistic and personalistic characteristics of family-owned enterprises generate competitive advantage. As Michael Porter (1980) says, competitive advantage is at the heart of a firm's performance in competitive markets, and goes on to say that competitive advantage means having low costs, differentiation advantage, or a successful focus strategy. Competitive advantage grows fundamentally out of a value a firm is able to create for its buyers that exceeds the firm's cost of creating it. A competitive advantage exists when the organization is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products and/or services (differentiation advantage). However, in family-owned enterprises, senior managers are selected and rewarded on the basis of family ties rather than because of their professional expertise or managerial proficiency, and family members are compensated, monitored, and disciplined. These enterprises are less likely to use stock options to compensate senior managers over concerns of diluting family control. Therefore, family-owned enterprises firms are less likely to attract top quality external managers than their counterparts in public-owned enterprises. Family businesses tend to employ fewer professional managers, and those employed are concerned with day-to-day operating details that are detrimental to strategic planning. To economize upon scarce managerial talent, family-owned enterprises tend to utilize financial rather than strategic control of their assets, relying upon abbreviated financial data as a means of allocating capital and assessing the effectiveness of sub-unit performance. This type of approach and planning system is ill-suited to knowledge-intensive and technologically dynamic industries.

Because family-owned enterprises face capital and managerial capacity constraints, they are disadvantaged in acquiring the resources and capabilities needed to compete in capital-intensive industries. This is because decision making is restricted to a few insiders, which results in speedy decision making, yet such decision structures inhibit accumulation of intangible skills and organizing systems necessary to coordinate the varied functions and a large number of people. These factors suggest that family-owned enterprises will tend to be disadvantaged at implementing differentiation-based strategies that require extensive R&D investments and complex coordination systems or strategies that are aimed at broad-scope, geographically dispersed markets.

The propensities for personalism and particularism of family-owned enterprises provide advantages in cost leadership strategies in localized, narrow-scope markets,

and facilitate the fast and decisive seizure of opportunities that are difficult for professional managers to act upon. It also helps to generate a series of advantages with regard to the creation and using of social capital. Nahapiet and Ghoshal (1998) define social capital as ‘the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit’. Therefore, family-owned enterprises enjoy advantages in forming and sustaining personal business contacts and networks, given dense concentration of property rights, authority, and decision making power. Social capital so generated helps family-owned enterprises to access and screen strategic information that enhances bargaining and lobbying power for venturing into new business opportunities for personal interests. In the Indian context, such social capital has been instrumental in forging alliance with politicians and bureaucrats for securing personal favours in businesses, especially in tendering processes. Moreover, intuitiveness acts as strategic tools in the hands of these family-owned enterprises as they are responsible to themselves only and hence possess immense freedom to allocate and use their resources under different market conditions.

Regardless of many managerial and capital constraints, family-owned enterprises have been growing and expanding even in this global economic era. The superior performance of family-owned enterprises is even more evident in emerging markets where they are viewed as ‘engines’ of the economy (Whyte 1996). This implies that these enterprises have an inherent strength in terms of speedy decision making, absence of bureaucratic procedures, effective communication, and most importantly, trust—the key ingredient of social capital which appears to be a driver of competitive advantage in family-owned enterprises.

COMPETITIVE ADVANTAGE THROUGH ORGANIZATIONAL CULTURE

In the early 1980s, competitive strategy was seen as a zero sum game. Michael E. Porter caused a gradual shift in emphasis from value appropriation to value creation. With globalization, the nature and extent of competition has been changing very fast in an information-based, knowledge-driven, and knowledge-intensive economy. The pace with which change is taking place is not only pervasive, but also very fast, thereby redefining the basis of competitiveness where speed, flexibility, and self-renewal rule the roost. Where competitive advantage was once dependent on economies of scale and large-scale sales promotion they are now no more as effective as it used to be a few years ago.

With a paradigm shift of competitive edge from the physical and financial resources to human resources, management of people has assumed paramount importance. It is now increasingly realized that introducing newer strategies in order to stay competitive in global business scenario is not enough, as it has to

be seamlessly integrated with human resource policies and practices so that organizational objectives and mission can be attained successfully. Introducing newer strategies involves continuous learning and adaptations on the part of the organizations, which in turn requires creating, sharing, and leveraging knowledge for the benefit of the organization and its customers. Knowledge can be viewed as information in action. Knowledge creation, sharing, and leveraging require organizations to be in the learning mode wherein human resources are an active agent, carrier, and the constituent of knowledge, paving the way for exploration and subsequent exploitation of new opportunities before competitors can identify. Knowledge has today assumed the status of principal economic resource, providing newer insights amidst intense competition, changing customer tastes and rapid technological change and accordingly organizations need to learn faster than their competitors. Knowledge is embedded in the organizational architecture and culture is a critical component of the architecture. This is because of social exchange process. The willingness of people to share knowledge is influenced by the organizational culture. This implies that effective learning and resultant achievement of organizational success is positively associated with organizational culture. In researching his book, *Good to Great*, Jim Collins confirmed time and again that culture is the most critical component of an organization's transition from good to great. That is why organizational culture has taken the top position in the agenda of organizational priorities by the CEOs.

With emergence of more demanding, information-empowered customer and increased availability of competitive options to customers, organizations must be perceived to be superior to its competitors by at least some of the customers. Carpenter and Sanders (2007) define competitive advantage as 'a firm's ability to create value in a way that its rivals cannot'. With global business being increasingly characterized by efficiency, innovation and cost, organizations have to transform themselves from product provider to customer value provider in order to attain and/or sustain competitive advantage. Therefore, competitive advantage requires organizations to create customer value with the active support of their human resources. Competitive advantage is sustainable as long as competitors are not able to duplicate the organization's value creating strategy by acquiring new resources and capabilities. In other words, competitive advantage can be sustained only when an organization's value-creating strategy is supported by inimitable and non-substitutable resource and capability. The only inimitable resource and capability that can accrue to an organization is human resources. Market knowledge, technology, intellectual property management may be readily replicated by competitors and therefore are a less dependable source of competitive advantage in the long run. People are influenced by organizational culture thereby shaping

people through behaviour and actions. However, mere possession of or control over inimitable and non-substitutable resource and capability does not by itself make an organization gain or sustain competitive advantage unless it is able to exploit it appropriately. This implies that organizational culture assumes the centre-stage in the process of attainment and sustainability of competitive advantage. Therefore, the influence of culture on the willingness of people to collaborate in harmony to accomplish organizational objectives and mission will become increasingly important.

Organizational culture is the first mechanism to achieve managerial effectiveness and control. Edgar Schein defines organizational culture as ‘a pattern of shared basic assumptions that the group has learnt as it solved its problems of external adaptation and internal integration that has worked well enough to be considered valid and therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to these problems’. Defining culture is difficult as it defies all definitions, given that it is an abstract concept. Irrespective of definition, organizational culture has the following attributes: It is a shared phenomenon as it emanates from learning from exchange and group experience. Its foundation can be attributed to the persons who created the group or unit; it has two levels—visible and invisible. The visible level is exemplified in written and spoken language, symbols, mannerisms, dressings, customs, mores, folklores, etc., whereas values, ethics, and basic assumptions constitute the invisible level; it can be learned and acquired; and it changes gradually.

Richard Panico (2004) enlists the following characteristics of a strong culture:

- Values are clearly communicated, defined, understood, and practised
- Organizational vision is clear and extends beyond profitability
- Strategic priorities are unambiguous and few
- Organizational performance and progress is regularly measured and communicated (positive or negative)
- Individual responsibility and accountability are accepted and expected
- Standards of performance are absolute
- Contributors (collective and individual) are rewarded
- People development is a priority
- Trust reigns supreme
- Future is as important as the present

Organizations have social, political, economic, and technological dimensions. Organizational culture uniquely varies from organization to organization within the same geographical region. It reflects the shared thinking, belief, value system, behavioural norms, and organizational assumptions, and therefore there is no unity

across the organizations, which make every organization uniquely placed to leverage its advantages for enhancing competitiveness. Since organizations are open organic systems, they influence their environment and get influenced by it. Therefore, organizational culture is impacted by geographic region, competitors, and the products and services it provides. This is because organizations exist to serve the society and customers of the organization are an integral part of the society. With changing patterns of societal needs, aspirations, and the socio-economic level of development, the expectations of customers changes, placing new demands on the organization.

Organizational culture helps people to integrate with their organizations which fosters a team-based approach in meeting external environment and stakeholders expectations particularly customers, both internal and external. On the external front, organizational culture impacts its branding. For example, organizations that are highly quality conscious (TQM) as a brand, emphasizes quality as a way of day-to-day working. Accordingly, such organizations place high importance on employee empowerment and teamwork. Such organizations have HR processes aligned to recognize and reward team efforts in a transparent, interactive, and less controllable manner. Therefore, culture is the epicentre of internal and external behaviour of organization with its customers. Hence, it is the prime responsibility of top leadership to create and maintain equity and harmony within the organization by strengthening appropriate values and HR processes.

Within the organization, people are the link between the organization and its environment where customers are concentrated. As people are influenced by the organizational culture, their interactions with customer bear that influence. Moreover, people have their own assumptions, given the socialization process which also impacts their interactions and branding process of the organization. Culture is based on values, and therefore derives from personalities of the employees and the management. Norms are closely associated with values; they are unwritten rules that allow members to know what is expected of them in different situations. This is not tantamount to the submission that people interactions cannot be changed by the organizations. Organizations use reinforcement behaviours through various HRM mechanisms such as training, feedback, counselling, performance appraisals, compensation, career management, succession planning, employer branding, etc. to shape behaviour and actions of human resources in the desired direction. This helps to foster innovation and risk taking capabilities of people as well as normalize continuous learning and change.

Organizations might have either a strong or a weak culture. A strong culture is marked with clear employee behaviour and action, values are strong, communication is open and interactive, commitment, empowerment, and trust is high. As Henry

Ford aptly stated, ‘you cannot build a reputation on what you are going to do’. Trust facilitates nurturing of relationship among managers and employees which contributes to a cohesive work environment, which enables human resources to work more productively and reduces turnover. The situation is just the reverse in a weak culture where informal culture compensates. The cultural network, which is basically the informal socialization process, and heroes are closely linked. It is an informal medium of communication within organizations of pride and glorious past. Strong cultures have a powerful impact on people in the organization. As a consequence, everyone moves in the same direction as a coherent team, and goal attainment becomes a much easier endeavour. It also evokes strong motivation in human resources given the high team spirit which makes people work harder than they would otherwise do, which results in increased organizational performance and success. However, such strong culture must support knowledge creation and sharing, and must be responsive to environmental needs and changes as otherwise organizational failure could result from cultural arrogance. In other words, a strong yet adaptive culture can only support desired organizational outcome.

Therefore, a strong adaptive organizational culture is necessary to enhance organizational competence and performance in the long run. This means that variations in culture will result in variations in organizational performance. Organizational culture is unique and almost impossible to imitate. Thus, organizational culture can be a source of distinctive competitive advantage. Successful cultures contribute to a sustainable competitive advantage of their many interlocking elements such as history and inner structures. History provides a basis of gaining knowledge and thereby prevents repetition of a mistake or failure. It also helps in evolving best practices in the light of prior experience.

Organizational culture results in consensus and consistency. Values, norms, and attitudes of human resources are consistent and in congruence with organizational practices which fosters a shared sense of loyalty and commitment. Integration of people and processes with culture assuming epicentre is a consequence of such a scenario. Therefore, organizational culture plays a vital role in enhancing organizational performance through human resources.

Building, linking, and bonding culture is the essence of a sustainable competitive advantage where human resource management as a function plays a pivotal role in designing, developing, and delivering competitive priority of organizations.

INTEGRATED MODEL OF HUMAN RESOURCE MANAGEMENT

An integrated model of HRM is depicted in Fig. 1.8 to understand the linkage of various sub-systems of human resource management including performance management, which is the focus area of this text.

Exhibit 1.6 The employee is king at Coca-Cola

At Coca-Cola, an outfit by the name of 'People Work Group' has been formed in 2005, which consists of about 25 volunteers from across functions with the objective of facilitating synchronization between the company people's needs and business needs. By sharing ideas/suggestions, this group aids HR in designing processes and programmes that are driven by employee opinions.

Mr Nalin Garg, VP-Human Resources, Coca-Cola India explains

One of the most effective change interventions is being the change you want to bring about. In

Coca-Cola, employee involvement in policy shaping is not just process or toll for higher engagement; it is, in fact, our management and leadership philosophy. People must be empowered to contribute to continuous improvement and the ongoing success of the organization. By giving them the opportunity to voice their opinion, we recognize their potential to impact decisions and actions that affect their jobs. This sense of ownership is pivotal in energizing people to support needed changes and to achieve our business objectives.

Adapted from: Kunal Guha, Times Ascent, Times of India, 13 June 2007, New Delhi.



Fig. 1.8 Integrated model of human resource management

CONCLUSION

From Fig. 1.8, we may conclude that performance management is an essential part of the human resource management function. It links human resource planning

function to organizational effectiveness and ultimately competitive advantage of organizations. If performance management is defective, then the entire human resource management process will be adversely affected and will result in sub-optimal organizational outcomes. This implies that performance management is both an integral and integrated process of the organization. Integral because it links and provides a direction to human resource management efforts and activities and it is integrated because it occupies a centrestage in the organizational context, which can affect the competitiveness of any organization. Hence, performance management is not just a study of another discipline of human resource management function but actually a business process directed towards improving and sustaining corporate competence and performance amidst stiff domestic and global competition.

We shall now explore in the subsequent chapters the principles and practices of performance management in depth for building a broad-based understanding and insight.

SUMMARY

People have always been central to organizations, but their strategic importance has been understood only in recent times in this global economy. Today's business landscape is characterized by enormous complexity, turbulence, and transformation, shaking the very foundations of organizations. Where the source of organizational competitiveness was once attributed to obtaining and allocating low-cost financial capital and physical assets, has now shifted to obtaining, developing, and allocating human capital. The main focus of organizational competitiveness revolves around development of organization-specific resources leading to increased innovation and flexibility. In view of this, it is evident that the other nomenclature of 'management' is 'innovation', and nothing less.

Human resources are the most valuable asset and given rapid changes facing organizations, it is imperative for organizations to adapt to changes at a much faster rate than they have done in the recent past. An organization's success increasingly depends on the knowledge, skills, and abilities of employees, particularly as they help establish a set of core competencies that distinguish an

organization from its competitors. These distinguishing core competencies are difficult to imitate, and organizations can achieve a sustained competitive advantage through their human resources. This brings forth the importance of human resource management in modern business organizations.

Human resource management refers to the process of hiring, developing, motivating, and evaluating employees to achieve organizational goals by leveraging effectively the productive contribution of individuals, while simultaneously attempting to attain other societal and individual employee objectives. It is fundamentally a set of managerial activity which is primarily concerned with developing and maintaining a qualified workforce in ways that contribute to organizational effectiveness in order to ensure continuous organizational success in transformative environments. Hence, human resource management is a branch of organizational science that deals with the entire gamut of people related issues, decisions, and actions in the course of implementing business strategy and fulfilling the organization's objectives.

(Contd)

Summary (Contd)

Human resource management is a necessity for the survival of modern business organizations in a global marketplace because technology is abundantly available, capital is cheaply available, and human resource is the only business factor that can change the destiny of any organization.

In order to implement a successful business strategy to face global challenges, organizations must ensure that they have the right people capable of delivering the business strategy. This calls for people

who are highly capable, competent, and committed, that is, performing.

In the end, we quote Richard Florida from his book entitled *The Rise of the Creative Class*:

Many say we now live in an information economy or knowledge economy. But what's much more fundamentally true is that we now have an economy powered by human creativity. But it is not a commodity. Creativity comes from people (and that means) people are the critical resource of the new age.

KEY TERMS

Competitive advantage It is an advantage over competitors gained by offering consumers great value, either by means of lower prices or by providing greater benefits and service that justifies higher prices.

Competitive advantage theory It indicates that competitive advantage exists if the resource is rare, inimitable, non-substitutable, and valuable.

Harvard model This model suggested that human resource management decisions should be informed by both stakeholder interests and also a set of situational factors. Therefore, the focus is on the effect of external factors—stakeholder interests and situational factors on human resource policy.

HR strategy It refers to the specific HR courses of action, activities, programmes, ideas, policies, practices, and decisions which the management deliberately uses to achieve aims of the organization in a way that helps it to gain or maintain competitive advantage.

Human capital theory Organization invests in people just as they invest in machinery, viewing people as an additional type of capital.

Human resource management It is an integrated strategic and planned development process for effective utilization of human resources for the achievement of organizational objectives.

Philosophy concept It is based on the premise that competitive advantage can accrue to organization only when people management is guided by fundamental human values such as respect, dignity of labour, justice, integrity, and fair play so that natural talents and abilities of employees can be harnessed and leveraged to the maximum.

Process concept It is based on the premise that human resource management consists of a sequence of logical activities carried out with the objective of attaining competitive advantage for organizations right from human resource planning to separation stage.

Resource dependence theory It emphasizes the need for retaining control over scarce resources such as human resources for attaining and sustaining organizational success.

Stakeholder systems model This model incorporates ethical and effective considerations within a stakeholder systems model of human resource management. The model delineates design, operation, and evaluation system stages and their organizational justice dimensions within a stakeholder-accountable model of human resource management.

CONCEPT REVIEW QUESTIONS

1. Describe the concept and perspective on human resource management.
2. What is human resource management? Enlist its characteristics.
3. Define and explain the models of human resource management.
4. Explain the stakeholder model of human resource management.
5. Describe in brief the various theoretical frameworks of human resource management. Which model(s), in your opinion, suits contemporary business organizations and why?
6. Define and explain the concept of competitive advantage.
7. How are human resources linked to business strategies? Is such linkage critical for survival and growth of organizations?
8. What is competitive advantage? Describe in brief the various competitive priorities with suitable examples from Indian industry.
9. Enlist the typology of human resource management.
10. What is a family-owned enterprise? What makes the family-owned enterprises competitive?
11. Draw the integrated model of human resource management and explain the linkage between organizational culture and competitive advantage.

CRITICAL THINKING QUESTIONS

1. Why is human resource management still at its nascent stage of development in the Indian business enterprises, especially in medium and small enterprises?
2. It is said that human resource management has no place in the list of priorities of family-owned enterprises. As 80 per cent of the global companies are either family-owned or controlled, how do you foresee the future of human resource management in the times to come?
3. 'No organization can prosper without adequate human resource management in place'. Justify the statement with examples.
4. Design a research programme to identify differences and similarities in human resource management system in private and public sector in India.

WEB-BASED EXERCISE

Search the Internet for tracing the future trends in the human resource management. Make a short

background paper in around 500 words and discuss with your teacher.