

Strategic Human Resource Management

COURSE CODE: B21BB25DE

Bachelor of Business Administration

Discipline Specific Elective Course

Self Learning Material



SREENARAYANAGURU
OPEN UNIVERSITY

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The State University for Education, Training and Research in Blended Format, Kerala

SREENARAYANAGURU OPEN UNIVERSITY

Vision

To increase access of potential learners of all categories to higher education, research and training, and ensure equity through delivery of high quality processes and outcomes fostering inclusive educational empowerment for social advancement.

Mission

To be benchmarked as a model for conservation and dissemination of knowledge and skill on blended and virtual mode in education, training and research for normal, continuing, and adult learners.

Pathway

Access and Quality define Equity.

Strategic Human Resource Management

Course Code: B21BB25DE

Semester - VI

Discipline Specific Elective Course Bachelor of Business Administration Self Learning Material (With Model Question Paper Sets)



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STRATEGIC HUMAN RESOURCE MANAGEMENT

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Semester- VI

Discipline Specific Elective Course
Bachelor of Business Administration

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Dear learner,

I extend my heartfelt greetings and profound enthusiasm as I warmly welcome you to Sreenarayanaguru Open University. Established in September 2020 as a state-led endeavour to promote higher education through open and distance learning modes, our institution was shaped by the guiding principle that access and quality are the cornerstones of equity. We have firmly resolved to uphold the highest standards of education, setting the benchmark and charting the course.

The courses offered by the Sreenarayanaguru Open University aim to strike a quality balance, ensuring students are equipped for both personal growth and professional excellence. The University embraces the widely acclaimed “blended format,” a practical framework that harmoniously integrates Self-Learning Materials, Classroom Counseling, and Virtual modes, fostering a dynamic and enriching experience for both learners and instructors.

The University aims to offer you an engaging and thought-provoking educational journey. The Bachelor of Business Administration programme is highly coveted due to the current demand for skilled professionals in the field. This factor was central to our approach while designing the curriculum for this course. It strikes a balanced combination, providing a profound understanding of theoretical concepts alongside a clear exposition of practical applications. We have been cautious in ensuring that the management modules are balanced, preserving the integrity and distinctiveness of the discipline. The Self-Learning Material has been meticulously crafted, incorporating relevant examples to facilitate better comprehension.

Rest assured, the university’s student support services will be at your disposal throughout your academic journey, readily available to address any concerns or grievances you may encounter. We encourage you to reach out to us freely regarding any matter about your academic programme. It is our sincere wish that you achieve the utmost success.



Warm regards.
Dr. Jagathy Raj V.P.

01-07-2026

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BLOCK - 01



Introduction to SHRM

Unit - 1

Evolution of Human Resource Management



Learning Outcomes

After completing this unit, the learner will be able to:

- ◇ familiarise the concept of HRM and its relevance
- ◇ trace the evolution of Human Resource Management (HRM)
- ◇ explain the concept of HRM for organisational excellence
- ◇ examine the growth of HRM in Indian and international contexts



Prerequisite

Meet Ravi.

It's 1952. Ravi runs a small textile workshop on the outskirts of Coimbatore. The looms clatter from six in the morning. The smell of cotton fills the air. About fifteen workers show up every day, some young boys barely out of school, a few older men who've been weaving all their lives.

Ravi is a good man. He pays on time. He doesn't cheat anyone. But when you ask him how he "manages" his workers, he'll look at you a little puzzled. "Manage? I tell them what to do."

If someone is absent, Ravi sends word to the next street and finds a replacement by afternoon. If someone weaves a bad batch, he shouts. If someone asks for a day off for a wedding, it depends on Ravi's mood that morning. There are no written rules. No one is ever trained; you either know the job or you learn by watching. No one talks about the future, about growing, about getting better.

The workers aren't unhappy. But they aren't particularly invested either. They show up, they weave, they go home. The workshop runs, but just barely, and only because Ravi is always there, watching everything himself.

Now meet Ravi's granddaughter, Priya.

It's 2005. Priya has taken over the family business, now a mid-sized garments export company with 300 employees. She studied management. She's travelled. She's seen how companies elsewhere treat their people. Priya does things differently.

New employees don't just "figure it out." They go through an onboarding program, someone sits with them, explains the work, and introduces them to the team. When there's a quality problem on the floor, Priya doesn't shout. She calls a meeting and asks, "What do we need to fix, the process or the training?"

Workers have weekly targets, but they also have quarterly reviews where someone genuinely asks them: "How are you doing? What do you need?" A few promising workers have been sponsored for skill development programs. One young woman from the stitching floor is now a floor supervisor.

Priya doesn't run the company alone anymore. She has a small HR team. And when she has to make a big decision, hiring fifty new people for an export order, or restructuring a department, HR is part of that conversation from the beginning.

The looms still clatter. The smell of cotton is still there. But something is very different now.

So, what changed between Ravi and Priya? It wasn't just time. It wasn't just technology.

What changed was the way they saw the people working with them. For Ravi, workers were hands, necessary, replaceable, and to be directed.

For Priya, employees are assets, people whose skills, motivation, and growth directly shape how well the company performs. This shift in thinking from "just managing workers" to "strategically developing people" is at the heart of everything you will learn in this unit.

In this unit, we will trace how the management of people evolved from simple, informal practices in ancient times to the sophisticated, strategic discipline we recognise as HRM today.



Keywords

Organisational Excellence, Human Resource Management, Strategic Human Resource Management, Personnel Management, Industrial Revolution, Human Capital, Compensation Planning





Discussion

1.1.1 Introduction

Every organisation, whether small or large, depends on people. Machines, money, and materials are important, but they cannot function on their own. It is people who use these resources, make decisions, solve problems, and drive results.

In earlier times, organisations focused mainly on getting work done. Workers were seen as labour, and managing them meant giving instructions and ensuring tasks were completed. Over time, this view began to change.

Organisations started realising that people are not just workers, but individuals with skills, ideas, emotions, and potential. When people are treated well, trained properly, and motivated effectively, they contribute much more to the organisation. This understanding led to the development of Human Resource Management (HRM), a systematic approach to managing people at work. Today, HRM is not just about hiring or paying salaries. It is about developing people, improving performance, and aligning individual goals with organisational success.

1.1.2 Why Does HRM Matter?

Imagine you are the manager of a popular bakery in your city. You have the finest flour, the best ovens, and an ideal location. Yet, if your bakers are unhappy, unmotivated, or unskilled, your cakes will still disappoint your customers. The ovens cannot bake themselves. The flour cannot measure itself. It is the people behind the process who make the difference. This simple truth is at the heart of Human Resource Management, or HRM. Human Resource Management ensures that:

- ◇ The right people are selected for the right jobs
- ◇ Employees are trained and developed continuously
- ◇ Motivation and job satisfaction are maintained
- ◇ Performance is monitored and improved
- ◇ Employees are retained and engaged

HR Insight:

Remember - Machines can improve productivity.

Technology can improve efficiency.

Only people can improve organisations continuously.



In modern organisations, HRM plays a key role in achieving organisational excellence. Companies that invest in their people often perform better, adapt faster to change, and build stronger reputations. In today's competitive environment, managing people effectively is not just a support function; it is a strategic necessity. HRM helps management in taking a strategic view of human resources. We can broadly classify the activities carried out by Human Resource Management as:

- ◇ Manpower Planning (deciding how many employees are needed)
- ◇ Recruitment and Selection (hiring the right people)
- ◇ Induction (helping new employees settle in)
- ◇ Performance Appraisal
- ◇ Training and Development
- ◇ Employee Counselling and Support
- ◇ Compensation Planning
- ◇ Employee Separation (resignation, retirement, etc.)

Real-World Example

Infosys, one of India's most celebrated technology companies, has repeatedly ranked among the best employers in the country. Its founders placed enormous faith in building a talented workforce from the beginning. The company invested heavily in training, offered generous employee stock options (before this was common in India), and created a campus-like work culture. This deliberate approach to managing people, which we call HRM, was a key reason Infosys grew from a small software firm in Pune (1981) into a global giant.

1.1.3 From HRM to SHRM: A Shift in Thinking

Earlier, HRM focused mainly on routine activities such as recruitment, payroll, and record-keeping. These were important, but they were often treated as administrative tasks. Today, organisations expect more from HR. Strategic Human Resource Management (SHRM) goes beyond day-to-day activities. It focuses on aligning people management with the long-term goals of the organisation.

For example:

- ◇ If a company plans to expand globally, HR must prepare employees with the required skills
- ◇ If innovation is a goal, HR must create a culture that encourages creativity
- ◇ If cost efficiency is critical, HR must design systems that improve productivity.



In simple terms, HRM manages people. At the same time, SHRM connects people with strategy. This shift from HRM to SHRM marks an important stage in the evolution of managing human resources.

HRM: Shifting Paradigms

HRM (Late 20 th century)	Strategic HRM (21 st century)
Reactive	Proactive
Staff Function	Strategic Function
Production oriented	People oriented
People as Liability	People as investment
Just as a resource in the production process	Key player in competitive advantage
Isolated from company's goals and planning	Integrated role in company's goals and planning

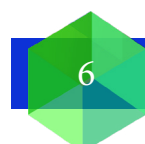
1.1.4 Human Resource Management for Excellence

Let us go back for a moment to Ravi and Priya. Ravi's textile workshop survived because he was always present. If he stepped away, things would slow down. Workers depended on his instructions, and there was no system to guide them.

Priya's company, on the other hand, does not depend on one person. It runs through systems, trained employees, shared responsibility, and clear goals. Even if Priya is not on the shop floor, the work continues smoothly. This difference is what we call organisational excellence. Now, let's discuss the meaning of Organisational Excellence. In simple terms, organisational excellence means: Doing things well, consistently, and improving over time.

Every organisation aims to achieve excellence by providing high-quality products or services, satisfying customers, and achieving its goals efficiently. However, these objectives cannot be achieved through technology, finance, or infrastructure alone. The real driving force behind organisational success is its people. Human Resource Management (HRM) helps organisations attract talented employees, develop their skills, motivate them to perform better, and create a positive work environment. In this way, HRM plays a significant role in building and sustaining organisational excellence. It is about:

- ◇ Delivering quality regularly
- ◇ Meeting customer expectations
- ◇ Adapting to change
- ◇ Growing in a sustainable way



And at the centre of all this are people, who are considered the most crucial asset of an organisation. HRM connects people with organisational goals. It improves productivity, retains talent, encourages innovation, and builds a strong organisational foundation. Through these contributions, HRM plays a crucial role in achieving organisational excellence and long-term success.

1.1.5 How Does HRM Contribute to Excellence?

Human Resource Management plays a key role in building and sustaining organisational excellence. Let us understand this.

1. **Right People in the Right Roles:** The success of an organisation begins with hiring the right employees. HRM identifies the knowledge, skills, and abilities required for each job and selects candidates who best match these requirements. It also ensures that employees are assigned to positions where they can perform effectively.

When people are placed in jobs that suit their qualifications and interests, they perform better, make fewer mistakes, and contribute more to organisational success.

For example, Google is known for its rigorous recruitment process. The company not only evaluates candidates based on technical knowledge but also looks for problem-solving ability, teamwork, creativity, and cultural fit. Employees are then assigned to projects that match their expertise and interests.

2. **Continuous Learning and Development:** The business environment is constantly changing due to technological advancements, changing customer expectations, and increasing competition. Therefore, employees need to continuously update their knowledge and skills and organise training programmes, workshops, seminars, mentoring, coaching, and career development initiatives to help employees improve their competencies. Continuous learning not only improves employee performance but also enables organisations to remain competitive in a dynamic business environment.

In our example in Priya's company, workers are given opportunities to learn new skills and grow into higher roles.

3. **Motivation and Engagement:** People perform better when they feel valued, motivated and connected to their organisation. HRM creates a positive work environment by recognising employee contributions, offering fair compensation, providing rewards, encouraging participation in decision-making, and maintaining healthy workplace relationships.

Employee engagement refers to the emotional commitment employees have towards their organisation. Engaged employees are more enthusiastic, responsible, and willing to contribute beyond their assigned duties. Example: A retail company introduces an "Employee of the Month" programme to recognise outstanding performance. Employees feel appreciated and become more committed to delivering excellent customer service.



4. **Performance Improvement:** Recruiting talented employees alone is not sufficient. Organisations must continuously monitor and improve employee performance to achieve excellence by establishing clear performance standards, setting measurable goals, conducting regular performance appraisals, and providing constructive feedback. Employees receive guidance on their strengths and areas for improvement, helping them perform more effectively. Example: A sales executive receives monthly feedback from the manager regarding sales performance. After attending a sales training programme suggested by HR, the executive improves customer interactions and exceeds sales targets.
5. **Retaining Good Employees** - Hiring talented employees requires considerable time, effort, and financial resources. Losing experienced employees can affect productivity, increase recruitment costs, and reduce organisational stability. Therefore, retaining skilled employees is one of the important responsibilities of HRM.

HRM improves employee retention by providing competitive salaries, career advancement opportunities, fair promotion policies, employee welfare programmes, recognition, work-life balance initiatives, and a healthy organisational culture.

Example: An information technology company offers flexible working hours, health insurance, learning opportunities, and clear career progression. As a result, employees remain with the company for many years, reducing employee turnover and preserving organisational knowledge.

Mini Case: HRM Driving Organisational Excellence at Google

Google consistently ranks among the world's best employers because of its people-centric HR practices. The company recruits highly talented individuals through a structured hiring process, provides continuous learning opportunities, encourages innovation through collaborative work environments, and regularly recognises employee contributions. Managers conduct frequent performance discussions rather than relying solely on annual evaluations. Google also supports employee well-being through flexible work arrangements, health benefits, and career development programmes.

As a result, Google has built a highly skilled, motivated, and innovative workforce. This enables the company to continuously develop successful products such as Search, Android, Gmail, and Google Maps while maintaining high employee satisfaction and organisational performance.

1.1.6 The Evolution of HRM - A Journey Through Time

Now that we understand why HRM matters and how it contributes to excellence, let's step back in time and see how this field came to be. HRM didn't appear overnight as a fully formed discipline. It grew, stage by stage, often in response to changes in society,

industry, and the way people thought about work itself. To understand HRM clearly, we must look at how the management of people has changed over different stages.

Imagine you visit two factories.

The first factory is from the 1950s. Employees arrive on time, complete their assigned work, and leave at the end of the day. The owner gives instructions, workers follow them, and very little attention is paid to their ideas, training, or career development. Employees are generally considered the labour required to complete the work.

Now imagine visiting a modern manufacturing company such as Tata Motors or Infosys. New employees receive structured induction programmes, technical and behavioural training, career development opportunities, regular performance reviews, digital learning platforms, and wellness programmes. Employees are encouraged to innovate, collaborate, and continuously improve.

Although both organisations employ people, the way they manage their employees differs significantly. Why did this change happen? The answer lies in this transformation, which is known as the evolution of Human Resource Management (HRM).

The evolution of HRM is the story of how managing people moved from basic tasks to becoming a strategic and tech-enabled function that supports business growth and employee experience.

It explains how the role and function of HR have changed over time. In the early days, HR was a manual, paperwork-heavy department focused on hiring, attendance, and payroll. Everything was done by hand, and the systems were slow, error-prone, and difficult to scale.

The management of people has changed significantly over the years. As industries expanded, technology advanced, competition increased, and employees became more educated, organisations realised that people are not merely workers but valuable assets who contribute to organisational success. As a result, the approach to managing employees gradually evolved from simple supervision to a strategic function that supports long-term business goals.

Today, HRM is much more than recruitment and salary administration. It focuses on attracting talented employees, developing their skills, improving their performance, motivating them, and creating a positive work environment that helps both employees and organisations grow together.

To understand why HRM has become such an important function in modern organisations, it is necessary to study how it has developed over time. The evolution of HRM reflects the changing relationship between employers and employees and shows how organisations have gradually moved from managing labour to developing human capital.

In the following sections, we will trace the major stages in the evolution of Human Resource Management, beginning with early labour management practices and progressing to modern Strategic Human Resource Management (SHRM).



Stage 1: Before the Industrial Revolution: Informal Management

Picture a village a few hundred years ago. Most people are involved in farming. Whatever production happens beyond agriculture is small-scale: a potter making clay pots, a goldsmith making jewellery, a weaver making cloth. These skills are rare and specialised, and they stay within the community.

If a young boy wanted to learn weaving, he didn't apply for a job. He became an apprentice, working alongside an experienced artisan for years, learning by watching and doing. There was no formal "management" of workers because there was barely any concept of an "organisation" as we know it today. Communication was limited too; news, ideas, and even instructions travelled slowly, often only as far as the next village.

This is very close to how Ravi ran his workshop in 1952: work passed down through experience, relationships were personal, and there was no system beyond the master's word.

Stage 2: Industrial Revolution and Emergence of Personnel Management (1750–1850)

Then came the Industrial Revolution, and it changed the world fairly quickly. Economies that had been built around farming and small crafts suddenly shifted towards large-scale industry. Machines took over much of the work that human hands used to do. Factories came up, and with them, something the world hadn't really seen before: large groups of workers, often hundreds of them, working together under one roof. It was a modest beginning, mostly record-keeping and administration, but it was the first time "managing people" became a defined job in its own right. This led to the beginning of Personnel Management.



Fig. 1.1.1 Emergence of Personnel Management

Stage 3: The Rise of Labour Unions and Industrial Relations

One important thing that happened during this period that's worth pausing on was that factory work, for most ordinary workers, was brutal. Workers often worked for long hours, often twelve to sixteen hours a day, with very low wages, and under unsafe conditions, without job security. Naturally, this created resentment, and workers began to organise themselves to demand better conditions and fair pay. To protect their interests, workers formed labour unions. This is how Labour Unions came into being.

On one side was the management, wanting production to continue smoothly. On the other side were workers, increasingly organised and vocal about their rights. Handling this required something more than just record-keeping; it required negotiation, tact, and an understanding of both sides. This is how the Industrial Relations function emerged as part of Personnel Management, essentially the part of HR whose job was to manage the relationship between workers (often through their unions) and management.

Practical Example: In India, organisations such as Tata Steel developed better labour welfare practices and became known for maintaining positive industrial relations.

HR Insight

Industrial Relations introduced the importance of negotiation, conflict resolution, collective bargaining, and employee welfare concepts that continue to influence modern HR policies.

Stage 4: Frederick W. Taylor and the Scientific Management

Taylor believed that almost every job could be broken down, studied, and improved, that there was a “best way” to do any task, and that this best way could be discovered through careful observation and measurement. This gave rise to what’s called Scientific Management, and it brought a few specific changes to how HR functioned. Workers began receiving formal training, rather than just being told to “figure it out.” Wages started becoming more standardised across similar jobs, instead of being decided arbitrarily. The overall focus was on improving productivity, getting more output from the same resources.

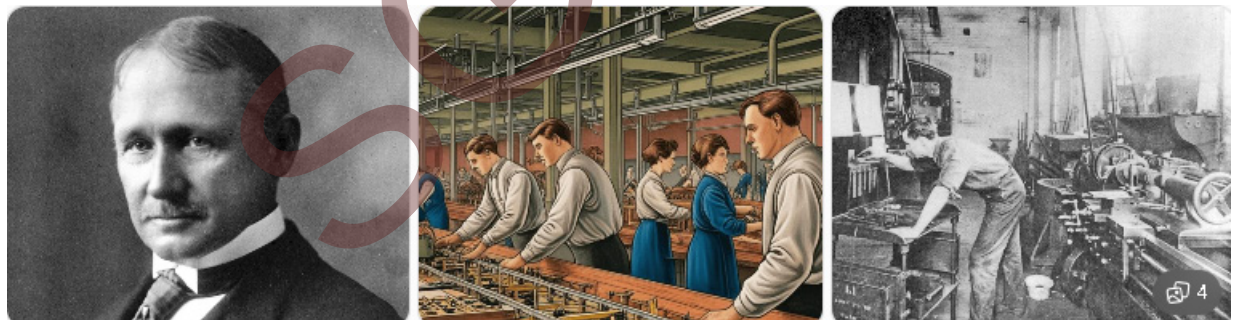


Fig. 1.1.2 Father of Scientific Management: Frederick Winslow Taylor

Major Contributions

- ◇ Work study
- ◇ Time study
- ◇ Motion study
- ◇ Standardisation
- ◇ Performance-based wages

Taylor’s ideas had a huge impact on factories of his time. Still, as we discussed earlier, they also tended to treat workers somewhat like interchangeable parts of a machine,

efficient, but not particularly human. That is, it ignored the human aspect. The main principles of scientific management are: (i) replacing the rule of thumb with science, (ii) harmony, not conflict, (iii) cooperation, not individualism, and (iv) the development of each person. Scientific management techniques relevant to the management of workers include functional foremanship, standardisation and simplification of work, and the differential piece-wage system.

HR Insight

Modern HR still uses Taylor's ideas in process improvement, productivity measurement, and performance management, but balances them with employee well-being.

Stage 5: Administrative Management: Henry Fayol

While Frederick W. Taylor concentrated on improving the efficiency of individual workers, Henri Fayol focused on improving the way the entire organisation was managed. He believed that effective management was the key to organisational success and that managers should follow certain universal principles while planning, organising, leading, and controlling organisational activities.



Fig 1.1.3 Administrative Management: Henry Fayol

Fayol observed that regardless of the size or type of organisation, managers perform similar functions. Based on his observations, he proposed 14 Principles of Management, which serve as guidelines for effective administration. Although these principles were introduced more than a century ago, many of them continue to influence modern management and Human Resource Management practices.

HR Insight

Henri Fayol's ideas laid the foundation for many modern HR practices. Today's HR departments use these principles while designing organisational structures, preparing job descriptions, defining reporting relationships, delegating authority, developing disciplinary procedures, and promoting teamwork. Although organisations today are more flexible and employee-centred than in Fayol's time, his principles continue to provide a strong framework for effective people management.

Stage 6: Human Relations Movement

During the 1930s, the study of employee behaviour took an important new direction. Until then, many organisations believed that productivity depended mainly on physical working conditions such as lighting, rest breaks, wages, and working hours. However, a famous research project showed that human and social factors also play a major role in employee performance.

The turning point came through the Hawthorne Studies, conducted between 1924 and 1932 at the Hawthorne plant of the Western Electric Company in Chicago. These studies were led by Elton Mayo and his colleagues.

At first, the researchers wanted to examine whether changes in physical conditions, such as lighting, rest breaks, and working hours, would affect worker productivity. Surprisingly, productivity improved even when the changes were not clearly beneficial. This led the researchers to look beyond physical conditions.

They discovered that workers performed better because they felt noticed, valued, and involved in the study. Employees knew that management was paying attention to them. They also developed stronger social relationships with their co-workers and worked more effectively as a group. This finding was important because it changed the way managers viewed employees. Workers were no longer seen only as individuals who worked for wages; they were also recognised as social beings whose behaviour is influenced by relationships, communication, and group support.

The Human Relations Movement that grew from these studies emphasised:

- ◇ Workers are social beings, not just economic units
- ◇ Informal groups and social norms powerfully influence behaviour
- ◇ Recognition, participation, and communication matter as much as pay
- ◇ Good supervision and supportive management improve productivity

They concluded that to have better productivity, management should take care of human relations, besides the physical conditions at the workplace. Consequently, the concepts of social system, informal organisation, group influence, and non-logical behaviour entered the field of personnel management.

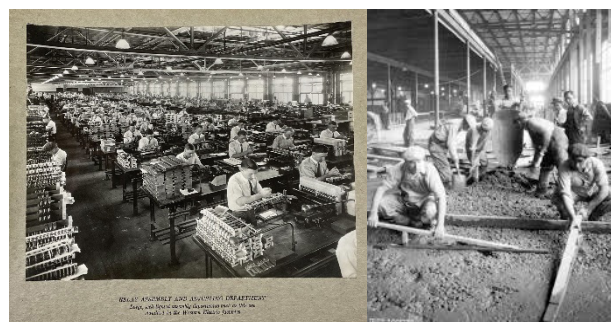


Fig 1.1.4 Western Electric Company

HR Insight

The Human Relations Movement marked a major shift in the evolution of HRM. It showed that employee satisfaction, teamwork, communication, recognition, and supportive supervision are essential for improving productivity. Many modern HR practices, such as employee engagement, team building, counselling, and participative management, are influenced by this movement.

Stage 7: Behavioural Science Movement(1950-1970s)

Although the Human Relations Movement highlighted the importance of social relationships, researchers soon realised that understanding employee behaviour required more than studying workplace relationships. Human behaviour is influenced by psychological, social, economic, and cultural factors. This led to the emergence of the Behavioural Science Movement during the 1950s.

Behavioural scientists believed that employees are complex individuals whose behaviour and performance are influenced not only by working conditions but also by motivation, leadership style, communication, personality, attitudes, group behaviour, and organisational culture. This movement encouraged managers to understand employees as complete human beings rather than merely as factors of production.

Unlike earlier approaches that focused mainly on efficiency or social relationships, the Behavioural Science Movement emphasised understanding why people behave the way they do at work and how organisations can create an environment that supports both employee satisfaction and organisational success.

As a result, organisations began investing in employee motivation, leadership development, performance management, teamwork, career development, training, and organisational development. These ideas continue to shape modern Human Resource Management (HRM).



Contributors: Abraham Maslow, Douglas McGregor, Frederick Herzberg

Several behavioural scientists contributed to this movement by explaining different aspects of human behaviour at work. Among the most influential were Abraham Maslow, Douglas McGregor, and Frederick Herzberg. Their theories transformed the way managers understood employee motivation and performance.

Abraham Maslow - Developed the Hierarchy of Needs, which explains that employees have different levels of needs, from basic survival to self-actualisation. Abraham Maslow believed that people are motivated by different levels of needs. According to him, once basic needs are satisfied, employees seek higher-level needs such as recognition, achievement, and personal growth.

Here is the transcribed text from the image organised into a clear table structure:

Maslow's Hierarchy of Needs

Level	Employee Need	HR Example
Physiological Needs	Basic survival needs such as food and shelter	Fair salary, rest breaks, comfortable workplace
Safety Needs	Security and protection	Job security, health insurance, safe working conditions
Social Needs	Friendship, belonging, teamwork	Team-building activities, supportive work culture
Esteem Needs	Recognition, respect, achievement	Promotions, awards, appreciation programmes
Self-Actualisation Needs	Personal growth and fulfilment	Career development, challenging assignments, leadership opportunities

Example: A newly recruited employee may initially value salary and job security, whereas an experienced employee may seek recognition and career growth.

1. **Douglas McGregor** - Introduced Theory X and Theory Y, showing that managers' assumptions about employees influence management style. Theory X and Theory Y describe managers' assumptions about employees; they do not classify employees themselves.

Theory X: Managers following Theory X believe that employees:

- ◇ Dislike work
- ◇ Avoid responsibility
- ◇ Need close supervision
- ◇ Are motivated mainly by money and punishment

Therefore, managers tend to use strict rules, close monitoring, and authoritarian leadership.

Theory Y: Managers following Theory Y believe that employees:

- ◇ Enjoy meaningful work
- ◇ Accept responsibility
- ◇ Can solve problems creatively



- ◇ Are self-motivated when given opportunities

Therefore, managers encourage participation, trust, empowerment, and employee involvement in decision-making.

2. **Frederick Herzberg** - Developed the Two-Factor Theory, distinguishing between hygiene factors and motivators. According to Herzberg, removing dissatisfaction does not automatically create motivation. Organisations must provide meaningful work, recognition, and opportunities for growth to truly motivate employees.

Hygiene Factors - These factors prevent dissatisfaction but do not create long-term motivation. Examples include:

- ◇ Salary
- ◇ Company policies
- ◇ Job security
- ◇ Working conditions
- ◇ Relationship with supervisors
- ◇ Interpersonal relationships

If these factors are poor, employees become dissatisfied. However, improving them alone does not necessarily increase motivation.

Motivators

These factors create genuine satisfaction and motivate employees to perform better.

Examples include:

- ◇ Achievement
- ◇ Recognition
- ◇ Responsibility
- ◇ Career advancement
- ◇ Challenging work
- ◇ Personal growth

For example: Google encourages innovation, autonomy, continuous learning, and employee recognition. These practices reflect Maslow's higher-order needs, McGregor's Theory Y approach, and Herzberg's motivators, helping create a highly engaged workforce.

HR Insight

Modern HR uses these theories to design motivation programmes, leadership development initiatives, career planning, and employee engagement strategies.

Stage 8: Strategic Human Resource Management (1980s–Present)

The Behavioural Science Movement transformed personnel management from merely managing employees to understanding and developing people. This shift eventually laid the foundation for Strategic Human Resource Management, where employees are viewed as valuable strategic assets.

During the 1980s, organisations faced rapid technological advancements, global competition, changing customer expectations, and continuous business transformation. Traditional personnel management, which mainly focused on recruitment, payroll, and employee administration, was no longer sufficient. Organisations needed HR professionals who could contribute directly to achieving business objectives.

Organisations had become larger, more competitive, and increasingly global. Success now depended not only on machines or technology but also on attracting, developing, and retaining talented employees. Managers realised that HR should not merely support business operations; it should actively contribute to business strategy. This marked the beginning of Strategic Human Resource Management (SHRM). SHRM is a modern approach that aligns human resource practices with the overall goals and long-term strategy of the organisation.

Mini Case

Microsoft under Satya Nadella transformed its organisational culture by promoting continuous learning, collaboration, leadership development, and employee empowerment. HR became a strategic partner supporting innovation and digital transformation. This demonstrates how SHRM contributes directly to business success.

Major Areas of Strategic HRM

Modern HR departments perform several strategic roles that go beyond traditional personnel management.

1. Talent Acquisition

Organisations identify and recruit employees who possess the knowledge, skills, and competencies needed to achieve future business goals.

2. Talent Development

HR provides continuous learning opportunities through training, mentoring, coaching, leadership development, and career planning.

3. Performance Management

Employee performance is regularly monitored, evaluated, and aligned with organisational objectives through goal setting, feedback, and performance appraisal.

4. Employee Engagement

HR creates a positive work environment where employees feel motivated, committed,



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and connected to organisational goals.

5. Succession Planning

Future leaders are identified and developed to ensure continuity in key organisational positions.

6. Workforce Planning

HR forecasts future workforce requirements and ensures that the organisation has the required talent at the right time.

7. HR Analytics

Modern HR uses employee data to support evidence-based decision-making in recruitment, performance, retention, and workforce planning. HR Analytics refers to collecting and analysing employee data to improve HR decisions such as recruitment, performance management, and employee retention.

8. Digital HR

Technology has transformed HR functions through online recruitment, digital learning platforms, cloud-based HR systems, virtual interviews, AI-powered recruitment, and employee self-service portals.

1.1.7 Growth of HRM in India

The development of Human Resource Management (HRM) in India has been a gradual journey shaped by industrial growth, labour welfare initiatives, economic reforms, and changing management philosophies. Over the years, the focus has shifted from merely supervising workers to strategically developing people as an organisation's most valuable asset. The major milestones in the growth of HRM in India are discussed below.

1. Early Labour Welfare Initiatives (Before 1850)

The roots of HRM in India can be traced back to the early nineteenth century, when improving the living and working conditions of workers began to receive attention. One of the early contributors to this movement was Robert Owen (1771–1858), a British social reformer widely known as the Father of the Cooperative Movement. In his book *A New View of Society* (1813), Owen argued that workers should be treated with dignity and provided with better working conditions, education, and welfare facilities. Although his work was not specific to India, his ideas strongly influenced labour welfare practices around the world, including India.

During the British colonial period, industrial activities such as textile mills, plantations, railways, and mining expanded rapidly. As factories grew larger after the mid-1800s, the British administration introduced formal systems for supervising workers, maintaining employment records, and ensuring discipline. These developments marked the beginning of organised Personnel Management in India.

Example: Large textile mills in Mumbai and Ahmedabad began appointing welfare officers to oversee workers' welfare and maintain discipline in factories.

2. Labour Welfare and Personnel Management (1900–1947)

The rapid growth of industries brought several challenges, including long working hours, poor wages, and unsafe working conditions. To address these issues, both the government and employers gradually introduced labour welfare measures.

A significant milestone was the appointment of the Royal Commission on Labour in India (1931), which examined the conditions of industrial workers. The Commission highlighted issues such as poor working conditions, low wages, lack of welfare facilities, and weak industrial relations. Its recommendations encouraged improvements in labour welfare and influenced future labour legislation.

Another important development was the First Tripartite Labour Conference in 1942, which brought together representatives of the government, employers, and employees to discuss labour issues. This strengthened cooperation among the three groups and laid the foundation for a better industrial relations system.

During this period, Personnel Management mainly focused on maintaining employee records, ensuring discipline, handling wages, and complying with labour regulations.

3. Growth after Independence (1947–1980)

After Independence, India adopted planned economic development through a series of Five-Year Plans. The rapid expansion of public sector enterprises and manufacturing industries created a greater need for professional workforce management.

The Factories Act, 1948 became one of the most important labour laws in India. It improved working conditions by regulating working hours, ensuring workplace safety, and providing welfare facilities for employees.

Between 1951 and 1969, the First, Second, and Third Five-Year Plans promoted industrialisation through the establishment of both public and private sector enterprises. As organisations grew, Personnel Departments became common. Their responsibilities included recruitment, attendance, payroll administration, promotions, employee welfare, and industrial relations.

Social and cultural changes also influenced management thinking. Organisations gradually began recognising the importance of employee welfare, motivation, and fair treatment.

Example: Public sector organisations such as BHEL, SAIL, and State Bank of India (SBI) established dedicated personnel departments to manage employee welfare, industrial relations, and workforce administration.

4. Emergence of Human Resource Management (1980–1990)

During the 1980s, organisations realised that employees were not merely a cost but valuable resources capable of improving organisational performance. This marked the



transition from Personnel Management to Human Resource Management (HRM).

The role of HR expanded beyond administrative work to include recruitment, training, performance appraisal, career planning, employee motivation, and organisational development. The emphasis shifted towards developing employee capabilities and improving productivity through people.

5. Liberalisation and Strategic HRM (1991–2010)

A major turning point in India's HRM journey came with the economic liberalisation of 1991. Opening the economy to global competition forced Indian organisations to become more competitive and customer-focused.

HR departments moved beyond administrative responsibilities and became strategic partners in achieving organisational goals. Organisations focused on attracting talented employees, developing leadership, improving performance, retaining skilled professionals, and creating a positive organisational culture.

Example: Companies such as Infosys, Wipro, and TCS introduced structured training programmes, competency-based recruitment, leadership development initiatives, and employee engagement practices to support rapid growth in the global market.

6. Contemporary HRM in India (2010–Present)

Today, HRM in India has become a strategic and technology-driven function. Modern organisations use digital tools such as Artificial Intelligence (AI), Human Resource Information Systems (HRIS), HR analytics, and cloud-based learning platforms to improve recruitment, training, performance management, and employee engagement.

The focus has also expanded to include employee well-being, diversity and inclusion, work-life balance, continuous learning, and sustainable organisational growth. HR professionals now play a vital role in organisational strategy by helping businesses attract, develop, and retain talented employees.

The Transition of HRM in India

The growth of HRM in India can be understood as a gradual shift in management philosophy:

Labour Welfare



Personnel Management



Human Resource Management



Human Capital Management



Strategic Human Resource Management (SHRM)

1.1.8 Growth of HRM in the International Context

The growth of Human Resource Management (HRM) has not been uniform across the world. Different countries have developed their HRM practices based on their economic conditions, political systems, labour laws, technological advancements, cultural values, and business environments. As organisations expanded beyond national boundaries and global competition increased, managing people effectively became a strategic priority rather than just an administrative function.

Today, HRM plays a vital role in helping organisations attract talented employees, improve productivity, encourage innovation, and achieve long-term success. Although the basic purpose of HRM remains the same across countries—managing people efficiently—the methods and practices differ depending on national priorities and workplace culture. Countries such as the United States, Japan, Germany, and the United Kingdom have each developed unique HRM systems that reflect their social and economic values.

HRM in the United States



The United States is considered one of the pioneers in the development of modern Human Resource Management. American organisations view employees as valuable assets who contribute directly to organisational growth and competitive advantage. HRM practices in the United States focus strongly on individual performance, innovation, employee development, and leadership excellence. Organisations encourage employees to improve their skills, think creatively, and contribute new ideas that help the business succeed.

One of the key features of American HRM is its **performance-oriented culture**. Employees are evaluated based on their achievements, productivity, and contribution to organisational goals rather than on seniority or years of service. Promotions, salary increases, bonuses, and career advancement are generally linked to measurable performance.

Another important characteristic is talent management. Organisations invest significantly in identifying high-potential employees, developing their skills through training and mentoring programmes, and preparing them for future leadership roles.

In addition, Leadership development is also a major priority in American organisations. Employees are provided with opportunities to attend leadership workshops, executive coaching programmes, management development initiatives, and cross-functional projects that prepare them for higher responsibilities.

The United States is also recognised for its rapid adoption of technology in HRM. Modern organisations use Artificial Intelligence (AI), HR analytics, cloud-based Human Resource Information Systems (HRIS), and digital recruitment platforms to improve efficiency in hiring, employee engagement, performance management, and workforce planning.

Key Features of HRM in the United States

- ◇ Strong focus on individual performance and accountability.
- ◇ Merit-based promotions and performance-linked rewards.
- ◇ Emphasis on innovation, creativity, and problem-solving.
- ◇ Strategic talent acquisition and talent management.
- ◇ Continuous learning and leadership development.
- ◇ Extensive use of digital HR technologies, Artificial Intelligence (AI), and HR analytics.
- ◇ Flexible work practices and employee empowerment.
- ◇ Strong focus on diversity, inclusion, and equal employment opportunities.

HRM in Japan



Japan has developed one of the world's most distinctive Human Resource Management (HRM) systems, built on the principles of teamwork, employee loyalty, continuous improvement (Kaizen), and long-term employment. Unlike many Western organisations that emphasise individual achievement, Japanese companies place greater importance on collective success and cooperation. Employees are encouraged to work together, share knowledge, solve problems as a team, and contribute towards achieving organisational goals. Decision-making often involves consultation with different levels of employees, creating a culture of trust, respect, and mutual responsibility.

Another defining feature of Japanese HRM is employee loyalty, where organisations

invest significantly in employee welfare, skill development, and career growth. In return, employees develop a strong sense of commitment and dedication to their organisation. Traditionally, many Japanese companies offered lifetime or long-term employment, allowing employees to spend most of their careers in a single organisation. This practice strengthened job security.

A unique contribution of Japanese HRM to the world is the philosophy of Kaizen, which means “continuous improvement.” Kaizen encourages every employee, from senior managers to shop-floor workers, to identify small ways to improve work processes, reduce waste, enhance quality, and increase efficiency. Rather than depending only on major innovations, Japanese organisations believe that many small improvements made consistently can produce significant long-term results. Employees are encouraged to suggest ideas, participate in quality circles, and work together to solve operational problems. This philosophy has become a global management practice and is widely adopted by organisations across industries.

A well-known example is Toyota Motor Corporation, where employees are actively involved in suggesting improvements that enhance product quality and production efficiency. The Japanese model demonstrates that when organisations build strong teamwork, value employee commitment, and promote continuous learning and improvement, they create a highly motivated workforce capable of achieving sustainable organisational success.

Key Features of HRM in Japan

- ◇ Strong emphasis on teamwork and collective decision-making.
- ◇ High levels of employee loyalty and organisational commitment.
- ◇ Long-term employment that promotes job security and trust.
- ◇ Continuous improvement through the Kaizen philosophy.
- ◇ Active employee participation in problem-solving and quality improvement.
- ◇ Continuous training and skill development for employees.

Focus on quality, efficiency, and long-term organisational growth, commitment, and a sense of belonging among employees.

HRM in Germany



Germany is widely recognised for its highly skilled workforce and one of the most effective Human Resource Management (HRM) systems in the world. The German approach to HRM places strong emphasis on vocational education, technical training, employee participation, and continuous skill development. Rather than relying only on academic qualifications, German organisations believe that employees should possess practical knowledge and job-specific technical skills before entering the workforce. A unique feature of the German HRM system is the Dual Vocational Training System, which combines classroom education with practical industrial training.

Under this system, students divide their time between vocational schools, where they learn theoretical concepts, and companies, where they receive hands-on training under the guidance of experienced professionals. This approach helps employees develop industry-relevant skills while gaining valuable work experience. As a result, organisations receive a workforce that is highly competent, productive, and ready to meet industry requirements from the very beginning of their careers.

Another important characteristic of German HRM is its emphasis on employee participation in organisational decision-making. Employees are encouraged to express their opinions, share ideas, and actively contribute to workplace improvements through works councils, employee committees, and regular consultations with management. This participative approach creates trust, improves communication, and strengthens cooperation between employees and employers.

German organisations also invest heavily in continuous learning and skill development to help employees keep pace with technological advancements and changing business needs. Regular training programmes, apprenticeships, certification courses, and professional development initiatives ensure that employees remain competent throughout their careers. A well-known example is BMW, where apprentices receive both classroom instruction and practical training in advanced manufacturing technologies before becoming full-time employees. Similarly, Siemens provides extensive technical education and apprenticeship programmes that prepare young professionals for careers in engineering, automation, and digital technologies.

Key Features of HRM in Germany

- ◇ Strong emphasis on vocational education and technical training.
- ◇ The Dual Vocational Training System combines classroom learning with industrial experience.
- ◇ Continuous skill development through training and professional education.
- ◇ Active employee participation in organisational decision-making.
- ◇ Strong collaboration between educational institutions, industries, and the government.
- ◇ Focus on quality, precision, innovation, and workforce competence.
- ◇ High levels of productivity supported by a well-trained and skilled workforce.

HRM in the United Kingdom



The United Kingdom (UK) has developed a progressive and people-centred Human Resource Management (HRM) system that places great importance on diversity, employee rights, work-life balance, and equal opportunities. British organisations believe that employees perform better when they are treated with fairness, dignity, and respect, regardless of their gender, age, ethnicity, disability, religion, or background. As a result, HR policies in the UK are designed to create an inclusive workplace where every employee has equal access to employment, training, promotion, and career development opportunities.

Human resource managers play a vital role in ensuring that recruitment, performance appraisal, compensation, and promotion decisions are based on merit and competence rather than personal characteristics or bias. The UK has also established comprehensive employment laws that protect employees from discrimination, harassment, and unfair treatment, helping organisations maintain ethical and legally compliant workplaces. These practices not only improve employee satisfaction but also enhance organisational reputation and productivity.

Another defining feature of HRM in the United Kingdom is its strong emphasis on employee rights and work-life balance. Organisations recognise that employees have responsibilities beyond the workplace, including family, education, health, and personal well-being. Therefore, many companies offer flexible working arrangements such as flexible working hours, hybrid work, remote work, part-time employment, parental leave, maternity and paternity benefits, paid annual leave, and employee wellness programmes. These initiatives help employees maintain a healthy balance between their professional and personal lives, reducing stress and improving overall job satisfaction. British organisations also encourage open communication between employers and employees through regular feedback, grievance handling procedures, and employee consultation mechanisms.

Companies such as Unilever UK, HSBC UK, and the BBC are widely recognised for promoting diversity and inclusion, supporting employee well-being, and implementing flexible work policies. These organisations believe that a diverse workforce brings different perspectives, encourages creativity, improves problem-solving, and leads to better business decisions. Consequently, the UK model of HRM has become an international benchmark for creating inclusive, ethical, and employee-friendly workplaces.

Key Features of HRM in the United Kingdom

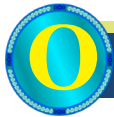
- ◇ Strong commitment to diversity, equity, and inclusion (DEI) in the workplace.
- ◇ Equal employment opportunities regardless of gender, race, age, disability, religion, or background.
- ◇ Comprehensive protection of employee rights through labour and employment laws.
- ◇ Strong emphasis on work-life balance through flexible working arrangements and family-friendly policies.
- ◇ Transparent and merit-based recruitment, promotion, and performance evaluation.
- ◇ Employee well-being programmes that support physical and mental health.
- ◇ Open communication, employee consultation, and fair grievance-handling systems.
- ◇ Ethical HR practices that promote respect, fairness, and organisational trust.



Recap

- ◇ Human Resource Management (HRM) has evolved from a simple personnel administration function to a strategic business partner that contributes to organisational success.
- ◇ The Industrial Revolution marked the beginning of formal personnel management by creating the need to manage a growing workforce systematically.
- ◇ Scientific Management, introduced by Frederick W. Taylor, improved efficiency through scientific methods, standardisation, and division of work.
- ◇ Administrative Management, developed by Henry Fayol, emphasised effective management principles, organisational structure, and managerial functions.
- ◇ The Human Relations Movement, led by Elton Mayo, highlighted the importance of employee morale, teamwork, communication, and social relationships in improving productivity.
- ◇ The Behavioural Science Movement explained employee behaviour through theories of motivation, leadership, and job satisfaction, with major contributions from Abraham Maslow, Douglas McGregor, and Frederick Herzberg.

- ◇ Strategic Human Resource Management (SHRM) views employees as valuable strategic assets and aligns HR practices with organisational goals to achieve long-term competitive advantage.
- ◇ Modern HRM has expanded beyond recruitment and payroll to include talent management, leadership development, employee engagement, digital HR, and HR analytics.



Objective Questions

1. Which movement was inspired by the Hawthorne Studies?
2. Who proposed the Hierarchy of Needs Theory?
3. Which approach aligns HR practices with organisational strategy?
4. Who introduced the Theory X and Theory Y concepts?
5. Which management movement focused on understanding human behaviour scientifically?



Answers

1. Human Relations
2. Maslow
3. SHRM
4. McGregor
5. Behavioural Science



Self-Assessment Questions

1. Why are people considered the most important resource in an organisation?
2. What is the difference between HRM and SHRM?



3. What is the main difference between Scientific Management and the Human Relations Movement?
4. Why are employees considered strategic assets in modern organisations? Explain how Strategic HRM contributes to organisational success with suitable examples.
5. Compare the contributions of Scientific Management, Administrative Management, and the Human Relations Movement to the development of modern HRM.



Assignments

1. “As a result of globalisation and liberalisation, human resource management has acquired strategic importance in organisations.” Discuss.
2. The approach towards Human Resource Management has transformed through different stages. This process of transformation is still ongoing. Discuss the modern trends in HRM.
3. Visit a nearby supermarket and observe: employee uniforms, customer interaction, teamwork. Which HR practices can you identify?
4. Trace the evolution of Human Resource Management from the Industrial Revolution to Strategic Human Resource Management, highlighting the major contributions of each stage.
5. Elaborate briefly on how HRM contributes to Excellence. Suggest with suitable examples.



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Unit - 2

Foundation of SHRM



Learning Outcomes

After completing this unit, the learner will be able to:

- ◇ familiarise with the meaning and concept of Strategic Human Resource Management (SHRM)
- ◇ explain the scope and importance of SHRM in modern organisations
- ◇ identify the internal and external environment affecting SHRM
- ◇ analyse key factors that influence HR strategies in organisations



Prerequisite

Let's look at the case of two IT companies in India that shared the same dream: to grow and expand internationally. One was a small start-up, and the other was a well-established company like Infosys. Both had talented employees and good opportunities. But the way they managed their people made all the difference.

The start-up focused only on immediate work. Whenever a new project came, they rushed to hire employees. Training was given only when problems appeared, and there was no clear plan for the future. At first, everything seemed fine. But slowly, employees started leaving, projects got delayed, and the company struggled to compete globally. In contrast, the second company planned. It asked what skills employees would need in the future, trained them in advance, and made sure the right people were ready for the right roles. As a result, it grew smoothly and expanded successfully. This is what Strategic Human Resource Management (SHRM) is all about: managing people not just for today, but in a way that supports the organisation's future goals.



Keywords

Strategy, Human Resource Management, Competitive Advantage, Upskilling, PESTLE Analysis, Harvard Model, Michigan Model, Warwick Model, Resource-Based View (RBV), High Performance Work Systems (HPWS), Succession Planning, Employer Branding



Discussion

1.2.1 Discussion

We already know that Human Resource Management (HRM) is about managing people in an organisation. It includes activities such as recruitment, training, performance appraisal, and compensation. However, when we add the word “*strategic*” to HRM, the meaning becomes much broader and more important. Strategic Human Resource Management (SHRM) is not limited to routine HR activities. Instead, it plays a key role in shaping the organisation’s future direction. In other words, HR is no longer just a support function; it becomes a strategic partner in business success.

To understand this better, let us first look at the meaning of *strategy*. The word ‘strategy’, derived from the Greek noun *strategus*, meaning ‘commander in chief’, was first used in English in 1656. A strategy is a long-term plan designed to achieve specific organisational goals. For example, if a company aims to become a market leader within the next five years, it must have a clear plan regarding production, marketing, finance, and also its people. This is where SHRM becomes important. It ensures that HR policies and practices are aligned with the overall business strategy, so that employees actively contribute to achieving organisational goals.

Strategic HRM can be understood as the deliberate and planned linkage between HR practices and the strategic objectives of an organisation. It focuses on proactively managing human resources so that they add value and create a competitive advantage. This approach recognises that employees are not just resources, but valuable assets who can drive innovation, productivity, and growth when managed effectively.

Real-World Example

Consider a company like Infosys planning to expand into areas such as Artificial Intelligence and cloud computing. The HR team will not wait for vacancies to arise. Instead, they will anticipate future skill requirements, recruit talented professionals, and design training programs in advance. By the time the organisation expands, it already has a skilled workforce ready. This forward-thinking approach is a clear example of SHRM in practice.



Now, let's see how traditional HRM differs from strategic HRM.

Key Differences: Traditional HRM vs SHRM

Traditional HRM	Strategic HRM
Reactive — responds to problems as they come	Proactive — anticipates and prepares in advance
Focuses on short-term goals	Focuses on long-term organisational goals
Operates in isolation from business plans	Integrated with the overall business strategy
Administrative in nature	Strategic in nature
HR as a support function	HR as a business partner

1.2.2 Definitions of SHRM

Different scholars have defined Strategic Human Resource Management (SHRM) in slightly different ways. Let us discuss these definitions:

Walker (1992)	SHRM is defined as the means of aligning the management of HR with the strategic content of the business.”
Wright & McMahan (1992)	SHRM refers to the pattern of planned human resource deployments and activities intended to enable an organisation to achieve its goals
Boxall & Purcell (2003)	SHRM is concerned with the relationship between a firm's HRM and its overall strategic management

All these definitions point to one common idea: SHRM is about aligning people management with business strategy. It is not just about managing employees; it is about using human capital as a competitive weapon.

1.2.3 Importance of Strategic Human Resource Management

Strategic Human Resource Management (SHRM) plays a vital role in helping organisations achieve long-term success by ensuring that human resources contribute directly to business strategy. Rather than focusing only on routine HR activities, SHRM aligns people, policies, and organisational goals to create a sustainable competitive advantage.

- ◇ **Connecting employees with organisational goals** – One of the primary purposes of SHRM is to ensure that employees understand and contribute to the organisation's strategic objectives. HR policies related to recruitment, training, performance management, and rewards are designed to support the organisation's mission and vision. When employees clearly understand how

their work contributes to organisational success, they become more committed, productive, and engaged

- ◇ **Gaining a competitive advantage** – We know that Google invests heavily in employee development, innovation, and workplace culture, enabling it to attract top talent and remain one of the world's leading technology companies. In today's knowledge-driven economy, people are among an organisation's most valuable resources. SHRM helps organisations attract, develop, and retain talented employees with the skills and competencies needed to outperform competitors.
- ◇ **Adaptability and support organisational change** – A strategic approach to HRM means continually looking ahead, allowing organisations to anticipate and quickly adapt to changes in the business environment. Business environments are constantly changing due to technological advancements, globalisation, economic fluctuations, and changing customer expectations. SHRM prepares organisations to respond effectively to these changes by forecasting workforce requirements, reskilling employees, and managing change smoothly.
- ◇ **Enhancing employee performance** – Strategic HRM determines how employees add value and facilitates performance management systems that ensure they are motivated, well-trained, and properly evaluated. HR can implement methods for addressing employee weaknesses and reinforcing their strengths, leading to optimal job performance and productivity. What's more, it can strive to improve performance through improved employee wellbeing.
- ◇ **Driving business growth** – Strategic HR planning enables organisations to anticipate future workforce requirements and prepare talent accordingly. By identifying skill gaps and planning recruitment, succession, and leadership development, SHRM ensures that the organisation has the right people available to support expansion into new products, services, or markets.
- ◇ **Improving operational efficiency** – SHRM improves organisational efficiency by designing appropriate job roles, clarifying responsibilities, and optimising workforce utilisation. Well-planned HR practices reduce duplication of work, minimise labour costs, improve coordination, and increase overall organisational effectiveness.
- ◇ **Builds Future Leadership** – We know that the Tata Group follows structured leadership development programmes that prepare future executives to lead various group companies. This is mainly done to ensure continuity and long-term success. SHRM identifies high-potential employees and prepares them for leadership positions through succession planning, mentoring, coaching, and leadership development programmes. This reduces leadership gaps and ensures business continuity.

1.2.4 Scope of SHRM

The scope of SHRM means the wide range of activities it covers in an organisation.



Earlier, Human Resource Management (HRM) mainly focused on basic tasks like hiring people, giving training, and managing salaries. But SHRM goes much beyond that. It connects people management with the overall goals of the organisation. It is integrated with the overall business strategy and influences almost every function of the organisation.

In simple words, SHRM ensures the right people, with the right skills, are available at the right time to achieve business success. Let us understand the major areas included in the scope of SHRM.

1. HR Planning and Workforce Strategy

This is the starting point of SHRM, where the organisation plans its future workforce needs carefully and systematically. It answers important questions such as how many employees are required, what type of skills they should have, and when they need to be hired. This process is not just about filling current vacancies, but about preparing the organisation for future growth and challenges. In other words, it ensures that the organisation has the right people at the right time.

For example, if a hospital plans to open new branches, it must think in advance about the number of doctors, nurses, and support staff needed.

2. Talent Acquisition and Management

SHRM focuses on bringing the right people into the organisation and keeping them for the long term. SHRM is not just concerned with hiring a large number of employees, but with selecting individuals who have the right skills, attitude, and ability to contribute to the organisation's goals. It also ensures that these talented employees remain motivated and continue to grow within the organisation. It is about choosing quality over quantity, making sure the organisation builds a strong and capable workforce for the future.

3. Learning, Training, and Development

Learning, Training, and Development is an important part of SHRM that focuses on continuously improving employees' skills and knowledge. In today's fast-changing world, employees cannot depend only on what they already know; they must keep learning new things to stay effective in their jobs. SHRM ensures this by organising training programs, leadership development activities, mentoring, and online learning opportunities. These efforts help employees perform better and prepare for higher responsibilities in the future.

For example, Tata Consultancy Services invests heavily in training academies so that its employees remain updated with the latest technologies and industry trends.

4. Performance Management

Performance Management is a key part of SHRM that focuses on linking what employees do with what the organisation wants to achieve. It involves setting clear and simple targets for employees, regularly checking their progress, giving feedback to help them improve, and evaluating their performance through appraisals. This process is not

meant to find faults, but to guide employees towards better performance and growth. When done properly, it helps create a work culture where employees understand their goals, stay motivated, and continuously try to perform at their best.

5. Compensation and Benefits Strategy

When employees feel they are paid fairly and cared for, they are more satisfied, motivated, and committed to their work. Compensation and Benefits Strategy is an important part of SHRM that focuses on rewarding employees fairly and attractively. It includes salary, bonuses, incentives, health benefits, and flexible work options, while also ensuring that the organisation can manage these costs effectively.

6. Organisational Design and Change Management

Organisational Design and Change Management focuses on adjusting the structure and roles within an organisation as it grows or changes. SHRM helps redesign jobs, reorganise departments, and smoothly manage changes during situations like mergers, acquisitions, or the adoption of new technologies.

7. Employee Relations and Engagement

SHRM promotes a positive work environment by ensuring good relationships between employees and management. It focuses on communication, grievance handling, employee engagement, and creating an inclusive workplace culture.

8. Succession Planning

SHRM ensures that organisations are prepared for the future by identifying and developing future leaders. This helps in smooth transitions when key positions become vacant. *Example:* When a CEO retires, a well-prepared successor should already be ready to take over, ensuring continuity in leadership.

9. HR Metrics and Analytics

Modern SHRM uses data to make better decisions. HR teams track important indicators such as employee turnover, cost per hire, and training effectiveness. These metrics help organisations improve performance and plan strategically.

10. Employee Well-being and Work-Life Balance

SHRM also focuses on the overall well-being of employees by supporting their physical and mental health. It includes stress management, flexible working hours, counselling support, and promoting a healthy work-life balance. This improves employee satisfaction and productivity.

In today's organisations, SHRM is not just a support function; it plays a key role in achieving business success by managing people strategically.

1.2.5 Environment of SHRM

The environment of SHRM refers to all the internal and external factors that influence



how HR decisions are made in an organisation. Every organisation works within a certain setting, and understanding this helps HR managers plan strategies that suit the situation. We can divide the SHRM environment into two broad categories: internal (within the organisation) and external (outside the organisation). Environments.

A. Internal Environment

The internal environment consists of factors that exist within the organisation. These are largely within the control of the management.

1. Organisational Culture

Culture refers to the shared values, beliefs, and behaviours within an organisation. It tells employees “how we do things here.” HR strategy must fit the existing culture or, if needed, work to change it. For example, a company with a rigid, hierarchical culture will find it difficult to implement a flat organisational structure overnight.

2. Organisational Structure

The structure of an organisation, whether hierarchical, flat, matrix, or divisional, affects how HR activities are carried out. A flat structure supports open communication and quick decisions, while a hierarchical structure follows formal rules and procedures.

3. Leadership Style

The approach followed by top management influences HR practices in an organisation. Leaders who encourage innovation and creativity will support learning and development initiatives, while leaders who focus mainly on targets may emphasise performance-based rewards.

4. Available Resources

The financial position of the organisation determines how much can be spent on HR activities. Organisations with limited resources may need to prioritise essential functions and use cost-effective methods for training and employee benefits.

5. Employee Skills and Competencies

Employees’ existing skills influence HR decisions. If employees lack required skills, HR must plan training or hire new talent. If skills are strong, the focus may shift to development and career growth.

6. Union and Employee Relations

In organisations where trade unions are active, HR must consider union rules and agreements. Decisions related to salaries, working conditions, or workforce changes often require discussion and agreement with unions.

B. External Environment

The external environment consists of factors that exist outside the organisation. These are not under the direct control of HR managers, but they strongly influence how

HR strategies are designed and implemented. Therefore, organisations must understand and respond to these changes carefully. A commonly used method to study the external environment is PESTLE Analysis, which looks at different external factors that affect the organisation.

Factor	Category	HR Implication
P	Political	Government policies, labour laws, and minimum wage regulations affect HR planning and compliance.
E	Economic	Economic growth or recession affects hiring budgets, salary revisions, and workforce size.
S	Social	Changing demographics, work-life balance expectations, and cultural diversity influence HR practices.
T	Technological	New technologies require new skills; HR must plan reskilling and manage automation-related changes.
L	Legal	Employment laws, anti-discrimination policies, and health & safety regulations must be followed.
E	Environmental	Sustainability goals and green HR practices are increasingly important for organisations worldwide.

In simple terms, understanding the external environment helps organisations stay prepared for changes and make better HR decisions. When HR strategies are aligned with these external factors, organisations can respond quickly and remain competitive. This also ensures long-term growth and stability in a changing business environment.

Think of the environment of SHRM as the weather conditions for a farmer. Just as a farmer must plan farming activities based on the season, rainfall, and soil conditions, an HR manager must plan HR strategies based on both internal conditions (resources, culture) and external conditions (economy, laws, technology).

1.2.6 Factors Influencing HR Strategy

You may wonder, what exactly shapes an HR strategy? Why does one company's HR strategy look so different from another's? The answer lies in the various factors that influence how HR strategies are designed. Let us explore these factors in detail.

Human Resource Strategy, often abbreviated as HR strategy, is a comprehensive and structured approach employed by organisations to effectively manage their workforce, aligning human capital initiatives with overarching business goals. It serves as a roadmap that outlines how an organisation intends to attract, develop, motivate, and retain its employees to achieve sustainable competitive advantage.



Consider a company that plans to expand its business into new markets. To achieve this goal, it needs skilled employees, effective leaders, advanced technology, and a motivated workforce. At the same time, the company must respond to changes in labour laws, economic conditions, competition, and employee expectations. These internal and external changes influence how the organisation plans and manages its human resources.

This example shows that Human Resource (HR) strategy cannot be developed in isolation. It is influenced by several internal and external factors that shape how an organisation attracts, develops, motivates, and retains its workforce. Understanding these factors enables HR professionals to design strategies that support organisational objectives while responding effectively to changes in the business environment. The factors affecting HR strategy can be broadly classified into two categories:

A. Internal Factors

B. External Factors

Both are equally important because they shape the way organisations manage their workforce.

A. Internal Factors Influencing HR Strategy - Internal factors (also known as organizational factors) lie within the organisation and affect human resource management practices. In an organisation, human resource management works within the overall perspective provided by the organisation. The major organisational factors influencing HR strategy are:

- ◇ **Organisational strategy** - An organisation's strategy provides the overall direction for achieving its long-term goals. HR strategy should support this direction by ensuring that the organisation has the right people with the right skills at the right time. Organisational strategy operates at three levels, and HR strategy should support each of these levels.
 - a. **Corporate-level strategy** - focuses on the overall direction of the organisation: Which businesses should the organisation enter? Should it expand into new markets? Should it diversify its products or services? HR supports corporate strategy by planning the future workforce, developing leadership, and ensuring that the organisation has the talent required to achieve long-term growth.
 - b. **Business -level strategy** - focuses on **how the organisation will compete** in a particular industry or market. An organisation may compete through low cost, product differentiation, innovation, or superior customer service. HR strategy supports business-level strategy by recruiting employees with the required skills, providing specialised training, rewarding high performance, and developing competencies that create a competitive advantage.
 - c. **Functional-Level Strategy** - focuses on improving the performance of individual departments such as Human Resources, Marketing, Finance, and Operations. At this level, HR develops policies and programmes related to recruitment, training, performance appraisal, employee engagement, compensation, career

development, and succession planning to support both business and corporate goals.

Business strategy determines where the organisation wants to go, while HR strategy ensures that the right people, with the right skills, are available to help the organisation reach its destination.

- ◇ **Organisational culture** - Organisational culture refers to the shared values, beliefs, norms, and work practices that guide employee behaviour. A positive organisational culture improves employee commitment, teamwork, innovation, and job satisfaction. HR plays a vital role in strengthening organisational culture through recruitment, training, performance management, recognition programmes, and employee engagement initiatives.
- ◇ **Trade unions** - Trade unions represent employees and work to protect their rights and interests. They play an important role in maintaining healthy industrial relations by promoting fair wages, safe working conditions, employee welfare, and effective grievance handling. HR professionals should maintain positive relationships with trade unions through regular communication, collective bargaining, and cooperation. Healthy employer–union relationships help reduce workplace conflicts and improve organisational harmony.

Example: Maruti Suzuki India Limited regularly engages with employee representatives and trade unions to resolve workplace issues through dialogue and collective bargaining, helping maintain smooth industrial relations.

- ◇ **Organisation's Financial position** - The financial position of an organisation determines its ability to invest in human resource activities such as recruitment, employee training, compensation, welfare programmes, and leadership development.

Organisations with strong financial performance can offer competitive salaries, attractive incentives, learning opportunities, and employee benefits. In contrast, organisations facing financial constraints may need to limit hiring, postpone training programmes, or control HR-related expenditure.

B. External Factors Influencing HR Strategy –External factors are the conditions and forces outside an organisation that influence the planning and implementation of HR strategies. Although organisations cannot control these factors, they must understand and respond to them effectively to attract, develop, and retain talented employees. The major external factors affecting HR strategy include:

- ◇ Economic factors
- ◇ Socio-cultural factors
- ◇ Technological factors
- ◇ Political and legal factors
- ◇ Professional associations



Each of these factors influences HR policies and practices in different ways.

1. Economic factors - Economic conditions have a direct impact on Human Resource Management because they influence the availability of employees, salary levels, recruitment decisions, and workforce planning.

- a. Population and Workforce** - Population and workforce are important sources of an organisation's human resources. However, population and workforce are not the same. Population refers to the total number of people living in a country or region. Workforce refers to the portion of the population that is willing, qualified, and able to work. Since only a part of the population is eligible for employment, organisations focus on the workforce when planning recruitment and talent acquisition.
- b. Workforce Market Condition** - The workforce market refers to the labour market where employers and job seekers interact. It represents the demand for and supply of employees in different occupations and industries. Workforce market conditions have a significant influence on an organisation's HR strategy. When skilled employees are readily available, organisations can recruit suitable candidates more easily and at a lower cost. However, when there is a shortage of qualified professionals, organisations must adopt more competitive HR strategies, such as offering attractive salaries, better benefits, flexible work arrangements, and career development opportunities to attract and retain talent.
- c. National Income:** National income, particularly measured in terms of per capita income, affects wage/salary structure at the macro level. Each employer has to align wage/salary structure with that operating at the macro level. This is the reason for the difference between wage/salary structure of economically advanced countries and developing countries
- d. Inflationary Pressures** – The inflationary pressures in a country also affect the payment to be made to employees. In most countries, employee pay is linked to the cost of living, either directly or indirectly. As a result, when a country faces inflationary pressures, its cost of living index goes up, forcing employers to pay more to employees.

2. Socio-cultural factors – Socio-cultural factors refer to the values, beliefs, attitudes, customs, traditions, and expectations of society that influence how organisations manage their employees. These factors shape people's perceptions of work, leadership, careers, and workplace relationships. As society evolves, organisations must continuously adapt their HR strategies to meet the changing expectations of employees and the community. Socio-cultural factors influence HR strategy in several ways. They determine:

- ◇ Society's expectations from organisations, such as fair employment practices, employee well-being, and ethical behaviour.
- ◇ The social status associated with different jobs, which affects career choices and recruitment.
- ◇ People's attitudes towards work and achievement, influencing employee motivation and career aspirations.

- ◇ Views on leadership, authority, and organisational responsibility, which shape leadership styles and workplace relationships.
- ◇ Workforce mobility, as employees increasingly seek better career opportunities, flexible work arrangements, and global employment.
- ◇ The role of trade unions, which influence employee welfare, collective bargaining, and industrial relations.

Understanding these socio-cultural factors helps organisations develop HR strategies that are inclusive, employee-centred, and aligned with the changing needs of society.

3. Technological Factors: Technological factors consist of a total of knowledge providing ways to do things. These include inventions and techniques that affect the ways of doing things, that is, designing, producing, and distributing products and services. Technology affects an organisation in two ways: (i) defining the nature of jobs and (ii) affecting human resource management practices. Technology has paved the way for the emergence of a virtual office, which is devoid of a central place, known as an office; no commuting of employees is required; they are linked through information technology. Therefore, they can work from any place. This helps them to maintain proper work-life balance.

4. Political-Legal Factors: Political and legal factors refer to the government policies, laws, regulations, and political environment that influence how organisations manage their human resources. Governments play an important role in regulating employment practices to ensure fairness, employee welfare, workplace safety, and harmonious industrial relations. Therefore, every organisation must ensure that its HR policies comply with the laws and regulations of the country in which it operates. Political and legal factors influence HR strategy in the following ways:

- a. **Government Policies** - Governments regularly introduce policies related to employment, skill development, labour welfare, social security, and industrial relations. HR departments must ensure that organisational policies and practices comply with these government regulations.
- b. **Equal Employment Opportunity** - Labour laws prohibit discrimination based on gender, religion, caste, race, disability, or place of origin. HR strategies should therefore promote equal employment opportunities, diversity, and inclusion in recruitment, promotion, training, and compensation.
- c. **Reservation and Inclusive Employment** - In certain sectors, government regulations require organisations to provide employment opportunities to individuals belonging to Scheduled Castes (SC), Scheduled Tribes (ST), Other Backwards Classes (OBC), and persons with disabilities (PwDs). HR policies must comply with these legal provisions while promoting an inclusive workplace.
- d. **Employee Compensation, Safety, and Working Conditions** - Labour laws regulate important aspects of employment such as minimum wages, working hours, employee benefits, occupational health and safety, and industrial relations.



HR managers must ensure that employees receive fair compensation and work in a safe and healthy environment.

5. Professional Associations - Professional associations are organisations formed by individuals and institutions belonging to the same profession. Their members share common professional, scientific, or technical interests and work together to promote high standards of knowledge, skills, and ethical practices within the profession.

In the field of Human Resource Management, professional associations play an important role in improving the quality of HR practices. They support HR professionals by providing training programmes, professional certifications, research publications, seminars, conferences, and networking opportunities. They also develop codes of ethics that guide HR professionals in carrying out their responsibilities fairly, ethically, and professionally. Some well-known professional associations in the field of Human Resource Management include:

- ◇ National Institute of Personnel Management (NIPM) – India
- ◇ National HRD Network (NHRDN) – India
- ◇ Society for Human Resource Management (SHRM) – USA
- ◇ Chartered Institute of Personnel and Development (CIPD) – United Kingdom

These organisations contribute significantly to the professional growth of HR practitioners through education, research, certification, and ethical guidance.

1.2.7 Strategic Human Resource Management Models

Every successful organisation follows a systematic approach in managing its employees. Simply hiring talented people is not enough. Organisations must ensure that their human resource practices support their long-term business goals.

This is where Strategic Human Resource Management (SHRM) models become important. They provide a framework that helps organisations understand how human resource policies, employee behaviour, and business strategies are connected. SHRM models guide managers in making informed decisions about recruitment, training, performance management, compensation, employee engagement, and organisational development.

Over the years, researchers and management experts have developed several SHRM models. Although each model has a different approach, all of them emphasize one central idea:

HR Insight

HR is no longer viewed as a cost centre. Today, it is considered a strategic investment that creates long-term business value.

1.2.7.1 What are SHRM Models?

Strategic Human Resource Management models are conceptual frameworks that explain how human resource practices can be aligned with an organization's strategic objectives to improve employee performance and achieve sustainable competitive advantage.

1.2.7.2 Role/Functions of SHRM Models

SHRM models help managers answer several important questions that guide effective people management and strategic decision-making. These include:

- ◇ SHRM models help to identify the knowledge, skills, abilities, and competencies required to achieve organisational goals.
- ◇ SHRM models guide the development of HR policies and practices that align with the organisation's strategic objectives.
- ◇ SHRM models explain how employee performance, commitment, innovation, and engagement can enhance organisational effectiveness and competitiveness.
- ◇ These models provide a framework for aligning key HR functions such as recruitment, training, performance management, compensation, and career development with the organisation's long-term strategy.
- ◇ SHRM models integrate HR with the overall business strategy, enabling HR to play a proactive role in achieving sustainable competitive advantage and long-term organisational success.

Why are SHRM Models Important?

SHRM models help organisations:

- ◇ Align HR strategies with business objectives.
- ◇ Improve employee productivity.
- ◇ Enhance organisational performance.
- ◇ Develop future leadership.
- ◇ Increase employee commitment and motivation.
- ◇ Build sustainable competitive advantage.
- ◇ Support organisational change and innovation.

1.2.7.3 Major SHRM Models

Researchers and management scholars have developed several models to explain how SHRM works and how it creates value for organisations. These models provide frameworks that help HR managers design and implement strategic HR practices. Let us see a few models.



- A. Harvard Model
- B. Warwick Model
- C. The Ulrich Model
- D. High Performance Working Model

A. Harvard Model (Integrated System Model)

The Harvard Model of Strategic Human Resource Management was developed by Beer, Spector, Lawrence, Mills, and Walton at Harvard University in 1984. It is one of the most influential SHRM models, also known as the Integrated System Model or the “Map of HRM Territory.” This model presents HRM as a comprehensive system that considers the interests of all stakeholders while supporting the achievement of organisational goals.

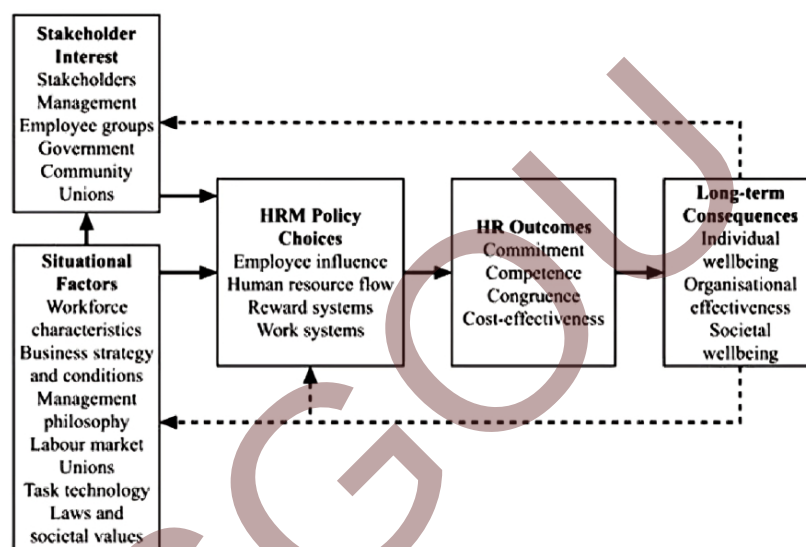


Fig 1.2.1 Harvard Model

Unlike traditional HR approaches, this model recognizes that organisations must consider the interests of multiple stakeholders, including employees, managers, shareholders, customers, government, and the community, when designing HR policies.

The Harvard Model is based on the human relations approach, which considers employees as valuable assets rather than organisational costs. It emphasizes employee participation, motivation, teamwork, mutual trust, and open communication to create a positive work environment. The model also suggests that HR strategies should be developed after considering situational factors such as business strategy, workforce characteristics, technology, labour market conditions, laws, and social values. These factors influence important HR policy areas, including employee influence, HR flow, reward systems, and work systems.

When these HR policies are effectively implemented, they produce important HR outcomes such as employee commitment, competence, congruence (alignment between employees and organisational goals), and cost-effectiveness. These positive outcomes

lead to higher productivity, improved organisational performance, better employee satisfaction, and long-term organisational success. The success achieved further influences stakeholder interests and future HR decisions, making the Harvard Model a continuous and integrated cycle.

Overall, the Harvard Model highlights that organisations gain a sustainable competitive advantage by treating employees as valuable assets who contribute to innovation, growth, and long-term success, rather than viewing them merely as organisational costs.

B. Warwick Model

The Warwick Model of Strategic Human Resource Management was developed by Chris Hendry and Andrew Pettigrew at the University of Warwick in 1990. This model emphasizes that HR strategies should not be developed in isolation. Instead, they should be aligned with both the internal and external environment of the organisation to achieve long-term success. The Warwick Model focuses on five key elements:

- ◇ **Outer Context (macro-environmental forces)**– These include external factors such as economic conditions, government policies, technological developments, competition, and social changes that influence HR strategies
- ◇ **Inner Context (micro-environmental factors)** – These refer to internal factors such as organisational culture, leadership style, organisational structure, and available resources.
- ◇ **Business Strategy Context** – This includes the organisation’s long-term goals and strategic plans for achieving competitive advantage.
- ◇ **HRM Context** – This refers to the role and position of the Human Resource function within the organisation.
- ◇ **HRM Content** – This includes HR policies and practices related to recruitment, selection, training and development, performance management, compensation, and employee development.

The Warwick Model explains that changes in the internal and external business environment directly influence HR strategies. Therefore, organisations should continuously review and adapt their HR policies to meet changing business needs. By aligning HR practices with business strategy and environmental conditions, organisations can improve employee performance, strengthen competitiveness, and achieve sustainable growth.

The major advantages of the Warwick Model are:

- ◇ It balances both internal (inner) and external (outer) environmental factors while developing HR decision - making
- ◇ Ensures that HR policies are aligned with the organisation’s overall business strategy.



- ◇ Helps organisations adapt quickly to changes in the business environment, such as technological, economic, and legal changes.
- ◇ Encourages continuous review and improvement of HR practices.
- ◇ Supports effective implementation of HR strategies by considering organisational and environmental influences.
- ◇ Enhances organisational flexibility and long-term competitiveness.
- ◇ Promotes sustainable organisational growth by integrating HR decisions with strategic planning.

Key Components of the Warwick Model of HRM

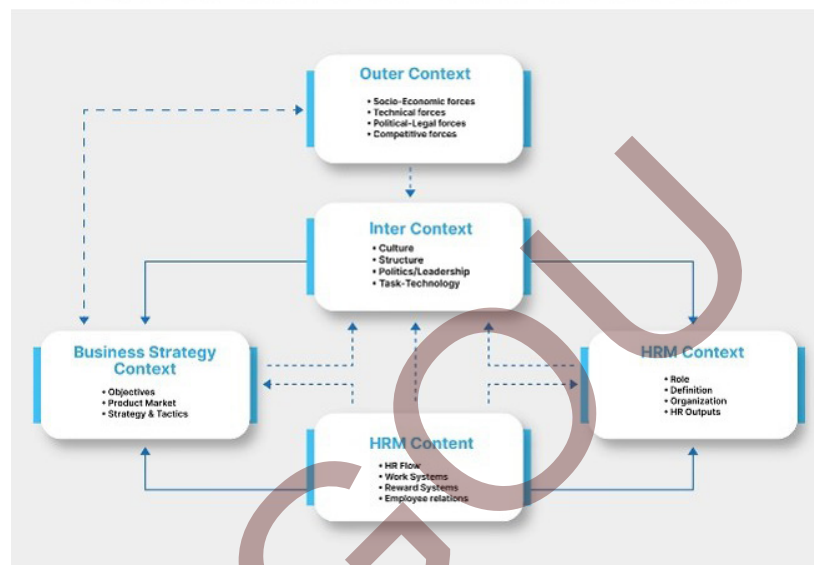


Fig 1.2.2 Warwick Model

Limitations of the Warwick Model

- ◇ The Warwick Model does not provide a clear and direct feedback mechanism between HR practices and organisational outcomes.
- ◇ Feedback passes through several internal and external factors, making it difficult to identify which HR practices are responsible for specific results.
- ◇ Due to its complexity, the model can be challenging to implement and evaluate in practice.

C. The Ulrich Model (Business Partner Model)

The Ulrich Model, also known as the Business Partner Model, was developed by Dave Ulrich in 1995. Dave Ulrich is widely recognised as the Father of Modern Human Resource Management. The model transformed the traditional view of HR from an administrative function to a strategic business partner that contributes directly to organisational success. It emphasizes that HR professionals should not only manage people-related activities but also play an active role in achieving business goals and improving organisational performance.

According to the Ulrich Model, HR professionals perform four key roles:

Strategic Partner - The Strategic Partner is there to help manage the development and growth of the workforce. They look to the customer to see what they could make better, and they review the systems and processes that might help to deliver what the customer wants and needs more efficiently.

Administrative Expert - The Administrative Expert has more of an internally focused role. They manage costs, people, and the overall delivery of the day-to-day 'business as usual' output.

Change Agent - The Change Agent looks into the company's overall culture and thinks about how it can be better, both from a personal and professional perspective. They'll connect with line managers to lead and facilitate change to make the organisation a better place for everyone.

Employee Champion (Employee Advocate) - The Employee Champion aids employees to speak up and ensures they feel heard and respected at work. They support the delivery of processes and practicalities that ensure safeguarding, and they can also help to make sure the company's people are happier and healthier, which is of huge overall benefit to the organisation.

This sets up the framework for a high-functioning HR department and clearly defines which roles should be focused on people and processes. Within those roles, it states whether each individual should focus on operational or strategic planning.

The core goals attached to the model are to:

- ◇ Create a high-functioning and unified team structure
- ◇ Define every role in the department
- ◇ Ensure the company is performing to its best and operating competitively
- ◇ Measure performance to consistently do better



Fig 1.2.3 Ulrich Model

The Ulrich Model provides a clear framework for organising HR functions by balancing people-focused and process-focused activities as well as strategic and operational responsibilities. Its major goals are to create a high-performing HR department, clearly define HR roles, improve organisational competitiveness, and continuously measure and enhance performance. The model was considered revolutionary because it highlighted the importance of talent management, strategic workforce planning, and organisational development alongside traditional HR responsibilities.

D. High Performance Working Model

The High-Performance Working (HPW) Model is a modern approach to Strategic Human Resource Management (SHRM) that focuses on helping employees perform at their highest potential. It believes that an organisation's success depends on the skills, motivation, commitment, and involvement of its employees. Therefore, organisations should create a work environment where employees are well-trained, motivated, empowered, and supported to achieve both individual and organisational goals.

Unlike traditional HR approaches that mainly focus on administrative activities, the HPW Model emphasizes developing a high-performing workforce through effective HR practices. It integrates recruitment, training, performance management, rewards, employee involvement, and leadership development with the organisation's overall business strategy. As a result, employees become more productive, innovative, and committed to organisational success.

The key components of the High-Performance Working Model include:

- ◇ **Strategic Alignment:** HR policies and practices are aligned with the organisation's vision, mission, and business objectives.
- ◇ **Selective Recruitment:** The organisation recruits talented individuals whose knowledge, skills, and values match the job requirements and organisational culture.
- ◇ **Continuous Learning and Development:** Employees receive regular training, skill development, mentoring, and career development opportunities to improve their performance.
- ◇ **Employee Empowerment:** Employees are encouraged to participate in decision-making, solve problems, and take responsibility for their work.
- ◇ **Performance Management:** Clear performance standards are established, regular feedback is provided, and outstanding performance is recognised and rewarded.
- ◇ **Employee Engagement:** Organisations create a positive work environment where employees feel respected, valued, motivated, and committed to achieving organisational goals.
- ◇ **Teamwork and Collaboration:** Employees work together, share knowledge, and support one another to improve productivity and innovation.

- ◇ **Leadership Development:** Organisations identify and develop future leaders through coaching, mentoring, leadership training, and succession planning.
- ◇ **Employee Well-being:** Equal importance is given to employees' physical health, mental well-being, work-life balance, and workplace safety.
- ◇ **Continuous Improvement:** Organisations encourage employees to suggest new ideas, improve work processes, and contribute to innovation.

Advantages of the High-Performance Working Model

The HPW Model offers several benefits to organisations:

- ◇ Improves employee productivity and performance.
- ◇ Increases employee motivation, commitment, and job satisfaction.
- ◇ Encourages innovation, creativity, and continuous improvement.
- ◇ Enhances teamwork and collaboration.
- ◇ Reduces employee turnover and absenteeism.
- ◇ Improves customer satisfaction through better service quality.
- ◇ Strengthens organisational competitiveness.
- ◇ Supports sustainable organisational growth and long-term success.

Limitations of the High-Performance Working Model

Despite its advantages, the HPW Model has certain limitations:

- ◇ Requires significant investment in employee training and development.
- ◇ May be difficult for small organisations with limited financial resources.
- ◇ Successful implementation depends on strong leadership and management commitment.
- ◇ Continuous monitoring and evaluation are necessary to maintain high performance.
- ◇ Employees may experience increased work pressure if performance expectations are unrealistic.

Corporate Example

Toyota is a well-known example of the High-Performance Working Model. Through the Toyota Production System (TPS), employees are encouraged to participate in problem-solving, suggest improvements, work collaboratively, and continuously develop their skills. Regular training, teamwork, employee empowerment, and a culture of continuous improvement (Kaizen) have helped Toyota maintain high quality, operational efficiency, and global competitiveness.

Did you know?

A study analysing 132 U.S. manufacturing firms found that companies using HPWSs had significantly higher labour productivity than their competitors. The key finding was that when employees have the power to make decisions related to their performance, can access information about the company's costs and revenues, have the necessary knowledge, training, and development to do their jobs, and are rewarded for their efforts, they are more productive.

Source: <https://www.businessmanagementideas.com>

Comparison Table: SHRM Models

Model	Focus	Key Idea
Harvard	Stakeholders	Employee commitment
Warwick	Environment	Internal and external alignment
Ulrich	HR Roles	HR as business partner
HPW	High Performance	Employee empowerment

So far, we have understood what SHRM is, why it is important, the factors influencing it, and the major models that guide strategic HR practices. The next step is to understand how SHRM influences the day-to-day functions of Human Resource Management. Although the basic HR functions remain the same, SHRM performs them with a strategic and long-term perspective.

1.2.8 SHRM and Functions of HRM

Every organisation depends on its people to achieve success. Machines, technology, and finance are important, but without skilled and motivated employees, an organisation cannot achieve its objectives.

The Human Resource (HR) department performs many activities such as hiring employees, training them, evaluating performance, paying salaries, and maintaining good employee relations. These activities are known as the functions of HRM.

However, in today's competitive business environment, organisations expect HR to do much more than routine administrative work. HR is now expected to support business strategy, improve employee performance, develop future leaders, and create a workforce that gives the organisation a competitive advantage. This strategic role of HR is known as Strategic Human Resource Management (SHRM).

HRM manages people efficiently, whereas SHRM manages people strategically to achieve long-term organisational success.

Relationship between SHRM and HRM Functions

The basic functions of HRM remain the same, but SHRM performs these functions with a long-term strategic focus. For example, A traditional HR department may recruit employees to fill vacant positions. A strategic HR department first analyses the company's future business plans, identifies the skills required over the next few years, and then recruits employees who can support future growth. Thus, SHRM transforms every HR function into a strategic tool for achieving organisational goals.

Functions of HRM from a Strategic Perspective

The major HRM functions become more valuable when they are aligned with the organisation's strategy.

1. Human Resource Planning

Human Resource Planning (HRP) is the process of forecasting the number and type of employees required in the future. Instead of hiring employees only when vacancies arise, SHRM plans the workforce by considering future business expansion, technological changes, retirements, and changing customer demands.

Strategic Focus

- ◇ Forecast future workforce requirements.
- ◇ Identify skill shortages.
- ◇ Prepare succession plans.
- ◇ Ensure the right employee is available at the right time.

Example: A hospital planning to open five new branches over the next three years estimates the number of doctors, nurses, technicians, and administrative staff required before expansion begins. Without workforce planning, the hospital may face staff shortages when new branches become operational

2. Recruitment and Selection

Recruitment involves attracting suitable candidates, while selection involves choosing the most qualified applicant. SHRM ensures that recruitment supports the organisation's future strategy rather than merely filling current vacancies.

Strategic Focus

- ◇ Hire employees with future potential.
- ◇ Recruit candidates who fit the organisational culture.
- ◇ Build a diverse and talented workforce.
- ◇ Use technology and data-driven recruitment.

Example: Google does not recruit employees based only on technical knowledge.



It also evaluates creativity, problem-solving ability, teamwork, and learning potential because these qualities support long-term innovation.

3. Training and Development

Training improves employees' current skills, while development prepares them for future responsibilities. SHRM views employee learning as a long-term investment rather than an expense.

Strategic Focus

- ◇ Upgrade employee skills.
- ◇ Develop future leaders.
- ◇ Encourage continuous learning.
- ◇ Prepare employees for technological changes.

Example: Banks regularly train employees in digital banking, cybersecurity, artificial intelligence, and customer relationship management to meet changing customer expectations.

4. Performance Management

Performance management is a continuous process of setting goals, monitoring performance, providing feedback, and improving employee performance. SHRM links employee performance directly to organisational objectives.

Strategic Focus

- ◇ Align individual goals with business goals.
- ◇ Provide regular feedback.
- ◇ Reward high performers.
- ◇ Identify development needs.

Example: A sales executive's target is directly linked to the company's annual revenue goal. Regular performance reviews help improve sales strategies and customer service.

5. Compensation and Rewards

Compensation includes salaries, incentives, bonuses, benefits, and other financial and non-financial rewards. SHRM designs reward systems that motivate employees to achieve strategic objectives.

Strategic Focus

- ◇ Attract talented employees.
- ◇ Retain high performers.

- ◇ Encourage productivity.
- ◇ Reward innovation and teamwork.

Example: Many IT companies provide performance bonuses, flexible work arrangements, employee stock options, health insurance, and learning opportunities to retain talented professionals.

6. Employee Relations

Employee relations focus on maintaining positive relationships between employees and management. Healthy workplace relationships improve productivity, trust, and job satisfaction.

Strategic Focus

- ◇ Build employee engagement.
- ◇ Resolve workplace conflicts.
- ◇ Encourage open communication.
- ◇ Promote teamwork.

Example: Many organisations conduct regular employee engagement surveys to understand employee concerns and improve workplace policies.

7. Talent Management

Talent management involves attracting, developing, retaining, and preparing talented employees for future leadership roles. SHRM considers talented employees as one of the organisation's most valuable assets.

Strategic Focus

- ◇ Identify high-potential employees.
- ◇ Develop leadership skills.
- ◇ Prepare succession plans.
- ◇ Reduce employee turnover.

Example: Infosys identifies high-performing employees and provides leadership development programmes to prepare them for future managerial positions.

8. Career Planning and Succession Planning

Career planning helps employees achieve their professional goals, while succession planning prepares future leaders for key organisational positions. SHRM ensures leadership continuity.

Strategic Focus

- ◇ Prepare future managers.



- ◇ Reduce leadership gaps.
- ◇ Improve employee motivation.
- ◇ Support long-term organisational stability.

Example: A retail company identifies store managers with leadership potential and prepares them to become regional managers through specialised development programmes.

9. Health, Safety, and Employee Well-being

Employee well-being includes physical, mental, emotional, and social health. Modern SHRM recognises that healthy employees perform better.

Strategic Focus

- ◇ Provide safe working conditions.
- ◇ Reduce workplace accidents.
- ◇ Support employee wellness.
- ◇ Promote work-life balance.

Example: Many organisations now offer counselling services, wellness programmes, flexible working hours, and stress management workshops to improve employee well-being.



Fig 1.2.4 Functions of HRM from a strategic perspective

10. HR Analytics and Strategic Decision-Making

Modern organisations use HR analytics to make informed decisions based on employee data. Instead of relying only on intuition, HR professionals analyse workforce data to improve decision-making.

Strategic Focus

- ◇ Predict employee turnover.
- ◇ Measure training effectiveness.
- ◇ Improve recruitment quality.
- ◇ Support strategic planning.

Example: A company analyses employee resignation data and discovers that most employees leave within two years due to limited career growth. HR then introduces career development programmes to improve retention.

Case: Microsoft: Transforming HR through SHRM

When Satya Nadella became CEO of Microsoft, the company shifted from a culture of internal competition to one focused on collaboration, innovation, and continuous learning. HR played a strategic role by redesigning recruitment, performance management, leadership development, and employee learning. The company promoted a growth mindset, encouraged employees to learn new skills, and aligned HR practices with Microsoft's innovation strategy. This strategic approach helped Microsoft improve employee engagement, strengthen its culture, and regain its position as one of the world's most valuable technology companies.

Microsoft's transformation demonstrates that when HR strategies are aligned with business strategy, they not only improve employee performance but also drive organisational innovation and sustainable competitive advantage.

Recent Trends in Strategic Human Resource Management (SHRM)

1. **Remote and Hybrid Work** - The continued adoption of remote and hybrid work models due to advancements in technology, changing employee preferences, and the impact of the COVID-19 pandemic.
2. **Digital Transformation in SHRM** – It refers to the integration of digital technologies into all areas of HR management, fundamentally changing how HR functions operate and deliver value.
3. **Employee Well-being and Mental Health:** Organisations invest in programs addressing physical, mental, and emotional health. Digital platforms offer wellness resources, virtual counselling, and stress management tools, reflecting a holistic approach to workforce care.

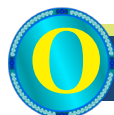


4. **Employee Engagement:** Employers are focusing on strategies to boost employee engagement and motivation, especially in remote or hybrid work environments.
5. **Personalised Learning Platforms:** Adoption of digital learning platforms and micro-learning tools to facilitate continuous employee skill development.
6. **Artificial Intelligence (AI) and Automation:** AI-powered tools automate routine HR tasks such as resume screening, interview scheduling, and employee queries via chatbots. Automation reduces administrative burdens, allowing HR professionals to focus on strategic initiatives. For instance, AI algorithms can shortlist candidates by matching job requirements with applicant profiles more efficiently than manual screening.
7. **Cloud-based HR Systems:** Cloud technology enables scalable, accessible HR platforms that support remote work and real-time data updates. Cloud HR systems facilitate seamless integration across recruitment, payroll, performance management, and learning modules, enhancing operational efficiency.
8. **Diversity, Equity, and Inclusion (DEI) - SHRM** increasingly integrates DEI as a strategic imperative, supported by digital tools that help mitigate bias and promote fairness.
9. **Collaborative Culture:** Digital collaboration platforms foster transparency and teamwork across departments, breaking down silos and encouraging innovation.
10. **Flexible Workforce Planning:** SHRM adopts dynamic workforce models, including gig workers and contingent staff, to respond to fluctuating demands.
11. **Enhancing Employee Experience -** Modern SHRM prioritizes employee experience as a strategic focus, recognising that engaged and satisfied employees drive organisational success
12. **HR Analytics and Big Data:** Organisations now leverage vast amounts of workforce data to make informed decisions. HR analytics involves collecting, analysing, and interpreting employee data to predict trends such as turnover, performance, and engagement.
13. **Continuous Performance Management:** Moving away from annual reviews, organisations implement ongoing feedback loops supported by digital tools, enhancing employee development and engagement.



Recap

- ◇ Strategic Human Resource Management (SHRM) aligns HR practices with the organisation's long-term business strategy.
- ◇ The functions of HRM become more effective when they support organisational goals and competitive advantage.
- ◇ Human Resource Planning ensures the right people with the right skills are available at the right time.
- ◇ Recruitment and selection focus on attracting and hiring talented employees who fit the organisation's needs and culture.
- ◇ Training and development improve employees' knowledge, skills, and future career growth.
- ◇ Performance management, rewards, and employee engagement help improve productivity and employee commitment.
- ◇ Modern HR uses HR analytics, talent management, and succession planning to support strategic decision-making.
- ◇ The Warwick Model provides a balanced approach to Strategic Human Resource Management by considering both internal and external factors that influence HR decisions.
- ◇ Employee well-being, career development, and positive workplace relationships contribute to higher employee satisfaction and retention.
- ◇ Talent management focuses on identifying, developing, and retaining high-potential employees for future organisational success.
- ◇ Succession planning ensures leadership continuity by preparing employees for key managerial positions.
- ◇ HR analytics enables organisations to make evidence-based decisions and improve workforce effectiveness.



Objective Questions

1. Which HR function forecasts an organisation's future workforce requirements?
2. Which HR tool helps managers make data-driven workforce decisions?



3. What is the outcome that SHRM aims to achieve for an organisation?
4. Which SHRM model considers both internal and external environmental factors?
5. Which HR function focuses on maintaining positive relationships between employees and management?
6. Which HR function is primarily responsible for attracting qualified candidates to an organisation?



Answers

1. HR Planning
2. Analytics
3. Competitive Advantage
4. Warwick
5. Relations
6. Recruitment



Self-Assessment Questions

1. Define SHRM? How is it different from traditional HRM? Give an example from a company you know.
2. What do you understand by the internal environment of SHRM? Explain any three internal factors that influence HR strategy.
3. List and explain any five factors that influence HR strategy in an organisation
4. Compare the Harvard Model and the Michigan Model of SHRM. What are their key differences?
5. What is the Resource-Based View of SHRM? How does it explain competitive advantage through human capital?

6. Explain what High Performance Work Systems (HPWS) are and list five practices included in them.
7. Explain any four areas that fall under the scope of SHRM with suitable examples.



Assignments

1. Discuss the major functions of Human Resource Management from a strategic perspective. Explain how these functions contribute to achieving organisational goals.
2. A manufacturing company is planning to introduce advanced automation technology. As the HR Manager, explain how the different functions of HRM can support the successful implementation of this strategic change.
3. 'Employees are a source of competitive advantage.' Justify this statement by explaining the role of Strategic Human Resource Management in developing and retaining talented employees.
4. Select any one well-known organisation (such as Tata Consultancy Services, Infosys, Google, Microsoft, or Amazon) and identify how it applies at least three strategic HR practices to improve organisational performance and employee engagement.
5. Elaborate on the various SHRM models.



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BLOCK - 02



Human Resource Planning

Unit - 1

Introduction to Human Resource Planning



Learning Outcomes

After completing this unit, the learner will be able to:

- ◇ understand the concept of Human Resource Planning
- ◇ explain the models of Human Resource Planning
- ◇ describe the Human Resource Planning process
- ◇ explain the strategic selection of human resources



Prerequisite

A leading automobile company decides to establish a new manufacturing plant to increase production and meet the growing demand for its vehicles. Before the plant becomes operational, the company undertakes several important activities such as constructing factory buildings, installing modern machinery, setting up warehouses, and developing transportation facilities. The company also plans to recruit engineers, technicians, machine operators, quality inspectors, supervisors, and managers for various departments. What is the most important resource required for all these activities? It is human resources. The successful establishment and operation of the manufacturing plant depend on the availability of skilled and efficient employees. Therefore, the company estimates its future workforce requirements, identifies the necessary skills, recruits suitable candidates and provides appropriate training. Through effective HR planning, the company ensures that the right number of employees with the right skills are available at the right time to achieve its business objectives. In this unit, learners will gain an understanding of the concept, process, and strategic importance of Human Resource Planning.



Keywords

Human Resource, Strategic HRM, Skill-Based Model, People-Based Model, Selection Process, Workforce, GAP Analysis



Discussion

2.1.1 Human Resource Planning

The success of every organisation largely depends on its ability to effectively manage its human resources. As organisations grow and adapt to changing business environments, they must anticipate future workforce requirements and ensure the availability of competent employees.

Human Resource Planning is the process of forecasting an organisation's future human resource requirements and ensuring that the right number of employees with the appropriate skills are available at the right time. Human Resource Planning serves as a bridge between the organisation's strategic objectives and its workforce needs. The primary objectives of HRP include anticipating future staffing requirements and improving workforce utilization. The HRP enables management to proactively address workforce challenges rather than reacting to them after they arise.

Definitions

- ◇ According to Robbins and Coulter: "HR Planning is the process by which managers ensure that they have the right number and right kind of capable people in the right places and at the right times."
- ◇ According to K Aswathappa: "HR Planning is the process of forecasting a firm's future demand for, and supply of, the right type of people in the right number."
- ◇ According to Stainer: "Human Resource Planning is the strategy for the acquisition, movement & preservation of an organisation's Human Resource."

Human Resource Planning is often described as the "right person, right job, right time" approach because its main goal is to ensure that organisations have the necessary talent when it is needed. Studies show that workforce-related expenses form a major portion of an organisation's operating costs, which makes HRP an essential tool for efficient resource management.

When a company plans to expand by opening new branches, HRP helps determine in advance how many employees will be required and what skills they must possess. For example, retail companies rely on HRP to hire temporary workers during peak shopping seasons and adjust staffing levels when demand decreases. In modern



organisations, data analytics and artificial intelligence are increasingly used to predict future workforce needs and identify potential skill shortages. By identifying future workforce requirements in advance, HRP helps avoid costly recruitment delays and operational disruptions. As businesses operate in increasingly competitive and dynamic environments, Human Resource Planning has evolved from a routine administrative function into a strategic process that is essential for achieving long-term organisational success.

2.1.2 Objectives of Human Resource Planning (HRP)

- ◇ Human Resource Planning helps organisations forecast their future workforce requirements.
- ◇ HRP ensures that the right person is placed in the right job at the right time.
- ◇ HRP facilitates recruitment and selection activities by identifying future staffing needs.
- ◇ It prevents labour shortages and surpluses by balancing workforce demand and supply.
- ◇ It improves the effective utilization of human resources within the organisation.
- ◇ It helps identify employee training and development requirements to address skill gaps.
- ◇ Human Resource Planning assists in career planning and succession planning for key positions.
- ◇ HRP contributes to higher employee productivity and operational efficiency.
- ◇ Human Resource Planning enables organisations to adapt to technological, economic, and environmental changes.

2.1.3 Human Resource Planning Models

Human Resource Planning models provide systematic approaches for forecasting workforce demand and supply. HRP Models help organisations estimate future human resource requirements based on factors such as business growth, technological changes and market conditions.

2.1.3.1 Skill-Based Model

The Skill-Based Human Resource Planning Model focuses on identifying and managing the skills and competencies required to achieve an organisation's present and future objectives. Unlike traditional HR planning, which primarily emphasizes the number of employees needed, this model concentrates on ensuring that employees possess the appropriate knowledge, technical expertise, behavioural competencies, and capabilities required to perform effectively. By comparing the organisation's future skill requirements with the skills currently available, managers can identify skill gaps and

implement strategies such as recruitment, training or reskilling. This approach enables organisations to build a competent and future-ready workforce. The Skill-Based Model is particularly useful in organisations where the knowledge, skills, and competencies of employees are more important than the number of employees. Industries such as information technology, software development, consulting, engineering, finance, research, and education commonly use this approach to identify the specific technical and functional competencies required for different job roles.

Steps in the Skill-Based Human Resource Planning Model

i. Demand Forecasting

The first step is to identify the future skills and competencies that the organisation will require to achieve its strategic objectives. This involves analysing business expansion plans, technological advancements, market trends, new products or services, and changes in job roles. Rather than estimating only the number of employees, organisations determine the specific technical, managerial, and behavioural skills that will be needed in the future. Accurate demand forecasting enables organisations to prepare their workforce for changing business requirements. For example, a manufacturing company planning to automate its production process forecasts the need for employees with robotics, automation, and data analytics skills.

ii. Supply Projection

Supply projection estimates the future availability of the workforce in terms of staff numbers by analysing both internal and external sources of human resources. Internal sources include employees who are expected to remain with the organisation after considering promotions, transfers, retirements, resignations and other forms of employee movement. External sources refer to the availability of qualified candidates in the labour market. In the Skill-Based HR Planning Model, supply projection mainly considers whether the projected workforce possesses the skills and competencies required to meet future organisational needs. This enables the organisation to determine whether existing employees can fulfil future skill requirements or whether additional recruitment and training will be necessary.

iii. Gap Analysis

Gap analysis is the process of comparing the future workforce and skill requirements (Demand Forecast) with the projected workforce supply (Supply Projection) to identify any differences between what the organisation needs and what it is expected to have. By identifying these gaps, organisations can determine whether their existing workforce is capable of supporting future business objectives.

If the analysis reveals a shortage of employees having critical skills, the organisation can address the gap by recruiting new employees, upskilling the existing workforce, implementing mentoring initiatives or preparing employees for future roles through succession planning. Also, if there is a surplus, the organisation may redeploy employees to other departments, redesign jobs, or assign them to new projects where their competencies can be better utilized. Thus, gap analysis enables organisations to



make informed workforce decisions, optimize talent utilisation, and ensure that the right people with the right skills are available to achieve long-term organisational goals.

2.1.3.2 People-Based Model

The People-Based Human Resource Planning Model focuses on forecasting the number of employees required to achieve organisational objectives. It helps organisations estimate future workforce requirements by comparing the projected number of employees needed with the projected workforce available. This model primarily emphasises staff numbers rather than specific skills or competencies. Based on the comparison, organisations develop strategies such as recruitment, promotions, transfers or downsizing to ensure that the required workforce is available at the right time.

The model is based on the principle that organisational success depends on maintaining an adequate workforce to meet operational and strategic requirements. It enables managers to determine whether the existing workforce will be sufficient to support future business activities or whether additional employees will be required. By forecasting workforce demand and supply in advance, organisations can avoid problems such as labour shortages, overstaffing, increased recruitment costs, and disruptions to business operations.

The People-Based Model is particularly useful in organisations where workforce size directly influences operational efficiency and service delivery. Labour-intensive industries such as manufacturing, healthcare, retail, hospitality, and logistics frequently use this approach to estimate staffing requirements based on production targets, customer demand, business expansion, seasonal fluctuations, and employee turnover. By focusing on the quantity of human resources required, the model helps organisations maintain adequate staffing levels and ensure smooth business operations.

2.1.3.3 Forecasting Models in Human Resource Planning

Forecasting models are techniques used by organisations to predict their future workforce requirements. Forecasting supports important HR activities such as recruitment, training, employee development and succession planning. Forecasting models are mainly classified into two types: Quantitative Forecasting Models and Qualitative Forecasting Models.

i. Quantitative Forecasting Models

Quantitative forecasting models use numerical data, statistical methods and past workforce information to estimate future employee requirements. These models analyse factors such as turnover rates, productivity levels and business expansion trends to predict future workforce demand and supply. Common techniques include trend analysis, ratio analysis and regression analysis. For example, if an organization's sales and production are increasing every year, HR managers can use past data to estimate how many additional employees will be required in the future. Quantitative forecasting provides objective, data-based results, which helps organisations make

systematic workforce decisions. However, these methods may become less effective when unexpected changes occur, such as the emergence of new technologies or sudden shifts in business conditions.

ii. Qualitative Forecasting Models

Qualitative forecasting models rely on the knowledge and opinions of managers, HR professionals, and experts to predict future workforce needs. These methods are especially useful when sufficient historical data is unavailable or when an organisation is operating in a changing environment. Common techniques include expert judgment, the Delphi technique, managerial estimates and group discussions. For example, when a company introduces new technology or enters a new market, managers and experts can identify the new skills and employee requirements needed for success. Qualitative forecasting considers human judgment and future possibilities that may not be captured through numerical data. However, its accuracy depends on the experience and expertise of the individuals providing the estimates.

2.1.4 Human Resource Planning Process

The Human Resource Planning process involves a series of systematic steps designed to ensure that workforce needs align with organisational goals. The process begins with analysing organisational objectives and assessing the current workforce.



Fig 2.1.1 Human Resource Planning Process

1. Analysing Organisational Objectives

This is the foundation of the Human Resource Planning process. It involves a detailed study of the organisation's mission, vision, long-term strategic goals, and short-term operational plans. HR managers carefully understand where the organisation is heading and what capabilities are required to achieve those goals. The key purpose is to ensure that HR planning is fully integrated with business strategy and not treated as a separate function.

At this stage, organisations also consider external environmental factors such as technological changes, globalisation, competition, and government policies. These factors influence the type of workforce required in the future. For example, if an IT

company plans to shift toward artificial intelligence and cloud computing services, it must strategically plan for roles such as data scientists, AI engineers, cloud architects, and cybersecurity specialists.

2. Assessing Current Human Resources

This step involves a systematic and detailed audit of the existing workforce. The organisation evaluates the current number of employees, their qualifications, technical skills, experience levels, performance records, and career potential. HR departments often use modern tools such as Human Resource Information Systems (HRIS), skill inventories, and competency mapping to carry out this analysis effectively.

This process helps the organisation identify internal strengths (talented employees, leadership potential) as well as weaknesses (skill gaps, underperformance, or an ageing workforce). It also helps in understanding whether employees are underutilized or overburdened.

3. Forecasting Demand for Human Resources

HR demand forecasting is the process of estimating the number and type of employees required in the future to meet organisational objectives. It is one of the most critical steps in HRP and is influenced by factors such as business expansion, technological advancement, productivity changes, market demand, and organisational restructuring.

Organisations use both qualitative methods like managerial judgment and expert opinion, and quantitative methods such as trend analysis, to make accurate forecasts. In modern organisations, data analytics and AI-based forecasting tools are also increasingly used.

4. Gap Analysis

This step involves comparing the organisation's future human resource requirements with the current available workforce. Gap analysis is one of the most critical stages in the Human Resource Planning process because it forms the basis for strategic HR decisions. In addition to assessing the number of employees required, Human Resource Planning also emphasises identifying competency and skill gaps, enabling organisations to build a workforce equipped to meet future business challenges and achieve long-term organisational objectives.

5. Develop and Implement HR Strategies

This step involves designing and implementing strategies to bridge the gap between HR demand and supply. These strategies may include recruitment, selection, training and development, internal mobility, outsourcing, automation, or workforce reduction when necessary. Modern HR practices emphasize reskilling and upskilling employees rather than only hiring externally. Organisations also focus on employee engagement and retention strategies to reduce turnover.

6. Monitoring

In this step, HR evaluates the effectiveness of implemented HR plans by tracking

key performance indicators such as employee productivity, turnover rates, absenteeism, recruitment success rate, and training effectiveness. Modern organisations use HR analytics dashboards and real-time reporting systems to monitor workforce trends. If deviations are observed, corrective actions are taken to ensure alignment with organisational objectives.

If a company faces difficulty in attracting skilled employees due to high competition in the job market, it may revise its compensation structure, introduce flexible work arrangements and expand recruitment channels such as online platforms and campus hiring.

The Human Resource Planning process is a strategic and continuous function that ensures organisations maintain a balanced, skilled, and future-ready workforce. In today's dynamic environment, factors such as digital transformation, automation, and global talent competition make HRP more important than ever for organisational success.

2.1.5 Strategic Selection of Human Resources

Strategic selection of human resources refers to the process of recruiting and choosing employees whose skills, competencies, values, and attitudes align with the organisation's long-term goals and strategic direction.

While traditional hiring practices focus primarily on immediate job requirements, strategic selection emphasises future employee contributions to organisational success. It involves workforce planning, competency-based recruitment, structured interviews, psychometric testing, and careful evaluation of candidates. Effective strategic selection helps organisations build a talented workforce, reduce employee turnover, improve organisational performance, and create a sustainable competitive advantage through human capital.

2.1.5.1 Strategic Selection Process

1. Strategic Workforce Requirement Analysis

The strategic selection process begins with analysing the organisation's workforce requirements in alignment with its long-term business strategy. Instead of merely replacing vacant positions, organisations assess their current workforce capabilities, future expansion plans, technological developments, market conditions, and strategic priorities to determine the quantity and quality of human resources required. This analysis enables the organisation to identify critical positions and the competencies needed to achieve its strategic objectives.

For example, a retail company planning to expand its e-commerce operations identifies the need for employees with digital marketing expertise and customer relationship management competencies.

2. Job Analysis and Development of Strategic Selection Criteria

Once workforce requirements have been identified, the organisation undertakes a systematic job analysis to determine the duties, responsibilities, reporting relationships, and performance expectations associated with the position. The analysis also identifies the knowledge, skills, abilities, and behavioural competencies necessary for successful job performance.

Based on the findings of the job analysis, strategic selection criteria are developed. These criteria extend beyond traditional qualifications and experience by incorporating competencies such as adaptability, innovation, leadership potential, teamwork, communication, and alignment with organisational values. The selection criteria provide an objective framework for evaluating candidates and ensure consistency throughout the selection process.

A strategically designed set of selection criteria enables the organisation to recruit employees who possess both the technical capabilities and behavioural attributes required for long-term organisational success. For instance, the selection criteria for a managerial position may include strategic thinking, leadership ability, decision-making skills, digital competence, and experience in managing organisational change.

3. Talent Sourcing

Following the development of selection criteria, the organisation initiates the process of attracting a pool of qualified candidates. Strategic talent sourcing involves identifying recruitment channels capable of providing candidates whose competencies and career aspirations are consistent with the organisation's long-term objectives.

Organisations may use internal sources such as promotions, transfers, succession planning, and employee referrals, as well as external sources including universities, professional networks, online recruitment platforms, recruitment agencies and social media. Employer branding and employee value propositions also play an important role in attracting highly competent individuals.

The objective of strategic sourcing is not simply to maximize the number of applicants but to attract candidates who possess the potential to contribute to organisational competitiveness and future growth.

4. Assessment and Evaluation of Candidates

After attracting suitable applicants, the organisation undertakes a comprehensive evaluation of candidates to determine their suitability for the position. The assessment process generally begins with screening applications based on the established selection criteria, followed by a series of structured evaluation methods.

Candidates may be assessed through competency-based interviews, behavioural interviews, psychometric assessments, technical and skill-based tests, group discussions and case analyses. These methods evaluate not only technical proficiency but also leadership potential, communication skills, analytical ability, adaptability, ethical behaviour, and cultural fit.

A comprehensive assessment process provides reliable information for identifying candidates who possess the competencies necessary to achieve both immediate job requirements and long-term organisational objectives. An institution evaluates management trainee candidates through aptitude tests, case studies, behavioural interviews and group discussions to assess analytical ability, decision-making, teamwork and leadership potential.

5. Final Selection

Based on the outcomes of the assessment process, the organisation compares candidates against the predetermined strategic selection criteria. It identifies the individual who best matches the organisation's current and future requirements. Before confirming the appointment, organisations typically conduct reference checks and background verification to validate educational qualifications, employment history and professional achievements. This step enhances the reliability of the selection decision and minimises potential hiring risks.

For example, an organisation selecting a departmental manager may prioritise a candidate with strong leadership, adaptability, and strategic thinking abilities over another candidate with greater technical experience but limited leadership potential.

6. Employment Onboarding

The final stage of the strategic selection process involves extending a formal employment offer to the selected candidate and facilitating successful integration into the organisation. The employment offer outlines the terms and conditions of employment, compensation, responsibilities, and other relevant details.

Following acceptance of the offer, the onboarding process familiarizes the employee with the organisation's mission, vision, values, policies, work culture, and performance expectations. Orientation programmes, induction training, mentoring, and continuous support enable the employee to adapt quickly to the organisational environment.

Did you know? Southwest Airlines is widely recognized for its "hire for attitude, train for skill" philosophy. The company emphasises cultural fit, teamwork and customer orientation during the selection process, believing that technical skills can often be developed through training.

2.1.6 Strategic Utilization of Human Resources

Strategic utilization of human resources focuses on maximizing employee potential by aligning individual capabilities with organisational objectives. It involves assigning employees to roles that match their skills and competencies, providing growth opportunities, and creating a work environment that encourages productivity and innovation.

The concept goes beyond simply employing people. It involves aligning employee capabilities with organisational strategies so that human resources become a source



of competitive advantage. Strategic utilization ensures that employees are not only productive but also motivated, engaged, and continuously developing their skills to meet current and future organisational needs.

Organisations achieve strategic utilization through job design, workforce deployment, training and development, performance management, and employee engagement activities. Effective utilization ensures that human resources contribute optimally to organisational performance while enhancing employee satisfaction and career development.

2.1.6.1 Components of Strategic Utilisation

1. **Strategic Job Assignment:** Employees should be assigned roles that match their competencies, qualifications, experience, and career aspirations. Proper job assignment improves productivity, reduces role ambiguity, and enables employees to contribute effectively to organisational objectives. Competency mapping and workforce planning help organisations place employees in positions where they can perform most effectively.
2. **Performance Management:** It ensures that employee goals are aligned with organisational strategy. Organisations establish clear performance standards, regularly monitor employee performance, provide constructive feedback, and conduct periodic performance appraisals. Effective performance management helps employees understand their contribution to organisational success while identifying areas requiring improvement.
3. **Learning and Development:** Continuous learning enables employees to acquire new knowledge and competencies required to meet changing organisational needs. Organisations invest in training programmes, leadership development, mentoring, coaching, workshops, and professional certifications to enhance employee capabilities and prepare them for future responsibilities. For example, a manufacturing company provides employees with training on advanced automation technologies before introducing new production systems.
4. **Career Development and Succession Planning:** Strategic utilization involves providing employees with clear career paths and opportunities for professional growth. Career development programmes, promotions, job rotation, mentoring, and succession planning help develop future leaders and ensure continuity in critical positions.
5. **Job Rotation:** Organisations improve workforce flexibility by rotating employees across different functions and enriching their jobs with additional responsibilities. These practices broaden employee skills, reduce monotony, improve motivation, and prepare employees for more complex organisational roles.
6. **Team-Based Work and Collaboration:** Organisations increasingly utilize cross-functional teams to solve complex business problems and encourage knowledge sharing. Team-based work improves coordination, creativity, innovation, and

organisational learning by combining diverse competencies. For example, a product development team consists of members from research, production, marketing, finance, and customer support departments.

7. **Technology-Enabled Workforce Utilisation:** Organisations use Human Resource Information Systems (HRIS), workforce analytics, artificial intelligence, and digital collaboration platforms to optimize employee deployment, monitor performance, identify skill gaps, and support workforce planning. Technology enhances decision-making and improves overall workforce efficiency.

2.1.7 Retention of Human Resources

Retention of human resources refers to the strategies used by organisations to retain talented and valuable employees for an extended period. Organisations that prioritize employee retention benefit from a stable workforce, enhanced employee commitment, improved performance, and stronger organisational reputation in the labour market.

In today's competitive business environment, retaining competent employees has become increasingly important. When organisations fail to retain employees, they face several challenges such as increased recruitment and training costs, disruption of workflow, loss of expertise, reduced productivity, and lower employee morale. Therefore, organisations focus on creating a work environment that promotes job satisfaction, commitment, and loyalty among employees.

2.1.7.1 Importance of Employee Retention

Employee retention is important because high employee turnover can negatively affect organisational performance. When experienced employees leave, organisations lose valuable knowledge, skills, and relationships that have been built over time. Replacing employees also involves considerable expenses related to recruitment, selection, orientation, and training. In addition, frequent turnover can lower the morale of remaining employees, increase workload and reduce overall efficiency. A stable workforce, on the other hand, contributes to consistent performance and better teamwork.

Organisations that successfully retain employees enjoy numerous benefits:

- ◇ **Reduced Recruitment and Training Costs:** Less money is spent on hiring and training replacements.
- ◇ **Preservation of Organisational Knowledge:** Experienced employees retain valuable knowledge and expertise within the organisation.
- ◇ **Higher Productivity:** Long-term employees perform more efficiently and require less supervision.
- ◇ **Improved Employee Morale:** Stable work environments create stronger teamwork and job satisfaction.

- ◇ Better Customer Relationships: Experienced employees often build stronger relationships with customers and clients.
- ◇ Enhanced Organisational Reputation: Organisations known for retaining employees attract talented candidates more easily.
- ◇ Increased Employee Commitment and Loyalty: Employees who feel valued are more dedicated to organisational success.

Did you know? McKinsey & Company popularised the term "War for Talent" through its landmark research in the late 1990s, highlighting the strategic importance of attracting, developing, and retaining talented employees in an increasingly competitive business environment.

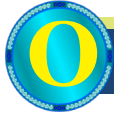
2.1.7.2 Strategies for Retaining Human Resources

1. **Competitive Compensation:** One of the most important factors influencing employee retention is fair and competitive compensation. Employees expect to be rewarded appropriately for their skills, efforts, and contributions. Competitive compensation helps employees feel valued and reduces the likelihood of them seeking better opportunities elsewhere.
2. **Career Development:** Employees are more likely to stay with organisations that provide opportunities for learning and career advancement. When employees see a clear path for growth within the organisation, they are more committed to staying and contributing to its success.
3. **Employee Recognition:** Recognizing and rewarding employee achievements plays a significant role in retention. Employees who feel appreciated for their contributions are generally more motivated and satisfied with their jobs.
4. **Work-Life Balance Initiatives:** Maintaining a healthy balance between work and personal life is increasingly important for employees. Organisations can support work-life balance by offering flexible working hours, remote work options, paid leave, wellness programs, and family-friendly policies.
5. **Positive Workplace Culture:** A positive workplace culture promotes trust, respect, collaboration, and inclusiveness among employees. A healthy organisational culture strengthens employee engagement and encourages long-term commitment to the organisation.
6. **Strong Leadership:** The relationship between employees and their managers significantly influences retention. Effective leaders provide guidance, support, feedback, and encouragement to employees. Supportive leadership helps build trust and loyalty, making employees more likely to remain with the organisation.
7. **Employee Engagement:** Employees who feel engaged and involved in organisational activities are generally more committed to their jobs. Engaged employees are more motivated, productive, and less likely to leave the organisation.



Recap

- ◇ Human Resource Planning is the systematic process of ensuring that an organisation has the right number of employees with the right skills at the right time.
- ◇ HRP begins with analysing organisational objectives to understand future business goals and workforce needs.
- ◇ Strategic Human Resource Management (SHRM) aligns HR practices with the overall goals and strategies of the organisation.
- ◇ SHRM focuses on gaining a competitive advantage through effective management of human resources.
- ◇ It integrates recruitment, training, performance management, and employee development with business objectives.
- ◇ The Strategic Selection Process is a systematic approach to identifying, evaluating, and selecting candidates whose competencies and values align with the organisation's strategic objectives.
- ◇ The strategic selection process typically includes identifying HR requirements, conducting job analysis, recruiting applicants, screening candidates, assessing competencies and making the final selection.
- ◇ The selection process helps ensure that employees possess the required skills, knowledge, and competencies.
- ◇ Strategic utilisation of Human Resources focuses on effectively deploying employees' knowledge, skills, and abilities to achieve organisational goals and improve performance.
- ◇ Employee retention refers to an organisation's ability to keep talented employees for a long period.
- ◇ Organisations retain employees through competitive compensation, career growth opportunities and a positive work environment.
- ◇ Effective retention strategies help maintain organisational stability and knowledge continuity.
- ◇ Organisations benefit when employees are fully engaged and their talents are effectively utilised.



Objective Questions

1. What is the systematic process of forecasting an organisation's future human resource requirements and ensuring the availability of the right employees at the right time called?
2. Which HR planning process involves estimating the number and types of employees that an organisation will require in the future to achieve its strategic objectives?
3. Which stage of the Human Resource Planning process compares the future demand for employees with the available workforce to identify shortages or surpluses?
4. Which stage evaluates the effectiveness of HR planning activities?
5. Which process involves choosing the most suitable candidate for a job?
6. Which HR practice involves moving employees between different jobs to enhance their skills?
7. Which HR planning activity helps organisations prepare competent employees to fill key leadership positions in the future through planned development programmes?
8. Which internal source of recruitment involves moving an employee to a higher position with greater responsibilities?
9. Which type of turnover occurs when employees choose to leave an organisation on their own?
10. Which HR strategy provides employees with opportunities for professional advancement?



Answers

1. Human Resource Planning
2. Demand Forecasting
3. Gap Analysis
4. Monitoring
5. Selection

6. Job Rotation
7. Succession Planning
8. Promotion
9. Voluntary Turnover
10. Career Development



Self-Assessment Questions

1. What do you mean by HRP?
2. Explain the process of HR planning.
3. Why is human resource planning important?
4. Discuss different HR Planning models.
5. Explain the process of Strategic Selection of Human Resources.
6. Explain Strategic utilisation of Human Resources and its benefits.
7. Discuss various strategies used by organisations to retain talented employees.
8. Explain how SHRM contributes to organisational success and competitive advantage.



Assignments

1. A company is expanding its operations rapidly. How will HRP help in managing its workforce needs?
2. An organisation is facing a shortage of skilled employees. Explain how HRP can solve this problem.
3. A company has excess employees in some departments. Suggest HRP strategies to manage this situation.



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Unit - 2

Performance Measurement Systems



Learning Outcomes

After completing this unit, the learner will be able to:

- ◇ explain the concept of Competency Mapping
- ◇ explain the categories of competencies
- ◇ explain the concept of Performance Measurement Systems
- ◇ describe the methods of Performance Measurement Systems



Prerequisite

A growing software company has recently hired several employees to support its expanding operations. After recruiting and training the employees, the management wants to know whether they are performing their duties effectively and contributing to the organisation's goals. Some employees consistently complete their tasks on time and produce high-quality work, while others may require additional guidance and training. The company also needs to identify employees who deserve promotions for their outstanding performance. To make such decisions fairly, managers must regularly observe and evaluate employee performance based on predetermined standards and objectives. In this unit, learners will study the concept of competency mapping, its categories, and its role in identifying the knowledge, skills, and abilities. In addition, learners will also examine the concept of strategy-oriented performance measurement systems and the various tools used to measure performance.



Keywords

Competency, Skill, Strategy, Expertise, Supervisor, Performance appraisal, Critical Incidents, 360-degree appraisal





Discussion

2.2.1 Competency Mapping

Competency Mapping is the process of identifying and evaluating the knowledge, skills, abilities, behaviours and personal attributes required for successful job performance. It helps organisations understand the competencies needed for specific roles and assess whether employees possess those competencies. The process typically involves job analysis, identification of key competencies, competency assessment, and gap analysis. Competency mapping is widely used in recruitment, training and development, performance management, succession planning, and career development.

Definitions

- ◇ According to Chung & Lo: Competencies are skills, knowledge and capabilities that individuals should possess when completing assigned tasks or achieving the goals.
- ◇ According to Boyatzis: A capacity that exists in a person that leads to behavior that meets the job demands within the parameters of organisational environment, and that, in turn, brings about desired results

2.2.2 Significance of Competency Mapping

- ◇ Competency mapping helps organisations select candidates who possess the required skills, knowledge, and abilities for a specific job.
- ◇ It helps identify gaps between the competencies employees currently have and those needed for effective performance.
- ◇ Competency mapping assists in designing training programs that address specific employee development needs.
- ◇ It provides clear criteria for evaluating employee performance and setting performance standards.
- ◇ Competency mapping helps employees understand the competencies required for career growth and advancement.
- ◇ It enables organisations to identify and prepare employees for future leadership and key positions.
- ◇ Competency mapping aligns employee capabilities with organisational goals, improving overall productivity.

2.2.3 Competency Categories

Competency mapping classifies competencies into different categories based on the knowledge, skills, abilities, and behaviours required to perform a job effectively. These

categories help organisations identify the competencies needed for different roles and plan recruitment accordingly.

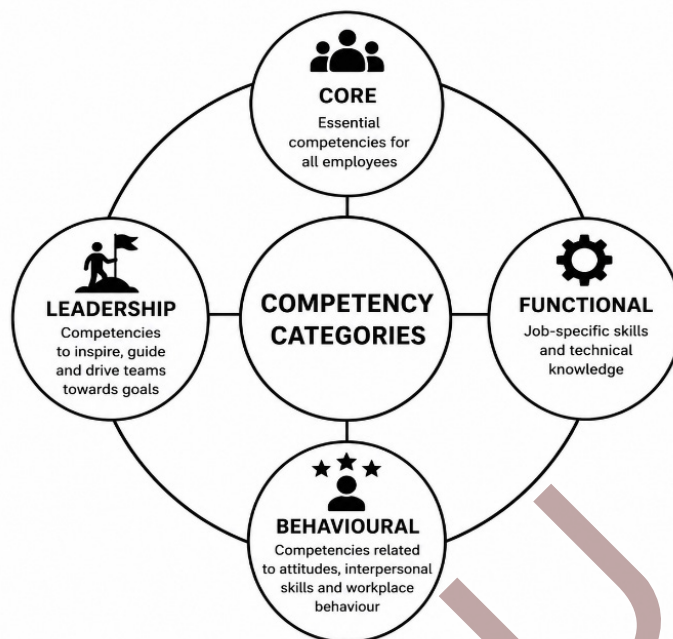


Fig 2.2.1 Competency Categories

The major competency categories are explained below.

1. Core Competencies

Core competencies are the fundamental competencies that every employee in an organisation is expected to possess, regardless of their job role or department. These competencies reflect the organisation's values, culture, and expected standards of behaviour.

Core competencies promote teamwork, ethical conduct, customer orientation, communication, and commitment to organisational goals-examples: Integrity, teamwork, communication skills, customer focus, adaptability, and professionalism.

2. Functional Competencies

Functional or technical competencies refer to the specialised knowledge, technical skills, and abilities required to perform a specific job or profession effectively. These competencies differ from one department or occupation to another.

Employees develop functional competencies through education, training, professional experience, and continuous learning. For example, programming skills for software developers, digital marketing skills for marketing executives, and accounting knowledge for finance professionals.

3. Behavioural Competencies

Behavioural competencies refer to the attitudes, personal qualities, and behavioural

characteristics that influence how employees perform their work and interact with others. These competencies are essential for maintaining a positive work environment and improving individual and team performance. Behavioural competencies focus on how employees perform their tasks rather than what they know. For example, Leadership, teamwork, emotional intelligence, conflict management, adaptability, creativity, and problem-solving.

4. Leadership Competencies

Leadership competencies refer to the abilities required to inspire, motivate, influence, and guide individuals or teams towards achieving organisational objectives. These competencies enable leaders to create a shared vision, manage change, and build high-performing teams. Leadership competencies are particularly important for senior managers and executives. For example: Visionary thinking, change management, innovation, motivation, coaching and mentoring, influencing skills, and relationship building.

2.2.4 Applications of Competency Mapping

Competency mapping has wide applications across various human resource functions. It helps organisations identify the competencies required for different roles and ensures that employees possess the knowledge, skills, abilities, and behaviours needed to achieve organisational objectives. The major applications of competency mapping in HR are discussed below.

1. Recruitment and Selection

Competency mapping helps organisations identify the competencies required for a particular job and use them as selection criteria during recruitment. This enables HR managers to recruit candidates whose competencies match the job requirements, resulting in better hiring decisions and reduced recruitment costs.

For example, a bank recruits relationship managers by assessing competencies such as communication skills, customer orientation, problem-solving ability, and financial knowledge.

2. Training and Development

Competency mapping identifies the gap between the competencies employees possess and those required for their roles. Based on this gap, organisations design targeted training and development programmes to improve employee performance and prepare them for future responsibilities.

For example, an IT company identifies that software developers require cloud computing skills and provides specialized training programmes.

3. Performance Management

Organisations use competency mapping to establish clear performance standards and evaluate employees based on the competencies required for their jobs. It provides

an objective basis for performance appraisal and helps identify strengths and areas for improvement.

For example, a sales executive is evaluated on competencies such as communication, customer relationship management, negotiation, and achievement of sales targets.

4. Career Planning and Succession Planning

Competency mapping helps identify employees with the potential to assume higher responsibilities. Organisations can prepare these employees for future leadership roles through training, mentoring, coaching, and career development programmes, ensuring continuity in key positions.

For example, a manufacturing company identifies high-potential supervisors and prepares them for future managerial roles through leadership development programmes.

5. Compensation and Reward Management

Organisations use competency mapping to design competency-based pay and reward systems. Employees who acquire critical competencies or demonstrate superior competency levels may receive higher compensation, incentives, promotions, or recognition.

6. Talent Management

Competency mapping enables organisations to identify, develop, and retain high-potential employees. It supports talent acquisition, employee development, succession planning, and leadership development, ensuring that talented employees are available for critical roles.

7. Organisational Development

Competency mapping helps organisations build a competent and adaptable workforce capable of responding to changes in technology, business strategies, and market conditions. It supports continuous improvement, innovation, and organisational transformation.

For example, a retail company develops digital marketing competencies among employees to support its expansion into e-commerce.

Competency mapping is an essential Human Resource Management tool that supports a wide range of HR functions, including recruitment and selection, training and development, performance management, career planning, succession planning,

Did you know?

General Electric (GE) popularised succession planning by systematically identifying and developing future leaders through leadership development programmes, making succession planning a core element of strategic human resource management.



compensation, talent management, workforce planning, and organisational development. By aligning employee competencies with organisational requirements, competency mapping enhances employee performance and contributes to long-term organisational success.

2.2.5 Strategy-Oriented Performance Measurement Systems

Employees are one of the most valuable resources of an organisation, and their performance plays a significant role in achieving organisational goals and ensuring long-term success. Organisations therefore need effective methods to evaluate how well employees perform their responsibilities, contribute to organisational objectives and utilize their knowledge and abilities.

A systematic approach to performance assessment helps identify strengths, address performance gaps, support employee development, and improve overall organisational effectiveness. To achieve these objectives, organisations use various strategic tools for assessing employee performance, enabling them to make informed decisions regarding rewards, promotions, training, career development, and performance improvement.

Strategy-oriented performance measurement systems are frameworks used to evaluate employee and organisational performance in alignment with strategic goals and objectives. These systems move beyond traditional performance appraisal methods by focusing on measurable outcomes that contribute to organisational success. The main idea is to ensure that every employee's work supports the overall strategy of the organisation. These systems focus on measurable outcomes, meaning performance is assessed using clear, quantifiable indicators such as Key Performance Indicators (KPIs), targets, and results. For example, instead of simply evaluating whether an employee completed tasks, the system measures how those tasks contributed to productivity, customer satisfaction, quality improvement and cost reduction. This makes performance evaluation more objective and results-driven.

A major feature of strategy-oriented systems is alignment with organisational strategy. The organisation first defines its vision, mission, and strategic goals, and then translates these into department-level and individual performance goals. This ensures that every employee understands how their role contributes to the bigger picture. For example, if a company's strategy is to improve customer satisfaction, then employee performance metrics will include response time, service quality, and customer feedback scores. These systems also integrate both financial and non-financial measures of performance. Financial measures include profit, revenue growth, and cost efficiency, while non-financial measures include employee engagement, innovation, quality, learning, and customer satisfaction. One of the most used frameworks for this is the Balanced Scorecard, which evaluates performance from multiple perspectives to provide a more complete view of organisational success.

Another important aspect is continuous feedback and improvement. Instead of waiting for annual appraisals, strategy-oriented systems promote regular monitoring, feedback, and performance discussions. This helps employees correct mistakes, improve performance, and stay aligned with organisational expectations throughout the year.

Definitions

- ◇ According to Dale S. Beach: Performance appraisal is a systematic evaluation of the individual concerning his or her performance on the job and his or her potential for development
- ◇ According to Edwin B. Flippo: Performance appraisal is the systematic, periodic, and impartial rating of an employee's excellence in matters about his present job and his potential for a better job.

Overall, strategy-oriented performance measurement systems help organisations improve accountability and employee motivation. They ensure that individual performance is directly connected to organisational success, leading to better decision-making in areas such as promotions, rewards, training, and workforce planning.

2.2.5.1 Objectives of Performance Measurement

- ◇ To measure employee performance over a period.
- ◇ To evaluate employee performance against defined standards and expectations.
- ◇ To study the deviations between standard performance and actual performance of each employee
- ◇ To determine training and development needs based on skill gaps.
- ◇ To support managerial decision-making in promotions, transfers, and rewards.
- ◇ To ensure fairness in compensation, incentives, and reward systems.
- ◇ To promote continuous improvement and better performance practices.

Did you know?

Google's Project Oxygen analysed employee data to identify what makes an effective manager. The project found that coaching, effective communication, and supporting employee development were among the most important managerial behaviours, influencing leadership development practices worldwide.

2.2.5.2 Process of Performance Measurement System

A Performance Measurement System is a systematic framework used by organisations to measure, monitor, evaluate, and improve the performance of employees, departments, and the organisation. It translates the organisation's strategic objectives into measurable performance indicators, ensuring that performance at all levels is aligned with the achievement of strategic goals. The steps of the Performance Measurement System are as follows:

1. Establish Organisational Goals and Objectives: The process begins by defining the organisation's vision, mission and strategic goals. These objectives serve



as the foundation for developing performance measures and ensure that all activities contribute to achieving organizational success.

2. **Develop Performance Standards and Key Performance Indicators (KPIs):** Organisations establish measurable performance standards and Key Performance Indicators (KPIs) for departments, teams, and employees. These indicators may include both financial measures (such as profitability and cost reduction) and non-financial measures (such as customer satisfaction, quality, innovation, and employee productivity).
3. **Communicate Performance Expectations:** Managers clearly communicate performance standards, responsibilities, and expected outcomes to employees. Employees should understand what is expected of them, how their performance will be measured, and the criteria used for evaluation.
4. **Monitor and Collect Performance Data:** Performance information is collected continuously using various methods such as observations, performance reports, productivity records, customer feedback, self-assessments, and digital performance tracking systems. Continuous monitoring helps identify strengths and areas requiring improvement.
5. **Evaluate and Measure Performance:** The collected data are analysed and compared with the established performance standards and KPIs. Organizations may use performance measurement tools such as the Balanced Scorecard, 360-Degree Feedback, and Behaviourally Anchored Rating Scale (BARS) to assess employee and organisational performance objectively.
6. **Provide Performance Feedback:** Managers discuss the evaluation results with employees by providing constructive feedback. The feedback highlights achievements, identifies performance gaps, and offers suggestions for improvement. Open communication encourages employee engagement and continuous learning.
7. **Implement Performance Improvement Measures:** Based on the evaluation, organisations take appropriate actions to improve performance. These may include training and development programmes, coaching, mentoring, job redesign, performance improvement plans, rewards, or corrective actions to address performance deficiencies.
8. **Review and Revise the Performance Measurement System:** The effectiveness of the performance measurement system is reviewed periodically to ensure that it remains aligned with changing organisational goals, market conditions, and business strategies. Necessary modifications are made to performance standards, KPIs, and evaluation methods to improve the system's effectiveness.

2.2.5.3 Tools for Assessing Employee Performance.

1. Balanced Scorecard

The Balanced Scorecard is a strategic performance measurement tool developed by

Robert S. Kaplan and David P. Norton. It helps organisations measure performance from multiple perspectives rather than relying only on financial results. The Balanced Scorecard translates an organisation's vision and strategy into measurable objectives and performance indicators.

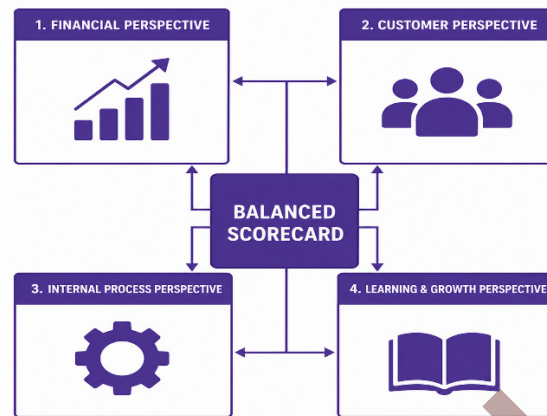


Fig 2.2.2 Balance Scorecard

Four Perspectives of the Balanced Scorecard:

- ◇ Financial Perspective: This perspective evaluates how employee performance contributes to achieving the organisation's financial objectives, such as increasing revenue, improving profitability, reducing operational costs, and maximizing the efficient use of resources.
- ◇ Customer Perspective: This perspective assesses how effectively employees meet customer expectations by delivering high-quality products and services, ensuring timely delivery, providing responsive customer support, and enhancing overall customer satisfaction and loyalty.
- ◇ Internal Business Process Perspective: This perspective focuses on evaluating the efficiency and effectiveness of internal organisational processes. It emphasizes process improvement, operational excellence, quality management, innovation, productivity, and the timely delivery of products and services.
- ◇ Learning and Growth Perspective: This perspective measures the organisation's ability to develop employee capabilities through continuous learning, skill enhancement, knowledge sharing, leadership development, technological adaptability and innovation, thereby supporting long-term organisational growth and sustainability.

Did you know?

The Balanced Scorecard has been adopted by organisations across sectors, including businesses, governments, universities, and healthcare institutions, to translate strategy into measurable performance objectives.

2. 360-Degree Feedback

360-Degree Feedback is a comprehensive performance assessment method in which feedback is collected from multiple sources rather than only from the employee's immediate supervisor. It provides a complete picture of an employee's performance, behaviour, communication and interpersonal skills.

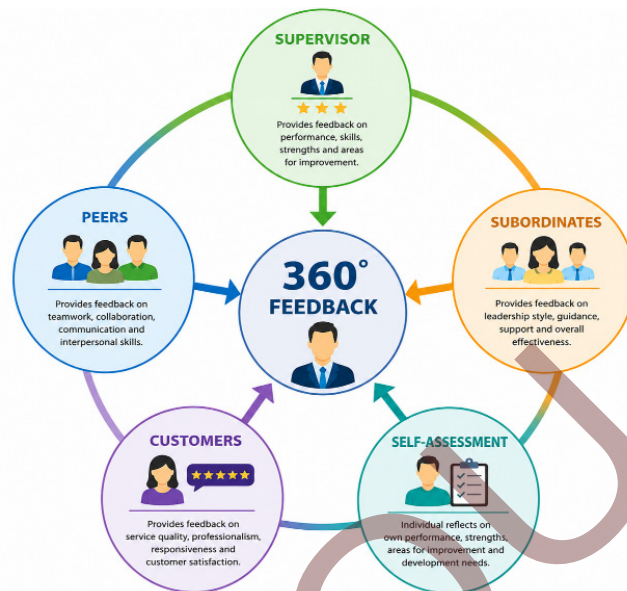


Fig 2.2.3 360-Degree Feedback

Sources of Feedback

Supervisor

The supervisor evaluates the employee's overall job performance based on work quality, productivity, technical competence, responsibility and adherence to organisational policies. Since supervisors closely monitor employees' work and are responsible for managing their performance, they can assess how effectively employees perform their assigned duties and contribute to organisational objectives. Their feedback also helps identify training needs and opportunities for career development.

For example, a supervisor assesses whether an employee consistently meets project deadlines, maintains work quality, and achieves the assigned performance targets.

Peers

Peers or colleagues provide feedback on an employee's ability to work effectively with others. They assess teamwork, cooperation, communication, problem-solving, interpersonal relationships, and willingness to support colleagues. Since peers work closely with the employee daily, they can offer valuable insights into behaviours that may not be visible to supervisors. For example, team members evaluate whether an employee communicates effectively, shares knowledge, cooperates during group projects, and willingly assists colleagues in completing tasks.

Subordinates

Subordinates evaluate the leadership and managerial abilities of supervisors or managers. Their feedback focuses on leadership style, communication, delegation, fairness, motivation, decision-making, and the ability to support and develop team members. This feedback helps managers understand how their leadership behaviours affect employee performance and workplace relationships.

Customers

Customers provide feedback on the employee's ability to deliver quality products or services. They assess factors such as responsiveness, professionalism, communication, problem-solving, reliability, and customer satisfaction. Customer feedback is particularly important for employees who regularly interact with clients, as it reflects the organisation's service quality and overall customer experience.

Self-Assessment

Self-assessment allows employees to evaluate their own performance by reflecting on their strengths, weaknesses, achievements, challenges, and development needs. This encourages self-awareness, personal accountability, and continuous learning. Comparing self-assessments with feedback from other sources also helps employees understand how their own perceptions align with those of others.

3. Behaviourally Anchored Rating Scale (BARS)

Organisations require a fair and objective method to evaluate employee performance. Traditional performance appraisal methods often rely on general rating scales, which may be influenced by personal bias and subjective judgments. To overcome these limitations, organisations use the Behaviourally Anchored Rating Scale (BARS), which evaluates employees based on specific and observable workplace behaviours. By linking each level of performance to clearly defined behavioural examples, BARS improves the accuracy, consistency, and fairness of performance appraisal.

The Behaviourally Anchored Rating Scale (BARS) is a performance appraisal method that measures employee performance by comparing actual job behaviours with predetermined behavioural statements representing different levels of performance. It combines traditional rating scales with critical incidents to create behaviour-based performance standards. This enables managers to evaluate employees objectively based on what they do rather than on personal opinions.

Steps in the Behaviourally Anchored Rating Scale (BARS)

1. Generate Critical Incidents: The first step is to collect critical incidents, which are specific examples of effective and ineffective job behaviours. These incidents are gathered from supervisors, employees, subject matter experts, and job analyses. The incidents should represent behaviours that significantly influence job performance.

For example, a customer service executive patiently resolving customer complaints



is identified as an effective behaviour, while ignoring customer concerns is considered an ineffective behaviour.

2. Develop Performance Dimensions: The collected critical incidents are grouped into broad performance dimensions or categories that represent different aspects of the job. These dimensions become the criteria for evaluating employee performance.

For example, for a sales executive, performance dimensions may include communication skills, customer service, product knowledge, teamwork, and problem-solving ability.

3. Reallocate Incidents: A different group of experts reviews the critical incidents and assigns each incident to the appropriate performance dimension. This step ensures that the incidents are correctly classified and truly represent the dimension they are intended to measure. Incidents that are not consistently classified are removed from the scale. For example, if most experts agree that “resolving customer complaints promptly” belongs to the customer service dimension, it is retained. If opinions differ widely, the incident may be discarded.

4. Scale the Incidents: The validated incidents are then assigned to different performance levels, usually on a numerical scale such as 1 to 5 or 1 to 7. Each incident represents a specific level of performance, ranging from poor to outstanding. This process creates the behavioural anchors for the rating scale.

For example,

Job Dimension: Customer Service					
RATING SCALE	1 Unsatisfactory	2 Needs Improvement	3 Satisfactory	4 Good	5 Excellent
BEHAVIOURAL ANCHORS	Ignores customer requests; shows no willingness to help.	Responds to customers only when asked; information provided is often incomplete.	Responds to customer requests in a timely manner and provides accurate information.	Actively listens to customers; resolves issues effectively and shows courtesy.	Consistently exceeds customer expectations; anticipates needs and builds strong rapport.
DESCRIPTION	Performance is well below acceptable standards.	Performance sometimes meets minimum requirements but needs improvement.	Performance meets expected standards and job requirements.	Performance consistently above average and reliable.	Performance is outstanding and sets an example for others.

Fig 2.2.4 Behaviourally Anchored Rating Scale

The above figure illustrates an example of a Behaviourally Anchored Rating Scale (BARS) used to evaluate employee performance in the job dimension of Customer Service.

- ◇ 5 – Outstanding: Consistently exceeds customer expectations; anticipates customer needs and builds strong rapport.
- ◇ 4- Actively listens to customers; resolves issues effectively and shows courtesy.
- ◇ 3 – Satisfactory: Responds to customer requests promptly and provides accurate information.
- ◇ 2- Needs Improvement: Responds to customers only when asked; information provided is often incomplete.
- ◇ 1 – Unsatisfactory: Ignores customer requests; shows no willingness to help.

5. Develop the Final Instrument: The final step is to prepare the Behaviourally Anchored Rating Scale by combining the performance dimensions with their corresponding behavioural anchors. Managers use this completed rating instrument to compare an employee's actual behaviour with the predefined behavioural descriptions and assign the appropriate performance rating. The final instrument provides a standardized, objective, and behaviour-based method of performance appraisal.

For example, a supervisor uses the completed BARS form to evaluate a customer service executive on dimensions such as communication, customer handling, and problem-solving by selecting the behavioural anchor that best describes the employee's performance.

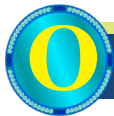


Recap

- ◇ Competency Mapping is the process of identifying the knowledge, skills, abilities, and behaviours required for successful job performance.
- ◇ Competency Mapping helps organisations align employee competencies with job requirements and organisational objectives.
- ◇ Competencies are classified into Core, Functional, Behavioural, and Leadership competencies based on organisational and job requirements.
- ◇ Organisations use competency categories for recruitment, performance management, and leadership development.
- ◇ Strategy-oriented performance measurement systems align employee and organisational performance with strategic objectives.
- ◇ Performance measurement systems measure both financial and non-financial performance indicators.
- ◇ The Balanced Scorecard is a strategic performance management tool that evaluates organisational performance from multiple perspectives.



- ◇ Balanced Scorecard measures performance using Financial, Customer, Internal Business Process, and Learning & Growth perspectives.
- ◇ The Balanced Scorecard helps organisations translate strategic objectives into measurable performance indicators.
- ◇ 360-Degree Feedback is a performance appraisal method that collects feedback from multiple sources, including supervisors, peers, subordinates, and customers.
- ◇ It provides a comprehensive assessment of employee competencies and behaviour.
- ◇ Organisations use 360-degree feedback for employee development, leadership assessment, and performance improvement.
- ◇ Behaviourally Anchored Rating Scale (BARS) is a performance appraisal method that evaluates employees based on specific observable behaviours.
- ◇ Behaviourally Anchored Rating Scale minimizes subjectivity and provides clear performance standards for employees and managers.



Objective Questions

1. What is the systematic process of identifying the knowledge, skills, abilities, and behavioural attributes required to perform a particular job effectively called?
2. Which HR activity determines the competencies required for a job?
3. Which type of competency focuses on an employee's technical knowledge, job-specific skills, and professional expertise required for effective job performance?
4. Which competency reflects organisational values?
5. What process is used to evaluate employee performance?
6. Which method is commonly used to assess candidates personally?
7. What document contains an applicant's qualifications and experience?
8. How many perspectives are included in the Balanced Scorecard?
9. What is the ability of an organisation to keep employees for a long time called?

10. What opportunity encourages employees to remain with an organisation?
11. Which appraisal method gathers feedback from multiple sources?
12. Which source of feedback usually evaluates leadership effectiveness?



Answers

1. Competency Mapping.
2. Job Analysis
3. Functional Competency
4. Core Competency
5. Performance appraisal.
6. Interview
7. Resume.
8. Four
9. Employee Retention
10. Career growth.
11. 360-Degree Feedback
12. Subordinates



Self-Assessment Questions

1. What is competency mapping?
2. Analyse the importance of competency mapping in HRM.
3. Explain the different categories of competencies.
4. Explain the major applications of competency mapping in organisations.
5. Explain the concept and components of the Balanced Scorecard.



6. Discuss the four perspectives of the Balanced Scorecard.
7. Analyse the significance of the Balanced Scorecard in strategic performance management
8. Explain the concept and process of 360-degree feedback.
9. Discuss the process of developing a Behaviourally Anchored Rating Scale.



Assignments

1. A manufacturing company is planning to expand its operations and intends to hire 200 new employees across various departments. The management wants to ensure that the selected candidates possess the necessary skills and fit the organisational culture. How can strategic selection help the company recruit the right workforce and achieve its expansion goals?
2. A retail company has noticed significant differences in employee productivity across its departments. While some teams consistently meet their targets, others struggle to achieve expected performance levels. How can an effective performance measurement system help the organisation identify performance gaps and improve overall productivity?



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2. Aswathappa, K. Human Resource Management – McGraw Hill Educations
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Suggested Reading

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SGOU



BLOCK - 03



Strategic Training and Development

Unit - 1

Introduction to Strategic Training



Learning Outcomes

After completing this unit, the learner will be able to:

- ◇ explain the meaning and concept of strategic training
- ◇ differentiate between traditional training and strategic training
- ◇ describe the popular training models that guide how training is designed



Prerequisite

Riya and Karan opened two small coffee shops on the same street, on the same day. Both had similar machines, menus, and opportunities to succeed. However, the way they handled their employees was very different.

In Riya's café, when a new staff member joined, she said, "Watch me and learn." There was no clear training plan. Employees tried to understand the work on their own, often made mistakes, and felt stressed. Customers were unhappy, and employees frequently left the job.

In contrast, Karan followed a simple but structured training approach. Every new employee went through a 3-day plan:

Day 1: Learn the menu and how to use the coffee machine

Day 2: Practice taking orders and interacting with customers

Day 3: Serve real customers under supervision

Karan also noticed a growing trend: customers were placing online orders. He trained his staff in handling online orders even before it became a major requirement. As a result, his employees performed confidently, customers were satisfied, and the business grew steadily. Within a year, Karan opened a second branch, while Riya struggled to manage her café.

Now Pause and Think.



Both cafés had the same resources. Why did one succeed while the other failed? What difference did a structured training approach make? Karan trained his employees for future needs like online orders. Was this just training, or something more planned and purposeful?

This example shows that training alone is not enough. What truly matters is strategic training, which is planned, future-oriented, and aligned with organisational goals. In this block, you will learn how organisations use strategic training to improve performance, adapt to change, and achieve long-term success.



Keywords

Strategic Training, Training Needs Analysis, Business Strategy, Kirkpatrick Model, 70:20:10 Model, ADDIE Model, CIRO Model



Discussion

3.1.1 Discussion

Introduction to Strategic Training

Imagine a small bakery with just one shop. The owner trains the staff to bake bread and greet customers politely. This training is simple and designed to meet today's needs. Now imagine the same bakery decides to open ten new branches across the city over the next two years, and also wants to start home delivery through a mobile app. Suddenly, training cannot remain the same as before. The staff now need to learn how to keep the same quality across all branches, how to handle online orders, and how to manage delivery timelines. This is the real difference between ordinary training and strategic training.

Training, in simple words, is the process of teaching employees the skills and knowledge they need to do their present job well. It usually solves an immediate, day-to-day need. For example, when a new employee joins a mobile phone showroom, the manager trains them on how the products work, how to use the billing software, and how to talk politely to customers. This training is both useful and necessary, but it focuses only on the job at hand. However, in a dynamic business environment, organisations must go beyond immediate needs.

3.1.1.1 What is Strategic Training?

Strategic training goes one step further than ordinary training. Instead of only solving

today's problem, it looks at where the organisation wants to be in the next few years, and prepares employees in advance for that future.

The word “strategic” means connected to the long-term plan or goal of the organisation. So, strategic training is training that is planned and designed to support the company's future goals and strategy. It goes one step further than ordinary training. Instead of only solving today's problem, it looks at where the organisation wants to be in the next few years, and prepares employees in advance for that future.

Example: A textile company has always sold sarees through its physical shops. Its management now decides that the company's future strategy is to grow mainly through online sales. Knowing this, the HR department does not wait until the website is fully ready. It starts training its current sales staff right away in digital marketing, product photography, and handling online customer queries. This is strategic training because it is decided by looking at where the business is heading, not only at what is happening today.

We can therefore define strategic training as

Definition

Strategic training is the planning and delivery of training programmes that are directly connected to the organisation's business strategy and long-term goals, rather than only to short-term, day-to-day requirements.

Key Idea

Business Strategy → HR Strategy → Training Strategy → Employee Capability → Organisational Performance

3.1.1.2 Features of Strategic Training

- ◇ **Future-oriented:** Strategic training focuses on preparing employees for future roles, challenges, and organisational goals rather than only addressing current job requirements.

Example: Employees are trained in emerging technologies before they are widely adopted in the organisation.

- ◇ **Aligned with business strategy:** Training programmes are closely linked to the organisation's long-term goals and strategic direction. This ensures that employee development supports overall business growth. Example: A company entering international markets trains employees in cross-cultural communication and global business practices.

- ◇ **Continuous and ongoing:** Strategic training is not a one-time activity but a continuous process that evolves with organisational needs and environmental changes.

Example: Organisations regularly update training programmes to match technological advancements.



- ◇ **Focused on capability development:** It emphasises building employee competencies, skills, and knowledge that enhance overall organisational capability rather than just task performance. Example: Leadership development programmes prepare employees for managerial roles.
- ◇ **Supports organisational change:** Strategic training helps employees adapt to changes such as new technologies, restructuring, or market shifts, ensuring a smooth transition and reduced resistance. Example: Training employees before implementing a new digital system reduces operational disruptions.

3.1.1.3 Traditional Training vs Strategic Training

The table below brings out the main differences between the two:

Basis	Traditional Training	Strategic Training
Focus	Solves a current or immediate job-related problem	Prepares employees for the organisation's future goals
Approach	Reactive	Proactive
Alignment	Not linked to strategy	Directly linked
Scope	Short-term	Long-term
Example	Training a cashier to use a new billing machine	Training the entire sales team because the company plans to enter a new market next year

3.1.2 Why Do Organisations Need Strategic Training?

Organisations do not provide training to teach employees basic skills. They invest in strategic training to ensure that employees grow in a way that directly supports the organisation's long-term goals and success.

To understand this better, think of an organisation as a system where every employee plays an important role. If employees are not trained in the right direction, the organisation cannot move forward effectively. Strategic training helps align employee capabilities with organisational needs. Let us understand this in a simple and practical way

1. **To Achieve Organisational Goals:** Every organisation has clear goals such as growth, profit, customer satisfaction, or expansion. However, these goals can only be achieved when employees have the right skills and knowledge. Example: If a company plans to expand into an online business, employees must first be trained in digital tools and online customer handling. Without this training, the goal cannot be achieved.
2. **To Improve Employee Performance:** Once employees understand organisational goals, the next step is improving their performance. Strategic

training ensures that employees not only know their job but also perform it effectively and confidently.

Example: A salesperson trained in communication and product knowledge can handle customers better, leading to increased sales.

3. **To keep up with change:** Business environments and technologies are constantly evolving, and employees need to be prepared in advance. Example: When banks introduce mobile banking, they train employees beforehand. This helps staff guide customers smoothly from the first day instead of struggling to learn at the last moment.
4. **To Ensure Better Customer Satisfaction:** Well-trained employees provide better service, leading to happy customers. Example: Customer service training helps employees handle complaints effectively.
5. **To retain employees:** Employees feel valued when organisations invest in their learning and growth. This increases job satisfaction and reduces employee turnover.
6. **Reduce Errors and Improve Quality:** Training helps employees avoid mistakes and improve the quality of their work. Example: In manufacturing, proper training reduces defects and ensures better product quality.
7. **To Prepare Future Leaders:** Strategic training focuses on developing leadership skills among employees for future roles. Example: Companies train senior employees in leadership skills to prepare them for higher roles.
8. **To Gain Competitive Advantage:** In today's competitive business environment, organisations must continuously improve to stay ahead of their competitors. One of the most effective ways to achieve this is through strategic training. It is said that when employees are well-trained, they perform better, adapt faster, and contribute to innovation. This gives the organisation a strong advantage over others in the market.

3.1.2.1 Linking Business Strategy to Training Strategy

Strategic training does not happen by chance. Organisations usually follow a logical sequence of steps to make sure training is properly linked to the business strategy:

1. Understand the business strategy: Find out clearly where the company is headed, such as growth, entry into a new market, adoption of new technology, or cost reduction.
2. Identify the required skills: Decide what new skills and knowledge employees will need to support this strategy.
3. Conduct a training needs analysis: Find out the gap between the skills employees already have and the skills they will need in the future.
4. Design the training programme: Plan training content and methods that will close this gap.



5. Deliver the training: Conduct the training programme for the concerned employees.
6. Evaluate and adjust: Check whether the training has actually prepared employees for the strategic goal, and make changes if required.

Example: A hospital chain plans to expand its services to rural towns through telemedicine. A training needs analysis reveals that most of its doctors and nurses have never used video consultation software. The hospital then designs short workshops and hands-on practice sessions, delivers this training over two months, and later evaluates it by assessing how confidently the staff handles an actual video consultation with a patient.

3.1.3 Role of Strategic Training in Achieving Organisational Goals

Strategic training plays an important role in helping an organisation reach its long-term goals:

- ◇ It improves overall performance, because employees are ready in advance for what is coming.
- ◇ It supports change management, since employees do not panic or resist new systems that they have already been trained to use.
- ◇ It helps build a future-ready workforce that can take on bigger responsibilities as the organisation grows.
- ◇ It saves cost in the long run, since problems that are caught and corrected early through training are much cheaper to fix than problems caused by untrained employees later.

3.1.4 Training Models

3.1.4.1 Introduction

Once an organisation decides to train its employees strategically, the next question is: how should this training actually be planned and carried out, step by step? This is where training models become essential.

Definition

A training model is a step-by-step structure or framework that guides how a training programme should be planned, designed, delivered, and evaluated.

A training model is simply a ready-made framework, somewhat like a recipe, that tells the people responsible for training what to do first, what to do next, and how to check whether the training has worked. Different organisations choose different models depending on their needs.

Training models act as a blueprint for effective training. Just as a cook follows a recipe rather than randomly guessing at ingredients, an HR team follows a training model rather than conducting training in an unplanned, hit-and-miss manner. Now, we will look at some of the most widely used training models and understand how each one works, with the help of simple examples

3.1.4.2 ADDIE Model

The ADDIE model is one of the oldest and most widely used training frameworks in the world. Its name is an acronym for its five interconnected stages. It is globally recognised in HR, Learning and Development (L&D), instructional design, and corporate training, and ensures that training is relevant, efficient, and aligned with organisational goals. The model consists of five interconnected stages: Analysis, Design, Development, Implementation, and Evaluation.

Analysis	Identify the real training need: who are the learners, what is the performance gap, and what must be taught and why.
Design	Build the blueprint: set learning objectives, choose instructional methods, and decide on delivery format and assessment strategy.
Development	Produce all training materials: presentations, manuals, videos, case studies, simulations, and digital modules.
Implementation	Deliver the training to participants; organise schedules, prepare facilitators, and ensure all technology is functioning.
Evaluation	Determine how effective the training was using the Kirkpatrick model or the Phillips ROI model, and refine future programmes.

Example

A retail bank introduces a new mobile banking application. Using ADDIE: the Analysis stage identifies that customer-facing staff lack digital skills; the Design stage sets learning objectives and selects blended delivery; the Development stage produces short e-modules and practice scenarios; the Implementation stage delivers the programme to 500 branch staff over four weeks; and the Evaluation stage measures whether staff can now confidently assist customers with the new app.

Analysis - The Analysis stage identifies the real training need by studying the performance gap, understanding who the learners are, and determining what skills or knowledge they lack. Through tools like interviews, surveys, job analysis, and performance data, organisations gain a clear picture of what must be taught and why it is necessary.

Design - The Design stage builds the blueprint of the training by setting learning objectives, choosing instructional methods, and deciding the delivery format. It incorporates modern elements like Bloom's Taxonomy, VARK learning styles, and adult learning principles to ensure engaging learning. This stage also includes storyboarding,

creating SCORM-compliant modules, and integrating content with the LMS for smooth delivery.

Development - This stage involves producing the actual training materials. Based on the design plan, trainers create presentations, manuals, videos, case studies, simulations, assessments, and digital learning modules. All materials are reviewed and tested for clarity, accuracy, relevance, and learner experience. Development essentially converts the training design into ready-to-deliver learning resources.

Implementation - At this stage, the training is delivered to participants. This includes organising schedules, preparing facilitators, arranging materials, and ensuring all technological tools (LMS platforms, VR tools, projectors, apps) function smoothly. Implementation may include classroom sessions, virtual training, on-the-job activities, coaching, or blended methods. Effective implementation ensures participants actively engage with the content and apply what they learn.

Evaluation - Evaluation determines how effective the training has been. Modern organisations rely on the Kirkpatrick Model, which measures effectiveness at four levels - Reaction, Learning, Behaviour, and Results. Some organisations also use the Jack Phillips ROI Model, which adds a fifth measure: the financial return on investment. Insights from evaluation help organisations refine future programmes and ensure continuous improvement in training and development efforts.

3.1.4.3 Kirkpatrick Model

The Kirkpatrick Model of Evaluation is a widely recognized framework used to assess the effectiveness of training programs. This model was developed by Donald Kirkpatrick in the 1950s; it breaks down training evaluation into four distinct levels, each building on the previous one. It provides a structured approach to determine not just if learners enjoyed a training session, but whether it led to real changes in performance and business results. This model divides the evaluation process into four distinct levels: Reaction, Learning, Behaviour, and Results. They are:

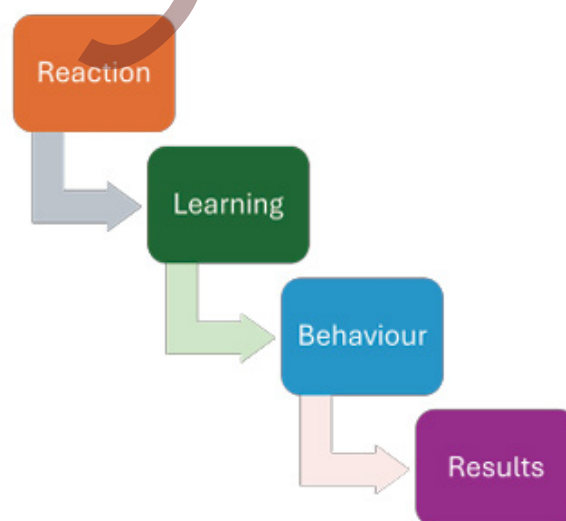


Fig 3.1.1 Levels of Evaluation Process

Level 1 Reaction	How did participants feel about the training? Collected via post-training surveys and feedback forms immediately after the session.
Level 2 Learning	What knowledge or skills were gained? Measured through pre- and post-training tests, quizzes, or practical demonstrations.
Level 3 Behaviour	Are participants applying what they learned at work? Assessed weeks or months later through supervisor feedback and performance reviews.
Level 4 Results	Has the training improved organisational outcomes? Measured through productivity data, error rates, sales figures, or customer satisfaction scores.

- i. **Reaction:** This level measures how participants felt about the training. It assesses their initial impressions, such as how engaging, relevant, and useful they found the content, trainer, and methods. Feedback forms or short surveys given right after the session are usually used to collect this information. The purpose of this level is to determine whether participants enjoyed the training experience and found it valuable. A positive reaction often increases motivation and willingness to learn.
- ii. **Learning:** This level measures the extent to which learning has occurred as a result of the training. It examines whether participants have acquired new knowledge, developed new skills, or changed their attitudes in line with the learning objectives. Learning level is often assessed through quizzes, tests, or practical demonstrations, often conducted before and after the training. By comparing participants' performance in these pre- and post-assessments, trainers can determine the extent of improvement. A noticeable increase in knowledge, skills, or positive attitude changes indicates that effective learning has occurred.
- iii. **Behaviour:** This level examines whether participants are applying what they learned in the workplace. It looks for observable changes in behaviour, typically assessed weeks or months after training, often through performance evaluations, peer feedback, or supervisor observations. Behavioural change takes time and depends not only on the training but also on organisational support, such as management encouragement, opportunities to use new skills, and workplace culture.
- iv. **Results:** The final level evaluates the overall impact of the training on organisational goals and business outcomes. This could include increased productivity, reduced errors, improved customer satisfaction, or higher sales. Measuring this level can be complex, as results are often influenced by many factors beyond training. To assess this level effectively, organisations should establish clear, measurable metrics before training, collect data, and compare it with post-training performance. This allows for an objective analysis of the training's contribution to business results.

Critical Insight

While widely adopted, the Kirkpatrick Model has limitations. It is difficult to isolate the effect of training on organisational results, as many external factors, such as economic conditions, management quality, and market trends, also influence performance. Organisations should treat Level 4 data with appropriate caution.

3.1.4.4 The CIRO Model

The CIRO Model of Evaluation is a framework used to assess the effectiveness of training and development programs, particularly in organisational settings. This model was developed by Warr, Bird, and Rackham in the 1970s. The model focuses on four key areas: Context, Input, Reaction, and Outcome.

The CIRO model differs from the Kirkpatrick model in that it evaluates training more systematically by including pre-training factors. CIRO Model adds Context and Input levels to assess organisational needs, learner requirements, and training resources before the program begins. CIRO evaluation is mostly used in organisational and corporate training programs to assess both the planning and effectiveness of learning initiatives. There are four stages of CIRO Evaluation. They are:

- i. **Context Evaluation:** The first stage is Context Evaluation, which focuses on identifying the need for training. This involves analysing the current situation to determine whether a performance gap exists and deciding if training is the right solution to address it. Organisations assess their business goals, departmental objectives, and individual performance to understand what specific skills, knowledge, or behaviours are lacking. To do this, they often use tools like training needs assessments (TNA), performance reviews, job analyses, and interviews with managers or team leaders. By clearly understanding the context, organisations can ensure that the training program is aligned with strategic goals and targets the right issues, avoiding unnecessary or misdirected training efforts.
- ii. **Input Evaluation:** The second stage is the Input Evaluation, which deals with the planning and design of the training program. At this point, evaluators assess the proposed training methods, materials, trainers, and resources to ensure they are appropriate for achieving the desired outcomes identified in the context stage. This includes determining the best delivery method (e.g., classroom, online, or blended), verifying instructor qualifications, reviewing curriculum content, and checking the availability of required resources such as time, technology, and budget. Input evaluation is essential for ensuring the training is well-prepared and effective before it is delivered, helping to minimise the risk of failure during implementation.
- iii. **Reaction Evaluation:** The third stage, Reaction Evaluation, involves gathering immediate feedback from training participants to understand their perceptions of the program. This typically includes measuring their satisfaction with the content, delivery style, training environment, and the trainer's effectiveness.

Reaction data is usually collected through post-training surveys, interviews, or feedback forms.

While this stage does not measure learning or long-term impact, it provides valuable insight into how well the training was received and whether learners found it engaging and relevant. Positive reactions are often a good sign of motivation and willingness to apply the learning, although further evaluation is needed to confirm effectiveness.

- iv. Outcome Evaluation:** The final stage, Outcome Evaluation, assesses the actual results of the training program. This stage focuses on determining whether participants gained the intended knowledge, skills, or attitudes and whether they applied them in the workplace. It also looks at broader organisational improvements, such as increased productivity, improved quality, or higher customer satisfaction. Outcome evaluation may involve assessments, performance reviews, supervisor feedback, behavioural observations, and even return on investment (ROI) calculations. This stage is the most critical, as it provides concrete evidence of whether the training had a lasting, positive impact on individual performance and organisational success

C – Context	Was this training actually needed? Analyses the performance gap, business goals, and whether training is the right solution.
I – Input	Were the right resources deployed? Reviews training methods, materials, trainers, technology, and budget before delivery.
R – Reaction	How did learners respond? Gathers immediate feedback on satisfaction, relevance, and perceived value of the programme.
O – Output	What were the final results? Examines whether the performance gap was closed and whether the organisation benefited.

The table below compares the Kirkpatrick and CIRO models to help clarify when each is best applied:

Dimension	Kirkpatrick Model	CIRO Model
Origin	Donald Kirkpatrick, 1950s	Warr, Bird & Rackham, 1970s
Starting point	After training is delivered	Before training begins
Levels / Stages	4 levels: Reaction, Learning, Behaviour, Results	4 stages: Context, Input, Reaction, Output
Pre-training planning	Not included	Central focus (Context and Input stages)

Dimension	Kirkpatrick Model	CIRO Model
Financial ROI	Not included (added by Phillips)	May be part of Output stage
Best used for	Evaluating a delivered training programme	Auditing the full training decision and design process
Suitable for	All types of corporate training	Management development and strategic programmes

Corporate Insight

Companies like Infosys invest heavily in training employees in emerging technologies such as AI and cloud computing before project demand arises. This reflects a strong strategic training approach.

3.1.4.5 Systematic Training Model

The Systematic Training Model (STM) is a step-by-step approach used by organisations to plan, design, deliver, and evaluate training in a logical and organised way. It ensures training is not random, but done in a proper sequence to achieve results. Many organisations, especially smaller ones, follow a simpler version of the same basic idea, often called the systematic training cycle. It has four broad stages: identifying training needs, designing the training programme, delivering the training, and evaluating the results. The cycle is shown as a continuous loop because the results of evaluation are used to identify training needs once again for the next round, rather than the process simply coming to an end.

Stage	Description
1. Identify Training Needs	Determine what skills or knowledge employees are missing and what training is required.
2. Design the Training Programme	Plan the content, methods, and schedule of the training.
3. Deliver the Training	Conduct the training programme for the target employees.
4. Evaluate the Results	Assess whether training has achieved its objectives; findings feed into the next cycle.

The cycle is continuous, and the results of evaluation are used to identify training needs for the next round, ensuring ongoing improvement.

3.1.4.6 The 70:20:10 Learning Model

Another popular way of looking at how employees actually learn is the 70:20:10 model. This model reminds organisations that most learning at the workplace does not happen inside a classroom.

Example: Asha has just been promoted to store manager. About 70 per cent of what she learns about managing the store comes from actually doing the job every day and solving real problems as they come up. Around 20 per cent comes from observing and talking to her senior manager, who gives her tips and feedback from time to time. Only about 10 per cent comes from a formal classroom training session on store management that the company arranges for her.

The 70:20:10 model does not mean every organisation must follow these exact numbers strictly. Instead, it reminds organisations that formal classroom training alone is not enough, and that real learning mostly happens through hands-on experience and guidance from others.

Learning Source	Proportion	What It Means
On-the-job experience	70%	Doing the actual work, solving real problems, and learning from daily challenges.
Social learning (colleagues, mentors)	20%	Observing, discussing, and receiving feedback from managers and experienced peers.
Formal training (classroom, e-learning)	10%	Structured programmes, workshops, and courses.

3.1.4.7 Choosing the Right Training Model

There is no single training model that suits every organisation. The right choice depends on several practical factors:

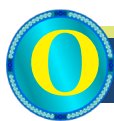
- ◇ The nature of the job, such as whether it mainly needs technical skills or soft skills
- ◇ How urgently the training is needed
- ◇ The budget available for training
- ◇ The number of employees who need to be trained
- ◇ The availability of technology and trainers
- ◇ The general learning culture of the organisation

Example: A small business with only ten employees and a tight budget may rely more on day-to-day mentoring by senior staff, which is closer to the 70:20:10 approach. A large company that is rolling out new software across fifty branches at the same time may instead prefer the more structured ADDIE model, with properly developed training material that can be used uniformly everywhere.



Recap

- ◇ Strategic training focuses on long-term goals
- ◇ It improves performance and organisational success
- ◇ Training models help structure training
- ◇ CIRO Model includes context and input, ideal for pre-training planning and management development.
- ◇ Kirkpatrick Model is a 4-level framework measuring reaction, learning, behavior, and results.
- ◇ The Context component assesses the need for training and its alignment with organisational objectives.
- ◇ The Input component evaluates the resources, materials, and methods used in the training.
- ◇ The Reaction component measures participants' responses, including satisfaction and engagement.
- ◇ The Outcome component examines the results of the training, such as learning gains or behaviour changes.



Objective Questions

1. What does “C” in CIRO stand for?
2. What model is best known for evaluating learning outcomes post-training?
3. What does ROI stand for?
4. List any 2 important aspects of strategic training
5. What is the term for “Level 1” in the Kirkpatrick Model?



Answers

1. Context
2. Kirkpatrick
3. Return on Investment
4. Improve Employee Performance, Cope with change
5. Reaction



Self-Assessment Questions

1. What is “strategic training”?
2. Mention two differences between traditional and strategic training.
3. Explain the meaning of the strategic model.
4. Explain the ADDIE model with an example.
5. Write a note on the Kirkpatrick Model



Assignments

1. Think of any organization you know (bank, school, hospital).
 - ◇ What type of training do employees receive?
 - ◇ Is it strategic or general training?
 - ◇ How can it be improved?

Write your answer in 100–150 words.
2. Compare and contrast the Kirkpatrick and CIRO models, highlighting which is more suitable for evaluating management training.
3. What are the main components of the CIRO Model?
4. What are the four levels of the Kirkpatrick Model? Briefly explain each.
5. Using the CIRO Model, design a training evaluation plan for a management development program





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Unit - 2

Introduction to Technology Enabled Learning



Learning Outcomes

After completing this unit, the learner will be able to:

- ◇ explain how technology has transformed employee training
- ◇ identify different technology-enabled learning methods
- ◇ explain the concept of Learning Management Systems (LMS)
- ◇ evaluate training effectiveness using suitable methods



Prerequisite

Think about how you learn today compared to ten years ago. Earlier, learning meant sitting in a classroom with a teacher. Today, you can learn through mobile apps, online videos, virtual classes, and short lessons on your phone.

Now imagine an organisation that still uses only classroom training, while its competitors use online platforms, mobile learning, and real-time feedback systems.

Which organisation will train employees faster? Which will adapt better to change? Which will perform better in the long run? This shows that training today is not only about what we teach, but how we deliver and evaluate it. In this unit, we will discuss and explain how technology has transformed employee training and the concept of Learning Management Systems (LMS), and evaluate training effectiveness using suitable methods.



Keywords

E-learning, Mobile Learning, LMS, Virtual Training, Training Evaluation, Kirkpatrick Model, Virtual Classroom





Discussion

3.2.1 Technology-Enabled Learning and Training Systems

Imagine how people learnt things just twenty years ago. If a company wanted to train its employees, someone had to book a hall, print handouts, arrange a projector, and get everyone to the same place on the same day. If an employee missed the session, they had no way of revisiting what was taught. If the company had offices in five different cities, it would have to send a trainer to each city separately, which would take a lot of time and cost a lot of money.

Today, the picture is completely different. Technology has transformed this entirely. An employee sitting in Thiruvananthapuram can attend the very same training session as a colleague in Delhi, through a video call. Another employee working from home can complete a training course at midnight, in between putting the children to bed. A field sales agent can look up a product refresher on their phone five minutes before walking into a client meeting. A new hospital nurse can practise responding to a patient emergency on a realistic computer simulation, without any risk to a real patient. All of this has been made possible by technology.

Did You Know? According to global HR surveys, organisations that shifted to digital learning platforms reported saving between 40 and 60 per cent in training costs compared to traditional classroom-only programmes, largely because they could eliminate travel, accommodation, and venue expenses.

3.2.2 What is Technology-Enabled Learning?

Definition

Technology-enabled learning (also called Technology-Based Training or digital learning) means using digital tools, devices, software, and the internet to plan, deliver, and manage employee training, instead of relying entirely on a physical classroom and a live trainer.

The goal of technology-enabled learning is the same as traditional training: to help employees gain knowledge and skills that improve their performance on the job. The difference is only in how this goal is achieved. Technology allows training to be delivered to more people, in more places, at lower cost, and often with greater flexibility than traditional classroom training alone.

In today's fast-changing business environment, organisations cannot depend only on traditional classroom training. Technology makes learning faster, more flexible, and accessible. Example: Watching a YouTube tutorial to learn Excel is technology-enabled learning. Various types of technology-enabled learning are as follows:

3.2.3 How Did We Get Here? A Brief Journey

Technology-enabled learning did not arrive overnight. It evolved gradually over several decades.

Time Period	What Was Used	How It Helped
1960s–1980s	Audio recordings, videotapes, and film projectors	Employees could watch training films repeatedly, removing the need for the same trainer to visit every site
1980s–1990s	CD-ROMs and computer-based training (CBT)	Employees could learn at their own pace on a desktop computer without a live trainer present.
Late 1990s	The internet arrives; early web-based training.	Courses could now be hosted online and accessed from anywhere with a connection.
2000s	Learning Management Systems (LMS)	Organisations could deliver, track, and manage hundreds of courses from a single platform.
2010s	Smartphones, apps, video streaming	Employees could learn on the go, on any device, at any time
2020s onwards	Artificial Intelligence, Virtual Reality, Adaptive Learning	Training can now be personalised to each learner's pace and style, and immersive simulations feel almost real

3.2.4 Types of Technology-Enabled Training Systems

Many different tools and approaches fall under technology-enabled learning. Let us look at each of them in detail, with simple examples to make them easy to understand

3.2.4.1 E-Learning (Electronic Learning)

E-learning refers to training content that is delivered through digital means, most commonly through the internet or a company's internal network. Employees access the content on their computer, laptop, or tablet, and work through it at their own pace. E-learning can include text, images, short videos, animations, audio narrations, and short quizzes, all packaged together in a structured course.

E-learning can be of two types:

◇ **Self-paced e-learning:** The employee can start, pause, and resume the course at



any time, without waiting for a fixed date or time. Most e-learning today works this way.

- ◇ **Instructor-led online courses:** These follow a schedule and include deadlines, assignments, and sometimes interaction with a teacher, though everything still happens online.

E-learning works best when the training content is primarily knowledge-based, such as policies, product information, compliance rules, and industry regulations. It is not very effective for skills that require live practice, such as customer negotiation or hands-on machine operation.

3.2.4.2 Learning Management System (LMS)

A Learning Management System, or LMS, is a software platform or portal where an organisation stores, delivers, tracks, and manages all its training programmes in one central place. Think of it as a digital library combined with an attendance and result system, all in one.

Through an LMS, the organisation can:

- ◇ Upload courses and training videos
- ◇ Assign specific courses to specific employees or departments
- ◇ Track which employees have started, completed, or not yet attempted each course
- ◇ Set deadlines and send automated reminders to employees who have not completed a course
- ◇ Issue digital certificates after successful course completion
- ◇ Generate reports for managers showing team-wide progress

Example: A retail chain with two hundred branches uses an LMS to manage all its training. When the company launches a new brand of shampoo, it uploads a short product training module on the LMS and assigns it to all store assistants across every branch. Within two days, the HR manager can see which stores have completed the training and which have not, without making a single phone call.

***Did You Know?** Popular LMS platforms used by Indian organisations include Moodle (widely used by educational institutions and open-source), TalentLMS, Cornerstone OnDemand, and SAP SuccessFactors Learning.*

3.2.4.3 Virtual Classrooms and Webinars

A virtual classroom is a live, online training session where a trainer and learners interact in real time through the internet, instead of being in the same room. They use video conferencing platforms so they can see and hear each other, share screens, show

presentations, and even work on group activities.

A webinar is similar but usually has less two-way interaction. The trainer presents, and participants mainly listen and may ask questions through a chat window. Webinars tend to have larger audiences.

Both virtual classrooms and webinars closely mimic a physical classroom session. Their main advantage is that everyone can attend from wherever they are, without the need to travel.

Example: A pharmaceutical company needs to train its medical representatives across eight states about new drug regulations issued by the government. Instead of flying trainers to each state separately, the HR head conducts a two-hour virtual classroom session. All representatives join from their respective cities. The trainer explains the new rules, shows the relevant documents on screen, and takes questions live. The session is recorded and uploaded to the LMS for anyone who missed it.

3.2.4.4 Mobile Learning (M-Learning)

Mobile learning means delivering training through smartphones or tablets, using apps or mobile-friendly websites. The idea is simple: most employees today carry a powerful device in their pocket. Mobile learning content is usually short and bite-sized, sometimes called microlearning, designed to be consumed in five to fifteen minutes. It can include short videos, infographics, flashcards, or brief quizzes. Mobile learning is particularly useful for employees who are rarely at a desk, such as sales staff, delivery agents, healthcare workers, and field engineers. However, it is not suitable for complex topics that require long, uninterrupted focus.

3.2.4.5 Simulations

A simulation is a computer-created scenario that closely mimics real-life work situations, allowing employees to practise a skill or procedure in a safe, controlled environment without any risk to real people, equipment, or money. Simulations are highly effective for skills that are complex, high-risk, rare in real life, or expensive to practise. Their only limitation is cost: sophisticated simulations, especially VR-based ones, require significant investment to develop.

3.2.4.6 Gamification

Gamification means adding game-like elements to training to make it more engaging, motivating, and enjoyable. The training content itself does not become a game, but it is delivered in a way that feels like a game, with points, levels, badges, leaderboards, and rewards

Common gamification elements used in training include:

- ◇ **Points:** Points awarded for completing modules or answering questions correctly



- ◇ **Badges:** Badges earned after completing a topic or achieving a milestone
- ◇ **Leaderboards:** This shows how an employee ranks compared to their colleagues
- ◇ **Levels:** This refers to the unlocked step-by-step as learning progresses
- ◇ **Streaks:** These track how many days in a row an employee has completed a learning task

Did You Know? Research shows that people retain information much better when they are emotionally engaged. Gamification works because it taps into very natural human instincts: the desire to compete, to achieve, and to be recognised. This is why even very dry topics like taxation rules or data security policies can be made more engaging through gamification.

3.2.4.7 Blended Learning

Blended learning is not a new technology in itself; it is an approach that deliberately combines online, technology-enabled training with face-to-face, in-person learning. The idea is to take the best of both worlds: the flexibility and scale of technology, and the depth and personal interaction of classroom training.

A typical blended learning programme works like this:

1. Employees complete online modules and watch videos before the training event (pre-learning)
2. They then attend a shorter, more focused in-person or virtual classroom session where they apply what they have already learnt through discussions, role plays, and case studies
3. After the session, they access follow-up resources, complete assignments, or take assessments online (post-learning).

Blended learning is considered the most effective approach by many training experts because it combines the convenience of technology with the depth and human connection of face-to-face interaction. However, it requires careful planning to ensure the online and offline parts connect smoothly.

3.2.4.8 Video-Based Learning

Video-based learning uses short, well-produced videos as the primary medium of training. Videos are excellent for visual demonstrations, storytelling, and bringing real-world experts directly into the learning experience. **Example:** A hospital trains all its nurses on a new procedure for wound dressing. Instead of bringing a trainer to every ward, the head nurse records a clear, step-by-step video demonstrating the procedure. The video is uploaded to the hospital's LMS, and all nurses watch it at their convenience. They can pause, rewind, and re-watch any step as many times as they need, something

impossible in a live demonstration.

3.2.4.9 Artificial Intelligence and Adaptive Learning

Artificial Intelligence (AI) is beginning to transform training in a significant way. AI-powered training systems study each learner's behaviour, how long they take to answer questions, which topics they find easy, which ones they struggle with, and then automatically adjust the training content to match each individual's needs.

This is called adaptive learning. Instead of every employee completing the same course in the same order, an adaptive system gives each learner a personalised learning path based on what they already know and what they still need to learn.

The table below summarises all technology-enabled learning types at a glance:

Method	What It Is	Best Used For
E-Learning	Self-paced or scheduled digital courses	Policy, compliance, product knowledge
LMS	Platform to deliver, track and manage all training	Centralised management of large organisations
Virtual Classroom	Live online training with real-time interaction	Replacing face-to-face sessions across locations
Mobile Learning	Short, bite-sized content via smartphone	Field staff; just-in-time learning
Simulations	Computer-created real-life scenarios for safe practice	High-risk, complex, or rare skills
Gamification	Points, badges, levels to make training engaging	Motivation and engagement for routine content
Blended Learning	Online pre-learning + in-person application	Deep learning requiring both content and practice
Video-Based	Expert-led video demonstrations and storytelling	Visual procedures; remote staff
AI / Adaptive	Personalised learning paths based on learner behaviour	Large workforces with varied skill levels

3.2.5 Advantages of Technology-Enabled Learning

Technology-enabled learning offers organisations several important benefits over

traditional classroom-only training:

1. **Reach and Scale:** Technology can deliver the same training to thousands of employees across many locations at the same time. A single e-learning module or webinar can reach employees in Kolkata, Kochi, and Kanyakumari simultaneously.
2. **Flexibility:** Employees can learn at a time and place that suits them, which is especially useful for those working in shifts, field roles, or from home. This reduces disruption to daily work schedules.
3. **Consistency:** Every employee receives the same content in the same way. There is no risk of different trainers delivering the topic differently in different branches, which can happen in classroom training.
4. **Cost Savings:** Once a course is created, it can be used repeatedly without additional costs for travel, venue hire, printed materials, or a trainer's daily fees. The savings grow substantially as the number of learners increases.
5. **Self-Paced Learning:** Employees who need more time can take it; those who already know a topic can move through it quickly. Learners are not held back by the slowest person in the group, as sometimes happens in a classroom.
6. **Easy Tracking and Reporting:** LMS platforms automatically record who has completed what, when, and with what score, making it easy for HR to monitor progress and compliance without manual record-keeping.
7. **On-Demand Access:** Employees can revisit any part of the training at any time. If a salesperson needs to quickly refresh their memory on a product before a client call, they can do so in minutes.
8. **Environment-Friendly:** Digital training eliminates the need to print workbooks, handouts, and certificates. This reduces paper waste significantly.

3.2.6 Limitations and Challenges of Technology-Enabled Learning

Despite its many advantages, technology-enabled learning also comes with important limitations that organisations must acknowledge and plan for:

1. **Digital Infrastructure Requirement:** Good internet connectivity and suitable devices are essential. In many parts of rural India and in industries like construction and agriculture, access to reliable internet or personal devices cannot be taken for granted.
2. **Reduced Human Interaction:** Learning from a screen cannot fully replicate the warmth, mentorship, and spontaneous discussion that happens in a well-conducted classroom session. Isolation can reduce motivation in some learners, especially those who thrive in social environments.
3. **Not Suitable for All Skills:** Purely physical or hands-on skills, such as operating

a lathe machine, performing surgery, or cooking a dish to a specific standard, cannot be learnt adequately through a screen alone. Simulations help, but they must eventually be followed by real practice.

4. **Learner Self-Discipline Required:** Self-paced learning depends heavily on the learner's own motivation and discipline. Without the structure of a classroom or a trainer present, many employees delay or never complete their assigned courses.
5. **High Initial Investment:** Developing high-quality e-learning courses, VR simulations, or a custom LMS requires significant upfront investment in technology, content creation, and expertise.
6. **Risk of Information Overload:** Poorly designed digital training can bombard learners with too much content on a screen, leading to fatigue and shallow learning. Good instructional design is essential.
7. **Technology Anxiety in Some Employees:** Older employees or those with limited exposure to digital tools may feel uncomfortable or anxious with technology-based training. Additional support and patience are needed for such groups.

Example: A large cooperative bank decided to shift entirely to online training for its staff, many of whom were long-serving employees aged over fifty who had always learnt through classroom sessions. Completion rates were very poor in the first few months, not because the content was bad, but because many employees were not comfortable navigating the LMS portal independently. The bank had to run short orientation sessions on how to use the platform itself before employees could focus on the actual training content.

Emerging Trends in Technology-Enabled Learning

Virtual Reality (VR) and Augmented Reality (AR): VR creates a fully immersive simulated environment through a headset, while AR overlays digital information on the real world through a smartphone or smart glasses. Both are increasingly used in training for complex physical skills. For example, VR is used in soft skills training to simulate difficult conversations, and AR is used in equipment maintenance training, where a technician can see step-by-step repair instructions overlaid directly on the actual machine they are working on.

Microlearning: Very short, focused learning nuggets of between two and five minutes, designed to deliver one specific piece of knowledge or skill. Microlearning fits naturally into a busy employee's day and works well on mobile devices.

Social and Collaborative Learning Platforms: Platforms where employees can share tips, upload their own short knowledge videos, ask questions, and learn from each other, much like a professional version of social media. This captures the informal, experience-based learning that the 70:20:10 model highlights.



Personalised Learning Paths: AI-driven systems that recommend learning content based on each employee's role, career goals, skill gaps, and past learning history, much like how Netflix recommends shows based on what you have previously watched

Xapi (Experience API): A technical standard that allows organisations to track learning experiences beyond the LMS, including learning from apps, games, simulations, and even informal on-the-job experiences, giving a much more complete picture of how employees are learning.

***Did You Know?** Several Indian companies are already using VR-based training. Tata Steel uses VR to train workers on safe operating procedures in blast furnace areas. Infosys uses VR for onboarding new employees, giving them a virtual tour of the company campus and an immersive experience of the company culture, even before they join physically.*

So far, we have understood how technology helps in delivering training effectively. However, delivering training alone is not enough. Organisations must also check whether the training has actually improved employee performance. This brings us to the next important topic: evaluation of training effectiveness.

3.2.7 Evaluation of Training Effectiveness

Delivering training is only half the task. Organisations must also determine whether training has actually improved employee performance. Imagine a company spends a large amount of money on training its employees. But after the training, no one checks whether employees actually improved. That would be like going to a doctor, taking medicine, but never checking if you got better. This is why evaluation is important.

Definition

Training evaluation is the systematic process of determining whether a training programme has achieved its objectives and produced measurable improvement in employee performance and organisational outcomes.

In essence, evaluation seeks to answer three core questions

- ◇ Did employees learn something new?
- ◇ Are they using it in their work?
- ◇ Did the organisation benefit from it?

Training evaluation is the process of finding out whether a training programme has achieved its objectives and improved employee performance. Training is useful only when it improves employee performance. Therefore, organisations must evaluate whether training has achieved its objectives.

3.2.7.1 Why is Evaluation Important?

Organisations evaluate training for several reasons:

- ◇ To check whether employees have learned the required skills
- ◇ To measure improvement in job performance
- ◇ To identify gaps in training
- ◇ To improve future training programmes
- ◇ To ensure money spent on training is useful

3.2.7.2 How Do Organisations Evaluate Training?

There are simple ways and structured models used to evaluate training. We have already discussed the various methods for evaluating training in the previous unit. A small summary is shown below:

3.2.7.3 Kirkpatrick Model

As we have already discussed in the previous unit in detail, here we shall see a summary of it. This model evaluates training at four levels:

1. Reaction – How did employees feel about the training?
2. Learning – What knowledge or skills did they gain?
3. Behaviour – Are they applying what they learned at work?
4. Results – Has training improved organisational performance?

3.2.7.4 Phillips ROI Model

Jack Phillips extended the Kirkpatrick framework in the 1990s by adding a fifth level that translates training outcomes into financial terms. This allows organisations to compare the cost of training directly against the monetary value it generates, making the business case for continued investment in employee development.

Jack Phillips added a 5th level on top of Kirkpatrick:

Level	Question Answered
Level 1 — Reaction	How did participants respond to the training?
Level 2 — Learning	What knowledge or skills were gained?
Level 3 — Behaviour	Are participants applying what they learned at work?
Level 4 — Results	Has the training improved organisational outcomes?
Level 5 — ROI	Was the training worth the money spent?

Example: A retail company conducts a customer service training programme for its sales employees. After customer service training, the levels reflected show:

Level 1 – (Reaction): Employees enjoyed the training and rated it highly in feedback surveys.

Level 2 – (Learning): Employees learned effective communication, complaint-handling, and customer relationship skills.

Level 3 – (Behaviour): Supervisors observed employees applying these techniques when interacting with customers.

Level 4 – (Results): Customer complaints decreased by 30%, customer satisfaction scores increased, and repeat purchases improved.

Level 5 – (ROI): The organisation spent ₹5,00,000 on the training programme. After six months, improved customer retention and increased sales generated an estimated financial benefit of ₹8,00,000

ROI Formula:

$$\text{ROI (\%)} = \frac{\text{Programme Benefits} - \text{Programme Costs}}{\text{Programme Costs}} \times 100$$

Calculation:

$$8,00,000 - 5,00,000 / 5,00,000 \times 100 = 60\%$$

The training programme achieved an ROI of 60%, meaning that for every ₹1 invested, the organisation earned an additional ₹0.60 in net benefits after recovering the training cost. This indicates that the programme was financially worthwhile.

A key challenge of the Phillips model is isolating training's financial contribution from other factors that may have influenced business outcomes (for example, market conditions or staffing changes). Phillips recommends using control groups or statistical estimation methods to address this.

3.2.7.5 The CIRO Model

When applied to training evaluation specifically, the CIRO model evaluates not just the outcomes of training but the entire training decision, from whether training was needed in the first place, to whether the right resources were used:

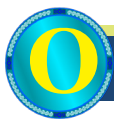
C – Context	Was this training actually needed? Analyses the performance gap, business goals, and the question of whether training is the right solution.
I – Input	Were the right resources deployed? Reviews training methods, materials, trainers, technology, and budget before delivery.
R – Reaction	How did learners respond? Gathers immediate feedback on satisfaction, relevance, and perceived value of the programme.
O – Output	What were the final results? Examines whether the performance gap was closed and whether the organisation benefited.

CIRO is particularly recommended for evaluating management development programmes and strategic HR initiatives, where the full training decision process, not just its outcome, must be scrutinised.



Recap

- ◇ Technology has changed the way organisations deliver training
- ◇ Various tools like LMS, mobile learning, and simulations are widely used
- ◇ Technology-enabled learning offers flexibility, cost savings, and scalability
- ◇ Training must be evaluated to ensure effectiveness
- ◇ Training evaluation is the process of finding out whether a training programme has achieved its objectives and improved employee performance.
- ◇ CIRO Model includes context and input, ideal for pre-training planning and management development.
- ◇ Kirkpatrick Model is a 4-level framework measuring reaction, learning, behavior, and results.



Objective Questions

1. Name a technology that creates an immersive, three-dimensional simulated environment experienced through a headset, used in advanced training simulations.
2. What is a computer-created scenario that mimics a real-life situation, allowing learners to practise a skill safely without real-world consequences
3. What is the use of game-like elements such as points, badges, and leaderboards in training to increase learner engagement and motivation
4. Name a training approach that deliberately combines online learning with face-to-face, in-person sessions
5. Which is a software platform used to deliver, assign, track, and manage all organisational training from one central location



Answers

1. Virtual Reality (VR)
2. Simulation
3. Gamification
4. Blended Learning
5. Learning Management System (LMS)



Self-Assessment Questions

1. Briefly explain any three advantages of technology-enabled learning
2. What is blended learning? Give one example of how it could be used in a training programme.
3. What is microlearning, and why is it becoming popular in organisations today?
4. What is the role of LMS in training?
5. Explain any two limitations of technology-enabled learning.



Assignments

1. Identify any organisation using LMS. Explain its benefits.
2. Suggest how mobile learning can be used in employee training.
3. Compare classroom training and technology-enabled training.
4. “Training is an investment, not a cost.” Discuss this statement with suitable examples.



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BLOCK - 04



Strategic Motivation and Employee Engagement

Unit - 1

Strategic Motivation



Learning Outcomes

After completing this unit, the learner will be able to:

- ◇ define motivation and describe its importance in organisations
- ◇ explain different reward strategies used in organisations
- ◇ explain major theories of motivation and their application in the workplace
- ◇ gain insight into the various Workplace Motivation Strategies



Prerequisite

Every organisation depends on its employees to achieve its goals and remain competitive. While employees possess the necessary knowledge and skills, their willingness to apply these abilities effectively is greatly influenced by motivation. Motivation is the driving force that encourages individuals to work with dedication. Highly motivated employees are more productive and innovative, which contributes to improved organisational performance. On the other hand, a lack of motivation can result in low productivity, absenteeism, poor job satisfaction, and high employee turnover.

Two employees, Pranav and Rohan, worked in the same department and had similar qualifications and experiences. Every morning, they started work at the same time and were given similar responsibilities. Over time, however, their performance became very different. Pranav completed his work with enthusiasm, volunteered for new projects, and often came up with ideas to improve the team's performance. Rohan, on the other hand, completed only the tasks assigned to him and rarely showed interest in taking on additional responsibilities.

The difference was not in their ability, but in what motivated them. Pranav felt appreciated for his efforts, received regular feedback from her manager, and believed that good performance would lead to career growth. Rohan felt that his hard work went unnoticed and saw little opportunity for advancement. As a result, Pranav remained committed, while Rohan gradually lost interest in his work. This



story shows that having the right knowledge and skills is not enough for employees to perform well. They also need the desire and willingness to use those abilities effectively.

This unit explores the meaning and significance of motivation, examines various reward strategies adopted by organisations, discusses major theories of motivation and analyses how motivation and reward systems influence employee performance. By studying these concepts, learners will gain a comprehensive understanding of how organisations can inspire employees to achieve both individual and organisational goals.



Keywords

Reward Strategy- Employee Motivation-Job Satisfaction-Work Life Balance- Total Rewards Strategy- Employee Empowerment



Discussion

4.1.1 Historical Perspective

People are at the heart of every organisation, and their efforts play a significant role in determining success. While technology, finance, and other resources are important, it is the commitment and performance of employees that enable organisations to achieve their objectives. As organisations face increasing competition and continuous change, creating a work environment that encourages employees to perform effectively has become a strategic priority.

The concept of rewards given to employees has evolved significantly over time as organisations recognised that effective rewards are essential for attracting, motivating, engaging, and retaining employees. In the early stages, reward practices were mainly focused on an economic perspective, where employees were motivated primarily through financial compensation. Over time, organisations developed a broader understanding of rewards by incorporating both financial and non-financial elements to improve employee performance and organisational effectiveness.

During the Scientific Management Era (1890–1925), Frederick Winslow Taylor emphasized improving productivity through scientific work methods, specialization, standardization, and monetary incentives. Reward practices during this period were mainly based on financial rewards, where employees were rewarded according to their level of output. This approach viewed employees primarily as economic resources whose performance could be improved through appropriate financial incentives.

The Human Relations Movement (1925–1950) brought a significant change in the understanding of employee rewards. Through the studies conducted by Elton Mayo, organisations recognized that employee motivation and performance were influenced not only by monetary rewards but also by social relationships, teamwork, recognition, communication, and supportive supervision. As a result, organisations began introducing non-financial rewards such as employee recognition, appreciation, and improved working conditions.

The Behavioural Science Era (1950–1970) further expanded the concept of rewards through the contributions of Abraham Maslow, Frederick Herzberg, Douglas McGregor, and David McClelland. These theories highlighted that employees are motivated by psychological and social needs such as achievement, recognition, responsibility, personal growth, and meaningful work. Consequently, organisations started focusing on broader reward practices, including job enrichment, career development, training opportunities, and recognition programmes and financial compensation.

In the Modern Era (1990s–Present), reward strategy has developed into a comprehensive approach that integrates both financial and non-financial rewards. Today, employees are considered valuable strategic assets. An effective reward strategy plays a critical role in enhancing employee engagement and sustainable organisational success.

4.1.2 Reward Strategy

Employees contribute their knowledge, skills, and efforts towards achieving organisational goals, and organisations, in turn, recognise these contributions in various ways. While financial compensation is an important aspect of this recognition, employees also value opportunities for growth, appreciation and a supportive work environment. In today's competitive business environment, organisations must adopt well-planned approaches that attract, motivate and retain talented employees. The following section explores how organisations develop and implement reward strategies to achieve these outcomes.

A reward strategy in Human Resource Management is a structured and long-term approach designed to attract, motivate and retain employees by offering fair and competitive rewards. It is closely linked with organisational strategy and ensures that employee compensation and recognition are aligned with organisational performance and business goals.

Reward strategy refers to the deliberate design and implementation of reward policies and practices that support and advance an organisation's strategic objectives. Organisations can adopt different reward strategies depending on their objectives and workforce needs. Some emphasize competitive base salaries and regular annual pay increases to promote job security and long-term retention. Others include performance-related pay or team-based incentives to encourage higher levels of individual and collective performance. Nowadays, organisations are adopting a Total Rewards approach, which extends beyond financial compensation to include employee benefits,

career development opportunities, recognition, work-life balance, and a positive working environment. This holistic approach recognizes that employees value both monetary and non-monetary rewards.

Many organisations also integrate their reward strategy into a broader Employee Value Proposition, which represents the overall value offered to employees in exchange for their skills, commitment, and performance. A well-designed reward strategy is a strategic human resource management tool that enables organisations to achieve sustainable competitive advantage by aligning employee rewards with organisational goals and facilitating a motivated and committed workforce.

4.1.2.1 Importance of Reward Strategy in HRM

- ◇ Reward strategy improves employee motivation by linking rewards to performance.
- ◇ It enhances employee performance and productivity.
- ◇ It increases employee satisfaction and morale.
- ◇ It helps in retaining employees and reduces turnover.
- ◇ It strengthens employer branding and attracts skilled employees.
- ◇ It encourages fairness and transparency in compensation.
- ◇ It builds employee commitment and engagement.

4.1.2.2 Factors Influencing Reward Strategy

A reward strategy is influenced by a variety of factors that determine how an organisation designs and implements its reward system. These factors can be broadly classified into internal factors, which arise within the organisation, and external factors, which originate from the external business environment.

1. Internal Factors

Internal factors are the factors that originate within the organisation and are largely under the control of management. They determine how the reward strategy is designed and implemented to support organisational objectives. These factors include the organisation's goals and business strategy, financial capacity, organisational culture, HR policies, employee performance and the nature of jobs. For example, an organisation with strong financial capacity can offer higher salaries and better benefits, while a performance-oriented organisation may emphasize on merit pay and incentives. By considering these internal factors, organisations can develop a reward strategy that motivates employees and enhances organisational performance.

2. External Factors

External factors are the factors that arise outside the organisation and are generally beyond the direct control of management. These factors influence the organisation's

ability to design competitive reward systems. They include labour market conditions, government laws and labour regulations, economic conditions, industry standards, competition, trade unions, technological changes and demographic trends. For instance, organisations may increase salaries during periods of high inflation or in times of talent shortages to remain competitive. Labour laws require employers to comply with minimum wage and employee benefit regulations.

4.1.2.3 Reward Policies

Reward policies are the principles and guidelines that an organisation follows to determine how employees are compensated for their work and performance. They ensure that rewards are fair, transparent and aligned with the organisation's strategic objectives. These policies provide a framework for deciding the level of rewards, maintaining internal equity, external competitiveness and ensuring equal pay for work of equal value. Well designed reward policies help organisations attract, motivate, and retain talented employees while complying with legal and ethical standards.

An effective reward policy adopts a total rewards approach by combining financial rewards, such as salary, incentives and bonus with non-financial rewards, such as recognition, career development, and work-life balance. It outlines the use of contingent rewards, where rewards are linked to employee performance, competence, contribution, or skills.

Reward policies also specify the role of HR managers in implementing reward practices, conducting performance appraisals and ensuring that rewards are administered fairly and consistently across the organisation. They also provide guidelines for assimilating employees into new pay structures, protecting employees from sudden reductions in pay during organisational changes, and determining appropriate pay levels for new appointments and promotions. By establishing clear and well-structured reward policies, organisations can create a motivated, engaged, and committed workforce while supporting long-term organisational growth and success.

4.1.2.4 Types of Rewards

Reward strategy includes both financial rewards such as salary, bonuses, incentives, and profit-sharing, as well as non-financial rewards like recognition, career development, training opportunities and work-life balance. The main purpose of a reward strategy is to improve employee motivation, satisfaction, and productivity while ensuring fairness and consistency in the organisation. A strong reward strategy also helps organisations retain skilled employees, reduce turnover, and maintain a committed workforce. The major types of rewards are as follows:

1. Financial Rewards

Financial rewards refer to monetary benefits given to employees in return for their work and performance. It consists of basic salary, wages, overtime pay, bonuses, incentives, commissions, and profit-sharing. Competitive compensation helps attract

and retain talented employees.

- ◇ **Basic Salary and Wages:** This is the fixed payment given to employees for their regular work. It provides financial stability and forms the base of compensation.
- ◇ **Bonuses and Incentives:** These are extra payments given based on performance or achievement of targets. They motivate employees to work harder and achieve goals.
- ◇ **Performance-Based Pay:** In this system, salary or pay increases based on employee performance levels, encouraging better productivity and efficiency.
- ◇ **Profit Sharing:** Employees receive a share of the organisation's profits, which increases their sense of ownership and commitment.
- ◇ **Allowances and Benefits:** These include additional financial support such as travel allowance, house rent allowance, medical benefits, and other perks that improve employee welfare.

2. Non-Financial Rewards

Non-financial rewards do not involve direct money but focus on meeting employees' psychological and social needs. These include meaningful work, job enrichment, employee empowerment, participation in decision-making, autonomy, challenging assignments and a positive work environment. Such rewards increase engagement and commitment.

- ◇ **Recognition and Appreciation:** Employees are rewarded through praise, awards, or acknowledgement, which increases motivation and morale.
- ◇ **Career Development Opportunities:** Providing promotions, growth paths, and advancement opportunities encourages employees to stay in the organisation.
- ◇ **Training and Skill Development:** Organisations offer learning programs to improve employee skills and performance, helping in personal and professional growth.
- ◇ **Job Enrichment and Job Rotation:** Job enrichment adds more responsibilities to make work meaningful, while job rotation allows employees to move between jobs to gain experience.
- ◇ **Work-Life Balance Policies:** Flexible working hours, remote work options, and leave benefits help employees balance personal and professional life, reducing stress.

4.1.2.5 Total Reward Strategy

A Total Reward Strategy is a comprehensive approach to rewarding employees by combining financial and non-financial rewards that meet their professional and personal needs. It aims to motivate and retain employees while aligning employee performance with the organisation's strategic objectives.

Total Rewards Strategy emphasises that employee motivation and organisational success depend on more than pay. Organisations can enhance the overall employee experience by offering a combination of competitive pay, comprehensive benefits, learning opportunities and a positive work environment. This holistic approach creates a rewarding workplace that improves employee motivation, engagement, job satisfaction, and retention. As a result, organisations are better able to attract and retain talented employees, improve organisational performance, and achieve long-term business success.

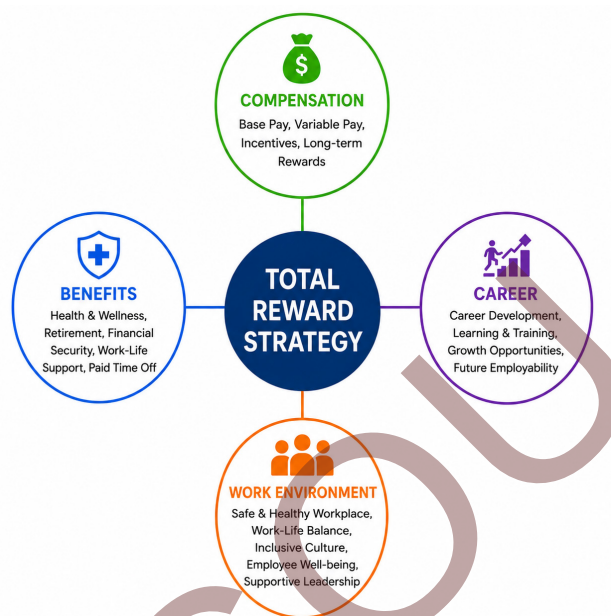


Fig 4.1.1 Total Rewards Strategy

1. **Compensation-** It refers to the direct financial compensation employees receive for the work they perform. It includes basic salary, wages, bonuses, incentives, commissions, overtime pay, and profit-sharing. A fair and competitive pay system motivates employees, recognizes their contributions, improves job satisfaction, and helps organisations attract and retain talented employees.
2. **Benefits:** Benefits are the indirect financial and welfare provisions offered by an organisation in addition to regular pay. These include health insurance, retirement plans, paid leave, life insurance, medical benefits, housing and travel allowances, and other employee welfare programmes. These will provide financial security and strengthen employee loyalty to the organisation.
3. **Career Development-** It refers to the opportunities provided by an organisation to enhance employees' knowledge, skills and competencies. It includes training programmes, workshops, professional certifications, mentoring, coaching and leadership development. So, investing in learning and development improves employee performance and also prepares employees for future responsibilities, thereby contributing to long-term organisational success.

4. **Work Environment-** Work Environment refers to the physical, social, and psychological conditions in which employees work. It includes a safe and healthy workplace, supportive leadership, positive organisational culture, teamwork, flexible working arrangements and mutual respect among employees. A positive work environment increases employee engagement, motivation, productivity, and job satisfaction while reducing stress and voluntary turnover.

4.1.3 Strategic Motivation

Every organisation depends on the efforts and commitment of its employees to achieve its goals and maintain a competitive advantage. While employees may possess the necessary knowledge, skills and abilities, their willingness to apply these capabilities effectively depends largely on their level of motivation. Therefore, understanding motivation is essential for managers to create a work environment that encourages employees to perform at their best and contribute to organisational success.

Motivation refers to the internal or external force that stimulates individuals to act and achieve desired goals. In an organisational context, motivation encourages employees to perform their tasks effectively and contribute to achieving organisational objectives. It plays an important role in improving employee performance and job satisfaction.

Feist and Rosenberg define motivation as “the urge to move towards one’s goals, to accomplish tasks”. Motivation can be intrinsic, where employees are driven by internal satisfaction, or extrinsic, where external rewards such as salary, incentives, and promotions act as motivating factors. A well-motivated workforce leads to higher efficiency and organisational success.

Strategic Motivation refers to the process of motivating employees through carefully designed human resource policies and management practices that support both employee needs and organisational objectives. It involves creating an environment where employees are encouraged to perform at their highest potential while achieving personal growth and career satisfaction.

Strategic Motivation can be defined as a systematic and long-term approach to motivating employees by aligning organisational strategies, leadership, rewards, career development, and employee engagement practices with business objectives to improve individual and organisational performance.

4.1.3.1 Benefits of Employee Motivation

- ◇ Higher employee productivity through improved performance and efficiency.
- ◇ Increased organisational commitment by strengthening employee loyalty.
- ◇ Better teamwork and collaboration among employees in the workplace.
- ◇ Greater employee satisfaction through recognition and fair rewards.
- ◇ Reduced absenteeism and turnover by improving employee engagement.

- ◇ Improved innovation and creativity through a supportive work environment.
- ◇ Higher customer satisfaction through better employee performance and service.
- ◇ Stronger organisational culture based on trust and shared values.
- ◇ Improved financial performance through increased productivity and efficiency.
- ◇ Sustainable competitive advantage through a motivated workforce.

4.1.3.2 Theories of Employee Motivation

Motivation theories provide a framework for understanding what drives employees to perform effectively and remain committed to an organisation. Organisations apply these theories by designing workplace practices that satisfy employees' financial, psychological, social, and professional needs. By understanding employee expectations and behaviours, managers can develop effective motivation strategies that improve performance, engagement, job satisfaction, and retention.

1. Maslow's Need Hierarchy Theory

Developed by: Abraham Maslow (1943)



Fig 4.1.2 Need Hierarchy Theory

Maslow's Need Hierarchy Theory explains that human needs are arranged in five levels, and individuals are motivated to satisfy lower-level needs before moving to higher-level needs. The first level, physiological needs, includes necessities such as food, water, shelter, and sufficient salary to meet daily living expenses. Once these needs are fulfilled, employees seek safety needs, such as job security, a safe workplace, health insurance, and financial stability. The third level consists of social needs, where employees desire friendship, teamwork, acceptance, and a sense of belonging within the organisation. The fourth level, esteem needs, includes recognition, appreciation, promotions, awards, and respect from colleagues and managers. Finally, self-actualization

needs represent the desire to achieve one's full potential through challenging work, creativity, innovation, leadership opportunities, and continuous learning.

Consider a newly hired employee. At the beginning of the job, the employee is primarily concerned with receiving a regular salary and having a secure position. Once these basic needs are fulfilled, the employee begins to seek a sense of belonging by building positive relationships and friendships with colleagues. Later, the employee seeks recognition through awards or promotion. Eventually, the employee may aspire to lead important projects, mentor others, or develop innovative ideas

2. Herzberg's Two-Factor Theory

Developed by: Frederick Herzberg (1959)

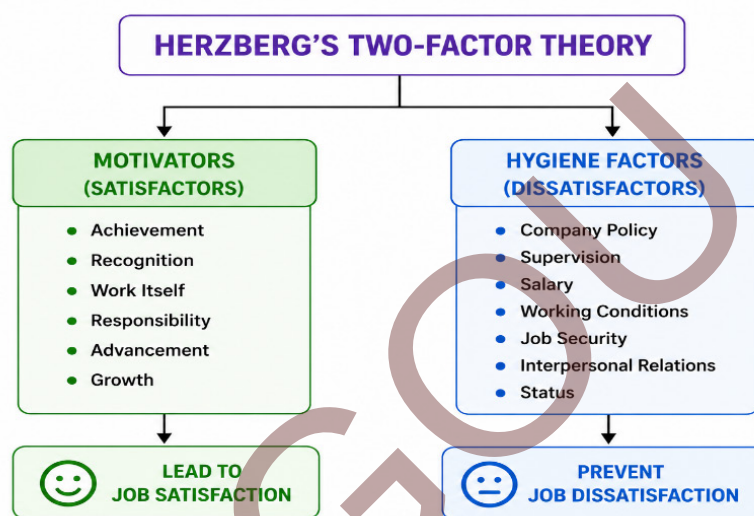


Fig 4.1.3 Two Factor Theory

Herzberg proposed that employee motivation depends on two categories of factors: Hygiene Factors and Motivators. Hygiene factors include salary, company policies, supervision, working conditions, job security, and interpersonal relationships. These factors do not necessarily motivate employees, but if they are inadequate, employees become dissatisfied. On the other hand, motivators such as achievement, recognition, responsibility, meaningful work, promotion, and career growth create genuine job satisfaction and encourage employees to perform better.

An employee working in a well-equipped office with a good salary and job security. Although these conditions prevent dissatisfaction, the employee may still feel unmotivated if the work is repetitive and there are no opportunities for promotion or recognition. Organisations should first ensure satisfactory working conditions and fair compensation, then focus on enriching jobs, recognizing employee contributions, and providing opportunities for growth to achieve higher motivation.

3. McGregor's Theory X and Theory Y

Developed by: Douglas McGregor (1960)

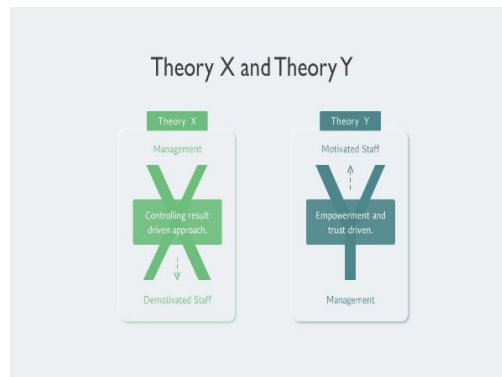


Fig 4.1.4 Theory X and Y

McGregor suggested that managers generally hold one of two sets of assumptions about employees. Theory X assumes that employees naturally dislike work, avoid responsibility, require close supervision and are motivated mainly by money or fear of punishment. Managers who follow Theory X often adopt strict rules and closely monitor employee performance. In contrast, Theory Y assumes that employees enjoy meaningful work, are capable of self-direction, willingly accept responsibility and actively seek opportunities to learn and grow. Managers adopting Theory Y encourage participation, delegation, teamwork, and creativity.

Modern organisations generally adopt Theory Y practices by empowering employees, encouraging participation in decision-making, and providing opportunities for creativity and innovation. For example, an organisation that allows employees to manage projects independently demonstrates trust and follows a Theory Y approach.

4. McClelland's Need Theory

Developed by: David McClelland (1961)

McClelland proposed that people are motivated by three learned needs: Need for Achievement, Need for Power and Need for Affiliation.



Fig 4.1.5 McClelland's Need Theory

Employees with a high need for achievement enjoy challenging tasks, setting ambitious goals, and receiving feedback on their performance. Those with a high need for power

are motivated by influencing others, making decisions, and leading teams. Employees with a high need for affiliation value friendly relationships, teamwork, cooperation, and social acceptance within the workplace. Managers can improve employee motivation by identifying individual needs and assigning suitable roles. Achievement-oriented employees may be given challenging assignments, power-oriented employees can be prepared for leadership positions, and affiliation-oriented employees can be placed in collaborative team environments.

5. Vroom's Expectancy Theory

Developed by: Victor Vroom (1964)

Vroom's Expectancy Theory states that employees are motivated when they believe that their effort will lead to good performance and that good performance will result in valuable rewards. The theory is based on three components: Expectancy, Instrumentality, and Valence.

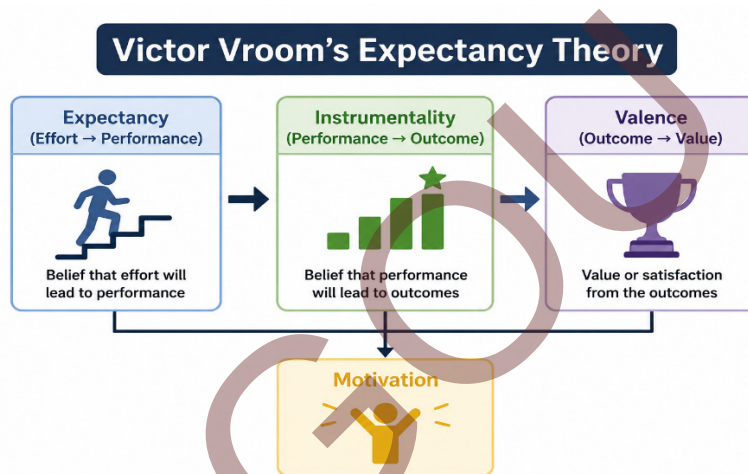


Fig 4.1.6 Victor Vroom Theory

- ◇ Expectancy is the belief that increased effort will improve performance.
- ◇ Instrumentality is the belief that good performance will be rewarded.
- ◇ Valence refers to the value that an employee places on the expected reward.
- ◇ According to Vroom, employees are highly motivated only when all three components are positive. Organisations can apply this theory by setting clear performance expectations, providing necessary resources and training, and linking rewards directly to performance. For example, a sales organisation that provides incentives to employees who achieve specific sales targets applies Expectancy Theory by connecting effort, performance, and rewards.

Employee motivation is influenced by a combination of individual, organisational, and environmental factors. Since employees have different needs and expectations, organisations should adopt a balanced approach that combines both financial and non-financial motivational strategies.

4.1.3.3 Designing the Motivation Strategy

Designing the motivation strategy is a systematic process through which HR managers develop approaches to encourage employees to perform effectively while aligning their efforts with organisational goals.

The process begins by identifying the organisation's strategic objectives. HR managers then analyse employee needs and expectations through surveys, feedback sessions, performance reviews, and discussions to understand the factors that influence motivation. Based on this information, HR managers design a balanced motivation strategy that includes both financial and non-financial rewards.

The motivation strategy is also integrated with the organisation's performance management system to ensure that employee efforts are linked with rewards and recognition. HR managers establish clear performance expectations, measurable goals, and fair evaluation methods so that employees understand how their contributions will be rewarded. While designing the strategy, HR ensures fairness, transparency, and consistency in reward distribution and promotion decisions to build employee trust and commitment. The strategy is then communicated clearly to employees through meetings, training programs, HR policies, and internal communication channels so that employees understand the available opportunities and expectations.

After implementation, HR managers continuously monitor the effectiveness of the motivation strategy by evaluating employee satisfaction, performance levels, engagement levels, productivity, absenteeism and turnover rates. Based on employee feedback and changing organisational needs, HR modifies and improves the strategy to ensure that it remains effective.

For example, a technology company aiming to increase innovation may design a motivation strategy that includes innovation awards, skill development programs, opportunities to work on creative projects, and career advancement opportunities for employees who contribute new ideas. Through a well-designed motivation strategy, HR managers create a motivated workforce that supports organisational objectives and improves employee commitment.

4.1.3.4 Factors Influencing Employee Motivation

A. Internal Factors

1. **Personal Goals:** Every employee has personal career goals and aspirations, such as achieving a promotion, becoming a team leader, acquiring new skills, or attaining financial stability. When an organisation provides opportunities that align with these aspirations, employees become more motivated to perform well and contribute to organisational success. Employees who see a clear future within the organisation are more committed and willing to invest greater effort in their work. For instance, an employee who aspires to become a project manager is highly motivated when the organisation offers leadership training and promotion opportunities.



2. **Attitude and Personality:** An employee's attitude and personality significantly influence motivation. Employees with a positive attitude are generally more motivated to overcome challenges and perform effectively. On the other hand, employees with negative attitudes or low confidence may become discouraged more easily. Organisations can promote positive attitudes through supportive leadership, recognition, and a healthy work environment. An optimistic employee views a difficult project as an opportunity to learn rather than as a burden.
3. **Skills and Competencies:** Employees who possess the knowledge, technical skills, and competencies required for their jobs usually feel more confident and motivated. When employees have the necessary abilities, they can complete tasks successfully and experience a sense of achievement. Organisations can further enhance motivation by providing regular training and development programmes that improve employees' competencies.

B. External Factors

1. **Salary:** Salary and rewards are among the most important external factors influencing employee motivation. Fair and competitive compensation helps employees meet their financial needs while also recognizing their contributions to the organisation. In addition to basic salary, rewards such as bonuses, incentives, commissions, and employee benefits encourage employees to improve their performance and remain committed to the organisation. For instance, an organisation offers annual performance bonuses to employees who achieve or exceed their performance targets.
2. **Recognition:** Employees are motivated when their efforts and contributions are acknowledged by managers and colleagues. Recognition satisfies employees' need for appreciation and boosts their confidence and morale. Recognition may take many forms, including verbal praise, certificates, awards, promotions, appreciation letters, or public acknowledgement during meetings. Employees who feel valued are generally more engaged and productive.
3. **Leadership:** Leadership plays a vital role in influencing employee motivation. Supportive leaders provide guidance, constructive feedback and opportunities for employee participation in decision-making. Employees are more motivated when they trust their managers and feel supported in achieving their goals. For example, a manager regularly meets with employees to discuss their progress, listen to their concerns, and provide coaching for improvement.
4. **Work Environment:** The work environment includes the physical, social, and psychological conditions under which employees perform their jobs. An inclusive and supportive workplace encourages employees to perform effectively and reduces stress. Positive relationships with colleagues, adequate resources, comfortable working conditions, and a culture of respect all contribute to higher motivation. For example, an organisation provides modern equipment, ergonomic workstations, and a collaborative work culture to improve employee satisfaction.

5. **Career Growth Opportunities:** Employees are more motivated when they believe they have opportunities to learn, develop, and progress within the organisation. Career growth opportunities include promotions, job rotations, mentoring, leadership development programmes, professional certifications and continuous learning initiatives. These opportunities demonstrate that the organisation values employee development and encourages long-term commitment.

4.1.3.5 Motivation Strategies in the Workplace

The modern workplace is shaped by rapid technological advancements, a diverse workforce, remote and hybrid work arrangements, and changing employee expectations. These developments have transformed what employees value in their jobs and how they are motivated to perform. As a result, employee motivation is influenced by a combination of internal and external factors that affect their attitudes and performance. To remain competitive and retain talented individuals, organisations must adopt effective motivation strategies that align organisational objectives with the evolving needs and expectations of their employees.

The following are some key ways in which motivation strategies can be applied in the modern workplace:

1. Competitive Compensation and Benefits

Fair and competitive compensation remains an important factor in motivating employees. Organisations attract and retain talented employees by offering attractive salary packages, performance incentives, retirement benefits, wellness programmes, and other employee benefits. A comprehensive compensation and benefits system helps employees feel valued and financially secure while encouraging them to remain committed to the organisation. For example, a manufacturing company may provide annual performance bonuses and medical insurance for employees and their families to encourage long-term commitment.

2. Job Security

Job security refers to an employee's confidence that their job is stable and that they are unlikely to lose it unexpectedly. When employees feel secure about their employment, they experience less stress and anxiety about their future. A sense of job security builds trust in the organisation and strengthens employee commitment. In contrast, uncertainty about job continuity can lead to fear, reduced morale, lower productivity, and increased employee turnover. Therefore, organisations that provide stable employment are more likely to maintain a motivated and committed workforce.

For example, a manufacturing company assures its employees that there will be no layoffs during a temporary decline in sales and instead provides opportunities for retraining and skill development. As a result, employees feel secure, remain motivated, and continue working productively without worrying about losing their jobs.

3. Performance-Based Recognition

Recognizing employees for their performance is one of the most effective ways to



motivate them. Organisations reward employees who consistently achieve or exceed performance expectations through bonuses, incentives, promotions, salary increments, awards, or public appreciation. Performance-based recognition not only encourages employees to maintain high standards of work but also reinforces a culture of excellence by demonstrating that individual efforts are valued and rewarded fairly. For example, a sales executive who exceeds quarterly sales targets may receive a performance bonus and be recognized as the “Top Performer of the Quarter.” Such recognition encourages employees to maintain high standards of work and reinforces a culture where individual efforts are valued and rewarded fairly.

4. Career Development and Learning Opportunities

Modern employees seek continuous learning and career advancement rather than just financial rewards. Organisations can motivate employees by providing training programmes, workshops, mentoring and coaching. For example, an organisation may sponsor employees to complete professional certification courses or leadership development programmes to prepare them for managerial roles. These initiatives enable employees to enhance their knowledge, acquire new skills, and prepare for greater responsibilities while helping organisations develop a competent and future-ready workforce.

5. Employee Empowerment

Empowering employees involves giving them greater responsibility and autonomy in performing their work. Organisations can motivate employees by involving them in decision-making, encouraging them to share ideas, and allowing them to solve workplace problems independently. When employees feel trusted, they develop greater confidence and accountability for their work. For example, a restaurant manager may authorize service staff to resolve minor customer complaints without seeking prior approval. Such practices create a sense of trust leading to improved performance and higher job satisfaction.

6. Employee Recognition Programmes

Recognition extends beyond financial rewards and focuses on appreciating employees for their contributions and achievements. Organisations implement recognition programmes such as employee-of-the-month awards, certificates of appreciation, public acknowledgements and appreciation events. Regular recognition strengthens organisational commitment and motivates employees to continue performing at a high level. For example, an organisation may recognize outstanding employees during monthly staff meetings by presenting certificates and appreciation awards.

7. Positive Work Environment

A supportive and inclusive work environment plays a significant role in motivating employees. Employees who feel respected are more likely to develop stronger relationships with colleagues and management. For example, a company may organize team-building activities, wellness programmes, and diversity initiatives to create an inclusive and collaborative workplace.

8. Open Communication and Feedback

Effective communication creates trust and strengthens relationships between employees and management. Organisations motivate employees by encouraging open discussions, actively listening to employee concerns, conducting regular performance reviews and providing constructive feedback. For example, managers may conduct monthly one-to-one meetings with employees to discuss their progress and address workplace challenges. Transparent communication helps employees understand organisational expectations and feel confident that their opinions and contributions are valued.

9. Work-Life Balance

Work-life balance refers to the ability of employees to effectively manage their professional responsibilities alongside their personal and family commitments. When employees maintain a healthy balance between work and personal life, they experience lower levels of stress and greater job satisfaction. Organisations that support work-life balance through flexible working hours, hybrid work options, paid leave and employee wellness programs help employees feel valued and supported. For example, a company allows employees to work flexible hours and offers the option to work from home when needed. This enables employees to manage their family responsibilities while completing their work effectively, resulting in higher motivation and increased job satisfaction.

10. Innovation and Creativity

Modern organisations encourage employees to think creatively and contribute innovative ideas that improve products, services, and business processes. Employees can be motivated by creating opportunities to participate in brainstorming sessions, innovation challenges, cross-functional projects and continuous improvement initiatives. A workplace that values creativity enhances the organisation's ability to adapt to changing market conditions and remain competitive. For example, a technology company may organize an annual innovation challenge where employees present new ideas, and the most promising proposals receive funding for implementation. Such initiatives motivate employees while enhancing the organisation's ability to adapt to changing market conditions and remain competitive.

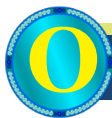


Recap

- ◇ Motivation is the internal force that drives individuals to achieve personal and organisational goals.
- ◇ Motivation influences employee performance, productivity, commitment, and job satisfaction.
- ◇ Early approaches to motivation focused mainly on monetary rewards and efficiency.



- ◇ Modern approaches recognize that employees are motivated by both financial and non-financial factors.
- ◇ Reward strategies help improve employee performance and satisfaction.
- ◇ Effective reward strategies help attract, motivate, and retain employees.
- ◇ Organisations use rewards such as salary, bonuses, incentives, recognition, and career advancement opportunities.
- ◇ Motivation theories help managers understand employee behavior and design effective motivational practices.
- ◇ Major motivation theories include Maslow, Herzberg, McGregor, McClelland, and Vroom Expectancy Theory.
- ◇ Employee motivation is influenced by salary, work environment, leadership, and career growth.



Objective Questions

1. What do we call the internal force that drives employees to achieve organisational goals?
2. What do we call a planned system of rewarding employees for their performance?
3. What is the highest level of need in Maslow's Hierarchy of Needs?
4. How many categories of factors are identified in Herzberg's motivation theory?
5. What are the factors in Herzberg's theory that prevent dissatisfaction called?
6. Which theory explains employees as either lazy or self-motivated (X and Y)?
7. What is it called when employees leave an organisation by their own decision?
8. Who developed the Expectancy Theory of motivation?
9. What type of reward includes salary and bonuses?
10. What type of reward includes recognition and appreciation?



Answers

1. Motivation
2. Reward
3. Self-Actualization
4. Two
5. Hygiene factors
6. McGregor
7. Resignation
8. Victor Vroom
9. Financial
10. Non-financial



Self-Assessment Questions

1. Define motivation and explain its importance in organisations.
2. Discuss the historical perspective of motivation.
3. Explain the concept and significance of reward strategy.
4. Describe Maslow's Need Hierarchy Theory.
5. Explain Herzberg's Two-Factor Theory of Motivation.
6. Discuss McGregor's Theory X and Theory Y.
7. Explain McClelland's Need Theory.
8. Discuss Vroom's Expectancy Theory.
9. Compare different theories of motivation.
10. Explain the role of motivation in improving employee performance.





Assignments

1. A company wants to redesign its reward system because employees are dissatisfied with the existing compensation and recognition programs. How can an effective reward strategy help improve employee motivation and organisational performance?
2. A manager observes that different employees are motivated by different factors. Some seek recognition, others value job security, and some are driven by career growth opportunities. Which motivation theories can help explain these differences, and how should the manager respond?



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Unit - 2

Employee Engagement Strategies



Learning Outcomes

After completing this unit, the learner will be able to:

- ◇ define employee engagement and explain its importance in organisational success
- ◇ describe the concept of levels of employee engagement
- ◇ describe strategies to improve employee engagement
- ◇ explain methods used by organisations to prevent voluntary turnover



Prerequisite

An organisation was experiencing low productivity, poor teamwork, and high employee turnover despite offering competitive salaries. Although employees received fair financial compensation, they did not feel valued or connected to their work. The Managing Director, Ananya, hired an HR consultant, Rahul, who explained the employee engagement strategies. Following his advice, the company introduced several engagement strategies, including recognizing employee achievements, encouraging open communication, offering flexible work arrangements, empowering employees to make decisions, and promoting a healthy work-life balance. Within a year, employees became more enthusiastic, teamwork improved, and resignations dropped significantly. When the company received an important client project with a short deadline, employees willingly collaborated, shared ideas and completed the project ahead of schedule, earning praise from the client and securing additional business. The story demonstrates that organisations achieve long-term success not only by paying competitive salaries but also by motivating employees, keeping them engaged, and creating an environment where they feel valued, trusted, and provided with opportunities to grow.



Keywords

Employee Engagement Strategies, Voluntary Turnover, Compensation, Job Dissatisfaction, Recognition, Career Development, Retention



Discussion

4.2.1 Employee Engagement

Let us consider two employees with similar qualifications and job responsibilities. While both complete their assigned tasks, one meets the basic requirements of the job, whereas the other actively shares ideas, collaborates with colleagues and willingly takes initiative to improve outcomes. The difference lies not in their abilities but in their level of involvement in their work. Organisations increasingly recognise that such employees contribute to higher productivity, innovation, and overall organisational success. This highlights the importance of creating a work environment that encourages employees to remain committed and actively involved in achieving organisational goals. The following section explores the concept and significance of employee engagement.

Employee engagement refers to the emotional commitment, involvement, and dedication of employees toward their organisation and its goals. It reflects how strongly employees feel connected to their work, their team, and the organisation. Engaged employees are more enthusiastic, motivated and willing to go beyond their basic job responsibilities. They show higher levels of productivity, loyalty, and job satisfaction.

Definitions

- ◇ Employee engagement is the emotional commitment the employee has to the organisation and its goals. - Kevin Kruse
- ◇ The harnessing of organisation members' selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances -William A. Kahn

4.2.1.1 Levels of Employee Engagement

Employee engagement is not the same for every employee. Some employees are highly committed and enthusiastic about their work, while others perform their assigned tasks, and some may even become dissatisfied and disconnected from the organisation. Knowing the different levels of employee engagement helps managers identify employees' attitudes, behaviours, and commitment, enabling them to implement appropriate strategies to improve engagement and organisational performance.

1. Highly Engaged Employees

Highly engaged employees are emotionally committed to both their work and the

organisation. They are passionate about their responsibilities, willingly go beyond their job requirements, and actively contribute to achieving organisational goals. These employees display high levels of enthusiasm, creativity, and accountability. They are loyal to the organisation, inspire their colleagues, and often act as ambassadors by promoting the organisation positively. Highly engaged employees are more productive, adaptable to change, and continuously seek opportunities to improve themselves and the organisation.

Characteristics

- ◇ Highly motivated and enthusiastic.
- ◇ Committed to organisational goals.
- ◇ Take initiative and accept responsibility.
- ◇ Willingly contribute extra effort.
- ◇ Encourage teamwork and innovation.
- ◇ Positive attitude towards the organisation.

For example, a project manager voluntarily works with the team after office hours to ensure a critical client project is completed successfully and mentors junior employees to improve team performance.

2. Moderately Engaged Employees

Moderately engaged employees perform their duties responsibly and meet organisational expectations but generally do not go beyond their assigned responsibilities. They are reasonably satisfied with their jobs but may lack emotional commitment or enthusiasm. Their engagement often depends on factors such as leadership, recognition, career opportunities, or workplace conditions. With proper motivation, recognition, and development opportunities, these employees can become highly engaged.

Characteristics

- ◇ Perform assigned duties effectively.
- ◇ Meet performance expectations.
- ◇ Moderate level of commitment.
- ◇ Participate when encouraged.
- ◇ Open to learning and development.

For example, an accountant completes all assigned tasks on time and maintains good performance but rarely volunteers for additional projects unless specifically requested.

3. Disengaged Employees

Disengaged employees have low levels of emotional commitment to their work and the organisation. They usually perform only the minimum work required and show little interest in organisational activities. They may lack motivation because of poor

leadership, inadequate recognition, limited career opportunities, or job dissatisfaction. Although they complete their responsibilities, they rarely contribute innovative ideas or participate actively in team activities.

Characteristics

- ◇ Limited interest in work.
- ◇ Perform only minimum job requirements.
- ◇ Low motivation and enthusiasm.
- ◇ Rarely participate in organisational activities.
- ◇ Limited commitment to organisational goals.
- ◇ Often seek other employment opportunities.

For example, an employee completes daily tasks but avoids participating in meetings, training programmes, or team-building activities and shows little interest in organisational improvements.

4. Actively Disengaged Employees

Actively disengaged employees are dissatisfied with the organisation and may negatively influence others. They often complain about management, resist organisational changes, discourage teamwork, and create conflicts in the workplace. Their negative attitude affects employee morale, productivity, and organisational culture. If organisations fail to address the reasons behind their dissatisfaction, actively disengaged employees may increase voluntary turnover and reduce overall team performance.

Characteristics

- ◇ Highly dissatisfied with the organisation.
- ◇ Frequently complain about work.
- ◇ Resist organisational changes.
- ◇ Negatively influence colleagues.
- ◇ Create conflicts within teams.
- ◇ Low productivity and commitment.

For example, an employee frequently criticises management decisions, discourages colleagues from participating in organisational initiatives and openly expresses dissatisfaction with the company.

Employee engagement exists on a continuum, ranging from highly engaged employees, who are committed and enthusiastic, to actively disengaged employees, who negatively affect the workplace. Organisations should regularly assess engagement levels through surveys, performance reviews, and feedback sessions. By providing supportive leadership, recognition, career development, effective communication, and

a positive work environment, organisations can move employees toward higher levels of engagement, leading to improved productivity and employee satisfaction,

4.2.1.2 Strategies to Improve Employee Engagement

Engaged employees are emotionally committed to their work, motivated to perform beyond expectations, and willing to contribute to the organisation's long-term success. In today's competitive business environment, organisations recognise that high levels of employee engagement lead to increased productivity, innovation and employee retention. Therefore, Human Resource Management and organisational leaders implement various strategies to create a positive work environment where employees feel valued. These strategies focus on effective leadership, open communication, recognition, career development, employee participation, work-life balance, and a positive organisational culture, all of which strengthen employee commitment and improve overall organisational performance.



Fig 4.2.1 Employee Engagement

Organisations can improve employee engagement through the following strategies:

1. Meaningful Work

Meaningful work is the foundation of employee engagement. Employees become more engaged when they understand how their work contributes to the organisation's success and when they feel that their roles have purpose and significance. Organisations should clearly define job responsibilities, communicate organisational goals, and

empower employees to take ownership of their work. When employees believe that their contributions make a difference, they become more motivated and committed. For example, a hospital regularly shares patient recovery stories with nurses and doctors, helping them understand the positive impact of their work on patients' lives.

2. Effective Communication

Open communication builds trust between employees and management. Employees should receive regular updates about organisational goals, policies, and changes that affect their work. Communication should also be two-way, allowing employees to express opinions, share ideas, and provide feedback. Listening to employees and acting on their suggestions makes them feel respected and involved. For example, a company holds monthly meetings where employees can ask questions directly to senior management and discuss organisational developments.

3. Recognition and Rewards

Recognising employees for their efforts and achievements significantly improves engagement. Recognition can be financial or non-financial. Employees who receive regular appreciation are more motivated and committed to organisational success. For example, a retail company presents an “Employee of the Month” award and performance bonus to employees who exceed their sales targets.

4. Growth and Development Opportunities

Employees are more engaged when organisations invest in their professional and personal development. Continuous learning opportunities help employees improve their knowledge, develop new skills, and prepare for future leadership roles. Organisations should provide training programmes, mentoring, coaching, career planning, and opportunities for promotion. For example, a software company sponsors employees to complete professional certifications and leadership development programmes.

5. Supportive Leadership

Leadership has a direct influence on employee engagement. Managers should lead with empathy, trust, fairness, and integrity. They should coach employees, provide constructive feedback, recognize achievements, and support career development. Supportive leaders create a positive work environment where employees feel respected, confident, and motivated to perform at their best. A manager conducts quarterly career discussions with employees and helps them identify learning opportunities to achieve their career goals.

6. Positive Work Environment

A positive workplace encourages collaboration, mutual respect, inclusion, and employee well-being. Organisations should create an environment where employees feel safe, respected, and supported. A company offers flexible working hours, wellness programmes, and team-building activities to improve employee morale and well-being.

7. Employee Involvement and Empowerment



Employees become more engaged when they participate in organisational decisions and are trusted with responsibilities. Empowerment encourages employees to contribute ideas, solve problems, and take ownership of their work. Involving employees in decision-making increases confidence, accountability, and commitment to organisational goals. Before introducing a new customer service process, management invites employees to suggest improvements and incorporates their ideas into the final implementation plan.

These strategies are supported by strong organisational culture, fair policies, data-driven decision-making, and continuous improvement. When organisations consistently invest in these areas, they develop a highly motivated workforce, resulting in improved employee satisfaction, stronger retention and long-term organisational success.

4.2.1.3 Benefits of Employee Engagement

Organisations that successfully implement employee engagement strategies experience several positive outcomes:

- ◇ **Higher Productivity:** Engaged employees perform their tasks more efficiently and contribute beyond their assigned responsibilities.
- ◇ **Stronger Employee Retention:** Employees are less likely to leave organisations where they feel valued and supported.
- ◇ **Greater Job Satisfaction:** Recognition, meaningful work, and career development improve employee happiness and commitment.
- ◇ **Better Business Results:** High employee engagement leads to improved customer satisfaction, innovation, profitability, and sustainable organisational success.

4.2.2 Voluntary Turnover

Employees join organisations with the expectation of building successful and rewarding careers. However, not all employees remain with the same organisation throughout their professional journey. Some choose to leave in search of better career opportunities, higher compensation, improved work-life balance, or greater job satisfaction. Such decisions can have significant implications for both employees and organisations, making it important to understand the factors that influence them. The following section explores the concept and causes of voluntary turnover.

Voluntary turnover refers to the situation in which an employee chooses to leave an organisation on their own, without being forced by the employer. The decision to resign may be due to better career opportunities, higher salaries, job dissatisfaction, work-life balance concerns or personal reasons. Since the employee initiates the separation, it is known as voluntary turnover.

Voluntary turnover is a major concern for organisations because losing experienced and skilled employees can increase recruitment and training costs and disrupt business operations. Therefore, organisations strive to understand the reasons behind employee resignations and implement effective retention strategies.



Voluntary Turnover can be defined as “The separation of an employee from an organisation initiated by the employee rather than the employer.”

4.2.2.1 Causes of Voluntary Turnover

1. **Better Career Opportunities:** One of the most common reasons for voluntary turnover is the availability of better career opportunities. Employees often seek organisations that offer greater responsibilities, promotions, career advancement and opportunities to learn new skills. If employees feel that their current organisation provides limited growth or has no clear career path, they are more likely to accept offers from other employers. Career-oriented employees, especially young professionals, value organisations that invest in their long-term development. For example, a Human Resource Executive resigns after receiving an offer to become an Assistant HR Manager in another company, where the role includes leadership responsibilities and faster career progression.
2. **Higher Salary and Better Benefits:** Compensation is a significant factor influencing employees’ decision to stay or leave an organisation. When employees believe that their salary does not reflect their skills, experience, or workload, they may seek employment elsewhere. In addition to salary, benefits such as performance bonuses, health insurance, retirement plans, paid leave, and flexible work arrangements also influence employee retention. Organisations that fail to offer competitive compensation may lose talented employees to competitors. For example: A software engineer earning ₹8 lakh per year accepts an offer from another company that provides a salary of ₹11 lakh along with better health benefits and annual performance bonuses.
3. **Job Dissatisfaction:** Employees who are dissatisfied with their jobs are more likely to resign voluntarily. Job dissatisfaction may result from repetitive tasks, lack of challenging work, excessive workload, unclear job responsibilities, inadequate resources or poor working conditions. When employees lose interest in their work or feel that their talents are underutilized, their motivation declines, increasing the likelihood of leaving the organisation. For example, a marketing executive who spends several years performing the same routine tasks without opportunities to handle new projects eventually resigns to join an organisation offering more challenging assignments.
4. **Poor Leadership and Management:** The quality of leadership has a direct impact on employee retention. Employees often leave managers rather than organisations. Poor communication, lack of appreciation, unfair treatment, excessive supervision, favouritism, or failure to provide guidance can create frustration and reduce employee commitment. Supportive and inspiring leaders build trust and loyalty, whereas ineffective leadership encourages employees to seek better workplaces. For example, a talented employee resigns because the manager rarely provides feedback, ignores employee suggestions and publicly criticizes team members, creating an unhealthy work environment.
5. **Lack of Career Development and Training:** Employees expect organisations to provide opportunities for learning, skill development, and career advancement.

When employees are not given training programmes, promotions, mentoring, or opportunities to develop new competencies, they may feel that their professional growth has stagnated. This often encourages them to look for employers who invest in employee development. For example, an accountant leaves the organisation after working for five years without receiving any promotion or professional training, while another company offers sponsorship for professional certification and leadership development.

6. **Poor Work-Life Balance:** Modern employees increasingly value a healthy balance between their professional and personal lives. Long working hours, unrealistic deadlines, excessive workload, frequent overtime, and limited flexibility can create stress and burnout. Employees who struggle to balance work with family responsibilities, education, or personal interests are more likely to seek organisations that offer flexible working arrangements and supportive work environments. For example, a working parent resigns from a company that requires late-night work every week and joins another organisation that offers hybrid working and flexible office hours.
7. **Negative Organisational Culture:** A workplace characterised by lack of teamwork, discrimination, office politics, bullying, or unethical practices creates a stressful environment. Employees prefer organisations where they are respected, included, and treated fairly. A positive culture promotes a sense of belonging, while a negative culture increases voluntary turnover. For example, an employee may resign because constant conflicts among team members, favouritism, and lack of cooperation make the workplace uncomfortable and stressful.
8. **Lack of Recognition and Appreciation:** Employees want their efforts and achievements to be recognised by managers and the organisation. When employees consistently perform well but receive little appreciation, recognition, or rewards, they may feel undervalued. This reduces motivation, lowers job satisfaction, and increases the likelihood of seeking employment where their contributions are acknowledged. For example: A sales executive consistently exceeds monthly sales targets but receives no recognition, while another organisation offers performance awards and public appreciation for outstanding employees.
9. **Job Stress and Burnout:** Continuous pressure, unrealistic performance expectations, insufficient staffing, and heavy workloads can lead to physical and emotional exhaustion, commonly known as burnout. Employees experiencing prolonged stress often lose motivation, become less productive, and eventually resign to protect their health and well-being. For example, a project manager handling multiple high-pressure projects without adequate support experiences burnout and resigns to join a company with a more manageable workload.
10. **Personal Reasons:** Sometimes employees voluntarily leave for reasons unrelated to the organisation. These may include family responsibilities, relocation, health issues, higher education, marriage, entrepreneurship, or retirement. Although organisations cannot control these factors, supportive HR

policies can sometimes encourage employees to remain or return in the future. For example: An employee resigns to pursue a master's degree overseas or relocates to another city due to family commitments.

Voluntary turnover is influenced by a combination of organisational factors (such as salary, leadership, career growth, recognition, work-life balance, and organisational culture) and personal factors (such as education, family responsibilities, and relocation). By understanding these causes and implementing effective retention strategies, organisations can improve employee satisfaction, strengthen engagement, reduce turnover, and retain talented employees for long-term success.

4.2.2.2 Importance of Managing Voluntary Turnover

Through proper management of employee turnover, an organisation can:

- ◇ Retain talented employees by creating a supportive and growth-oriented work environment that encourages them to stay with the organisation for a longer period.
- ◇ Reduce recruitment and training costs by minimizing employee turnover and ensuring continuity in workforce stability.
- ◇ Improve employee morale by fostering a positive workplace culture where employees feel valued, respected, and motivated.
- ◇ Maintain productivity by ensuring experienced employees continue to contribute effectively to organisational goals without disruption.
- ◇ Preserve organisational knowledge by retaining skilled employees who hold valuable experience, expertise, and institutional memory.
- ◇ Strengthen customer relationships by maintaining consistent service quality through experienced and committed employees.
- ◇ Enhance organisational reputation by being recognized as a stable employer that values and retains its workforce.
- ◇ Achieve long-term organisational success by ensuring workforce stability, reduced turnover, and sustained performance over time.

4.2.2.3 Strategies to Reduce Voluntary Turnover

Voluntary turnover occurs when employees leave an organisation by their own choice, often due to dissatisfaction or better opportunities elsewhere. To prevent this, organisations must focus on retaining employees through effective human resource strategies. One of the most important measures is offering competitive salaries and benefits that match or exceed industry standards. Career growth opportunities are also crucial, as employees are more likely to stay when they see clear paths for promotion and skill development within the organisation.

Improving employee engagement is another effective strategy, as engaged employees

are less likely to leave their jobs. A positive work environment that promotes respect, fairness, and teamwork also helps reduce turnover. Recognition and appreciation of employee contributions increase job satisfaction and loyalty. Strong and supportive leadership builds trust and improves employee commitment to the organisation. Work-life balance policies, such as flexible working arrangements and manageable workloads, help reduce stress and prevent burnout.

The following strategies help organisations reduce voluntary turnover and build a committed workforce.



Fig 4.2.2 Reduced Voluntary Turnover

1. Competitive Salary and Benefits

Organisations can reduce voluntary turnover by offering salaries and benefits that are competitive with industry standards. Employees are more likely to stay when they feel that their financial contributions are fairly rewarded. Along with salary, organisations can provide benefits such as health insurance, retirement plans, paid leave, bonuses, and other welfare benefits. A fair compensation package improves job satisfaction and reduces the possibility of employees leaving for better opportunities elsewhere. For example: A company regularly reviews market salary levels and provides performance-based salary increases to retain skilled employees.

2. Career Growth Opportunities

Employees are more likely to remain in an organisation when they see opportunities for professional growth and career advancement. Organisations can reduce turnover by providing training programmes, skill development opportunities, mentoring, career planning, and clear promotion paths. When employees believe they have a future within the organisation, they develop stronger commitment and are less likely to search for other jobs. For example, a company provides leadership development programmes to prepare employees for future managerial roles.

3. Fair Promotion Practices

Fair and transparent promotion practices help employees feel valued and recognized

for their efforts. Organisations should establish clear promotion criteria based on performance, skills, experience, and competencies rather than personal preferences or bias. When employees trust the promotion process, they are more motivated to continue their careers within the organisation. For example, an organisation promotes employees based on clearly defined performance evaluations and competency assessments.

4. Improving Workplace Conditions

A positive and supportive work environment plays an important role in employee retention. Organisations can reduce turnover by providing safe working conditions, supportive leadership, healthy relationships among employees, proper resources, and opportunities for work-life balance. A comfortable workplace improves employee satisfaction and strengthens their connection with the organisation. For example, offering flexible working arrangements and creating a respectful workplace culture can improve employee retention.

5. Addressing Employee Concerns

Organisations should actively listen to employee concerns and take appropriate actions to resolve workplace issues. Regular feedback sessions, employee surveys, open communication channels, and grievance-handling systems help employees feel heard and valued. Addressing problems quickly prevents dissatisfaction from developing into a decision to leave. For example, a manager conducts regular one-to-one meetings to understand employee challenges and provide necessary support.

6. Conducting Exit Interviews

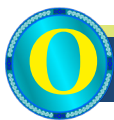
Exit interviews are discussions conducted with employees who are leaving the organisation to understand their reasons for resignation. The information collected helps organisations identify common causes of turnover and develop strategies to improve retention. Exit interviews provide valuable insights into issues related to management, compensation, workload, or workplace culture. For example, if exit interviews reveal that employees leave due to limited career opportunities, the organisation can improve its career development programmes.



Recap

- ◇ Employee engagement refers to emotional commitment toward work and organisation.
- ◇ Engagement can be improved through communication, recognition, and involvement.
- ◇ Employee engagement refers to the emotional commitment and involvement of employees in achieving organisational goals.

- ◇ Employee engagement improves productivity, job satisfaction, innovation, and organisational performance.
- ◇ Effective leadership is essential for building employee trust, motivation, and commitment.
- ◇ Recognition and rewards encourage employees to perform better and remain committed.
- ◇ Career development and continuous learning improve employee engagement and retention.
- ◇ Work-life balance improves employee well-being and reduces stress.
- ◇ Competitive compensation and benefits help attract and retain talented employees.
- ◇ Employee participation in decision-making increases ownership and commitment.
- ◇ Voluntary turnover occurs when employees choose to leave an organisation on their own.
- ◇ Common causes of voluntary turnover include better career opportunities, higher salaries, poor leadership, job dissatisfaction, and lack of career growth.
- ◇ Organisations can prevent voluntary turnover through effective engagement strategies, supportive leadership, recognition, career development, and a healthy work environment.



Objective Questions

1. What is the emotional involvement and commitment of employees toward their organisation called?
2. What is a planned system of rewarding employees for their performance called?
3. What do we call the fixed payment given to employees for their work?
4. What is the emotional attachment of employees leading to?
5. Which workplace factor helps employees balance their professional and personal responsibilities?

6. What is the highest level of employee engagement, where employees are emotionally committed and willingly contribute beyond their job responsibilities?
7. Which category of employees shows little enthusiasm and limited emotional commitment toward the organisation?
8. What type of turnover occurs when employees choose to leave an organisation on their own without being terminated by the employer?
9. Which factor encourages employees to leave an organisation in search of better promotions and professional growth?
10. Which condition results from continuous work pressure and emotional exhaustion, often leading employees to resign?
11. Which workplace problem is created by favouritism, office politics, and poor teamwork, increasing voluntary turnover?
12. Which employee need is affected when organisations fail to appreciate employees' hard work and achievements?



Answers

1. Engagement
2. Compensation
3. Salary
4. Loyalty
5. Work-life Balance
6. Highly Engaged
7. Disengaged
8. Voluntary Turnover
9. Career Opportunities
10. Burnout
11. Toxic Culture
12. Recognition



Self-Assessment Questions

1. What is voluntary turnover?
2. Mention any two strategies to improve employee engagement.
3. What is the importance of reward strategy?
4. Why is employee retention important?
5. Discuss factors influencing employee motivation in organisations.
6. Explain employee engagement and strategies to improve it.
7. Discuss methods used to prevent voluntary turnover.
8. Explain the relationship between motivation and employee engagement.



Assignments

1. An organisation has many skilled employees, but they feel their work is repetitive and boring. What job design strategies can improve their motivation?
2. A company is losing talented employees to competitors despite offering good pay. What retention strategies would you suggest?
3. A manager observes that some employees are highly motivated by promotion while others prefer job security. How can different motivation theories explain this behaviour?
4. A company wants to improve employee engagement but has poor communication between management and employees. What steps should be taken?



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BLOCK - 05

Global Human Resource Management



Unit - 1

Foundations of Global Human Resource Management



Learning Outcomes

After completing this unit, the learner will be able to:

- ◇ explain the concept of Global HRM
- ◇ compare Global HRM and Domestic HRM
- ◇ analyse factors influencing HRM in global markets
- ◇ distinguish among different types of international employees



Prerequisite

Imagine you work at an Indian IT company, say, a software firm based in Bengaluru. The company is doing well and has decided to open offices in the United States, Germany, and Singapore. Now here is the big question: Can the same HR practices that worked in India work in these countries too? The answer is: Not entirely.

Different countries have different laws, cultures, work styles, and expectations. This is where Global Human Resource Management (Global HRM) steps in.

Organizations today operate beyond national boundaries to access new markets, talent, and resources. As businesses expand globally, managing employees across different countries becomes increasingly complex. This unit introduces learners to Global Human Resource Management (GHRM), its unique features, key functions, and the challenges of managing a diverse international workforce.



Keywords

Global HRM, Domestic HRM, Cultural Differences, Talent Management, Third Country National, Repatriates



Discussion

Suppose your organisation is planning to establish a new branch in Japan. As an HR manager, what challenges do you think you would encounter while managing employees in a new country?

Let's consider the following questions:

- ◇ How would language differences affect communication?
- ◇ How might Japanese culture influence workplace behaviour and management practices?
- ◇ What labour laws and employment regulations would the organisation need to follow?
- ◇ How might employee expectations in Japan differ from those in your home country?

As you can see, managing employees in an international environment is much more complex than managing employees within a single country. HR managers must deal with differences in language, culture, legal systems, work practices, and employee expectations while ensuring that organisational goals are achieved. These challenges require specialized knowledge and skills that go beyond traditional Human Resource Management. This is where Global Human Resource Management (GHRM) becomes essential.

5.1.1 What is Global HRM?

Global HRM refers to the process of managing human resources across multiple countries and cultures. It involves attracting, selecting, training, developing, and retaining employees in an international environment, where each country may have its own laws, customs, and business norms. In simpler words: Global HRM is HR management without borders.

In today's business world, companies no longer operate within the boundaries of a single country. Organisations expand across nations to access new markets, talent, and resources. This shift has made Global Human Resource Management (GHRM) an essential function.

Global HRM refers to managing human resources in an international environment,



where employees come from different cultural, legal, and economic backgrounds. It requires a broader perspective than domestic HR. Let us understand this with a simple example:



Fig 5.1.1 Global HRM

5.1.2 Significance of GHRM

Today, businesses are no longer limited to one country. Many organizations have offices, factories, customers, and employees spread across different parts of the world. As companies expand internationally, they need employees who can work effectively across different cultures, languages, and business environments. Managing such a diverse workforce requires a systematic approach known as Global Human Resource Management (GHRM).

The significance of GHRM lies in its ability to help organizations recruit, develop, motivate, and retain talented employees across countries while ensuring that global business goals are achieved.

1. Helps Organizations Manage a Global Workforce

One of the primary functions of GHRM is to manage employees working in different countries. It ensures that employees are recruited, trained, compensated, and supported according to the organization's global objectives.

For example, a multinational company has offices in India, Japan, Germany, and Australia. GHRM ensures that employees in all these countries follow common organizational values while respecting local employment practices.

2. Supports International Business Expansion

When organizations enter new international markets, they require skilled employees to establish and manage overseas operations. GHRM helps identify and prepare employees for international assignments.

For example: Dr. Reddy's Laboratories has expanded its operations to several countries, including the United States, Russia, and Brazil. Its HR department recruits local employees, manages international assignments, and ensures compliance with local labour laws while maintaining global HR standards.

3. Attracts and Retains Global Talent

Organizations compete globally to hire highly skilled professionals. GHRM develops attractive compensation packages, career opportunities, and employee development programs to recruit and retain talented employees from different countries.

For example, Google and Microsoft compete globally to attract highly skilled software engineers by offering competitive salaries, flexible work arrangements, career development opportunities, and international mobility programmes

4. Promotes Cultural Diversity and Inclusion

Employees from different countries have different languages, beliefs, customs, and work styles. GHRM encourages respect for diversity and creates an inclusive workplace where everyone feels valued. A diverse workforce promotes creativity, innovation, and better decision-making.

For example, Accenture employs people from more than 120 countries and promotes diversity and inclusion through equal opportunity policies, employee resource groups, and cross-cultural collaboration initiatives.

5. Improves Employee Performance

GHRM develops performance management systems that set clear goals, provide regular feedback, and recognize employee achievements. This motivates employees to perform better and contribute to organizational success.

For example, IBM uses global performance management systems that combine continuous feedback, goal setting, and employee development to evaluate employees working in different countries.

6. Facilitates Knowledge Sharing Across Countries

Employees working in different countries often develop new ideas, technologies, and best practices. GHRM encourages the sharing of this knowledge across the organization to improve innovation and productivity.

For example, Toyota transfers manufacturing knowledge and best practices among its production facilities in Japan, India, Thailand, and the United States to improve quality and efficiency.

7. Strengthens Organizational Competitiveness

An organization with skilled employees, effective leadership, and strong HR practices can respond quickly to changes in global markets. GHRM helps organizations build a capable workforce that provides a competitive advantage.



For example, Apple employs people from different countries in product design, engineering, marketing, and supply chain management. This global talent helps the company develop products that meet customer needs across international markets.

People are the most valuable resource of any multinational organization. Global Human Resource Management ensures that the right people are in the right place, at the right time, with the right skills to achieve global business success. Global Human Resource Management is essential for organizations operating in today's interconnected business environment.

5.1.3 Global HRM vs Domestic HRM

At first glance, HR activities seem the same everywhere: hiring people, training them, paying them, managing their performance. But when you look closely, managing people across countries is a completely different ball game. Let us understand this with a simple example:

The Classroom Example

Domestic HRM is like managing a classroom where all students are from the same village, speak the same language, follow the same customs, and take the same exam board. Global HRM is like managing a classroom where students come from 10 different countries, each with a different language, learning style, cultural background, and set of rules. Managing that diverse classroom requires far more skill, sensitivity, and planning.

In today's business world, companies no longer operate within the boundaries of a single country. Organizations expand across nations to access new markets, talent, and resources. This shift has made Global Human Resource Management (GHRM) an essential function. Domestic HRM is like managing a classroom with students from the same background. Global HRM is like managing a classroom where students come from different countries, languages, and cultures.



Fig 5.1.2 Domestic HRM

Key Differences at a Glance

Basis	Domestic HRM	Global HRM
Scope	Limited to one country	Covers multiple countries
Workforce	Largely homogeneous (similar backgrounds)	Diverse, with different nationalities, cultures, and languages
Complexity	Relatively straightforward	Highly complex and multi-layered
Legal Framework	One national legal system	Multiple legal systems, employment laws differ by country
Culture	Single cultural context	Multiple cultures, values, and behaviours vary widely
Compensation	One currency, one tax system	Multiple currencies, exchange rates, and tax regulations
Recruitment	Local talent pool	Global talent pool includes expatriates and locals
HR Policies	Standardised within one country	Must be adapted for each country
Risk	Relatively lower	Higher political, economic, and cultural risks

5.1.4 Factors Influencing Human Resource Management (HRM) in Global Markets

Organizations operating across different countries face various challenges in managing their employees. Human Resource Managers must understand these factors to ensure the smooth functioning of the workforce in international markets.

1. Cultural Differences

Culture influences how people communicate, work, make decisions, and interact with others. Employees from different countries may have different values, beliefs, and work habits. Therefore, HR managers must adapt their policies and practices to suit cultural expectations.

Example:

A manager in India may encourage employees to respect hierarchy and follow instructions from senior officers. In contrast, employees in countries such as Sweden



often prefer a more participative management style in which employees freely share ideas and opinions with managers. Therefore, HR managers must understand these cultural differences when designing leadership and communication practices.

2. Legal and Political Environment

Every country has its own labour laws, employment regulations, tax policies, and workplace safety rules and requirements. Political stability also affects business operations and workforce management.

Example:

An Indian company establishing a branch in Germany must comply with German labour laws regarding working hours, employee rights, and social security benefits. Failure to follow these regulations can result in legal penalties and reputational damage.

3. Economic Conditions

Economic conditions such as inflation, unemployment rates, exchange rates, and market growth influence HR decisions. Organizations may need to adjust compensation, recruitment, and workforce planning according to economic changes.

Example:

During an economic recession, many multinational companies may freeze hiring or reduce employee benefits to control costs. On the other hand, during periods of economic growth, organizations may increase salaries and recruit more employees to meet business demands.

4. Technological Advancements

Technology has transformed the way organizations recruit, train, communicate, and manage employees across different countries. Digital tools enable companies to manage global workforces more efficiently.

Example:

Companies such as Microsoft use online collaboration platforms like Microsoft Teams to connect employees working in different countries. Microsoft also uses Artificial Intelligence to assist recruiters by screening resumes and identifying suitable candidates, reducing recruitment time and improving hiring efficiency.

5. Globalization

Globalization has increased the movement of goods, services, capital, and people across national boundaries. As organizations expand internationally, HR managers must coordinate employees from different countries and cultures.

Example:

Tata Consultancy Services employs professionals from various countries and regularly sends employees on international assignments to serve global clients. HR

managers play a key role in managing these cross-border workforce movements.

6. Ethical and Social Responsibility Issues

Organizations operating globally are expected to maintain ethical standards and contribute positively to society. HR managers must ensure fair treatment of employees and compliance with ethical practices across all locations.

Example: Unilever follows a global Code of Business Principles that promotes fair labour practices, prohibits child labour, and encourages ethical sourcing across its worldwide operations.

7. Talent Management

One of the most important responsibilities of global HRM is finding the right candidate, developing the talent, and retaining those talented employees. Competition for skilled employees has increased significantly in international markets.

Example: Infosys invests heavily in employee learning through its Mysuru Global Education Centre, where employees receive technical and leadership training before working on international projects.

8. Strategic Alignment

HR policies must support the overall goals and strategies of the organisation. When companies expand into new markets or undertake major business changes, HR practices should align with those strategic objectives.

Example:

If a retail company plans to expand into Southeast Asia, HR managers must recruit local employees, provide cross-cultural training, and develop leadership talent capable of managing operations in the new region.

9. Language and Communication

Language differences can create communication barriers in multinational organisations. HR managers must establish effective communication systems to ensure collaboration among employees from different linguistic backgrounds.

Example:

A project team consisting of employees from India, Japan, and Brazil may use English as a common business language. HR departments may provide language training programmes to improve communication and teamwork.

10. Diversity and Inclusion

Global organisations employ people from different nationalities, genders, age groups, religions, and cultural backgrounds. HR managers must create an inclusive work environment where all employees feel respected and valued.



Example:

Accenture promotes diversity and inclusion through policies that support gender equality, equal employment opportunities, and workplace accessibility for persons with disabilities. Such initiatives help improve employee satisfaction and organisational performance.

Global HRM is influenced by several interconnected factors, including culture, laws, economic conditions, technology, globalization, ethics, talent management, strategic goals, communication, and workforce diversity. HR managers who understand these factors can effectively manage employees across countries and contribute to the success of multinational organisations.

5.1.5 Functions of Global Human Resource Management

Global Human Resource Management (GHRM) refers to the process of managing people in organisations that operate across multiple countries. The primary goal of GHRM is to ensure that the organisation has the right people, with the right skills, in the right places, while maintaining consistency with global business objectives. Unlike domestic HRM, GHRM must address cultural, legal, economic, and geographical differences across countries.

1. Global Recruitment and Selection

One of the most important functions of GHRM is attracting and selecting talented employees from different parts of the world. HR managers must identify qualified candidates who possess not only technical skills but also the ability to work in multicultural environments.

Example: Tata Consultancy Services (TCS) recruits professionals from different countries to support its global delivery centres and multinational client projects.

2. Training and Development

Employees working in global organisations often interact with colleagues, customers, and business partners from different cultures. Therefore, GHRM focuses on providing continuous learning opportunities, leadership development, and cross-cultural training.

Example: Toyota provides extensive cross-cultural training to expatriate managers before assigning them to overseas subsidiaries.

3. Performance Management

Global organisations need a systematic method to evaluate employee performance across different countries. So, GHRM develops performance appraisal systems that align employee efforts with organisational goals while considering local conditions.

Example: IBM evaluates employees worldwide using a continuous performance management system that focuses on employee development rather than annual appraisals.

4. Compensation and Benefits Management

Employees working in different countries expect compensation packages that reflect local living costs, tax structures, and market conditions. Hence, GHRM designs fair and competitive reward systems that attract and retain talented employees worldwide.

Example:

An employee working in New York may receive a higher housing allowance than an employee working in Kerala because the cost of living is significantly higher. At the same time, both employees receive benefits that are appropriate to their respective locations.

5. Global Talent Management

Identifying, developing, and retaining high-potential employees is a critical function of GHRM. Organisations need talented employees who can take on leadership roles in different countries and contribute to long-term business success.

Example: Unilever's Future Leaders Programme develops young professionals through international assignments and leadership development programmes.

6. Managing International Assignments

Global companies frequently transfer employees across countries to share expertise, manage overseas operations, or support business expansion. GHRM coordinates these international assignments and helps employees adapt to new environments.

Example:

When a company opens a new branch in Dubai, it may send experienced managers from India to establish operations, train local employees, and ensure that organisational standards are maintained.

7. Managing Diversity and Inclusion

A global workforce consists of employees from different cultures, languages, religions, age groups, and educational backgrounds. GHRM promotes an inclusive workplace where everyone feels respected and valued.

Example: Accenture encourages collaboration among employees from different nationalities through inclusive workplace policies and global teamwork initiatives.

8. Ensuring Legal Compliance

Each country has its own labour laws, employment regulations, and workplace standards. GHRM ensures that the organisation complies with these regulations wherever it operates.

Example: Nestlé adapts its HR policies to comply with employment laws, minimum wage regulations, and workplace safety requirements in every country where it operates.



9. Facilitating Global Communication and Collaboration

Employees in multinational organisations often work across time zones and geographical boundaries. GHRM develops systems and practices that support effective communication and teamwork.

Example: Siemens uses Microsoft Teams and other digital collaboration platforms to connect employees working in Europe, Asia, and North America.

10. Supporting Organizational Strategy

GHRM plays a strategic role by ensuring that human resource practices support the organisation's global goals. HR decisions regarding recruitment, development, and workforce planning must align with business expansion and growth strategies.

Example:

If a company plans to enter the African market, HR must identify talent requirements, recruit local employees, provide cultural training, and develop leaders capable of managing operations in the new market.

Case Example:

Consider a company called GlobalTech, which has offices in India, the USA, Germany, and Singapore.

The Global HR department:

- ◇ Recruits employees from different countries.
- ◇ Provides cross-cultural training.
- ◇ Manages salaries and benefits according to local conditions.
- ◇ Transfers managers internationally when required.
- ◇ Ensures compliance with local labour laws.
- ◇ Develops future leaders for global roles.
- ◇ Creates an inclusive work environment for employees from diverse backgrounds.

Through these activities, GHRM helps GlobalTech build a capable, motivated, and globally connected workforce that supports the company's international growth.

Global Human Resource Management is much more than managing employees in different countries. It involves recruiting global talent, developing employees, managing performance and rewards, ensuring legal compliance, promoting diversity, and aligning people practices with global business strategy. Effective GHRM enables organisations to compete successfully in today's interconnected world.

Did You Know?

More than 280 million people worldwide live outside their country of birth. Many multinational companies depend on this global talent pool.

5.1.6 Types of International Human Resources

Imagine that an Indian company opens a new branch in the United Kingdom. Who should manage this new office? Should the company send an experienced manager from India? Should it hire local employees in the UK? Or should it appoint a manager from another country who has international experience?

These are important decisions for multinational companies (MNCs). Employees working in different countries form the organisation's international human resources. Selecting the right people for the right international assignments helps organisations achieve their global business goals.

For example, Tata Consultancy Services (TCS) has employees working in more than 50 countries. Some employees are Indians working abroad, while others are local citizens of the countries where TCS operates. Similarly, companies such as Infosys, Accenture, and Unilever employ people from different nationalities to manage their global operations. To understand how multinational companies manage employees across countries, international employees are classified into different categories based on their nationality and the country in which they work.

5.1.6.1 What are International Human Resources?

International Human Resources refers to the employees who work for multinational organisations across different countries. These employees may belong to the home country of the company, the host country where the company operates, or a third country.

Unlike domestic organisations, multinational companies require a diverse workforce that can work effectively across different cultures, languages, laws, and business environments. Therefore, managing international employees is one of the most important responsibilities of Global Human Resource Management (GHRM).

5.1.6.2 Types of International Human Resources

International employees are generally classified into the following four categories:

1. Parent Country Nationals (PCNs)
2. Host Country Nationals (HCNs)
3. Third Country Nationals (TCNs)
4. Inpatriates

In international business, organizations employ people from different countries to



manage and operate their global activities. Based on their nationality and place of work, international employees can be classified into different categories. Understanding these categories helps organisations make effective staffing decisions for global operations.

1. Parent Country Nationals (PCNs)

A Parent Country National (PCN) is an employee who comes from the country where a multinational company's headquarters is located and is sent to work in a branch or subsidiary in another country.

PCNs are often appointed to key managerial positions because they understand the company's culture, policies, values, and business strategies. They also help ensure that the headquarters' objectives are properly implemented in foreign operations.

Toyota often sends experienced Japanese managers to newly established manufacturing plants in countries such as India and Thailand. These managers are Parent Country Nationals (PCNs). Companies use PCNs because they already understand the company's culture, rules, and way of working, and they can help the foreign branch operate smoothly while sharing their knowledge and experience with local employees.

Advantages of Using PCNs	Disadvantages of Using PCNs
They know the company culture and values well	High relocation and compensation costs.
Easy to control and facilitates communication between the headquarters and foreign subsidiaries	Cultural adjustment problems exist, and the expat and family may struggle to adapt.
Can transfer company-specific knowledge and managerial expertise	The host country may resent outsiders in top positions
Useful in new foreign setups where trust is needed	Legal complications exist, and work visas and permits can be lengthy and complex
Provides career development opportunities for the PCN	A high failure rate occurs, and so many expats return home before completing the assignment

2. Host Country National (HCN)

Host Country National (HCN) is a local employee who works for a foreign company in their own country. For example, if an Indian company hires a British citizen to work in its London office, that employee is a Host Country National. HCNs help multinational companies understand local customers and run their business smoothly in the host country.

Host Country Nationals possess valuable knowledge of local culture, language, business customs, consumer preferences, and government regulations. They help

organizations build better relationships with customers, suppliers, and government authorities.

Imagine an Indian company opens a new office in London, UK. The company needs people to work in that office. Instead of bringing all employees from India, it hires John, who is from the UK and lives in London.

Since John is working in his own country for a company that comes from another country, he is called a Host Country National (HCN).

Companies hire people like John because they already know the local language, culture, customer preferences, and business practices. They also understand the country's laws and regulations, which helps the company avoid mistakes. Moreover, hiring local employees is usually cheaper than sending employees from another country and paying for their travel, accommodation, and relocation.

Advantages of Using HCNs	Disadvantages of Using HCNs
Know the local culture, language, and business norms	May have a limited understanding of the headquarters' culture and strategy
No relocation costs are involved, as they already live there	Coordination with headquarters can be challenging
Familiar with local legal and regulatory requirements	May have fewer specialised skills in some technical areas
Creates goodwill in the host country	Possibility of divided loyalty between local norms and company norms
Less expensive than PCNs	May require extensive training on company-specific processes

3. Third Country National (TCN)

A Third Country National (TCN) is an employee who is neither from the country where the multinational company is headquartered (parent country) nor from the country where the subsidiary is located (host country). Instead, the employee comes from a third country and is appointed to work in another country's branch or subsidiary.

For example, consider an Indian company that operates a branch office in the United Kingdom. If the company appoints a manager from Singapore to work in its UK office, the manager is known as a Third Country National (TCN) because they are neither Indian nor British. Organisations often employ TCNs because they may possess specialized skills and expertise that are not readily available in either the parent or host country. They can also bring a neutral perspective to international operations and help bridge cultural differences between headquarters and foreign subsidiaries. In addition, many TCNs have extensive international work experience, making them valuable assets

in managing global business activities. Therefore, Third Country Nationals play an important role in enhancing organisational effectiveness and supporting international business success.

Advantages of Using TCNs	Disadvantages of Using TCNs
May have specific skills or expertise not available locally	Complex visa and legal processes
Often less expensive than PCNs	Cultural adjustment challenges from two directions (neither home nor host)
Can bring a fresh international perspective	May lack knowledge of both the company culture and the host country
Useful for filling skill gaps globally	May face acceptance issues from both local employees and headquarters



Fig 5.1.3 Categories of Global HRM

4. Expatriate

An expatriate is an employee who is assigned by an organisation to work in a foreign country for a specific period of time. These employees are usually sent to support international operations, share their expertise, or manage overseas subsidiaries. Most expatriates are Parent Country Nationals (PCNs), although in some cases they may also be Third Country Nationals (TCNs).

For example, if an Indian company sends one of its managers to work in its Dubai

office for three years, the manager becomes an expatriate during that assignment. Organisations use expatriate assignments for several important reasons, such as establishing new international branches, transferring technical knowledge and managerial expertise to foreign operations, and developing employees with global leadership capabilities. By working in different cultural and business environments, expatriates gain valuable international experience that benefits both the employee and the organisation.

5. Repatriates

A repatriate is an employee who returns to their home country after completing an international assignment abroad. Repatriation marks the final stage of an overseas assignment, where the employee brings back the knowledge, skills, and experiences gained abroad.

For example, after completing overseas assignments in Japan or the United States, Infosys managers return to India and share the international knowledge and experience gained abroad. They are known as repatriates. Repatriates are highly valuable to organisations because they possess international exposure and a deeper understanding of global business practices. They can share the knowledge and best practices learned overseas with local teams, help improve organisational processes, and contribute to the development of future leaders. By applying their international experience to domestic operations, repatriates play an important role in strengthening the organisation's global competitiveness and long-term success.

Type	Nationality	Work Location
PCN	PARENT COUNTRY	HOST COUNTRY
HCN	HOST COUNTRY	HOST COUNTRY
TCN	THIRD COUNTRY	HOST COUNTRY
Expatriate	HOME COUNTRY	FOREIGN COUNTRY
Repatriate	HOME COUNTRY	RETURNS HOME

Current Trends in Global HRM

Global Human Resource Management is changing rapidly because of technology, globalization, changing employee expectations, and environmental concerns. Organisations are adopting new HR practices to attract, manage, and retain talent across different countries. Some of the major trends are discussed below.

- ◇ **AI in Recruitment** - Artificial Intelligence (AI) is transforming the way organisations recruit employees. AI-powered software can screen resumes, identify suitable candidates, schedule interviews, and even answer

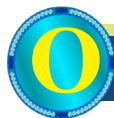
applicants' questions through chatbots. This makes recruitment faster, more accurate, and less time-consuming. Unilever uses Artificial Intelligence and online assessments during recruitment to screen thousands of applicants efficiently.

- ◇ **Digital HR** - Digital HR refers to the use of digital technologies and online platforms to manage HR activities such as recruitment, training, payroll, performance management, and employee communication. Employees can access HR services anytime and from anywhere. IBM uses cloud-based HR platforms that allow employees to access payroll, leave management, and learning resources online.
- ◇ **People Analytics** - People Analytics is the use of employee data to make better HR decisions. HR managers analyse information such as employee performance, absenteeism, engagement, and turnover to improve workforce planning and productivity. By analysing employee data, a company discovers that employees who receive regular training are more likely to stay with the organization. Google uses people analytics to understand employee engagement, improve retention, and support evidence-based HR decisions.
- ◇ **Global Gig Workforce** - The Global Gig Workforce consists of freelancers, consultants, contract workers, and independent professionals who work on short-term projects for organisations located anywhere in the world. Companies can access specialized talent without hiring permanent employees.
- ◇ **Hybrid Work** - Hybrid work is a working arrangement where employees divide their time between working from the office and working remotely. This approach offers flexibility while maintaining collaboration among employees. In some cases, employees work from the office on Mondays and Wednesdays for meetings and teamwork, while they work from home on the remaining days.
- ◇ **Green HR** - Green HR refers to HR practices that promote environmental sustainability. Organizations encourage employees to adopt eco-friendly practices such as reducing paper usage, conserving energy, recycling waste, and participating in environmental initiatives. Infosys promotes Green HR by encouraging paperless offices, energy conservation, and environmentally sustainable workplace practices.
- ◇ **Virtual international Teams** - Virtual International Teams are groups of employees from different countries who work together using digital communication technologies such as video conferencing, cloud collaboration tools, and instant messaging. These teams enable organisations to utilize global talent without requiring employees to relocate. Accenture manages virtual project teams consisting of employees from different countries who collaborate using digital platforms such as Microsoft Teams and Zoom.



Recap

- ◇ Global HRM involves managing employees across countries.
- ◇ It differs from Domestic HRM in scope, complexity, and cultural diversity.
- ◇ Various factors, such as culture, laws, technology, and globalization, influence Global HRM.
- ◇ Global HRM performs strategic and operational functions.
- ◇ International employees may be classified as PCNs, HCNs, TCNs, expatriates, and repatriates.
- ◇ Green HR refers to HR practices that promote environmental sustainability.
- ◇ A repatriate is an employee who returns to their home country after completing an international assignment abroad.
- ◇ An expatriate is an employee who is assigned by an organization to work in a foreign country for a specific period of time.
- ◇ Third Country National (TCN) is an employee who belongs to neither the parent country nor the host country. Instead, the employee comes from a third country and is appointed to work in another country.
- ◇ A Host Country National (HCN) is an employee who is a citizen of the country where the multinational company operates. The employee works in their own country for the foreign company.
- ◇ International Human Resources refers to the employees who work for multinational organisations across different countries.



Objective Questions

1. What does GHRM stand for?
2. What is called HRM conducted within one country?
3. Which factor influences communication and work behaviour in different nations?
4. What is called attracting and retaining skilled employees?
5. What is PCN?





Answers

1. Global Human Resource Management
2. Domestic HRM
3. Culture
4. Talent Management
5. Parent Country National



Self-Assessment Questions

1. Define Global HRM
2. Differentiate between Global HRM and Domestic HRM.
3. What is a PCN?
4. Why do firms employ HCNs?
5. Who are expatriates?



Assignments

1. Discuss different types of international employees.
2. Explain the factors influencing HRM in global markets.
3. Prepare a comparative report explaining the differences between Global HRM and Domestic HRM. Discuss at least five areas of difference, such as scope, workforce diversity, legal environment, compensation, and recruitment. Support your discussion with suitable examples from multinational companies.
4. Select any multinational company operating in India (for example, TCS, Infosys, Accenture, or Microsoft) and analyse how factors such as culture, technology, legal regulations, globalization, and diversity influence its HR practices. Present your findings in a report of 800–1000 words.

5. A food company from South Korea is planning to open offices in India, France, and Nigeria. Using the factors that affect HRM in global markets, identify the specific HR challenges it will face in each country



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Unit - 2

Cultural and Strategic Dimensions of Global HRM



Learning Outcomes

After completing this unit, the learner will be able to:

- ◇ explain the concept of culture and its importance in GHRM
- ◇ analyse the importance of culture in Global HRM
- ◇ examine the strategic role of HRM in multinational organizations
- ◇ analyse the strategic HR Issues in Global Assignments



Prerequisite

Let's begin with a situation. Imagine you are the HR Manager of a company that has just opened new offices in Japan, Germany, and Brazil. The appraisal form that works perfectly for your Indian employees suddenly creates confusion in Tokyo, the direct feedback style that is appreciated in Berlin feels rude in Sao Paulo, and the bonus scheme that motivates your American sales team barely interests your French colleagues. This is the real picture of Global Human Resource Management (Global HRM).

When organisations expand across borders, they face a new challenge: managing people from different cultures, backgrounds, and expectations. People are not like machinery or raw material that can be shipped from one country to another and expected to work in the same way. They carry their values, beliefs, habits, and ways of thinking, shaped by the culture they have grown up in. This is where Global Human Resource Management (HRM) comes in. It is not just about hiring and training employees; it is about understanding cultural differences and aligning them with the company's overall strategy.

Think of it like running a football team with players from different countries. Each player brings unique skills and styles, but the coach must ensure they play together toward one goal. Similarly, global HRM balances cultural diversity with

strategic business objectives. In this unit, you will be able to look at any international HR decision, whether it is about hiring, training, paying, or promoting employees, and ask the right questions: ‘How does culture affect this?’ and ‘How does our global strategy shape this?’



Keywords

Global HRM, Cultural diversity, global strategy, international, workforce, Multinational corporation, International assignments, Cultural assessment, strategic HRM, Global Assignments



Discussion

5.2.1 Introduction

In today's business world, organisations are no longer limited by national boundaries. A company headquartered in one country may manufacture products in another country, source raw materials from several other countries, and sell its products worldwide. As organisations expand internationally, they encounter employees who come from different cultures, speak different languages, follow different traditions, and possess different work values.

Managing such a diverse workforce is one of the most challenging responsibilities of Global HRM. A management practice that works successfully in one country may not produce the same results in another because people differ in their beliefs, communication styles, attitudes toward authority, work ethics, and expectations from their employers.

5.2.2 What is Global Human Resource Management?

Human Resource Management, as you already know, deals with attracting, developing, motivating, and retaining people in an organisation. In simple terms, Global HRM is the process of managing people in organisations that operate across different countries. It includes all the major HR activities, such as planning workforce requirements, recruiting and selecting employees, providing training and development, managing compensation and benefits, evaluating performance, and retaining talented employees.

Unlike domestic HRM, Global HRM must consider differences in national cultures, labour laws, economic conditions, business practices, and workplace expectations across countries. The main objective of Global HRM is to ensure that employees working in



different parts of the world contribute effectively towards achieving the organisation's global business goals while respecting local cultural and legal requirements. In simple terms, Global HRM is the process of managing people in organisations that operate across national borders, keeping in mind the differences in laws, economies, cultures, and business practices of each country while still working towards the common goals of the organisation.

Why does Global HRM matter?

Consider the case of an Indian information technology company that sends its employees to work on client projects in the United States and also hires local American staff for its office there. The company must decide: Should the American employees follow the same leave policy as the Indian employees? Should performance be measured the same way in both countries? Should the pay structure be identical? These questions do not have simple answers, and getting them wrong can lead to unhappy employees, legal trouble, and even damage to the company's reputation. This is precisely the space in which Global HRM operates.

Example: Coca-Cola's Global-Local Balance

Coca-Cola is present in more than 200 countries. While the brand, quality standards, and core values of the company remain the same everywhere, the way Coca-Cola manages its people differs from country to country. In India, for instance, HR practices are adapted to respect festivals, joint family responsibilities, and regional languages, while the company's global leadership development programmes remain common for managers worldwide. This is Global HRM in action: one company, one strategic direction, but many culturally sensitive local practices. Coca-Cola follows the principle of "Think Global, Act Local."



Fig 5.2.1 Components of Global HRM

5.2.3 Culture – Meaning and Definition

Infosys sends an Indian project manager to Japan. Although technically competent,

the manager struggles because Japanese employees rarely openly disagree in meetings. He interprets silence as agreement, whereas employees actually disagree but avoid confrontation. Deadlines are missed, and the project suffers.

Why did this happen? Managing people across different countries requires more than understanding HR functions. HR managers must also understand the cultural values that influence employees' attitudes, communication styles, and workplace behaviour. Therefore, before exploring the strategic aspects of Global HRM, it is important to understand the concept of culture. Now, let's see a few definitions of culture:

According to Geert Hofstede, "culture is the collective programming of the mind that distinguishes the members of one category of people from those of another".

Kluckhohn (1961) described culture as "Symbols representing the unique achievements of human groups, including their embodiment in artefacts. The essential core of a culture is its traditional ideas and, above all, its values are composed of."

Harris (2007) defined "culture as the way of behaving and believing that a group of people has developed over time and share."

Culture refers to the shared values, beliefs, customs, norms, traditions, and patterns of behaviour that are learned by members of a society and passed from one generation to another. Although culture cannot be seen directly, it influences almost every aspect of human behaviour, including the way people communicate, work, make decisions, and interact with others.

For a Global HR manager, understanding and assessing culture is not just a soft skill; it is a strategic necessity. Culture shapes how people think, behave, and work. In HRM, ignoring cultural differences can lead to misunderstandings, low morale, and even failure of international projects.

For example, an employee in Germany may appreciate strict punctuality and detailed planning, while an employee in Brazil may value personal relationships and flexibility. Similarly, employees in Japan often prefer teamwork and collective decision-making, whereas employees in the United States generally appreciate individual initiative and independence. These differences arise mainly because of culture.

Think About It

Suppose you are an Indian HR manager assigned to lead a team in Japan. Which cultural differences would you expect to encounter? How might these differences influence communication and teamwork?

5.2.3.1 Characteristics of culture

Culture is an important factor that influences how people think, communicate, behave, and work. It shapes the way employees interact with their colleagues, respond to managers, make decisions, and perform their jobs. For Human Resource (HR)



managers working in multinational organizations, understanding the characteristics of culture is essential because it helps them design HR practices that suit employees from different cultural backgrounds.

The major characteristics of culture are discussed below.

1. Culture is Learned

Culture is not inherited at birth. People learn it from their family, school, workplace, community, and society throughout their lives. As individuals grow up, they observe how people behave and gradually adopt similar values, beliefs, and customs.

Example: In Japan, children are taught from an early age to respect elders, work as a team, and maintain discipline. These values continue in the workplace, where employees often give importance to teamwork and collective success.

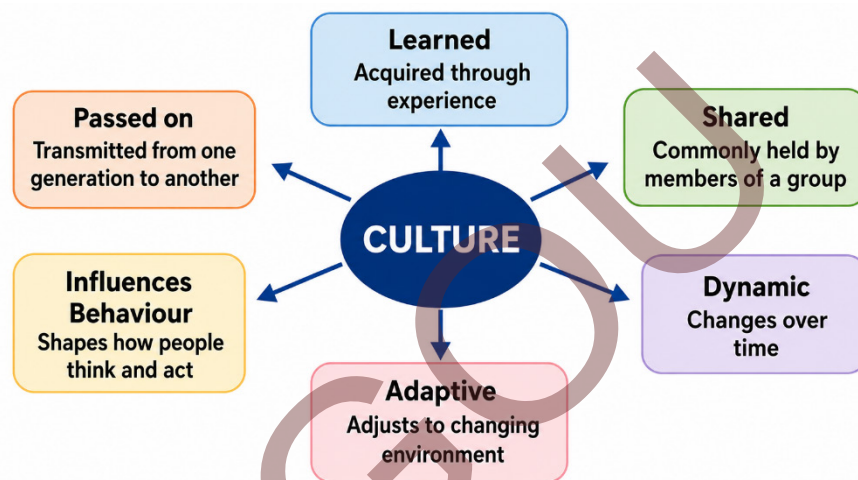


Fig 5.2.2 Characteristics of Culture

2. Culture is Shared

Culture is shared by members of a group, community, or society. People belonging to the same culture generally follow similar traditions, customs, and social norms, which help them understand one another and work together effectively.

Example: Employees in many Middle Eastern countries often greet colleagues warmly before beginning business discussions. Since this practice is shared by society, it helps build trust and stronger professional relationships.

3. Culture is Dynamic

Culture is not fixed or permanent. It changes over time due to technological advancements, globalization, education, migration, and changing social values. As societies evolve, workplace practices also need to adapt.

Example: Remote work and virtual meetings have become common in many countries after the COVID-19 pandemic. Organizations have adapted their work culture to support flexible working arrangements and digital collaboration.

4. Culture is Passed from One Generation to Another

Culture is transmitted from one generation to the next through family traditions, education, language, social interactions, and institutions. This process helps preserve cultural values while allowing gradual change over time.

Example: In India, celebrating festivals such as Diwali, Onam, or Pongal in the workplace reflects traditions that have been passed down through generations and continue to strengthen employee engagement.

5. Culture Influences Behaviour

Culture shapes how people communicate, solve problems, make decisions, express emotions, and respond to authority. Employees from different cultures may behave differently even when performing the same job.

Example: In Germany, employees generally value punctuality and detailed planning, whereas in Brazil, building personal relationships before discussing business is often considered equally important.

6. Culture is Adaptive

Culture helps people adjust to changes in their environment. As economic conditions, technology, and social expectations change, cultural practices also evolve to meet new challenges.

Example: Many multinational companies now promote diversity, equity, and inclusion (DEI) because workplaces have become more culturally diverse than ever before. Employees and organizations continuously adapt to these changing expectations.

7. Culture Varies from One Society to Another

No two countries have the same culture. Differences may exist in language, communication style, attitudes towards time, leadership, teamwork, negotiation, and work ethic. These variations make international HRM both challenging and interesting.

Example: Employees in the United States are generally encouraged to express their ideas openly during meetings, whereas employees in some East Asian countries may prefer discussing ideas within the group before speaking publicly.

8. Culture Influences HR Practices

Culture directly impacts almost every Human Resource function, including recruitment, training, performance appraisal, leadership, motivation, compensation, and employee relations. Therefore, HR managers cannot simply apply the same HR policies in every country.

Example: A multinational company may use individual performance-based rewards in the United States, while introducing team-based rewards in Japan, where collective achievement is often valued more than individual recognition.



Key Note

Culture influences employee behaviour, communication, leadership, and HR practices. Therefore, HR managers must understand the culture before making HR decisions.

Research Insight

A study by Geert Hofstede, based on IBM employees across more than 70 countries, demonstrated that national culture significantly influences workplace behaviour and management practices.

5.2.3.2 Components of Culture

Culture is made up of different elements that influence how people think, behave, communicate, and interact with others. Understanding these components helps managers and employees work effectively in a multicultural business environment.

1. Values

Values are the principles or standards that people consider important in life. They influence decisions, priorities, and behaviour. Since values differ across countries, businesses must understand them to manage employees and customers effectively.

Example: In Japan, teamwork and group harmony are highly valued, whereas in the United States, individual achievement and personal success are given greater importance.

2. Beliefs

Beliefs are the ideas or opinions that people accept as true based on their culture, religion, or personal experiences. These beliefs influence attitudes, decision-making, and everyday behaviour.

Example: In India, many people believe that beginning a new business on an auspicious day brings good luck. In some Western countries, business decisions are generally based more on planning and data than on traditional beliefs.

3. Norms

Norms are the accepted rules or standards of behaviour that guide how people are expected to act in society. Following these norms helps individuals fit into their social and professional environments.

Example: In Germany, arriving on time for meetings is considered a sign of

professionalism. In Japan, bowing is a common way of greeting people as a mark of respect.

4. Customs

Customs are the common practices and habits that people follow in their daily lives or during special occasions. These customs vary from one culture to another and influence social interactions.

Example: In India, guests are often welcomed with refreshments and warm hospitality. In New Zealand, a traditional Māori greeting called the *hongi* is sometimes used during cultural ceremonies.

5. Traditions

Traditions are customs and practices that are passed down from one generation to the next. They help preserve the cultural identity and heritage of a society.

Example: The Chinese New Year is celebrated in China with family reunions, dragon dances, and fireworks. In India, festivals such as Diwali are celebrated by decorating homes and lighting lamps.

6. Language

Language is the primary means of communication among people. It includes spoken words, written communication, and even non-verbal expressions. Understanding the local language improves communication and reduces misunderstandings in international business.

Example: While English is widely used in global business, companies operating in France often communicate in French, and businesses in Japan mainly use Japanese for internal communication.

7. Religion

Religion refers to the spiritual beliefs and practices followed by people. It often influences work schedules, holidays, food preferences, dress codes, and ethical values.

Example: In many Middle Eastern countries, Friday is an important day for prayers. In India, employees may celebrate festivals such as Eid, Christmas, or Diwali depending on their religion.

8. Social Institutions

Social institutions are organized systems in society, such as family, education, government, and marriage, that influence people's behaviour and values. These institutions shape how individuals grow, learn, and interact with others.

Example: In India, family plays a significant role in career and life decisions. In countries like Sweden, individuals are generally encouraged to make independent decisions from a young age.



COMPONENTS OF CULTURE

Culture is made up of different elements that influence how people think, behave, communicate, and interact with others. Understanding these components helps managers and employees work effectively in a multicultural business environment.



Fig 5.2.3 Components of culture

5.2.3.3 Importance of culture in Global HRM

In today's global business environment, organizations employ people from different countries, languages, and cultural backgrounds. Understanding culture is essential because it helps Human Resource (HR) managers create a positive work environment, avoid misunderstandings, and improve employee performance across international locations. The following points explain the importance of culture in Global Human Resource Management (GHRM).

1. Improves Communication

Culture influences how people communicate with one another. Different countries have different communication styles, languages, and ways of expressing ideas. Understanding these differences helps employees communicate clearly and reduces misunderstandings.

Example: Employees in Japan often communicate politely and indirectly, whereas employees in the United States usually communicate more directly and openly.

2. Helps in Effective Recruitment and Selection

Organizations must select employees who can adapt to different cultural environments. Understanding cultural differences helps HR managers choose candidates who possess technical skills as well as cross-cultural adaptability.

Example: A multinational company sending an employee from India to Germany may select someone who is flexible, open-minded, and willing to learn the local work culture.

3. Enhances Cross-Cultural Teamwork

Global organisations often have employees from different countries working together. Understanding culture promotes cooperation, mutual respect, and trust among team members, resulting in better teamwork.

Example: A project team consisting of employees from India, Japan, Germany, and Brazil can work more effectively when members understand and respect each other's cultural differences.

4. Supports Effective Leadership

Leadership styles that are successful in one country may not be equally effective in another. HR managers must develop leaders who can adapt their leadership style according to the local culture.

Example: Employees in Sweden generally prefer participative leadership, where managers involve employees in decision-making, while employees in some Asian countries may expect leaders to make important decisions

5. Reduces Workplace Conflicts

Many workplace conflicts arise because of cultural misunderstandings rather than personal differences. Understanding culture helps employees respect different viewpoints and reduces unnecessary conflicts.

Example: An employee who understands that punctuality is highly valued in Germany is less likely to create misunderstandings by arriving late for meetings.

6. Improves Employee Motivation

Employees are motivated by different factors depending on their culture. HR managers should design reward and recognition systems that match employees' cultural values.

Example: In the United States, individual awards such as "Employee of the Month" are common, while in Japan, recognizing the achievements of the entire team is often more effective.

7. Ensures Successful International Assignments

Employees working in foreign countries face new cultures, languages, and work practices. Understanding culture helps expatriates adjust more quickly and perform their jobs successfully.

Example: Before assigning an employee to China, a company may provide cross-cultural training to help them understand Chinese business etiquette and workplace expectations.

8. Promotes Diversity and Inclusion

A culturally aware organisation respects people from different backgrounds and



creates an inclusive workplace where everyone feels valued. This improves employee engagement, innovation, and job satisfaction.

Example: A multinational company celebrates festivals such as Diwali, Christmas, Eid, and Chinese New Year, making employees from different cultures feel respected and included.

9. Strengthens Global Business Success

Organisations that understand cultural differences can build stronger relationships with employees, customers, suppliers, and business partners around the world. This improves business performance and supports long-term global growth.

Example: Companies such as Unilever, IBM, and Tata Consultancy Services (TCS) invest in cross-cultural training to help employees work effectively across different countries and cultures.

Culture plays a vital role in Global Human Resource Management. Organisations that understand and respect cultural differences are better equipped to manage a diverse workforce, improve employee performance, and achieve success in the global marketplace.

Iceberg Model of Culture

The Iceberg Model explains that culture is like an iceberg. Only a small part of culture is visible above the surface, while a much larger part remains hidden below the surface. The visible elements include things such as language, dress, food, festivals, greetings, and art, which can be easily observed. However, the invisible elements, such as values, beliefs, attitudes, norms, communication style, work ethic, and decision-making, are harder to see but have a much greater influence on how people think and behave.

In Global HRM, understanding these hidden cultural elements helps managers communicate effectively, avoid misunderstandings, and build strong relationships with employees from different cultures.

Example: An employee working in Japan may notice visible cultural differences like bowing and traditional dress. However, understanding hidden values such as respect for hierarchy, teamwork, and discipline is much more important for working successfully in a Japanese organization.

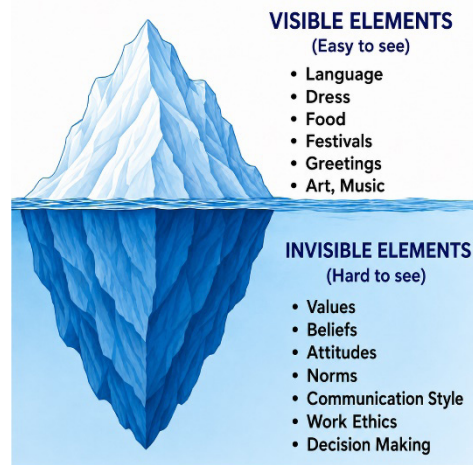


Fig 5.2.4 Iceberg Model

The figure shows that visible cultural elements are easier to observe, whereas invisible elements such as beliefs, attitudes, and work values have a much greater influence on employee behaviour.

5.2.4 Meaning of cultural assessment

Cultural assessment in HRM refers to the process of studying and understanding the cultural environment of a country or workforce before designing or implementing HR policies. For international HR managers, cultural assessment is essential because it reduces misunderstanding and conflict. It helps in creating HR policies that are respectful, practical, and effective. Without such assessment, companies may face employee resistance, low morale, poor communication, and ineffective management decisions.

Understanding culture helps organisations manage employees effectively across countries. However, multinational organisations also require strategic HR practices that align workforce management with long-term business objectives. Now, we will discuss the strategic HR Issues in Global Assignments.

5.2.4.1 Importance of cultural assessment in Global HRM

In a global business environment, employees come from different countries with different values, beliefs, communication styles, and work practices. Before making important HR decisions, organizations need to understand these cultural differences. Cultural assessment helps HR managers develop effective HR policies, improve employee performance, and create a positive work environment across different countries.

1. Helps in Better Employee Selection

Cultural assessment helps HR managers identify employees who can adapt to

different cultural environments. Selecting culturally adaptable employees increases the chances of success in international assignments. For example, before sending an employee from India to Japan, HR evaluates whether the employee can adapt to Japan's teamwork-oriented work culture.

2. Improves Cross-Cultural Communication

Different cultures have different ways of communicating. Cultural assessment helps HR managers understand these differences and provide appropriate communication training, reducing misunderstandings in the workplace. For example, employees in the United States usually communicate directly, while employees in Japan often communicate politely and indirectly.

3. Supports Effective Leadership

Leadership styles that work in one country may not be effective in another. Cultural assessment helps HR managers develop leaders who can adapt their leadership style to suit local cultural expectations. For example, employees in Sweden generally prefer participative leadership, whereas employees in countries with high respect for authority expect managers to make key decisions.

4. Enhances Teamwork and Collaboration

Employees from different cultural backgrounds often have different work styles and expectations. Cultural assessment helps HR managers build diverse teams that work together effectively with mutual respect and cooperation. For example, a project team with members from India, Germany, Brazil, and Japan performs better when everyone understands each other's cultural differences.

5. Reduces Workplace Conflicts

Many workplace conflicts occur because of cultural misunderstandings rather than personal differences. Cultural assessment helps HR managers identify these differences and create a more harmonious work environment. For example, knowing that punctuality is highly valued in Germany encourages employees to arrive on time for meetings.

6. Improves HR Decision-Making

Cultural assessment provides valuable information that helps HR managers make better decisions regarding recruitment, training, performance appraisal, compensation, and employee development. This ensures that HR practices are suitable for different cultural settings.

Example: A company may introduce team-based rewards in Japan but individual performance incentives in the United States.

7. Increases the Success of International Assignments

Employees who understand the culture of the host country adjust more quickly and perform better during overseas assignments. Cultural assessment helps HR managers prepare employees before they begin their international assignments.

Example: Before assigning an employee to China, HR provides training on Chinese workplace culture and business etiquette.

8. Promotes Diversity and Inclusion

Cultural assessment helps organisations understand and respect cultural differences among employees. This creates an inclusive workplace where everyone feels valued and treated fairly.

Example: A multinational company celebrates festivals such as Diwali, Christmas, Eid, and Chinese New Year to promote cultural inclusion.

9. Strengthens Customer and Business Relationships

Understanding the culture of customers and business partners helps organisations communicate effectively and build long-term relationships. Cultural assessment enables employees to interact appropriately in different international markets.

Example: A company entering the Middle East considers local customs and religious practices while planning business meetings and marketing activities.

10. Supports Global Business Success

Organisations that understand cultural differences are better equipped to manage a diverse workforce and expand internationally. Cultural assessment improves employee satisfaction, organizational performance, and overall business success.

Example: Companies such as Tata Consultancy Services (TCS), Unilever, and IBM provide cultural assessment and cross-cultural training to prepare employees for global assignments.

Cultural assessment is an essential part of Global Human Resource Management because it helps HR managers understand cultural differences before making HR decisions. Through proper cultural assessment, organizations can effectively manage a global workforce and achieve long-term success in international business.

5.2.4.2 Frameworks /Models used to assess culture

Organisations operating across different countries need to understand the cultural differences that influence employee behaviour, communication, leadership, and workplace practices. To evaluate these differences, researchers have developed various cultural assessment models that help HR managers compare cultures and make informed HR decisions. Although several models are available, the most widely used frameworks are Hofstede's Cultural Dimensions Model, Hall's Cultural Context Theory, and Trompenaars' Cultural Dimensions Model.

1. Hofstede's Cultural Dimensions Model

The Hofstede Cultural Dimensions Model was developed by Dutch social psychologist Geert Hofstede. It is one of the most widely used frameworks for understanding cultural

differences in the workplace. Hofstede identified six cultural dimensions that explain how values and behaviours differ across countries. HR managers use this model to understand employee expectations and to design appropriate recruitment, leadership, communication, training, motivation, and performance management practices in multinational organisations. The Six Cultural Dimensions are:

- ◇ **Power Distance** - Power distance refers to the extent to which people in a society accept unequal distribution of power. In high power distance cultures such as India and Malaysia, employees generally accept unequal authority and expect managers to make important decisions. Whereas in low power distance cultures such as Sweden and Denmark, employees are encouraged to share ideas, give feedback, and participate in decision-making.
- ◇ **Individualism vs. Collectivism** - This dimension explains whether people give more importance to individual goals or group goals. In individualistic cultures such as the United States and the United Kingdom, people value independence, personal achievement, and individual success. In collectivist cultures such as China and Japan, teamwork, group harmony, and loyalty to the organization are given greater importance. For example, in the United States, employees are often rewarded based on their individual performance, whereas in Japan, organisations may recognize and reward the performance of the entire team.
- ◇ **Masculinity vs. Femininity** - This dimension explains whether a culture values competition and achievement or cooperation and quality of life. In masculine cultures such as Japan and Germany, success, competition, and career advancement are highly valued. In feminine cultures such as Norway and the Netherlands, organizations place greater importance on employee well-being, work-life balance, and cooperation. For example, Companies in masculine cultures may reward top-performing employees with bonuses and promotions, while organizations in feminine cultures may focus on flexible working hours, employee welfare, and maintaining a healthy work-life balance
- ◇ **Uncertainty Avoidance** - This dimension explains how comfortable people are with uncertainty and unexpected situations. In high-uncertainty-avoidance cultures such as Greece and Portugal, people prefer clear rules, detailed plans, and structured work environments. In low-uncertainty-avoidance cultures such as Singapore and the United Kingdom, people are more open to change, innovation, and risk-taking. Example: In high-uncertainty-avoidance cultures, organisations provide detailed job descriptions and clear work procedures. In low-uncertainty-avoidance cultures, employees are given greater flexibility to make decisions and try new ideas.
- ◇ **Long-Term Orientation vs. Short-Term Orientation:** This dimension explains whether people focus more on future goals or immediate results. In long-term oriented cultures such as China and Japan, people value perseverance, patience, continuous learning, and long-term success. In short-term oriented cultures such as the United States and Nigeria, people place greater importance on quick results, traditions, and achieving short-term goals.

Example: Organisations in long-term oriented cultures invest heavily in employee training and career development. In short-term-oriented cultures, companies often focus on achieving immediate performance targets and rewarding short-term achievements.

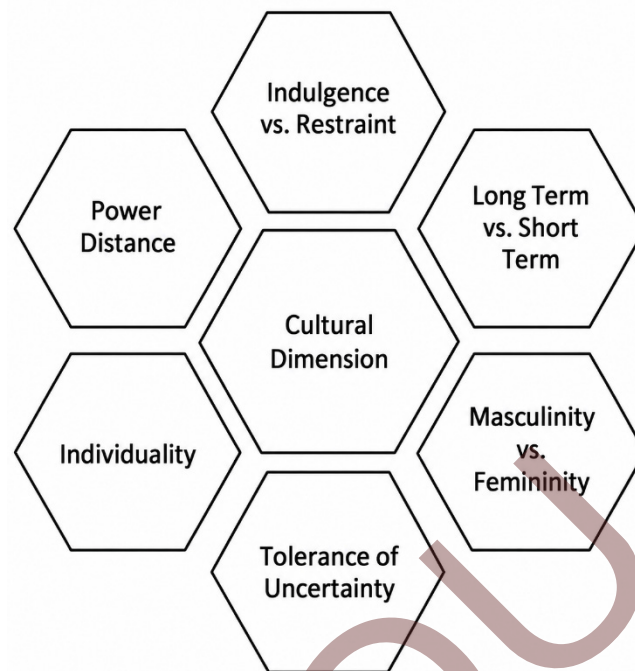


Fig 5.2.5 Hofstede's Six Dimensions Dimensions of Culture

Indulgence vs. Restraint

This dimension explains how much people are encouraged to enjoy life and satisfy their personal needs. In indulgent cultures such as Australia and Mexico, people value freedom, leisure, and personal happiness. In restrained cultures such as China and Russia, people are expected to control their desires and follow social norms.

Example: Organisations in indulgent cultures may offer flexible working hours, employee wellness programmes, and recreational activities. In restrained cultures, organizations may place greater emphasis on discipline, formal workplace behaviour, and adherence to organisational rules.

2. Hall's Cultural Context Theory

Hall's Cultural Context Theory was developed by the American anthropologist Edward T. Hall. This model explains how people from different cultures communicate and share information. Hall classified cultures into High-Context Cultures and Low-Context Cultures based on the way people communicate. HR managers use this model to improve communication, teamwork, leadership, negotiation, and cross-cultural training in multinational organisations.

In high-context cultures, communication is often indirect, and much of the message is understood through body language, tone of voice, relationships, and shared experiences

rather than spoken words. People give importance to trust, long-term relationships, and group harmony. Whereas in low-context cultures, communication is direct, clear, and explicit. People prefer to express their ideas openly and expect information to be communicated through words rather than assumptions. They value clarity, transparency, and straightforward communication.

3. Trompenaars' Cultural Dimensions Model

The Trompenaars' Cultural Dimensions Model was developed by Fons Trompenaars and Charles Hampden-Turner. The model explains how cultural values influence the way people communicate, build relationships, make decisions, and behave in the workplace. It helps HR managers understand cultural differences and develop appropriate HR policies for managing a diverse global workforce.

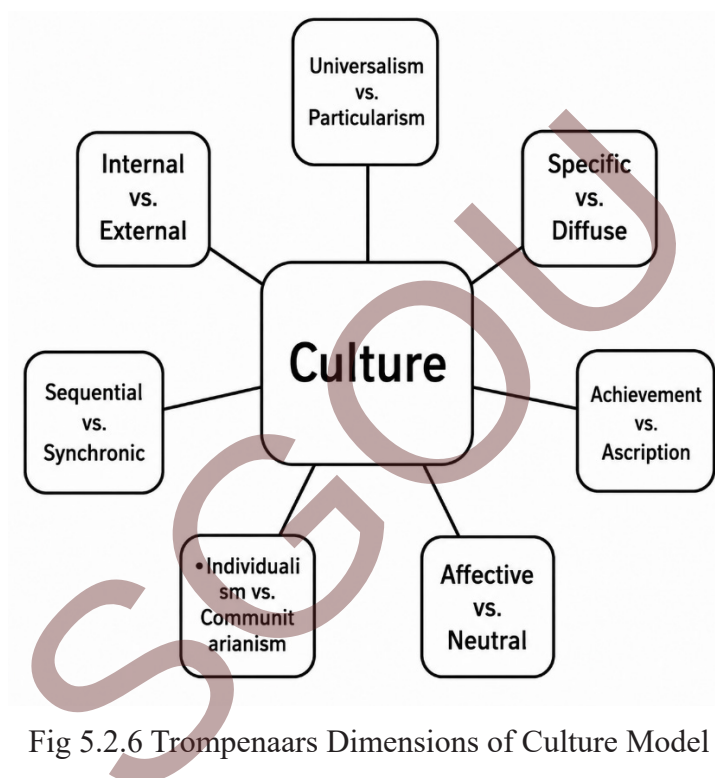


Fig 5.2.6 Trompenaars Dimensions of Culture Model

Trompenaars identified seven cultural dimensions, which are explained below.

a. Universalism vs. Particularism

This dimension explains whether people follow rules or relationships when making decisions. In universalist cultures, people believe that rules and laws should be applied equally to everyone. In particularistic cultures, people give greater importance to personal relationships and may make exceptions based on the situation.

b. Individualism vs. Communitarianism

This dimension explains whether people focus on individual goals or group goals. In individualistic cultures, employees value independence and personal achievement. In communitarian cultures, teamwork, cooperation, and group success are considered more important.

c. Neutral vs. Emotional

This dimension explains how openly people express their emotions. In neutral cultures, people usually control their emotions and remain calm during business interactions. In emotional cultures, people openly express their feelings through facial expressions, gestures, and tone of voice.

d. Specific vs. Diffuse

This dimension explains whether people keep their work life and personal life separate or closely connected. In specific cultures, people clearly separate professional and personal relationships. In diffuse cultures, personal relationships often influence workplace interactions.

e. Achievement vs. Ascription

This dimension explains how people earn respect and social status. In achievement-oriented cultures, people gain respect through their skills, knowledge, and performance. In ascription-oriented cultures, status is often based on age, position, family background, or social standing.

f. Sequential Time vs. Synchronous Time

This dimension explains how people manage time and work activities. In sequential-time cultures, people complete tasks one after another and value punctuality. In synchronous-time cultures, people are comfortable handling multiple tasks at the same time, and schedules may be more flexible.

g. Internal Direction vs. External Direction

This dimension explains whether people believe they can control their environment or should adapt to it. In internal-direction cultures, people believe they can influence events through planning and action. In external-direction cultures, people believe they should adapt to external circumstances such as nature, society, or changing conditions.

5.2.5 Strategic HR Issues in Global Assignments

As multinational organizations expand across countries, they often send employees to work in foreign subsidiaries for a specific period. These employees, known as expatriates, play an important role in transferring knowledge, establishing business operations, and strengthening coordination between headquarters and overseas offices. However, assigning employees to another country involves much more than arranging travel and accommodation. HR managers must carefully plan every stage of the international assignment to ensure both the employee and the organization achieve their objectives. This requires addressing several strategic HR issues before, during, and after the assignment.

1. Selecting the Right Employee for International Assignment

Selecting the right employee is one of the most important decisions in Global HRM. A technically skilled employee may not always succeed in an overseas assignment.



Therefore, HR managers should consider qualities such as adaptability, cultural sensitivity, communication skills, leadership ability, emotional maturity, and family readiness before selecting an employee for an international assignment.

Example: An engineer may be highly skilled in technical work but may find it difficult to adjust to a new culture and work environment, which could lead to the failure of the international assignment.

2. Cross-Cultural Training

Cross-cultural training helps employees understand the culture, customs, communication styles, workplace etiquette, negotiation practices, and business ethics of the host country before they begin their international assignment. Such training enables employees to adapt more easily, communicate effectively, and build positive working relationships with colleagues from different cultural backgrounds.

Example: Before taking charge of a team in Japan, an Indian manager should receive training on Japanese workplace culture, including meeting etiquette, communication style, and business practices, to ensure a smooth transition and effective collaboration.

3. Compensation and Benefits

Providing fair and competitive compensation is one of the major challenges in managing international assignments. HR managers must design compensation packages that consider factors such as salary differences, cost of living, hardship allowances, housing, children's education, medical insurance, taxation, and exchange rate fluctuations. A well-planned compensation package helps attract, motivate, and retain employees during their overseas assignments.

Example: Employees assigned to expensive cities such as London or Singapore are often provided with a cost-of-living allowance and housing benefits to help them maintain a standard of living similar to that in their home country.

4. Performance management

Performance management in global assignments should take into account the local business environment, cultural differences, assignment objectives, and the employee's ability to work effectively with multicultural teams. Therefore, multinational organisations should avoid using the same performance appraisal system in every country. Instead, they should adapt performance evaluation methods to suit local conditions while ensuring that organizational goals are achieved.

Example: A sales manager working in India and another working in Norway may not have the same sales targets because customer preferences, market conditions, and business opportunities differ between the two countries. Therefore, their performance should be evaluated based on the specific conditions of their respective markets.

5. Family Adjustment

The success of an international assignment depends not only on the employee but

also on how well the employee's family adjusts to the new country. HR managers should consider factors such as the spouse's employment opportunities, children's education, access to healthcare, lifestyle changes, and the availability of social support. Assisting in these areas helps employees and their families settle comfortably and improves the chances of a successful international assignment.

Example: An employee assigned to work in Australia may return home before completing the assignment if the spouse is unable to adjust to the new environment or the children face difficulties in adapting to a new school.

6. Employee Safety and Well-being

Ensuring the safety and well-being of employees is an important responsibility of HR managers during international assignments. Organisations should assess potential risks such as political instability, pandemics, natural disasters, and medical emergencies, and provide adequate support through health insurance, emergency assistance, and evacuation plans. These measures help employees feel secure and enable them to perform their responsibilities with confidence.

Example: During the COVID-19 pandemic, many multinational organizations temporarily relocated their expatriate employees or arranged safe travel and medical support to protect their health and safety.

7. Knowledge Transfer

One of the key objectives of international assignments is to facilitate knowledge transfer across the organisation. Employees who complete overseas assignments bring back valuable knowledge, including new technologies, leadership practices, innovative ideas, and international business experience. Organisations should capture and share this knowledge through training sessions, mentoring, and knowledge-sharing programmes so that other employees can benefit from their global experience and improve organisational performance.

Example: An employee returning to India after working in Germany may introduce advanced manufacturing techniques and efficient work practices that help improve productivity across the organisation.

8. Legal and Ethical Issues

Managing international assignments requires organisations to comply with the legal and ethical requirements of the host country. HR managers should ensure that employees have the necessary work visas, follow local labour laws, understand employment contracts and taxation rules, and work in an environment that promotes health, safety, and equal treatment. Adhering to these requirements helps organisations avoid legal problems and build a fair and ethical workplace.

Example: Before sending an employee to Canada, the organisation must obtain the appropriate work visa, comply with Canadian labour laws, and ensure that the employee is protected by workplace health and safety regulations.



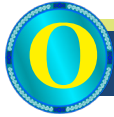
Global Human Resource Management extends beyond managing employees across national boundaries; it requires organisations to understand and effectively respond to cultural diversity while aligning human resource practices with global business strategies. As discussed in this unit, culture influences employees' attitudes, communication styles, leadership expectations, decision-making, and workplace behaviour, making cultural assessment an essential component of international HRM. Frameworks such as Hofstede's Cultural Dimensions Model, Hall's Cultural Context Theory, and Trompenaars' Cultural Dimensions Model provide valuable insights into understanding and managing cultural differences in multinational organisations.

Organisations that successfully integrate cultural understanding with strategic HR practices are better equipped to develop a globally competent workforce, enhance employee effectiveness, and achieve sustainable competitive advantage in the international business environment. As globalization continues to reshape the world of work, the ability to manage people across cultures has become a strategic capability and a key determinant of organisational success.



Recap

- ◇ Cultural Assessment: The process of studying and understanding the cultural environment of a country or workforce before designing or implementing HR policies
- ◇ Culture: The shared values, beliefs, customs, and unwritten rules learned by members of a society, which guide their behaviour, including behaviour at the workplace
- ◇ Culture Shock: The feeling of confusion, stress, or disorientation experienced by a person living in an unfamiliar cultural environment
- ◇ Hofstede's cultural dimension: Power distance, individualism/collectivism, uncertainty avoidance, masculinity/femininity
- ◇ Trompenaars Dimensions of Culture: Universalism/ particularism, specific/diffuse, achievement/ ascription, affective/neutral, individualism/communitarianism, sequential/synchronic, internal/external.
- ◇ Masculinity vs. Femininity - This dimension explains whether a culture values competition and achievement or cooperation and quality of life.



Objective Questions

1. Which cultural framework was developed by Geert Hofstede?
2. What is the process of understanding the cultural environment before designing HR policies called?
3. What term refers to an employee sent to work in a foreign country by their organization?
4. Which theory classifies cultures as high-context and low-context?
5. What is the invisible part of culture represented below the surface in the Iceberg Model called?



Answers

1. Hofstede
2. Cultural Assessment
3. Expatriate
4. Hall
5. Values



Self-Assessment Questions

1. What is meant by 'cultural assessment', and why is it important for a multinational company?
2. What is meant by an international assignment?
3. What is the Iceberg Model of Culture?
4. What is cross-cultural training?
5. What is meant by culture?



Assignments

1. Visit the website of any multinational company. Identify two global HR practices and two that are localized.
2. A US manager openly criticizes an employee in Japan during a meeting. Employees become uncomfortable. Explain this using Hall's Context Theory.
3. "Culture plays a strategic role in the success of Global HRM." Discuss.
4. Explain the various frameworks used to assess culture. Compare Hofstede's, Hall's, and Trompenaars' models.
5. Conduct a literature review on Cross-Cultural Management in Global Organizations using recent research articles. Summarize the major findings and suggest recommendations for HR managers.



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3. Edwin Flippo, Personnel Management.
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Model Question Paper- set-I

Sixth Semester Bachelor of Business Administration (BBA)

Examination

Major Discipline Core Course - B21BB25DE - Strategic Human Resource
Management

(CBCS - UG)

2023-24 - Admission Onwards

Time: 3 Hours

Max Marks: 70

Section A

(Answer any 10, each carry 1 mark)

(10×1= 10)

1. Define SHRM.
2. What is Succession Planning?
3. What is meant by Employee onboarding?
4. What is Human Resource Planning?
5. Define Competency Mapping.
6. What is Employee retention?
7. Mention one theory of motivation.
8. What is employee selection?
9. What is Global HRM?
10. What is Third Country National?
11. What is Culture?
12. Name a factor influencing HR strategy.
13. What is the main objective of HR planning?
14. Name one technology used in training systems.
15. Define Voluntary turnover.



Section B

(Answer any 5 each carries 2 marks)

(5×2=10)

16. Explain the scope of SHRM.
17. Explain the Components of Culture.
18. What are the key components of a SHRM Model?
19. Explain how competency mapping supports HR planning.
20. What is Cultural Assessment?
21. Explain any two strategies to improve employee engagement.
22. Explain one technology-enabled training system.
23. Discuss factors that influence Employee Motivation.
24. Compare two strategic HR issues in global assignments.
25. State the importance of Strategic HRM.

Section C

(Answer any 4, each carries 5 marks)

(4 x 5 = 20)

26. Analyze the role of environment factors in shaping HR strategy.
27. Evaluate the effectiveness of one HR Planning model in practice.
28. Explain the relationship between strategic training and organizational performance.
29. Describe how Reward Strategy impacts employee motivation.
30. Discuss the significance of competency mapping in strategic human resource management.
31. Analyze the challenges faced in Global Human Resource Management compared to Domestic HRM.
32. Explain the steps involved in the Employee selection process
33. Discuss factors affecting HRM in global markets with examples.

Section D

(Answer any 2 each carries 15 marks)

(2 x 15 = 30)

34. Critically examine the evolution and growth of HRM in Indian and international contexts and its impact on SHRM.
35. Discuss the major models used to assess organizational culture and explain their importance in understanding workplace behaviour.
36. Evaluate global human resource management issues in international assignments and propose solutions for strategic HR challenges across cultures.
37. Critically evaluate the major models of Strategic Human Resource Management and their contribution to organizational effectiveness.

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Examination

Major Discipline Core Course- B21BB25DE-

Strategic Human Resource Management

(CBCS - UG)

2023-24 - Admission Onwards

Time: 3 Hours

Max Marks: 70

Section A

(Answer any 10, each carry 1 mark)

(10×1= 10)

1. Define Competency
2. What is Employee Engagement?
3. Define Job Analysis.
4. Define Performance Appraisal.
5. What is meant by Expatriate?
6. What is the first step in the HR planning process?
7. What is Parent Country Nationals?
8. What is Strategic Learning?
9. Mention one challenge in global HRM.
10. What is cross-cultural training?
11. What is Functional Competency?
12. Define Blended Learning?
13. What is Virtual Learning?



14. Define CIRO Model?
15. Define Voluntary Turnover?

Section B

(Answer any 5 each carries 2 marks)

(5×2=10)

16. Explain the importance of strategic human resource planning in an organization.
17. Describe how strategic motivation impacts employee retention.
18. Summarize the differences between global HRM and domestic HRM.
19. Explain the role of competency mapping in strategic selection.
20. What are competency categories?
21. Discuss methods to evaluate training effectiveness.
22. Explain the impact of reward strategy on motivation.
23. Describe two factors that influence employee engagement.
24. Mention the different levels of employee engagement.
25. Explain the 360-Degree Feedback Method.

Section C

(Answer any 4, each carries 5 marks)

(4 x 5 = 20)

26. Analyze the influence of environment factors on strategic HR decision-making.
27. Elaborate the Strategic HR planning models
28. Discuss the benefits and challenges of technology-enabled learning systems.
29. Analyze the role of motivation theories in developing employee reward strategies.
30. What is Behaviourally Anchored Rating Scale ?
31. Analyze employee engagement strategies to prevent voluntary turnover.
32. Evaluate strategic challenges faced during global HR assignments.
33. Discuss the application of competency mapping in performance measurement systems.

Section D

(Answer any 2 each carries 15 marks)

(2x15=30)

34. Explain the different types of Employee Rewards and discuss how reward systems influence motivation and performance.
35. Discuss the advantages of technology-enabled learning and explain its impact on employee training and development
36. Explain the Kirkpatrick Model of training evaluation and discuss how it helps organizations measure learning effectiveness.
37. Explain various tools used for assessing Employee Performance and evaluate their effectiveness.

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