

Module - II

Aligning HR Systems with Business Strategy

Alternative HR System: It is the platform is intuitive, and organizations can have each component tailor-made to their requirements.

Universalistic: where some HR practices are believed to be universally effective. This approach proffers common, standard, individual HR practices, and treats them as principles claiming verifiability and consistent applicability. Scholars contend that it errs in oversimplifying organisational reality since it does not explain complex system interactions and has a rather “isomorphic” than “differentiating” effect.

Isomorphic: similar in form and relation

differentiating: what makes different

Contingency: Effectiveness of HR practices is taken as dependent on organisation's strategy, systems interaction and ‘achievement of ‘vertical fit’ regarding policies. It goes beyond simple linear causal relationships for prescription of HR practices and allows for interaction effects and varying inter-variable-relationships (system interaction effects) during strategy formulation. The stress is on achieving ‘vertical fit’ or integration of policy through hierarchic levels and its consistent alignment with strategy. The idea of ‘horizontal fit’ envisions HR practices as “hanging together as a coherent self- reinforcing system.

Configuration: There is believed to be synergistic or mutually reinforcing relation between HR practices and strategy that are crucial for enhanced performance, whereby, researchers gather data regarding “multiple dimensions of organisations such as strategies, structures, cultures and processes into typologies of ideal types” and treat the types as independent variables. This approach therefore gives patterns of HR practices that together form an internally consistent whole. Ideal type model building is attempted, whereby few possible system configurations are developed. It then correlates patterns with performance.

Congruence and integrated HR system:

Integrated system means bring everything together. Although HR systems integration has been a concern for enterprise-sized companies for many years, more and more HR professionals in organizations of all sizes and shapes are waking up to the potential benefits. Technology plays a great role in integrated HR system.

Designing congruent HR system:

Designing the specific needs that the human resources position will fill is a critical first step to crafting an effective system. The following are the steps to design congruent HR system.

1. **Identify Needs** :A human resources department can handle a wide variety of tasks, depending on the size of the organization. They need to identify the core of HR's function to handle all inner policy and employee-related business. This could include hiring to retirement.
2. **Assign Tasks**: Once the need has identified , the HR roles is to assign the tasks to the human resources professional. By doing this, the human resources department can conduct the functions smoothly. Review each task and assign an estimated time commitment to it is also essential. This will showcase if the tasks can be feasibly accomplished in the hours you intend to staff the department.
3. **Establish Procedures and Policies** : Procedures for each task assigned to human resources will need to be laid out in order for the department to function efficiently. Establishing procedures can help the entire company to work in harmony, with clear steps to follow in order to resolve any issues. For example, if there is a dispute between employees, they will need to know what steps to take and channels to go through to resolve these issues. Developing a company handbook will also be helpful in establishing procedures.
4. **Fill the Positions**: HR department will interview applicants, and keep their roles and the tasks assigned to those roles in mind. This will help the department to sort through applicants to find the best fit for your HR needs and the HR roles you intend to fill.

Linking HRM practices to organizational outcomes:

Dave Ulrich introduced concept of HR as a “strategic partner” with the business in which it was placed. Much confusion has arisen since in the interpretation of the word “ strategic”, but it has been embraced by HR functions around the world as something about making a positive contribution to the organisation, something beyond providing an administrative and compliance service. The ultimate purpose of any organisation is to create value for its stakeholders. Any activities that maintain or enhance the level of value given to stakeholders could be described as strategic and the different kinds of value or benefits as strategic outcomes.

Intangible assets can be divided in many ways, but the simplest is that devised by Skandia in Sweden in the 1990s. This looks at three main groups of assets.

1. **Customer (external structural) capital**: this includes assets which enable and / or stimulate people outside our organisation to work with us, and –in a commercial organisation to buy from us. It includes customer contracts, relationships, loyalty, satisfaction, market share, image , reputation, brands, distribution networks and channels. Example : service level, accessibility, reputation or the popularity of revenue generating activities.
2. **Organisational capital (internal structural)**. This includes all that relates to our internal operations and efficiency. It embraces strategies systems, methodologies and operational processes. It embraces strategies, systems, methodologies and operational processes. All the recorded knowledge patents, know-how, databases, and technology are internal structural.
3. **Human capital**.: this is the people themselves. The human capital of the organization is their individual capability and commitment. The personal knowledge and experience also

matters. But it is more than the individuals alone it includes the way in which they work together and the relationships they both within and without the organization.

HR strategy:

HR Strategy (Human Resource Strategy) is a designation for a long-term plan created to achieve objectives in the field of human resource and human capital management and development in the organization. Human Resource strategy is one of the outputs of strategic management in the field of human resources management.

A very useful model here is the standard causal model of HRM, one of the key HR models. This model shows where HR strategy originates from and how it influences HR execution and business performance.

The model shows that the HR strategy is a result of the broader (business) strategy. It shows that HR activities create value when they are aligned with what the organization tries to achieve. When there is alignment (fit) between the two, HR will contribute to the performance of the organization.

The overall business strategy is formulated based on the past and the present. It is a result of what the company has been doing in the past and its current internal capabilities. An often used tool to arrive at this strategy is the SWOT analysis.

In the SWOT analysis, the organization's internal Strength and Weaknesses, and its external Threats and Opportunities are mapped. Strengths include the company's core know-how and know-what. These are its production capacity, existing brand, marketing channels, sales capabilities, R&D expertise, and other human capital factors.

The HR strategy is based on the organizational strategy. The HR strategy touches on all the key areas in HR. These include recruitment, learning & development, performance appraisal, compensation, and succession planning. An example of an HR strategy is an HR mission statement and HR vision, with concrete, high-level actions about how to execute on this mission and vision.

HR strategy in workforce utilization:

The efficient use of human resources depends upon effective human resource management. HRM is an approach to the management of people based on the following main features:

First human resources are the most important assets of an organisation and their effective management is the key to success.

Secondly: this success is likely to be achieved if the personal policies and procedure of the enterprise are also linked with the achievement of corporate.

Thirdly: the corporate culture and the values, organisational climate and managerial behaviour that come out from the culture will exert a major influence on the achievement of excellence.

Strategic performance management:

Strategic performance management encompasses methodologies, frameworks and indicators that help organisation in the formulation of their strategic insight which allow them to challenge strategic assumptions, refine strategic thinking and inform strategic decision making and learn.

Performance management and strategic planning process:

1. Organisational strategic planning(mission, vision, goal, strategies)
2. Unit's strategic planning(mission, vision, goal, strategies)
3. Job description (tasks, KSAs)
4. Individual and team performance (result, behaviour, development plan)

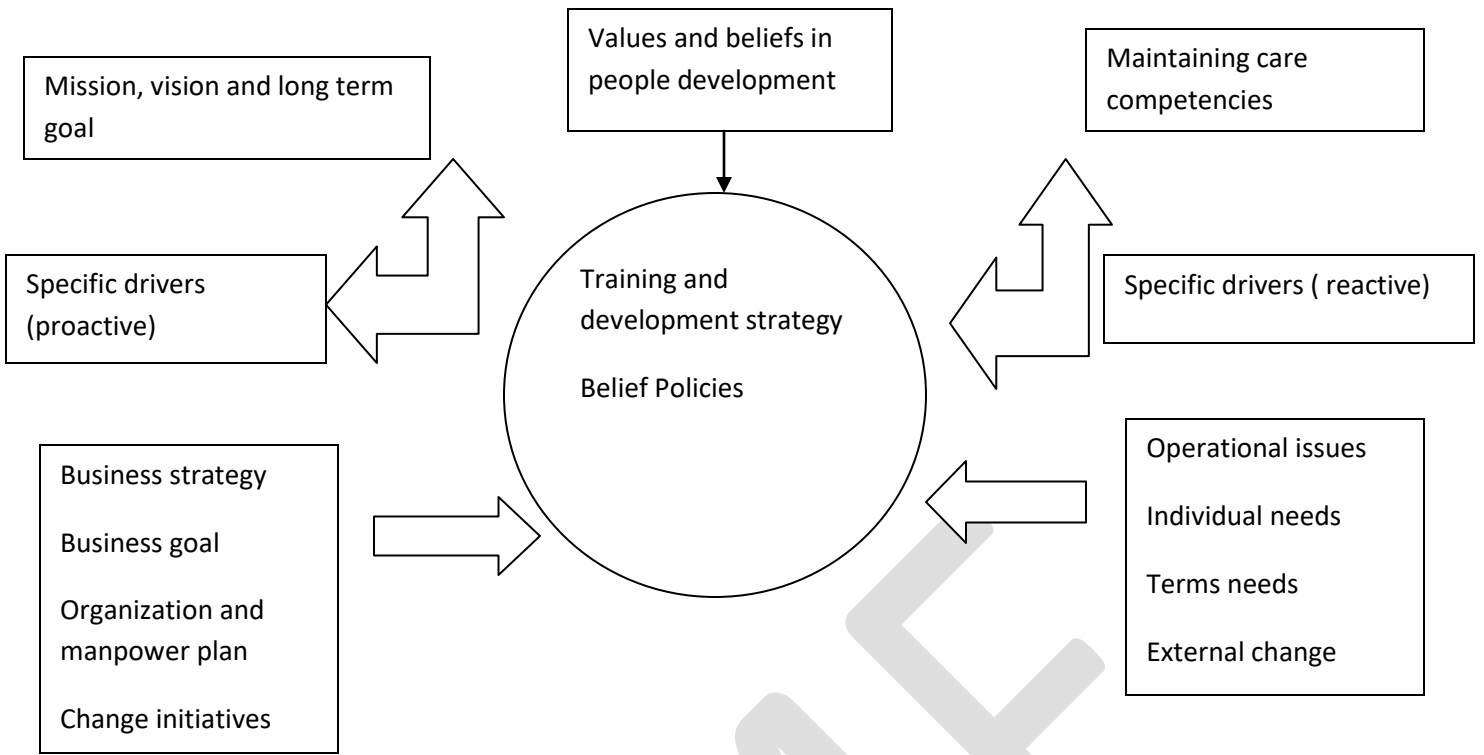
HR strategy for training and development

In order to maintain a competitive edge in the marketplace, your company must invest in the training and development of your employees. Human Resources Development (HRD) focuses on both training employees for their current jobs and developing skills for their future roles and responsibilities.

The strategy for effective training and development in 21st century:

1. The main focus is to link human resource with business strategy
2. The corporate training must be understood in terms of paradigm shift that is taking place in Indian industry.
3. Three factors that have added new dimension to the need for all training in all industries, they are
 - a. Liberalization
 - b. Imbalance in demand and supply of professional talents
 - c. Growing expectation of employees regarding their professional and personal development
4. Training is an effort into immediate position while development is an effort directed towards growth.

A model for creating training and development strategy



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