



Human Resource Management

**Overview of Human
Resource Management**

Human Resource Management

Block

I

OVERVIEW OF HUMAN RESOURCE MANAGEMENT

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COURSE INTRODUCTION

Human resources are the most valuable and unique assets of an organization. The successful management of an organization's human resources is an exciting, dynamic, and challenging task, especially at a time when the world has become a global village and economies are in a state of flux. The scarcity of talented resources and the growing expectations of the modern day employee have further increased the complexity of the human resource function.

Even though specific human resource functions/activities are the responsibility of the human resource department, the actual management of human resources is the responsibility of all the managers in an organization. It is therefore necessary that all managers understand and give due importance to the different human resource policies and activities in the organization.

Human Resource Management outlines the importance of managing human resources effectively in an organization. It examines the various human resource processes that are concerned with attracting, managing, motivating, and training employees for the benefit of the organization.

The course introduces students to the issues involved in the field of human resource management in a dynamic business environment. It enables students to learn how to leverage and manage human resources. The course will enable the students to understand the significance of smooth and successful employee relations in organizations. It also provides the students an understanding of the changing trends in human resource management.

**BLOCK I: OVERVIEW OF HUMAN RESOURCE
MANAGEMENT**

The first block in the course on *Human Resource Management* deals with the fundamental concepts relevant to the subject. The block contains three units. The first unit explains the basic concept of human resource management (HRM) and its importance. The second unit focuses on the relationship between organizational structure and the HRM function. The third unit examines the concept and importance of HRM in organizations operating at the global level.

The first unit, *Introduction to HRM*, discusses the definition and concept of HRM. The unit focuses on the history, functions, and emerging role of HRM. The unit also deals with human resource policies and procedures, the role played by HR executives, and the challenges faced by them. The unit also provides an idea about the concepts of Human Capital management, HR Analytics, and latest fields of HRM such as Strategic HRM, GHRM, E-HRM and QHRM.

The second unit, *Organizational Structure and HRM*, deals with the relationship between organizational structure and HRM. The unit also explains formal and informal organizations, and distinguishes between tall and flat organizational structures. The unit also discusses the concepts of responsibility, authority, and accountability. It explains the reasons for conflict between the line and staff functions. Finally, it discusses the relationship of human resource management with the other functions in the organization.

The third unit, *International Human Resource Management*, explains the concept of and approaches to international human resource management (IHRM). The unit explains the features and importance of IHRM. It discusses the factors affecting IHRM, the different activities involved in it. Finally, it discusses the concept of strategic IHRM.

Unit 1

Introduction to HRM

Structure

- 1.1. Introduction
- 1.2. Objectives
- 1.3. Definition and Concept of Human Resource Management
- 1.4. History of Human Resource Management
- 1.5. Functions of Human Resource Management
- 1.6. HR Policies and Procedures
- 1.7. Emerging Role of Human Resource Management
- 1.8. Human Capital Management
- 1.9. Role of HR executives
- 1.10. Challenges to HR Professionals
- 1.11. Latest Fields of HRM
- 1.12. Summary
- 1.13. Glossary
- 1.14. Self-Assessment Test
- 1.15. Suggested Readings / Reference Material
- 1.16. Answers to Check Your Progress Questions

1.1. Introduction

In this unit, we introduce you to human resource management. Human resource management (HRM) is one of the most difficult and challenging areas in modern management. The term human resource refers to knowledge, skills, creative abilities, talents, and aptitudes of an organization's workforce in totality. It also includes individual values, attitudes, and beliefs (Leon C. Megginson).

The traditional approaches to personnel management had stressed upon command and control. These approaches paved the way for newer approaches that emphasize greater freedom and support to the employee. Referring back to 4th century B.C. Kautilya's 'Arthashastra' has mentioned about, management of human resources along with quality, quantity. It also had an explicit discussion on staffing and personnel management. Before the 1980s, personnel administration was characterized by standardization, while consistency and conformity were the chief characteristics of the management policy. These days, however, flexibility has become a significant aspect of a company's

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corporate human resource strategy. Modern day organizations are characterized by a consistent change in its relationship with its external environment and human resources. This reflects the dynamic nature of business. In order to respond to the changes, organizations make a conscious effort to change organizational structure, policies and procedures from the inside and adapt to economic, political and social conditions that prevail in domestic and global platforms from the outside. To remain competitive in the business, organizations are looking for people with creativity, experience and ideas while recruiting prospective job seekers. On similar note, organizations are actively engaged in rigorous training and development activities of their existing employees so as to keep them competitive and relevant in the business. On the other side, the issues and problems associated with people in organizational setting are mostly human and social in nature rather than, physical or technical.

This unit will give you the definition and concept of human resource management, and explain its history, functions, and emerging role. We shall then move on to discuss the human resource policies and procedures, and the role played by HR executives and the challenges faced by them. Finally, we would be discussing the concept of strategic human resource management.

1.2. Objectives

By the end of this unit, students should be able to:

- *Define and explain the concept of human resource management.*
- *Discuss the managerial and operative functions of human resource management.*
- *State the HR policies and procedures.*
- *Analyze the emerging role of human resource management.*
- *Describe the role of HR executives.*
- *Identify the challenges faced by HR Professionals.*
- *Explain the concept of strategic human resource management.*

1.3. Definition and Concept of Human Resource Management

Personnel/Human resource management is that organizational function which facilitates the optimum use of people (employees) to attain organizational and individual objectives. Organizations are made up of people and in order to achieve the organizational objectives using the minimum resources, it is important to utilize and develop their skills, motivate them to enhance their performance levels, and ensure that they remain committed to the organization.

HRM is a process consisting of four functions, namely:

Acquisition: *This function begins with planning and ends with staffing. The planning stage involves finding out the number and categories of employees required.*

Development: *This function has three dimensions -- employee training, management development, and career development.*

Motivation: *This function includes identifying the individual motivational needs of employees and the ways to motivate them.*

Retention: *This function deals with providing a favorable work environment to the employees and encouraging them to make them feel committed and attached to the organization.*

Check Your Progress-1

1. The term _____ refers to “the total knowledge, skills, creative abilities, talents and aptitudes of an organization’s workforce, as well as the values, attitudes and beliefs of the individuals involved”.
 - a. Human resources
 - b. Human resource management
 - c. Human resource planning
 - d. Human relations
2. Traditional approaches to personnel management emphasize on
 - i. Support
 - ii. Command
 - iii. Control
 - iv. Freedom
 - a. Only ii and iii
 - b. Only i and ii
 - c. Only i, iii, and iv
 - d. Only iii and iv
3. Management as a process involves planning, organizing, staffing, directing and controlling activities that facilitate the achievement of an organization’s goals. Before the 1980s, which of the following features were the hallmarks of management policy?
 - i. Support
 - ii. Consistency

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- iii. Freedom
 - iv. Conformity
 - a. Only i and ii
 - b. Only iii and iv
 - c. Only i and iii
 - d. Only ii and iv
4. The _____ function in human resource management is concerned with providing a work environment which is conducive to the employees and nurturing them to make them feel committed and attached to the organization.
- a. Retention
 - b. Development
 - c. Motivation
 - d. Acquisition
5. One of the functions of human resource management process is developing the employees. What are the factors taken care of under employee development?
- i. Employee training
 - ii. Providing a conducive work environment to the employees
 - iii. Career development
 - iv. Nurturing the employees to make them feel committed and attached to the organization
 - a. Only i and ii
 - b. Only i and iii
 - c. Only ii and iii
 - d. Only iii and iv

1.4. History of Human Resource Management

Personnel management, which was practiced years ago, is very different from the human resource management prevalent today. There are three main approaches to HRM. These are the scientific management approach, the human relations approach, and the human resources approach. Of these, the human resources approach has gained importance in recent times.

1.4.1 Scientific Management Approach

During the early 1900s, most business owners and managers believed that to manage employees effectively, they needed to constantly supervise and force them to work. However, this belief was challenged by the scientific management approach. The scientific management approach suggested that managers should adopt a scientific and objective approach to determine how work can be designed and carried out most efficiently.

Fredrick Taylor (Taylor), regarded as the father of scientific management, focused on the study of motions that were required for each job, the tools used, and the time needed to accomplish each task. Based on such scientific study, fair performance standards were determined for each job, and workers who produced more than the standard output were given incentives. The time-and-motion studies of Taylor were highly standardized, required little mental effort, and replaced the 'rule-of-the-thumb' work methods with 'one best way' of doing a job. However, workers did not get the chance to exercise their judgment or decision making power. Another issue that created problems was a belief that was the basis of scientific management -- that workers were only motivated by money.

During the early years of the twentieth century, the concept of 'economic man' was embraced by managers. According to this concept, economic gains motivated a worker, and financial incentives were alone sufficient to maximize the output of a worker. The 'economic man' concept led Taylor to propound the differential piece-rate system, where workers got a higher rate of pay for every unit of output that exceeded the daily output standard.

During this time, the personnel department in any large manufacturing concern performed the traditional task of recruiting, selecting, and training staff, and ensuring the health and safety of their employees, keeping in mind the scientific management techniques. Apart from this, the personnel department also concentrated efforts on conducting time-and-motion studies, fatigue studies, did job analysis, and developed job specifications and wage incentive programs. Some also supported welfare programs that addressed workers' needs like vacations, employee hygiene, job training, company housing, employee loans, and recreational programs. These programs were not as successful as expected as they failed to bring in behavioral changes and productivity gains. Thus, the employee welfare programs became less popular during the 1920s and 1930s.

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1.4.2 Human Relations Approach

The Hawthorne studies, conducted by Elton Mayo and F. J. Roethlisberger, during the 1930s and 1940s, forced organizations to shift their attention from the scientific management approach to the human relations approach. The results of these studies suggested that employee productivity was affected, not only by the way the job was designed and through the provision of economic rewards, but also by certain social and psychological factors, like work conditions, group relationships, and management support. Moreover, the studies showed that treating employees with respect would improve employee satisfaction and help in achieving higher productivity.

The rise of unionism, during the period, gave workers the legal right to organize themselves, and to bargain collectively on issues ranging from wages and benefits to job security and working conditions. Though unionization led to the deterioration of labor-management relations, it led to a greater acceptance of the principles of human relations.

Although the human relations approach largely improved the working environment of workers, it was not very successful in increasing their productivity or improving job satisfaction due to the following reasons:

The approach was based on the management's assumption that "a happy worker is a hard worker" but this was not applicable to all workers. The approach did not recognize the need for a job structure. It did not give adequate importance to procedures, standards, and work rules that would steer employees toward the achievement of organizational goals.

The approach failed to recognize other factors that could influence employee satisfaction and productivity, like performance management, career development, job enrichment, and career planning.

Thus, during the 1950s and 1960s, the human relations approach began to be considered as outdated and was discarded by many organizations.

1.4.3 Human Resources Approach

The human resources approach treats organizational objectives and employee needs as mutual and compatible, and as issues which can be dealt together. The human resources approach is based on the following principles.

Employees are the assets of an organization.

Policies, programs, and practices should meet the needs of employees, and assist them in their work and enable personal development.

A favorable work environment should be created and maintained in order to encourage employees to develop and harness their knowledge and skills for the benefit of the organization.

According to the human resources approach, the HR policies and practices should be aligned with the aim of balancing individual and organizational needs. This balance can be achieved if organizations and employees help each other in achieving their respective goals.

Check Your Progress-2

6. The scientific management approach resulted in work methods and techniques that emphasized employee output. The time-and-motion studies of Frederick Taylor helped replace the 'rule-of-the-thumb' work methods, with the 'one best way' method to accomplish a task. Which of the following was a limitation of the 'one best way' method to accomplish a task?
 - a. Workers employed minimum knowledge and skill in their work.
 - b. This approach involved a high degree of standardization.
 - c. Workers had very few opportunities to use their judgment.
 - d. Workers did not have much formal education.
7. During the early years of the twentieth century, managers embraced the concept of the 'economic man'. Identify the statement which is **not** true with respect to this concept?
 - a. A worker is basically motivated by economic gain.
 - b. Only financial incentives could maximize the worker's output.
 - c. This concept led Taylor to oppose the differential piece-rate system.
 - d. Money was the most important work-related need of workers.
8. The growing strength of unions was a major factor responsible for the shift to the concept of human relations. Which of the following was a negative outcome of unionization?
 - a. Though workers got the legal right to organize, they could not bargain collectively.
 - b. Issues of wages, benefits, job security, and working conditions gained importance.
 - c. Labor-management relations deteriorated in some companies.
 - d. Workers had few opportunities to use their judgment or make their own decisions.

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9. In order to ensure high levels of employee satisfaction and productivity, organizations have adopted the human resources approach. Which of the following statements is **true** with regard to this approach?
 - a. Organizational goals and employee needs are mutual and compatible.
 - b. People should be treated as factors of production.
 - c. People should be treated as human beings who act on the basis of emotions alone.
 - d. All employees are equal in terms of productivity.
10. Managers in organizations have to get the job done through people. They should understand and accept the fact that individuals, and not organizations, create wealth. Which of the following is **not** a reason for people management being one of the biggest challenges for any manager?
 - a. Individuals differ from each other in terms of their values, attitudes, beliefs, and culture.
 - b. Employees have very high expectations; they know that they are valuable assets and demand to be treated as such.
 - c. The stimulating and motivational factors may not be the same for all the employees.
 - d. A worker is basically motivated by economic gain; financial incentives alone could maximize the worker's output.

1.5. Functions of Human Resource Management

An effective manager should make use of human and non-human resources to bring about an alignment between the organizational goals and the individual goals, thus resulting in successful handling of business. People management is one of the greatest challenges faced by a manager because of:

Individual differences in employees in terms of values, attitudes, beliefs, and culture,

Differences in stimulation and motivational factors for the employees,

Greater employee expectation, as compared to earlier times.

The functions of HRM can be broadly classified into managerial functions and operative functions.

1.5.1 Managerial Functions

The managerial functions of HRM include planning, organizing, staffing, directing, and controlling.

Planning

Planning involves formulating the future course of action. It includes determining in advance, the personnel programs and changes required that would help in achieving the organizational goals, identifying the human resource requirements, and predicting the personnel needs. Planning also involves foreseeing the changes in employee attitudes and finding effective ways of handling these changes.

Organizing

Organizing involves setting up an intentional structure of roles for employees in an organization. Some of the organizing functions are structural considerations like chain of command, division of labor, and assignment of responsibilities. The organizing function helps in establishing relationships among employees, so that they can contribute collectively toward the attainment of the organizational goals.

Staffing

Staffing involves acquiring and maintaining capable and competent personnel in various positions at all levels in the organization. It includes manpower planning, recruitment, selection, placement, induction and orientation, transfer, career progression, and separation.

Directing

Directing involves channelizing all the available resources toward the common organizational goals. It ensures maximum employee contribution, helps in establishing sound industrial and human relations, and involves coordination between different departments to ensure maximum utilization of all resources, including the human resources.

Controlling

Controlling involves measurement and rectification of activities to ensure that events conform to plans. After carrying out the other managerial functions, the performance is verified in order to ensure that the HRM functions, comply with the plans and directions. This verification process is carried out by the controlling function. Auditing the training programs, analyzing the records of labor turnover, directing employee morale surveys, and conducting exit interviews are some of the ways of controlling the HRM functions.

Check Your Progress-3

11. The functions of human resource management can be classified into two broad categories. Identify them.
 - i. Managerial functions
 - ii. Planning functions
 - iii. Employment functions
 - iv. Operative functions
 - a. Only i and iii
 - b. Only i and iv
 - c. Only ii and iii
 - d. Only iii and iv
12. _____ is the managerial function that involves measurement and rectification of activities to ensure that events conform to plans.
 - a. Directing
 - b. Controlling
 - c. Employee relations
 - d. Human resource development
13. _____ is a managerial function of the human resource (HR) department that channelizes all the available resources toward the common organizational goals, and also involves coordination between different departments to ensure maximum utilization of all resources.
 - a. Planning
 - b. Staffing
 - c. Directing
 - d. Controlling
14. The _____ function involves establishing an intentional structure of roles for the employees; it is one of the managerial functions performed by the human resource department of an organization.
 - a. Planning
 - b. Human resources development
 - c. Employee relations
 - d. Organizing

15. Controlling involves the measurement and rectification of activities to ensure that events conform to plans. Which of the following is **not** a way of controlling human resource management (HRM) functions?
- Induction and orientation
 - Analyzing labor turnover records
 - Conducting exit interviews
 - Auditing training programs

1.5.2 Operative Functions

The operative functions of HRM are related to specific activities of HRM, namely employment, human resource development, compensation, and employee relations. These activities differ from organization to organization.

Employment

Employment is the first operative function of HRM. It involves sourcing and employing individuals with suitable knowledge, skills, experience, and aptitude that are necessary to perform various jobs. It includes functions like job analysis, human resource planning, recruitment, selection, placement, and induction.

Job analysis: *Job analysis is the process by which the tasks which comprise a job are determined, and the skills and abilities required to perform it successfully are identified.*

- It involves preparation of the job description, job specification, job requirements, and employee specification.
- Job analysis also provides the guidelines, plans, and basis for job design and redesign.

Human resource planning: *Human resource planning involves matching future human resource needs with supply. This can be achieved by*

- Estimating the present and future manpower requirements on the basis of long range plans and organizational objectives,
- Conducting present inventory of human resources by taking into account retirements, transfers, attrition, etc.
- Taking steps to mold, change, and develop the existing employees to enable them to meet future organizational requirements, and

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- Formulating plans to attract and acquire valuable human resources from the market.

Recruitment: *Recruitment is the process of searching and then attracting prospective candidates to a vacancy in an organization. It involves*

- Tapping the existing sources of applicants and identifying or creating new sources of applicants
- Encouraging and attracting candidates to apply for jobs in the organization
- Deciding upon the process of recruitment.

Selection: *Selection is the process of identifying and ascertaining the credentials of a candidate for a job. This process involves*

- Scanning application forms
- Identifying and developing suitable and reliable testing techniques
- Involving line managers or respective departments in the process
- Evaluating the candidates and fixing their salary and benefits
- Formulating a medical fitness policy and examination procedures
- Informing the candidates about the results of the selection process
- Employing the selected candidates.

Placement: *Placement of selected candidates is decided upon when they convey their acceptance of the offer of employment by an organization. It involves*

- Discussing the placement with the line/functional managers and identifying a mentor for the new entrant
- Doing a follow-up and evaluating employee performance to determine adjustment to new job.

Induction: *Induction refers to*

- Introducing a new employee to the organization's business, culture, values beliefs, practices, and procedures
- Helping the employee get acquainted with the various tasks of his/her new job.

Activity: Ankitha Solutions Pvt. Ltd., a software company, placed an advertisement in a popular English daily newspaper for a requirement of 100 fresh engineering graduates to be placed at its overseas branches. What are

Contd.

the operative functions of the HR department that led to this advertisement?
What are the operative functions of this department after the receipt of applications for the job? Describe these functions.

Answer:

Check Your Progress-4

16. In order to ensure satisfactory performance of an employee, his/her skills, abilities and motives to perform a job must match the requirements of the job. Which of the following activities is **not** associated with job analysis?
 - a. Preparing job description and job specification
 - b. Providing guides, plans and basis for job design and redesign
 - c. Identifying and developing suitable and reliable testing techniques
 - d. Preparing job requirements and employee specification
17. Introducing a new employee to the organization, its business, its culture, its values and beliefs, and practices and procedures, is termed as _____.
 - a. Placement
 - b. Induction
 - c. Selection
 - d. Recruitment
18. Selection is one of the functions of the human resource department which chooses the appropriate candidate for a job. Which of the following activities is **not** associated with the selection function?
 - a. Scanning the application forms
 - b. Identifying and developing suitable and reliable testing techniques
 - c. Evaluating the candidates and deciding their salary and benefits
 - d. Conducting follow-up study and evaluating employee performance so as to determine how well the employee is accustomed to the job

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19. The operative function of procuring and employing individuals with suitable knowledge, skills, experience and aptitude necessary to perform various jobs is called _____. It includes functions such as job analysis, human resource planning, recruitment, selection, placement, and induction.
- Employment
 - Planning
 - Organizing
 - Staffing
20. After interviewing several applicants for the vacancies of onsite project manager and offshore project manager at QMC Limited, two candidates -- Prakash Gupta and Ravinath Yadav, were selected. Which is the step which immediately succeeds this stage in human resource management?
- Placement
 - Recruitment
 - Induction
 - Selection

Human Resource Development

Human resource development (HRD) is the process of training and developing employees so as to improve and update their knowledge and skills, in order to enable them to perform their jobs better. It includes developing the attitudes, beliefs, and values of the employees to match with the organizational needs. HRD also includes performance appraisal, training, management development, and career planning and development.

Performance appraisal: Performance appraisal is the process of evaluating the performance of an employee on the job and developing a plan for improvement. It involves

- Designing a performance appraisal system, according to the organizational needs and culture
- Developing suitable methods to ensure successful working of the system, by training all the employees to conduct effective appraisals
- Effectively implementing the system and continuously monitoring it to ensure timely and necessary changes.

Training: Training is the systematic development of the knowledge, skills, and attitudes in an individual that are required to perform a given task or job successfully. It involves

- Identifying the training needs of the individuals and designing suitable programs
- Conducting training programs or providing assistance to other departments to conduct training
- Evaluating the effectiveness of the training programs

Management development: *Management development involves developing the employees of an organization to meet the future changes and challenges. It also involves*

- Predicting the human resource demands of an organization and preparing to meet these demands
- Enabling an employee to enhance his/her overall personality and skills for continuous development.

Career planning and development: *Career planning and development refers to identifying an individual's career goals and formulating plans to attain them through education, work experience, etc. Career planning considers the individual's perspective, while career development considers an individual's goals from the organizational perspective.*

Compensation

All the extrinsic rewards received by an employee, during and after the course of his/her job, for his/her contribution to the organization, are referred to as compensation. Compensation payment must be adequate, equitable, and fair to employees. It is based on job evaluation, and includes base salary, incentives, bonus, and benefits.

Job evaluation: *Job evaluation is a systematic determination of the value of each job, in relation to other jobs in the organization, industry, and market. It involves identifying or designing suitable job evaluation techniques, evaluating various jobs, and determining the relative worth of jobs in various categories.*

Wage and salary administration: *Wage and salary administration refers to the process of formulating and operating a suitable wage and salary program. It involves conducting wage and salary surveys in the market and in the industry, determining the wage and salary rates, implementing wage and salary administration programs, and evaluating the effectiveness of these programs.*

Incentives: *The rewards earned by an employee, in addition to regular wages or salary, based on his/her performance and the performance of the team or the organization, are known as incentives.*

Bonus: *Bonus is a share in the company's surplus for an employee that is directly related to the performance of the organization.*

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Fringe benefits: The monetary and non-monetary benefits, received by employees during their employment, and sometimes, even in the post-employment period, are known as fringe benefits. Some of the fringe benefits are disablement benefits, housing facilities, canteen facilities, conveyance facilities, post-retirement benefits, and educational facilities for employees and their children. The following Exhibit 1.1 shows the fringe benefits given by Reliance Industries.

Exhibit 1.1: Fringe Benefits: Reliance Industries

In June 2021, RIL announced that it will continue to provide salaries for five years to the nominee of employees who succumbed to the disease. Reliance has put in place a liberal leave policy for employees affected by Covid-19. It is providing financial assistance of up to 3 months' pay as interest-free salary

Contd.

advance in case of an exigency. In case of unfortunate demise of an employee, Reliance is providing financial support to the family and committing to shoulder the educational expenses of the children. Reliance further said that under the 'Reliance Family Support and Welfare Scheme', it would fully fund tuition fees, hostel accommodation and books of all the children of the employee, up to bachelor's degree at any institute in India. It also promised 100% payment of premium for hospitalisation coverage for the spouse, parents and children (till the bachelor's degree).

Source: Adopted from Reliance Industries to give 5 years of salary to families of employees who died of Covid, <https://www.livemint.com/companies/news/reliance-industries-to-give-5-years-of-salary-to-families-of-employees-who-died-of-covid-11622690754529.html>. June 3, 2021 (Accessed on October 4th 2021)

Activity: The HR department of Cathy Limited has taken certain initiatives to make the employees feel secure and keep them committed to the company. Some of the initiatives provided by the department are canteen facilities at subsidized rates, family health cards, get-togethers, etc. What are these benefits provided by the company to its employees known as? In what other ways can the HR department achieve its objective?

Answer:

<hr/>

Employee Relations

This deals with developing relationships between employees, their managers, and the organization, thereby contributing to the well-being of the organization. It aims at:

- Improving employee morale and job satisfaction to improve productivity.
- Developing team building, team management, and leadership skills in employees
- Designing and implementing a fast and suitable grievance management system
- Ensuring discipline among the employees by taking immediate action to correct any deviation
- Supporting employees by counseling and developing them into complete individuals and responsible citizens
- Enhancing the quality of work life as well as personal life of the employees.

The job satisfaction level of an employee depends upon the relationship shared between the employee and his/her manager. An average employee expects his/her manager to:

- Be genuinely interested in his/her work and be supportive
- Bring in clarity in job responsibilities and tasks
- Identify his/her strengths and suggest ways to improve them
- Identify the weaknesses and encourage him/her to overcome them
- Be willing to listen and accept concrete and valuable ideas
- Reward the employee for his/her contributions
- Be frank and open in his/her dealings with the employee as well as the organization.

Check Your Progress-5

21. At the end of every month, the captive BPO arm of a multinational company makes an assessment of the strengths and weaknesses of its employees. What is this function of human resource development known as?
- a. Performance appraisal
 - b. Career planning and development

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- c. Training
 - d. Management development
22. _____ is the systematic development of an employee's knowledge, skills, and attitudes that are required to perform a given task successfully.
- a. Training
 - b. Management development
 - c. Career planning and development
 - d. Performance appraisal
23. Wage and salary administration is the process of formulating and operating a suitable wage and salary program. Which of the following functions are performed under wage and salary administration?
- i. Conducting wage and salary survey in the market and in the industry
 - ii. Implementing wage and salary administration programs
 - iii. Keeping the employees satisfied and motivated
 - iv. Increasing employee productivity
- a. Only i and ii
 - b. Only iii and iv
 - c. Only i, ii, and iii
 - d. Only ii, iii, and iv
24. The relationship between an employee and his/her manager plays a crucial role in determining the job satisfaction level of the employee. What are the expectations that an average employee has from his/her manager?
- i. Lend support and guidance whenever required
 - ii. Have faith and confidence in the abilities of the employee
 - iii. Be genuinely interested in the employee and his/her work
 - iv. Be willing to listen and accept concrete and valuable ideas
- a. Only i and ii
 - b. Only i, ii, and iii
 - c. Only iii and iv
 - d. i, ii, iii, and iv
25. Employee relations deal with the employees in the organizational context, as a social group that contributes to the organization. What are the aspects that are looked after under employee relations?
- i. Designing and implementing a fast and suitable grievance management system
 - ii. Improving the quality of work life and personal life of the employees
 - iii. Designing a performance appraisal system that suits the organizational needs and culture

- iv. Training the employees in conducting appraisals
 - a. Only i
 - b. Only ii
 - c. Only i and ii
 - d. i, ii, iii, and iv

1.6. HR Policies and Procedures

HR policies refer to the set of guidelines, which determine the way in which employees should be treated in an organization. They are based on the objectives and culture of the organization and the external environment. These policies should be easy to understand and implement. They should be based on internal factors like organizational objectives, individual expectations, and external factors like market demands. However, they are difficult to formulate and implement.

Good HR policies help the management keep the workforce satisfied, motivated, and ensure better employee productivity. These policies need to be updated to match the changing needs of the organization and the employees. They should favor the employees of the organization and not allow any discrimination among them. For instance, from March 2020 to June 2021, due to the spread of COVID-19, and due to the mandate by the government and local authorities, many employers amended their working hours, shift timings, security measures, healthcare measures, etc.

On the other hand, HR procedures are specific applications or actions that help the management to implement the HR policies of the organization.

1.7. Emerging Role of Human Resource Management

The role of an HR manager has evolved from that of a passive observer, to one of an innovative and proactive key player. It is imperative now for organizations to be ahead of competition in recruiting, retaining, and developing its workforce.

1.7.1 Value of Human Resources

Development of a country and its human resources are complementary to each other. A nation investing in its human resources will reap rich benefits in the future.

Human Resources – A Competitive Advantage

With businesses becoming dynamic, knowledge-based and service-oriented in recent times, a company can have a competitive edge over others, only by being innovative in the development of their human resources, which are the unique assets of the company.

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Human Resources Accounting

As the importance of the contributions of human resources is being acknowledged and recognized, the concept of attributing an appropriate value to the worth of human resources of an organization has led to the concept of *human resource accounting*. Human resource accounting is the measurement of the cost and value of people for an organization (Eric Flamholtz) (Refer Exhibit 1.2). Human resources accounting:

- Helps the management to value and utilize its human resources with discretion and wisdom.
- Is considered an important control technique. It provides the management with essential information to maintain and develop its important resources.

Exhibit 1.2: Human Resource Accounting

T. V. Rao constructed a HRD score card to assess the maturity level of an organization. It assigns a four-letter rating which represents the four critical dimensions of HRD contributing to organizational performance, namely, HRD system maturity, HRD competencies in the company, HRD culture and values and HRD impact as given below:

Sample HRD Score Card				
Name of the Organization		ABC		
HRD Systems and Strategies	HRD Competencies	HRD Culture and Values	HRD Impact	Overall HRD Maturity Grading
A*	A*	B	C	A*A*B C

Grades are allotted on the basis of evaluation criteria of maturity level or effectiveness of each dimension from A* to F and an overall grade is obtained on a four letter rating, the letters representing:

A* = Highest Maturity Level

A = Very High Maturity Level

B* = High Maturity Level

B = Moderately High Maturity Level

C* = Moderate Maturity level

C = Moderately Low Maturity Level

D* = Low Maturity Level

D = Very Low Maturity Level

F = Not at all present

Interviews, Questionnaires, Group discussions, Workshops, Analysis of records and documents and Observation methods were used for evaluating each dimension.

Source: T. V. Rao *HRD Score Card 2500 based on HRD Audit Response Books*, Sage, New Delhi 2014

Human Resource Analytics (HR Analytics)

Analytics refers to the use of statistics and predictive models to gain valuable knowledge from data analysis which guide in making decisions. Human Resource Analytics is an area in the field of analytics that refers to applying analytic process to human resource department of an organization in the hope of improving employee performance and therefore getting a better return on investment. HR analytics aims to provide insights into each process by gathering data and then using it to make relevant decisions about how to improve these processes. HR analytics establishes a cause and effect relationship between what HR does and business outcomes- and then creating strategies based on that information.

The core functions of HR-acquisition, induction, compensation, development and retention of the workforce can be performed efficiently through the use of HR analytics. HR analytics can dig into the problems and issues and guide HR managers to take appropriate decisions in all the tasks.

Competing on Analytics in HR and Elsewhere

What should organizations do with analytics?

- ◆ Using analytics is good
- ◆ Competing on analytics is better

Analytics in Human Resources

- ◆ Offer strategic insights into opportunities to create value through people and talent management
- ◆ Model and predict performance consequences of specific strategic, workforce and labor market changes
- ◆ Optimize investments in talent management processes and human capital capabilities

Analytical Recruiting: Google

- ◆ Automated screening of the 100,000 job applications received each month
- ◆ Job applicants fill out an elaborate online survey of their attitudes, behavior, personality and biographical details
- ◆ Responses are fed into an algorithm that calculates a “Googlyness” score to predict how well each applicant would fit into its culture
- ◆ Reduced Google’s reliance on GPA and interviews—two notoriously unreliable selection methods in hiring 200 new employees each week.

Source: Thomas H. Davenport – *Competing on Analytics*, 2009

Check Your Progress-6

26. HR policies are a set of guidelines that determine the way in which employees are to be treated in the organization. Identify the factors which an organization takes into consideration while framing its HR policies.
- External environment
 - Organizational culture
 - Organizational objectives
 - All of the above
27. What are the factors that a company should take into consideration in order to frame a good HR policy?
- HR policies need to find a balance between a number of factors like organizational objectives, individual expectations, etc.
 - HR policies should be easy to understand and implement.
 - HR policies should treat human resources as just factors of production.
 - HR policies should not leave room for any discrimination among the employees of the organization.
- Only i and ii
 - Only i, ii, and iv
 - Only i, iii, and iv
 - i, ii, iii, and iv
28. Human resources accounting is measurement of the _____ of people for an organization. It helps management to value its human resources and use it with discretion and wisdom.
- Price and value
 - Salary and incentive
 - Cost and value
 - Service and cost

1.8. Human Capital Management

Nobel Prize-winning economist Gary S. Becker, who coined the term “human capital,” says that the basic resource in any company is the people. The most successful companies will be those that manage human capital in the most effective and efficient manner.” The present day economy has been titled as “Knowledge economy”. In such an economy, it is people who make all the difference.

1.8.1 Definition

Human capital consists of the knowledge, skills and abilities of the people employed in an organization. Bontis et.al (1999) point out that ‘the human elements of the organization are those that are capable of learning, changing, innovating and providing the creative thrust which if properly motivated can ensure the long-term survival of the organization’.

Davenport says ‘people possess innate abilities, behaviors and personal energy and these elements make up the human capital they bring to their work. And it is they, not their employers, who own this capital and decide when, how and where they will contribute it’.

Shawn Price (President of Success Factors) defines Human Capital management as ‘putting the right people in the right place doing the right things and measuring it in the right ways toward an objective or goal’.

Human capital is the most important element in an organization’s intellectual capital.

1.8.2 Elements of Intellectual Capital

- Human capital- knowledge, skills and abilities of the people
- Social Capital- networks, norms, institutions, relationships that bind together
- Organizational Capital- Institutionalized knowledge possessed by the organization- Structural capital

1.8.3 Human Capital Theory

Human capital theory advocates that sustainable competitive advantage is attained when the firm has a human resource pool that cannot be imitated or substituted by its rivals. Human capital theory advocates people as assets and investments by organizations in people will generate worthwhile returns. That is why people should be treated as assets rather than costs or expenditures.

1.8.4 Tangibles and Intangibles-

- Tangibles are those that we can physically see, touch, hear, taste, or smell. Tangible goods are material assets that can be perceived by human senses. Examples of tangible goods are raw materials, money and jewelry.
- Intangibles are those items that we can’t see or touch while intangible goods are those goods which cannot be perceived by human senses. Examples of intangibles are knowledge, information and capacities.

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- Both tangible and intangible goods are needed for the growth of a business. Human capital that includes knowledge, skills and abilities of the people; Social that includes Capital networks, norms, institutions, relationships that bind together and Organizational Capital that includes institutionalized knowledge possessed by organizations are all intangibles.

1.8.5 Differences between HRM and Human Capital Management

Human capital management and Human Resource management possess many similarities when compared. Both deal with HR department of an organization. Both deal with HR functions:

- Recruitment
- Training
- Employment Motivation
- Development
- Payroll or compensation
- Performance Appraisal
- Retirement

Table 1.1 Differences between HRM and Human Capital Management

HRM	HCM
HRM functions are according to rules and directives of the company.	HCM is related to all employees' issues and other elements such as employment, utilization, compensation and development.
Uses simple benchmarking techniques.	Uses sophisticated modern evaluation techniques.
Integration of HRM activities	Interacts and integrates human capital management activities.
Uses traditional and at times modern approaches.	Applies tactical approach for HR practices, systems and processes.
With the emergence of HCM, HRM is becoming outdated.	Widely used by many firms presently.
HR is the process and function of managing people.	HCM is the infrastructure and applications that enable the management of people and strategy.

1.8.6 Models of Human capital evaluation Methods HCM

Acquisition Cost Model

This model is also known as “Historical Cost model”. According to Brummet- “HR costs are current sacrifices for obtaining future benefits and are therefore to be treated as Asset.” The method states to capitalize organizations expenditure on Recruitment, Selection, and T&D of employees and treated as assets for Human Resource Accounting. This is the only method based on sound accounting principles and policies.

Replacement Cost Model

In this method the replacement cost of individuals and rebuilding cost of organizations are considered as it affects HR Asset value of both individuals and organization.

Opportunity Cost Model

The method is engaged to compute the monetary value and allocation of people to promising activity.

Behavioral Model The model traces out the variables which appreciates/ depreciates that result in achievement of end result variables. In short, it portrays a relationship between intervening variables of human factor with organization performance.

Economic Model

The model was propounded by Lev & Schwartz. The model helps in valuating employees future contribution in today’s worth. It is calculated through the formulae-

$$E(VY) = \sum PY(t+I) \sum I(T) / t-y(I+R)$$

$E(Vy)$ = expected value of a Y year old persons human capital.

T = persons retirement age.

$P_y(t)$ = probability of person leaving the organization.

$I(t)$ = expected earnings of person in period I

R = discount rate.

Most of Indian companies like, Infosys, BHEL, SPIC, adopt Lev & Schwartz model.

While valuating human resources we should consider three basic aspects, Utility, Supply, Demand. If valuation is done basing on these factors we can derive more accurate worth of the employee. Abundant supply of men generally decreases the worth of the resource. Likewise, the worth of the resource is also dependent on Utility and Demand. There should be a distinction between the

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method of valuating non living assets and living assets (HUMAN). A non living asset's (machine's) value depreciates year by year where as value of living asset (Human) appreciates year by year as he attains experience. There is a ceiling or limitation for machine performance i.e., not more than standard capacity but there is no ceiling on the extent of performance of a living asset. So, all these aspects should be considered while valuating human capital. The method in which Human capital is valued should be rationale, fair, practical and reasonable. These valuable assets should be maintained and retained so as to enhance the relative worth of the organization.

1.9. Role of HR executives

Though HRM forms a part of every manager's job there are certain specialist roles he/she needs to play as the HR manager. The broad outlines of the roles are briefly described in Table 1.2

Table 1.2: The Role of HR Executives

Role	Description
Specialist	Advice the management on people-related issues; convey management decisions to the employees, and employees' expectations and demands to the management; and design and implement various employee welfare initiatives.
Facilitator	A large number of organizational activities require HR professional to play a role of a facilitator. For instance, HR executives help in designing and implementing developmental activities like training, development and performance appraisal.
Change Agent	Takes initiatives to prepare the organization and employees to face new challenges successfully as organizational viability, adaptability and development depend to a great extent on HR managers.
Controller	Makes sure that the organization conducts its business within the legal framework, and develops the values of the organization, and frame its policies.
Service Provider	HR specialists can provide managers with information on market statistics of personnel activity-pay rates, labor laws and regulations etc. to enable managers to take decisions on various employee related issues like positioning workers etc.
Executive	HR specialists act as executives in certain activities like recruitment, compensation etc.
Consultant	Managers may face problems while supervising employees due to lack of motivation, lack of training, job misfit,

	grievances related to pay etc. As consultants, HR specialists can advice managers on ways to resolve such issues.
Auditor	As auditors, HR managers ensure that all the members of the management perform their respective roles concerned with the effective use of human resources.

References: Pallavi, K. V. N. and. Neeraja Rani, A.K. 'A Study on Human Capital Valuation and Management' IOSR Journal of Business and Management (IOSRJBM) ISSN: 2278-487X Volume 1, Issue 2 (May-June 2012), PP 04-07, www.iosrjournals.org

1.10. Challenges to HR Professionals

After the liberalization of the Indian economy, markets have become very competitive and businesses have been compelled to become more service-oriented. The task of attracting, molding, developing, and retaining valuable human resources has become very challenging in such a scenario. The expectations of the knowledge-workers have increased and they are in a position to select the employer whom they feel is the most suitable.

1.10.1 Worker Productivity

Factors like world-class quality, flexible manufacturing, and shorter product development cycles, have led to companies revamping their organizational culture and structure. Tall hierarchies and communication barriers have been replaced by employee empowerment and line managers have been given the responsibility of managing people in their respective departments. The HR department has to act as a facilitator providing support to the line managers on any personnel-related issues.

1.10.2 Quality Improvement

Every company has to make efforts to improve the quality of its products and services in order to survive in highly competitive markets. In order to achieve excellence in quality, all the employees and the top management of a company should strongly believe in and be committed to the concept of quality. There should be strong organization-wide commitment to such programs at all levels and across all functions of the organization.

1.10.3 The Changing Attitudes of Workers

Downsizing is one of the first cost-cutting measures that any company adopts to survive in the competitive market. Employees being aware of the turbulent market dynamics, no longer believe in the concept of "job security". For a typical Indian worker and his/her employer balancing the demands of family and work, have become a major challenge, with a growing population of elderly

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people and an increasing number of single parents and dual career couples. As a result, companies have become more family-friendly.

The concept of 'working from home' is also gaining importance, and organizations are thinking of providing this option to their employees. Markets across the world have opened up and have now combined to become a single global market, which is very diverse and complex. Most companies are trying to eliminate discrimination based on religion, caste, creed, gender, ethnic background, etc., at the workplace.

1.10.4 The Impact of the Government

The economic reforms, introduced in India, in 1991, have changed the face of the Indian economy. Globalization, divestment, and liberalization are much talked about today. The various labor laws and Acts, like Trade Unions Act (1926), The Industrial Disputes Act (1947), Payment of Wages Act (1936), The Factories Act (1948), Payment of Gratuity Act (1972), etc., formulated and amended over the years, have shaped and tuned the minds of the Indian organizations and their workforce.

1.10.5 Quality of Work Life

Quality of Work Life (QWL) refers to the extent to which an employee's work meets his/her professional needs. QWL gets better as more and more of the employee's needs get fulfilled. These days, organizations are continuously trying to improve the QWL of their employees by making work more rewarding, reducing their anxieties, encouraging their participation in work and employment-related decisions, and team building.

1.10.6 Technology and Training

In India, technological changes have been rapid and radical of late. Organizations have come to realize the importance and advantages of the latest improved technologies. Thus, training and development of employees has become a continuous process for the survival of and progress in any organization.

Activity: Sunder Yadav has been working in the Personnel department of Jain Textiles Ltd. for the last 20 years. He became the Personnel Manager of the company in 2016. For various reasons, the company's performance began deteriorating in 2017 and people started leaving for better opportunities elsewhere.

In January 2021, the company was acquired by International Textiles, a big name in the industry. It was agreed that Jain Textiles could operate as a separate unit, provided it abided by the principles and procedures of the parent company.

Contd.....

The centralized human resource department of International Textiles would look after the needs of the employees. The acquisition saw more resignations coupled by an influx of a number of new, young employees.

Sunder Yadav, now held the position of Deputy Manager (HR) as part of a larger department, which followed modern principles of HRM. What do you feel are the challenges that were faced by Sunder Yadav, as an HR professional in the new scheme of things?

Answer:

1.11. Latest Fields of HRM

In the current global work environment, HR has to undertake diverse responsibilities and focus on networking and professional development activities to accomplish organizational goals because of which new fields are emerging.

1.11.1 Strategic Human Resource Management

Strategic HRM refers to the optimum utilization of human resources to achieve the set goals and objectives of the organization in the business environment. These can be achieved, only when they are properly aligned with the organizational strategy and with the strategies of other functional areas like finance and marketing. Strategic human resource management (SHRM) on a holistic note deals with broader organizational issues like, change in organizational culture structure and effectiveness. These are mainly aimed at increasing overall performance of the organization mapping its resources to the requirements that arise in future. Having said that future is uncertain, it also emphasizes upon the change management by keeping necessary knowledge management practices in place and training the personnel on a regular basis in order to increase the effectiveness and efficiency.

Strategic HR planning involves designing HR goals in sync with the organizational goals, identifying the human resources required to achieve these goals, and then developing these resources internally or acquiring them from outside. It also involves the development and implementation of new HR initiatives that are required to accomplish organizational goals.

Strategic HRM is especially important in the information technology (IT) industry as it depends more on human resources and their capabilities. The IT industry is a highly competitive market and therefore, planning of resources,

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acquiring them, developing them, and retaining them are all very complex and challenging tasks.

1.11.2 Global Human Resource Management (GHRM) or International Human Resource Management (IHRM)

GHRM or IHRM is the process of employing and developing people as per global standards. Globalization, work-force diversity and cultural diversities have led to the development of Global Human Resource Management. GHRM is all about aligning the policies and procedures, rules and regulations, pay and perks, trends and practices, and benchmarking the standards of the home country on par with the global standards with a global mindset.

International HRM gains its relevance in the present scenario when organizations across the globe are participating in sharing technologies and services to global customers thereby expanding the reach. This perhaps has implications on levels of centralization-decentralization and devolvement that is witnessed across the regions, countries and their corporate headquarters. At this juncture, the role of global HR professionals stands significant. Eventually inviting and invoking cross national working and interpretations which are carefully observed and captured at Global centers of HR Excellence. Sharing the services will have tremendous impact on the international Human resource professionals in a way the presents new control systems to check the response, keeping the organizational interest in mind. During 1980's a large number of multinational organizations have started to split the functions of HR customizing it on country-by-country basis, while, the rest of the organizations aligned in global business lines, as a result achieving objectives has become difficult. Diversity, employment laws prevailing in the countries were making implementation of HR functions more challenging. As a result many organizations started to streamline the HR functions by appointing global executive HR managers/directors creating a new position in organizational structure by creating new reporting relationship solely for human resource management. This has become more apparent that HR began to see a major transformation during late 1990's. It also has to formulate and implement resourcing, development; career management and remuneration strategies, policies and practices which can be applied to an international workforce. In addition, it involves managing the diversified workforce globally. Companies must evolve their human resources policies as per global standards.

The challenges of GHRM are:

- Managing the complexity of diversified workforce
- Managing cultural diversity

- Managing communications- language differences and electronic communications
- Attracting and retaining high quality staff with world-wide capabilities

HR policies and practices have to pay special attention on recruitment and selection practices, compensation planning, career planning, and management development policies.

1.11.3 Electronic Human Resource Management (e-HRM)

E-HRM is the new field of technology that is widely spreading in organizations around the world. The processing and transmission of digitalized HR information is called Electronic Human Resource Management (e-HRM). E-HRM is a way of implementing HR strategies, policies, and practices in organization through a conscious and direct support of and/or with full use of web-technology based channels.

E-HRM is the application of IT for HR practices which enables easy interactions within employees and employers. Technology advancement has reshaped HR activities like recording payroll, employee personal data, performance management, training, recruitment and strategic orientation. It decreases the paperwork substantially and allows easy access to voluminous data. The employee can also keep track of his/her achievements without having to go through litigious procedures. It uses intranet or other web technology channels. It can also be used for implementation of different HR strategies. The authorization of different HR functions can be distributed through E-HRM.

EHRM is based on six premises:

- Information Technology
- Process-Reengineering
- High speed management
- Networking
- Knowledge Management
- Globalization

1.11.4 Q Human Resource Management (QHRM)

Decision-making is a crucial activity in management and this cannot be done on a trial and error basis. Quantitative method approach is a scientific approach to managerial decision-making. Quantitative approach to management requires that decision problems be defined, analyzed, and solved in a conscious, rational, systematic, and scientific manner- based on data, facts, information, and logic-

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and not on mere whim and guess. In all major functions of HRM, quantitative tools are used because of its reliability and validity. The effectiveness of HR managers is abundantly increasing through the application of quantitative techniques and through QHRM, organizations are able to solve crucial problems in time with greater precision and accuracy.

Check Your Progress-7

29. In recent times, the business environment has become very fluid and turbulent. Markets have become competitive and businesses have been forced to become more service-oriented. In this regard, what is/are the challenge(s) faced by HR professionals?
- a. Inducing worker productivity
 - b. Quality improvement of products and services
 - c. Changing attitude of the workforce
 - d. All of the above
30. In the role of a/an _____, an HR specialist is responsible for ensuring that all members of the management perform their respective roles concerned with the effective use of human resources.
- a. Auditor
 - b. Service provider
 - c. Executive
 - d. Consultant
31. Many companies believe that it is important to be lean and mean in order to survive in highly competitive markets. Which of the following concepts has become outdated in recent times?
- a. World-class quality
 - b. Job security
 - c. Flexible manufacturing
 - d. Short product development cycles
32. Improving the Quality of Work Life (QWL) is a challenge to HR professionals in today's fluid and turbulent market. What does QWL refer to?
- a. A balance between personal life and work life
 - b. Belief that it is better to be lean and mean to survive in a competitive market
 - c. An orientation towards improving the quality of products and services

- d. The extent to which an employee's work meets his/her professional needs
33. Strategic human resource management is the optimum utilization of human resources to achieve the set goals and objectives in the business environment. Which of the following is **not** associated with strategic human resource planning?
- a. Designing HR goals in alignment with goals of the organization
 - b. Identifying human resources required to achieve goals and then arranging for such resources
 - c. The conception and implementation of new HR initiatives required to accomplish organizational goals
 - d. Orienting the organization in such a way that it has a short product development cycle
34. The quality of work life (QWL) gets better when more and more of the employee's professional needs are satisfied. Organizations today are trying hard to improve the QWL for their employees. Several measures lead to improvement of the QWL. Identify the measure which does **not** lead to improvements in QWL?
- a. Reducing employees' anxieties
 - b. Encouraging team building
 - c. Encouraging employee participation in work
 - d. Identifying mistakes in placements and rectifying them
35. _____ is the optimum utilization of human resources to achieve the set goals and objectives in the business environment.
- a. Strategic human resource management
 - b. Human resource planning
 - c. Scientific management
 - d. Strategic management

1.12. Summary

- The term human resource refers to the knowledge, skills, creative abilities, talents, aptitudes, values, etc. of an organization's workforce in totality. Human resource management is considered one of the most difficult and challenging areas in modern management.
- HRM is a process consisting of four functions -- acquiring, developing, motivating, and retaining human resource.
- There are three main approaches to HRM, namely, the scientific management approach, the human relations approach, and the human

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resources approach. Of these, the human resources approach has gained importance in the recent times. According to this, organizational objectives and employee needs are treated as mutual and compatible, and as issues that can be dealt together.

- The functions of HRM can be broadly classified as managerial functions (which include planning, organizing, staffing, directing, and controlling) and operative functions (which include employment, human resources development, compensation, and employee relations).
- HR policies refer to the set of guidelines, which determine the way in which employees should be treated in an organization. HR procedures are specific applications or actions that help the management to implement the HR policies of the organization.
- With the emergence of turbulent and dynamic markets, the values and expectations of the workforce have changed. As a result, the role of an HR manager has evolved from that of a passive observer, to one of an innovative and proactive key player.
- Broadly, the specialist role of the HR manager takes the form of a service provider, executive, facilitator, consultant, and auditor.
- Today, HR professionals face a number of challenges in the form of worker productivity, which is affected by organizational culture and structure, growing emphasis on the quality of products and/or services, changing composition and attitudes of the workforce, changing government policies, increasing emphasis on quality of work life, and acceptance of newer and better technologies which require continuous training and development of employees.
- Strategic HRM refers to the optimum utilization of human resources to achieve the set goals and objectives in the business environment. It involves designing HR goals in alignment with organizational goals.

1.13. Glossary

- **Bonus:** A share in the company's surplus for an employee that is directly related to the performance of the organization.
- **Career planning and development:** It refers to identifying an individual's career goals and formulating plans to enable him/her attain them through education, work experience, etc. Career development considers an individual's goals from the organizational perspective, whereas career planning considers the individual's perspective.
- **Compensation:** All the extrinsic rewards received by an employee, during and after the course of his/her job, for his/her contribution to the organization.
- **Controlling:** The managerial function that involves measurement and rectification of activities to ensure that events conform to plans.

- **Directing:** The managerial function that involves channelizing all the available resources toward the common organizational goals.
- **Employee relations:** It deals with developing relationships between employees, their managers, and the organization, and contributes to the well-being of the organization.
- **Employment:** The operative function that involves sourcing and employing individuals with suitable knowledge, skills, experience, and aptitude that are necessary to perform various jobs.
- **Fringe benefits:** Monetary and non-monetary benefits received by employees during their employment, and sometimes, even in the post-employment period.
- **HR policies:** These refer to the set of guidelines, which determine the way in which employees should be treated in an organization. They are based on the objectives and culture of the organization and the external environment.
- **Human resource accounting:** It is the measurement of the cost and value of people for an organization. It helps the management to value and utilize its human resources with discretion and wisdom.
- **Human resource development (HRD):** The process of training and developing employees, so as to improve and update their knowledge and skills, in order to enable them to perform their jobs better.
- **Human resource planning:** It involves matching future human resource needs with supply.
- **Incentives:** The rewards earned by an employee, in addition to regular wages or salary, based on his/her performance and the performance of the team or the organization.
- **Induction:** Induction refers to introducing a new employee to the organization's business, culture, values beliefs, practices, and procedures. It helps the employee get acquainted with the various tasks of his/her new job.
- **Job analysis:** The process by which the tasks, which comprise a job are determined, and the skills and abilities required to perform it successfully are identified.
- **Job evaluation:** It is a systematic determination of the value of each job in relation to other jobs in the organization, industry, and market.
- **Management development:** It involves developing the employees of an organization, to meet the future changes and challenges.
- **Organizing:** The managerial function that involves setting up an intentional structure of roles for employees in an organization.
- **Performance appraisal:** The process of evaluating the performance of an employee on the job and developing a plan for improvement.
- **Personnel/Human resource management:** An organizational function which facilitates the optimum use of people (employees) to attain organizational and individual objectives.
- **Placement:** Placement of selected candidates is decided upon when they convey their acceptance of the offer of employment by an organization.

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- **Planning:** The managerial function that involves formulating the future course of action.
- **Quality of Work Life (QWL):** The extent to which an employee's work meets his/her professional needs.
- **Recruitment:** The process of searching and attracting prospective candidates against a vacancy in an organization.
- **Selection:** The process of identifying and ascertaining the credentials of a candidate for a job.
- **Staffing:** The managerial function that involves acquiring and maintaining capable and competent personnel in various positions at all levels in the organization.
- **Strategic HR planning:** It involves designing HR goals in sync with the organizational goals, identifying the human resources required to achieve these goals, and then developing these resources internally or acquiring them from outside.
- **Training:** The systematic development of the knowledge, skills, and attitudes in an individual, which are required to perform a given task or job successfully.
- **Wage and salary administration:** It refers to the process of formulating and operating a suitable wage and salary program.

1.14. Self-Assessment Test

1. HRM is one of the most difficult and challenging areas in modern management. Define HRM. Explain the concept of HRM and the various approaches to HRM.
2. The functions of HRM can be broadly classified as managerial functions and operative functions. Explain these functions.
3. The specialist role of the HR manager broadly takes the form of a service provider, executive, facilitator, consultant, and auditor. Explain. What are the challenges being faced by HR professionals in the changing market scenario?
4. Briefly explain:
 - HR policies and procedures
 - Emerging role of human resource management
 - Strategic human resource management.

1.15. Suggested Readings/Reference Material

1. Gary Dessler & Biju Varrkey Human Resource Management. Pearson Education; Sixteenth edition, 2020
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<http://www.zeromillion.com/business/hrm.html>, (Accessed on October 4th 2021)
8. “7 Trends That Will Shape the Future of HR” February 10th 2020
(Accessed on: October 4th 2021),
<https://www.hrtechnologist.com/articles/culture/7-trends-that-will-shape-the-future-of-hr-2/>

1.16. Answers to Check Your Progress Questions

Following are the answers to the Check Your Progress questions given in the Unit.

1. (a) Human resources

Human resource refers to “the total knowledge, skills, creative abilities, talents and aptitudes of an organization’s workforce, as well as the values, attitudes and beliefs of the individuals involved.” This is according to a definition by Leon C. Megginson.

2. (a) Only ii and iii

Traditional approaches to personnel management emphasize on command and control. The new approaches emphasize on greater support and freedom.

3. (d) Only ii and iv

Before 1980s, conformity and consistency were the hallmarks of management policy. However, the new approaches to human resource management are characterized by greater support and freedom to the employee.

4. (a) Retention

Retention function is a process in human resource management, which is concerned with providing a conducive work environment to the employees and nurturing them, to make them feel committed and attached to the organization. The development function has three dimensions -- employee training, management development, and career development. The motivation function includes, identifying the individual motivational needs of the employees and identifying ways to

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motivate them. The acquisition function starts with planning for the number and categories of employees required and ends with staffing.

5. (b) Only i and iii

The development function of human resource management has three dimensions -- employee training, management development, and career development. The retention function of human resource management deals with providing a work environment which is conducive to the employees and nurturing them to make them feel committed and attached to the organization.

6. (c) Workers had very few opportunities to use their judgment.

The “one best way” method to accomplish a task involved little mental effort and high degree of standardization. One limitation was that there were few opportunities for the workers to use their judgment or make their own decisions. However, advocates of this approach pointed out that this was not a serious limitation, as most workers (of that time) did not have much formal education and employed minimum knowledge and skill in their work.

7. (c) This concept led Taylor to oppose the differential piece-rate system.

The concept of the ‘economic man’ suggested that a worker was basically motivated by economic gain and that financial incentives alone could maximize the worker’s output. This concept led Taylor to **propose** the differential piece-rate system. Taylor expected workers to maximize production in order to satisfy their need for money, which he considered as their only work-related need.

8. (c) Labor-management relations deteriorated in some companies.

The rise of unionism gave workers the legal right to organize and to bargain collectively. The issues varied from wages and benefits to job security and working conditions. Though unionization led to the deterioration of labor-management relations in some companies, by and large, it led to greater acceptance of the principles of human relations.

9. (a) Organizational goals and employee needs are mutual and compatible.

The human resources approach treats organizational objectives and employee needs as being mutual and compatible. It suggested that people should be treated as resources rather than as factors of production or as human beings, who act on the basis of emotions alone.

Before the advent of scientific management, all employees were considered to be equal in terms of productivity.

10. (d) A worker is basically motivated by economic gain; financial incentives alone could maximize the worker's output.

Managing people is one of the biggest challenges for any manager because individuals differ from each other in terms of their values, attitudes, beliefs and culture. Also, these days, the expectations of the employees are much higher compared to the previous years; they know that they are valuable assets and demand to be treated as such. And finally, the stimulating and motivational factors may not be the same for all the employees. People management would not be such a big challenge if all workers were basically motivated by economic gain and if financial incentives alone could maximize the worker's output.

11. (b) Only i and iv

The functions of human resource management can be classified into two broad categories -- managerial and operative functions. Planning is one of the managerial functions; employment is one of the operative functions.

12. (b) Controlling

Controlling is a managerial function that involves measurement and rectification of activities, to ensure that events conform to plans. Directing is a process of directing all the available resources towards the common organizational goals. Employee relations and human resource development are operative functions and not managerial functions.

13. (c) Directing

It is the process of directing all the available resources, toward the common organizational goals. Direction is a vital management function, which ensures maximum employee contribution and also helps in establishing sound industrial and human relations. It also involves coordination between different departments to ensure maximum utilization of all resources, including human resources.

14. (d) Organizing

Human resource management functions can be classified into two broad categories, namely, managerial and operative functions. Organizing and planning are two of the managerial functions, whereas human resources development and employee relations are two of the

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operative functions. Organizing involves establishing an intentional structure of roles for the employees.

15. (a) Induction and orientation

After planning, organizing, staffing and directing the various activities of HRM, performance is verified in order to ensure that the HRM functions comply with the plans and directions. Auditing training programs, analyzing labor turnover records, directing morale surveys, and conducting exit interviews are some of the ways of controlling the HRM function. The staffing function includes induction and orientation activities.

16. (c) Identifying and developing suitable and reliable testing techniques

Job analysis is the process by which the tasks which comprise the job are determined and the skills and abilities required to perform it successfully are identified. It is the process of studying and collecting information pertaining to the operations and responsibilities of a specific job. It involves preparing job description, job specification, job requirements, and employee specification so that the HR manager can determine the nature, levels and quantum of human resources required and providing the guides, plans, and basis for job design and redesign. It also forms the basis for all operative functions of HRM. Identifying and developing suitable and reliable testing techniques is a part of the selection activity.

17. (b) Induction

Introducing a new employee to the organization, its business, its culture, its values and beliefs, and practices and procedures, is termed as induction.

18. (d) Conducting follow-up study and evaluating employee performance so as to determine how well the employee is accustomed to the job

The selection process deals with scanning the application forms, identifying and developing suitable and reliable testing techniques, evaluating the candidates, and deciding their salary and benefits. Conducting follow-up study and evaluating employee performance, so as to determine how well the employee is accustomed to the job is an aspect of the placement function of HRM.

19. (a) Employment

Employment is the first operative function of human resource management. This involves procuring and employing individuals with suitable knowledge, skills, experience and aptitude necessary to

perform various jobs. It includes functions such as job analysis, human resource planning, recruitment, selection, placement, and induction. Planning, organizing and staffing are all managerial functions.

20. (a) Placement

The purpose of employment selection is to choose the right candidate for a job. The process of identifying and establishing the credentials of a candidate for a job to ensure success is referred to as selection. After a selected candidate conveys his/her acceptance of the offer of employment made by the company, his/her placement has to be decided, based on the company's needs. The needs of the individual should also be given due consideration wherever possible. This step is called placement.

21. (a) Performance appraisal

Performance appraisal includes an assessment of the strengths and weaknesses of a company's employees, and includes the formation of a development plan in consultation with them individually to prepare them for future tasks and responsibilities. Career planning and development refers to identifying one's career goals and formulating plans of reaching them through various means like education, work experience, etc. Training is the systematic development of the knowledge, skills and attitudes required to perform a given task or job successfully, in an individual. Management development is the concept of developing the employees of an organization to meet future changes and challenges.

22. (a) Training

The systematic development of knowledge, skills and attitudes in an employee, required to perform a given task successfully, is termed as training. Management development is the concept of developing the employees of an organization to meet future changes and challenges. Career planning refers to identifying one's career goals and formulating plans of reaching them through various means. Finally, performance appraisal is the process of evaluating employee performance on the job and developing a plan for improvement.

23. (a) Only i and ii

Wage and salary administration includes conducting wage and salary survey in the market and in the industry, determining wage and salary rates, implementing wage and salary administration programs, and evaluating the effectiveness of these programs. On the other hand, employee relations deal with keeping the employees satisfied and motivated and increasing employee productivity.

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24. (d) i, ii, iii, and iv

An average employee expects the manager to lend support and guidance whenever required, have faith and confidence in the abilities of the employee, be genuinely interested in the employee and the employee's work and finally, be willing to listen and accept concrete and valuable ideas.

25. (c) Only i and ii

Employee relations include designing and implementing a fast and suitable grievance management system and improving the quality of work life and personal life of the employees. Performance appraisal deals with designing a performance appraisal system that suits the organizational needs and culture, and training the employees in conducting appraisals.

26. (d) All of the above

An organization frames its HR policies based on the external environment, organizational culture, and organizational objectives.

27. (b) Only i, ii, and iv

A good HR policy should be easy to understand and implement and should not leave room for any discrimination among the employees of the organization. It needs to find a balance between a number of factors like organizational objectives, individual expectations, etc. If the organization treats human resources as just factors of production, the HR department would have a limited role to play.

28. (c) Cost and value

Human resources accounting is measurement of the cost and value of people for an organization. Till recently, people were not accounted as resources and no value was attributed to their contribution. However, in recent times, the criticality of the contributions of human resources has been acknowledged and recognized; the concept of attributing an appropriate value to the worth of human resources of an organization has become popular.

29. (d) All of the above

The challenges faced by the HR professionals are worker productivity, quality improvement of products and services, and changing attitudes of the workforce.

30. (a) Auditor

In the role of an auditor, the HR specialist ensures that all members of the management perform their respective roles concerned with the

effective use of human resources. Managers need information to make decisions on various employee-related issues like deployment of personnel, and the HR specialist provides such information in the role of a service provider. Carrying out certain HR activities like recruitment, compensation, etc. pertains to the role of an executive. Managers may face many problems while supervising employees. In such a situation, the managers seek the advice of HR specialists to resolve such problems smoothly. In this case, the HR specialist acts as a consultant.

31. (b) Job security

The concept of 'job security' has become outdated since no employee knows when he/she might be asked to leave an organization and search for another job. Shorter product development cycles, flexible manufacturing, and world-class quality are regarded as prerequisites for survival in today's highly competitive markets.

32. (d) The extent to which an employee's work meets his/her professional needs

Quality of Work Life (QWL) refers to the extent to which an employee's work meets his/her professional needs. Every employee has some expectations from work, like a sense of satisfaction or achievement, security, a high self-esteem, etc. The quality of work life gets better when more and more of these employee needs are satisfied.

33. (d) Orienting the organization in such a way that it has a short product development cycle

Strategic HR planning involves designing HR goals in alignment with the goals of the organization, identifying the human resources required to achieve these goals, and then developing these resources internally or acquiring them from outside. It also includes the conception and implementation of new HR initiatives required to accomplish organizational goals. Option (d) is not relevant.

34. (d) Identifying mistakes in placements and rectifying them

Organizations in today's world are continuously striving to improve the quality of work life for their employees by making work more rewarding, reducing employee's anxieties, encouraging employee participation in work and employment-related decisions, and team building. Identifying mistakes in placements and rectifying them is part of the placement function.

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35. (a) Strategic human resource management

Strategic human resource management refers to the optimum utilization of human resources to achieve the set goals and objectives in the business environment.

Unit 2

Organizational Structure and HRM

Structure

- 2.1. Introduction
- 2.2. Objectives
- 2.3. Organizational Structure and Human Resource Management
- 2.4. Formal and Informal Organizations
- 2.5. Tall and Flat Organizational Structures
- 2.6. Responsibility, Authority, and Accountability
- 2.7. Line and Staff Functions
- 2.8. Operational and Strategic Role of HRM
- 2.9. Summary
- 2.10. Glossary
- 2.11. Self-Assessment Test
- 2.12. Suggested Readings/Reference Material
- 2.13. Answers to Check Your Progress Questions

2.1. Introduction

In the previous unit, we have discussed the concept of strategic human resource management. We have learnt that strategic human resource management involves designing human resource goals in alignment with organizational goals. In this unit, we will discuss organizational structure, and understand its importance in the field of human resource management.

An organization comprises a group of individuals who work in coordination at different levels of authority and in different areas of specialization in order to achieve organizational goals. These individuals need a well-defined structure and system for synchronizing and directing their plans and activities toward the organization's goals. Organizational structure refers to the defined relationships among the elements of an organization, namely, people, tasks, structure, and information and control processes that characterize all organizations.

This unit will explain the relationship between organizational structure and human resource management. We shall then move on to discuss formal and informal organizations, and distinguish between tall and flat organizational structures. We will discuss the concepts of responsibility, authority, and accountability, and then study the reasons for conflict between the line and staff

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functions. Finally, we would discuss the relationship of human resource management with the other functions in the organization.

2.2. Objectives

By the end of this unit, students should be able to:

- Relate organizational structure and human resource management.
- Explain the features of formal and informal organizations.
- Discuss the features of and difference between tall and flat organizational structures.
- Define and compare between responsibility, authority, and accountability.
- Define and identify the line and staff functions in an organization.
- Recognize the importance of human resource management in relation to other organizational functions.

2.3. Organizational Structure and Human Resource Management

An organization, operating in a relatively stable and known environment, faces chaos and turbulence when exposed to changes in the environment. These changes may be legal and political, technological, or economic and market changes. They may upset the organizational equilibrium. The extent to which this is affected depends upon the structure of the organization.

Based on a survey of British firms in the 1950s, Burns and Stalker classified firms into mechanistic and organic organizations. In a mechanistic organization, power and authority lie in the hands of a few people, and the tasks and duties of all the employees are clearly specified. On the other hand, an organic organization is characterized by flexibility, value for knowledge, low formalization and authority levels, and a decentralized management. Mechanistic organizations fail to survive and achieve success in a highly competitive market while organic organizations are more suitable for operating effectively in dynamic environments as they react fast and adapt easily to changes.

Check Your Progress-1

1. _____ refers to the 'defined relationships among the elements of an organization, namely people, tasks, structure, and information and control processes that characterize all organizations'.
 - a. Organizational climate

- b. Organizational structure
 - c. Organizational behavior
 - d. Organizational culture
2. Burns and Stalker conducted a survey of British firms in 1950s, and based on this survey, they categorized the firms into two types. Identify the two types.
- i. Formal organization
 - ii. Mechanistic organization
 - iii. Informal organization
 - iv. Organic organization
- a. i and ii
 - b. i and iii
 - c. ii and iii
 - d. ii and iv
3. An organic structure is characterized by flexibility, low levels of formalization and authority, and a decentralized style of management. In what kind of environment would such a structure be **most** suitable?
- a. Static and low level of competition
 - b. Dynamic and high level of competition
 - c. Static and high level of competition
 - d. Dynamic and low level of competition
4. Which of the following is **not** a characteristic of an organic structure?
- a. Flexibility
 - b. Value for knowledge
 - c. Low level of formalization
 - d. Centralized style of management
5. Which of the following organizational structures is characterized by a low level of formalization and authority?
- a. Bureaucratic organizational structure
 - b. Mechanistic organizational structure
 - c. Organic organizational structure
 - d. Vertical organizational structure
6. Why is it necessary for a firm to adopt an organic organizational structure if it wants to operate effectively in a dynamic and uncertain environment?
- a. High level of formalization
 - b. Ability to react fast and adapt easily

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- c. Technical methods, and duties and powers associated with each functional role are defined precisely
- d. Decision making by vertical consultations rather than lateral consultations

Activity: At Sameer & Sons, the basic objective is to satisfy customers by providing them with good quality products and/or services, and the company has adopted the mechanistic structure of organization to ensure that the employees work hard to achieve this objective. What are the characteristics of this type of organizational structure? On the basis of an organization's ability to react to environmental changes, what is the other type of structure? Compare it with the mechanistic organizational structure.

Answer:

2.4. Formal and Informal Organizations

In any organizational structure, both formal and informal organizations co-exist. They define the path of communication and method of sharing information, and are part of the whole organization. In some cases, both formal and informal organizations share common goals, whereas in others, their goals are divergent.

2.4.1 Formal Organization

In a formal organization, the reporting channels and work relations are pre-defined, and accountability and responsibility are fixed for all the roles. A formal organization is the basic framework according to which the work flows. In designing a formal organization, care should be taken to ensure there are no hindrances in the flow of work.

2.4.2 Informal Organization

An informal organization is formed by the ad hoc and random collection of employees who come together in an informal environment and share common interests, ideas, and opinions. It is formed by employees without any formal objectives or goals. These informal groups can indirectly contribute to, or obstruct the achievement of organizational objectives. An informal association

among members enables the members to gather useful information through the 'grapevine' which supplements or complements communication through formal channels.

2.5. Tall and Flat Organizational Structures

The concept of tall and flat organizational structures deals with the span of control and the number of hierarchical levels in the organization. (Span of control refers to the number of subordinates a person can effectively manage.) A tall organization is characterized by a number of hierarchical levels but a narrow span of control. This helps in close supervision and provides for continuous interaction between the supervisor and his/her subordinates. On the other hand, a flat organization is characterized by fewer hierarchical levels but a wide span of control. These organizations have many subordinates under one supervisor. As a result, flat organizations require well-trained management teams capable of taking decisions at lower levels. In order to build an efficient flat organization structure, an organization should reduce communication barriers, build a strong and wide network of communication channels, and reduce the administrative gaps between management levels. Usually, all the startup companies will have flat organization structure. Exhibit 2.1 shows two companies that follow flat organization structure.

Organizations operating in fast paced and demanding environments must reduce the levels in their organizational hierarchy and allow the employees at lower levels to take decisions. This enables the organizations to respond quickly to the environmental changes. However, not all organizations need to become flat. Whether a tall or flat organization structure is suitable depends on factors like organizational goals, administrative requirements, needs and capabilities of employees, performance and production demands, firm size, competitive forces, economic conditions, and the organization's history and culture.

Exhibit 2.1: Flat Organization Structure

Valve Corp., a video game development company, has been "boss free" since 1996. Each employee's pay is determined by their peers, and instead of promotions there are simply new projects to tackle. The company's 300 employees even put their desks on wheels, making it easier to move around the offices for collaboration and meetings. Companies young and old, big and small have embraced this concept.

W.L. Gore. This company, founded in 1958, most commonly known as the maker of Gore-Tex, uses a "lattice" management structure to allow 10,000 employees to work without bosses. They with the goal of gaining their peers' respect.

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Source: Adapted from <https://www.modis.com/en-us/resources/employers/how-a-flat-organization-chart-builds-trust-and-develops-talent/>, January 2020 (Accessed on October 5th 2021)

Check Your Progress-2

7. It is an organizational set-up that is formed when the employees in an organization get together in an informal environment such as a canteen, to share common interests, ideas, and information. Identify the organizational set-up referred to here.
 - a. Formal organizational set-up
 - b. Informal organizational set-up
 - c. Centralized organizational set-up
 - d. Decentralized organizational set-up
8. What is meant by 'span of control'?
 - a. It is the optimum number of supervisors that a person can have.
 - b. It is the optimum number of subordinates a person can effectively manage.
 - c. It is the optimum number of steps in the organizational chain of command.
 - d. It is the maximum number of steps in the organizational hierarchy.
9. The selection of a tall or flat organizational structure is dependent on a number of factors. Identify the alternative that is **not one** of these factors.
 - a. Organizational goals and competitive forces
 - b. Employee capabilities and needs
 - c. Size of the firm
 - d. Political forces

Activity: Betty Inc., a US-based cell phone manufacturing company, has only two designations for its employees, namely, executives and managers. There are about 35 executives working under the supervision of each manager. What type of organizational structure does the company have? What are the characteristics of this type of an organization that differentiate it from other organizations that have a more hierarchical structure?

Answer:

2.6. Responsibility, Authority and Accountability

For a manager, one of the key areas of decision making is delegation, the success or failure of which has a significant impact on his/her performance. The following portion discusses the concepts of responsibility, authority, and accountability, and examines the relationships among them.

2.6.1 Responsibility

Responsibility refers to “one’s obligation to perform the function assigned to the best of one’s ability in accordance with directions received.” (Edwin B Flippo) The key principles which should be taken care of while delegating responsibility are:

- It should improve the working of the organization.
- It should contribute positively to the organization.
- The responsibilities of the employees should not overlap.
- The boundaries of the responsibility given to an employee should be fixed.
- There should be no gaps in the delegation chain as this will result in an unaccomplished task.

2.6.2 Authority

When a responsibility is delegated, it should be accompanied by the authority necessary to carry it out. Authority refers to the right to give orders and the power to demand obedience from others in the process of discharging the responsibility. Authority enables managers to act, exert influence, and make decisions while carrying out their responsibilities. Wrong delegation of authority might result in an unsuccessful discharge of responsibility or a misuse of authority. Responsibility is related to the functions assigned to a role, while authority is related to responsibility.

2.6.3 Accountability

Accountability refers to the employee’s answerability to his/her superior for the performance of a task when the responsibility and the authority to perform have been delegated to him/her. Accountability is from the employee toward the manager, whereas responsibility and authority are delegated by the manager to

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the employee. Divided or multiple accountability leads to confusion, while single accountability leads to better discharge of responsibilities.

Check Your Progress-3

10. _____ can be defined as one's obligation to perform the function assigned to him/her to the best of his/her ability in accordance with directions received.
 - a. Authority
 - b. Responsibility
 - c. Accountability
 - d. Liability
 11. Which of the following **cannot** be considered as one of the key principles in delegating responsibility?
 - a. The delegation should improve organizational working.
 - b. No two employees should be assigned responsibilities that are overlapping.
 - c. The boundaries or limits of the responsibility have to be fixed.
 - d. The organization should maintain some gaps in the delegation chain.
 12. _____ refers to the right to give orders and the power to demand obedience from others in the process of discharging responsibility.
 - a. Responsibility
 - b. Authority
 - c. Accountability
 - d. Liability
 13. Which of the following statements is **true** regarding accountability?
 - a. It is delegated by the manager to the employee.
 - b. It refers to one's obligation to perform the function assigned to him/her to the best of his/her ability in accordance with directions received.
 - c. It refers to the right to give orders and the power to demand obedience from others in the process of discharging responsibility.
 - d. It refers to the employee's answerability to his/her superior for the performance of a task when the responsibility and the authority to perform have been delegated to him/her.
-

2.7. Line and Staff Functions

In an organizational context, formal functions have been classified, theoretically and historically, as line and staff functions. The departments or employees of a firm performing the core activities and contributing directly to its business are called the line functions. On the other hand, departments or employees that perform a support function and contribute indirectly to the business of a firm are called staff functions.

2.7.1 Line and Staff Relationship

In the past, it was believed that the line managers could not or should not be commanded by the managers of a staff function. In situations of conflict, the line manager always had the final say. The staff function was seen as merely supporting the line function in its process of carrying out responsibilities. However, these beliefs have now become outdated as it is impossible to categorize functions as line and staff in the changing economic scenario, where more and more businesses are becoming service-oriented.

2.7.2 Line-Staff Conflict

Though it is difficult to categorize functions as staff and line, some organizations today still face the staff-line conflicts. Line managers' opinions about the HR function are:

- HR staff tries to interfere in their area of operation.
- HR managers do not provide them with the right support, and sound and balanced advice.
- HR staff tries to take credit for all the successes and dissociates itself from failures.
- The HR staff works with limited objectives in its own specialty area. It fails to view the whole picture due to its narrow view of issues.

The HR function responds to the criticisms of the line managers and defends itself saying that:

- The line function is biased and does not understand the value and significance of the contributions made by staff functions, like HR. The line function does not know how to make effective use of the HR function.
- The line function is reluctant to experiment, and to try out new and innovative ideas.
- The HR function cannot do much as it does not have enough autonomy and power.

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Despite the fact that the HR departments of modern organizations have been successful in changing the view of the line managers, there are still some employees and managers from the line function who resent the HR function. The HR professionals can, however, change the attitudes and perceptions of such line managers by:

- Understanding the markets and business better
- Completely understanding the organizational processes
- Being empathetic to the constraints of the line functions
- Building an environment of trust and transparency
- Trying to work toward a win-win situation
- Being open to receiving compliments as well as criticisms for their actions
- Playing an active role in designing the organizational strategy

2.7.3 Human Resource Management as a Line Responsibility

Line managers are responsible for achieving the goals of their respective departments through balanced management of the four resources, namely, men, materials, machines, and money. They are responsible for managing people and their work, and finally, for delivering results. Hence, every line manager can be called an HR manager as he/she manages the human resources of his/her department.

2.7.4 Human Resource Management as a Staff Function

HR managers handle several functions like employment, training, development, wage and salary administration, motivation, redressing of grievances, collective bargaining, etc. Apart from this, they also perform staff functions pertaining to the management of personnel like advising, guiding, assisting, counseling, and providing vital information to line managers.

Activity: The HR Manager of Karthik Foods Ltd. has been having a conflict with the Production Manager. The Production Manager alleges that the HR department is trying to dictate people-requirement for his department without taking any inputs from him. In a complaint to the General Manager, he stated that one of the reasons for the conflict was that the HR department was trying to establish itself as a line function, forgetting that it was only a staff function for the company. What may have been the other complaints of the Production Manager against the HR department? How would you, as the HR Manager, have responded to such complaints?

What are line and staff functions and their relationship in an organization? In your opinion, what role should the HR department ideally play in an organization?

Answer:

2.8. Operational and Strategic Role of HRM

In recent times, there has been an increased focus on proper and effective human resource management in organizations due to the growing importance of knowledge workers and the rising expectations of employees. Managing human resources is a common feature for every manager and thus, there is an increasing pressure on the managers to acquire people-management skills. Human resource is all-pervasive and spans all the organizational functions. All the sub-systems are equally important for the survival and development of an organization. However, the human resources system can be called the primary and central sub-system in an organization.

2.8.1 Products and Human Resources

A firm's position in the market is determined by the quality of its products and/or services. These products and services are developed and delivered by the human resources of a firm. Employees and their knowledge give the firm an edge over its competitors. Many companies are therefore, taking up knowledge management initiatives to capture and retain this knowledge.

2.8.2 Production and Human Resources

Human resources play a vital role in the production process. Production practices today include concepts of teamwork and empowerment. These concepts are being employed by empowered teams to produce good quality products and/or services. Productivity has also increased because knowledge workers are making use of the latest technologies and are developing new and innovative approaches to production.

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2.8.3 Marketing and Human Resources

Companies, of late, have been focusing on product quality, pre-sales and post-sales service, customer-producer interface, etc. So, it is essential for them to have a satisfied, developed, and nurtured marketing team in order to meet the marketing objectives.

2.8.4 Management Techniques and Human Resources

Successful implementation of any new management initiative taken up in an organization is possible only when it is accepted and adopted by the employees of the organization. Thus, employees have to be the main focus of an organization to implement new initiatives.

2.8.5 Organizational Structure and Human Resources

Organizations in recent times are structured in such a way as to make the best use of the technology, finance, systems, and, people. Many customer-centric organizations have replaced vertical functional departments that had tall hierarchies, with flat and horizontal cross-functional structures. This organizational structure helps in reducing redundancy and enables the free flow of ideas and information. The employees of such organizations also feel empowered due to the decentralized decision making. This consequently leads to employee development.

Check Your Progress-4

14. The formal functions in an organizational context have been classified, theoretically and historically, into two categories. Identify the two categories.
 - a. Departmental and non-departmental
 - b. Line and staff
 - c. Primary and secondary
 - d. Strategic and functional
15. Line managers are responsible for achieving the goals of their respective departments through the balanced management of the 4Ms. Which of the following is **not** one of the 4Ms?
 - a. Machine
 - b. Materials
 - c. Management
 - d. Money

16. Every line manager can be called an HR manager. Which of the following correctly identifies the reason for this?
 - a. Line managers have a complete understanding of the organizational process.
 - b. Line managers build an atmosphere of trust and transparency.
 - c. Line managers are responsible for managing people and their work in their respective departments.
 - d. Line managers provide the required support to the HR department.
17. Which of the following alternatives is **not** a function handled by the HR personnel?
 - a. Training and development
 - b. Wage and salary administration
 - c. Product development
 - d. Motivation and grievance handling
18. The HR department as a _____ helps in designing and implementing many development activities like training, management development, and performance appraisal.
 - a. Specialist
 - b. Facilitator
 - c. Change agent
 - d. Controller
19. The emphasis on proper and effective human resource management has increased in the recent past. Some of the reasons for the growing popularity and importance of the HR function are:
 - i. The growing rate of inflation
 - ii. The growing importance of knowledge workers
 - iii. The growing expectations of employees
 - iv. The growing need for people–management skills
 - a. Only i and ii
 - b. Only ii and iii
 - c. Only ii, iii and iv
 - d. Only iii and iv
20. Which of the following most appropriately indicates how companies are trying to capture and retain employees and their knowledge so as to gain an edge over the competitors?

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- a. Recruiting new employees
 - b. Undertaking knowledge management initiatives
 - c. Undertaking management development programs
 - d. Providing technical training to the employees
21. Why is human resource so important in the modern day production process?
- a. Modern production practices include the concept of JIT.
 - b. Modern production practices include the concepts of teamwork and empowerment.
 - c. Modern production process uses advanced technologies.
 - d. Modern production practices include the concept of automation.

2.9. Summary

- Organizational structure refers to the defined relationships among the various elements of an organization, namely, people, tasks, structure, and information and control processes that characterize all organizations.
- According to Burns and Stalker, organizations have been classified as mechanistic and organic organizations. Mechanistic organizations fail to survive and achieve success in a highly competitive market while organic organizations are more suitable for operating effectively in dynamic environments.
- Both formal and informal organizations co-exist in any organizational structure. They define the path of communication and method of sharing information, and are part of the whole organization.
- Tall and flat organizational structures deal with the span of control and the number of hierarchical levels in the organization. A tall organization has more hierarchical levels but a narrow span of control, whereas a flat organization has only a few hierarchical levels but a wider span of control.
- Responsibility, authority, and accountability are important concepts relating to human resources. Responsibility and authority are delegated by the manager to the employee while accountability is from the employee to the manager.
- Formal relations in an organization are classified as line and staff functions. Conflicts may arise between these functions. However, a good understanding between them helps in developing a conflict-free amicable atmosphere.

- Human resource management acts as both a line and staff function and has various roles to play for effective and efficient running of an organization.
- All the sub-systems are equally important for the survival and development of an organization. However, the human resource system is called the primary and central sub-system in an organization as it has a part to play in the effectiveness of all other sub-systems.

2.10. Glossary

- **Accountability:** The employee's answerability to his/her superior for the performance of a task when the responsibility and the authority to perform have been delegated to him/her.
- **Flat organization:** It is characterized by fewer hierarchical levels but a wide span of control. These organizations have many subordinates under one supervisor.
- **Formal organization:** In this organization, the reporting channels and work relations are pre-defined, and accountability and responsibility are fixed for all the roles.
- **Informal organization:** It is formed by the ad hoc and random collection of employees who come together in an informal environment and share common interests, ideas, and opinions.
- **Line functions:** The departments or employees of a firm performing the core activities and contributing directly to its business.
- **Mechanistic organization:** In this organization, power and authority lies in the hands of a few people and the tasks and duties of all the employees are clearly specified.
- **Organic organization:** This organization is characterized by flexibility, value for knowledge, low formalization and authority levels, and a decentralized management
- **Responsibility:** One's obligation to perform the function assigned to the best of one's ability in accordance with directions received.
- **Staff functions:** Departments or employees that perform a support function and contribute indirectly to the business of a firm.
- **Tall organization:** It is characterized by a number of hierarchical levels but a narrow span of control. This helps in close supervision and provides for continuous interaction between the supervisor and his/her subordinates.

2.11. Self-Assessment Test

1. The structure of an organization influences its reaction to different environmental changes. Explain. Briefly describe the relationship between organizational structure and human resource management.
2. In the past, it was believed that the line managers cannot or should not be commanded by the managers of a staff function. This has now become an outdated concept. However, there are organizations which still experience severe line-staff conflicts. What are the complaints of the line managers about the HR function? How can this conflict be resolved so as to create a conflict-free atmosphere?
3. In recent times, there has been an increased focus on proper and effective human resource management in organizations. What are the probable reasons behind this growing importance of human resource management?
4. “Organizations should try to eliminate the hierarchy that classifies employees according to their experience and expertise. A ‘flat’ organizational structure is more likely to encourage team work and cooperation among employees.” Discuss the extent to which you agree or disagree with this opinion. Support your views with reasons and/or examples from your own experience, observations, or reading.
5. Briefly explain:
 - Formal and informal organizations
 - Tall and flat organizational structures
 - Concepts of responsibility, authority, and accountability and the relationship between them.

2.12. Suggested Readings/Reference Material

1. Gary Dessler & Biju Varrkey Human Resource Management. Pearson Education; Sixteenth edition, 2020
2. David A. Decenzo; Stephen P. Robbins and Susan L. Verhulst, “Human Resource Management,” Wiley; Eleventh edition, 2015.
3. Pravin Durai. Human Resource Management. Pearson Education, 2020
4. Case Studies in Human Resource Management. Dreamtech Press, 2020
5. L M Prasad. Human Resource Management. Sultan Chand & Sons, 2018
6. “Organizational Structure”
< http://www.hrmguide.co.uk/organizational_hrm/ > (Accesses on 5th October 2021)

2.13. Answers to Check Your Progress Questions

Following are the answers to the Check Your Progress questions given in the Unit.

1. (b) Organizational structure

Organizational structure refers to the defined relationships among the elements of an organization, namely people, tasks, structure, and information and control processes that characterize all organizations.

2. (d) ii and iv

Burns and Stalker categorized the firms into two types: Mechanistic organization and organic organization.

3. (b) Dynamic and high level of competition

Organizations with an organic structure are most suitable and effective in a dynamic, highly competitive environment. In a highly competitive market, it is very rare to see a mechanistic organization flourish.

4. (d) Centralized style of management

An organic structure is characterized by a decentralized style of management. Decisions are taken by lateral consultations; decision making is not concentrated. The employees are not tied down by cumbersome rules and regulations.

5. (c) Organic organizational structure

An organic organizational structure is characterized by a low level of formalization and authority. As decision making is decentralized, such organizations can operate effectively in dynamic and uncertain environments.

6. (b) Ability to react fast and adapt easily

An organization with an organic organizational structure has flexibility, value for knowledge, low level of formalization and authority, and a decentralized style of management which in turn, enables the organization to react fast and adapt easily in a dynamic environment.

7. (b) Informal organizational set-up

Informal organizations are formed by employees, without any fixed goals or objectives. An informal organizational set-up is formed when the employees in an organization get together in an informal setting to share common interests, ideas, and information.

8. (b) It is the optimum number of subordinates a person can effectively manage.

The term 'span of control' refers to the optimum number of subordinates a person can effectively manage.

9. (d) Political forces

Political forces do not influence the choice of organizational structure. The selection of an organization structure is dependent on a number of factors such as organizational goals, administrative requirements, employee capabilities and needs, performance and production demand, size of the firm, competitive forces, economic condition, and history and culture.

10. (b) Responsibility

The term responsibility can be defined as one's obligation to perform the function assigned to the best of one's ability in accordance with directions received. When responsibility is delegated, it has to be accompanied by the authority to complete the task and discharge the responsibility. In the absence of authority, the employee responsible for the task is left powerless to carry out the task.

11. (d) The organization should maintain some gaps in the delegation chain.

In delegating responsibility, an organization cannot afford to have any gaps in the delegation chain as this would result in an unaccomplished task.

12. (b) Authority

Authority refers to the right to give orders and the power to demand obedience from others in the process of discharging the responsibility.

13. (a) It refers to the employee's answerability to his/her superior for the performance of a task when the responsibility and the authority to perform have been delegated to him/her.

Accountability refers to the employee's answerability to his/her superior for the performance of a task when the responsibility and the authority to perform have been delegated to him/her. Accountability is

from the employee toward the manager, whereas responsibility and authority are delegated by the manager to the employee.

14. (b) Line and staff

Line and staff functions are the two categories of formal functions in an organization. According to this classification, employees in the line functions perform the core activities of the business and contribute directly to the business. Employees in the staff functions provide support to the former and contribute indirectly to the business.

15. (c) Management

The 4Ms are men, machine, materials, and money.

16. (c) Line managers are responsible for managing people and their work in their respective departments.

Line managers handle the 4Ms in their department. This includes men, that is, the personnel, in addition to materials, machines, and money. They have to deliver results by effectively managing their department's human resources.

17. (c) Product development

The functions of HR include recruitment/ employment, training and development, wage and salary administration, and motivation and grievance handling. Product development is a marketing function.

18. (b) Facilitator

The HR department facilitates the design and implementation of training, management development, and performance appraisal activities.

19. (b) Only ii and iii

Some of the reasons for the growing popularity and importance of the HR function in the recent past are the growing importance of knowledge workers and the rising expectations of employees.

20. (b) Undertaking knowledge management initiatives

It is the employees and their knowledge which deliver better products and services. This gives the firm an edge over its competitors. Companies are increasingly trying to capture and retain this knowledge base through knowledge management initiatives.

21. (b) Modern production practices include the concepts of teamwork and empowerment.

People/human resources are very important in the modern day production process because the current production practices include the concept of teamwork and empowerment. Quality products are produced by empowered teams.

Unit 3

International Human Resource Management

Structure

- 3.1 Introduction
- 3.2 Objectives
- 3.3. Concept of IHRM
- 3.4. Approaches to IHRM
- 3.5. Features of IHRM
- 3.6. Importance of IHRM
- 3.7. Factors Affecting IHRM
- 3.8. Different IHRM Activities
- 3.9. Strategic IHRM
- 3.10. Summary
- 3.11. Glossary
- 3.12. Self-Assessment Test
- 3.13. Suggested Readings/Reference Material
- 3.14. Answers to Check Your Progress Questions

3.1. Introduction

In the previous unit, we have discussed the relationship between organizational structure and human resource management. We have also studied the relationship of human resource management with the other organizational functions. In this unit, we will discuss international human resource management, that is, how to manage human resources in international business.

In recent times, globalization has become a popular concept. Organizations across the world have crossed domestic borders to enter the international business arena. Large companies, tough competition, and greater challenges are the features of international business. The greatest challenge faced by companies in the international business arena is to operate successfully in different economies and cultures across the world. International organizations like the WTO (World Trade Organization) and cross-border trade agreements like GATT (General Agreement on Tariffs and Trade) have helped in eliminating trade barriers between countries and have bridged the distance between them.

Organizations need to adopt decentralization in order to operate successfully in global markets. This involves managing human resources with different backgrounds, a wide variety of customers and suppliers of varying nationalities,

and adapting to the respective local demands and culture. The management of human resources in international business is known as International Human Resource Management (IHRM). The countries that the firm chooses to operate in can be different in terms of culture, language, economic situation, and political and legal systems. Management styles and conventions can also be different in each of these countries. Therefore, it is not easy for a firm to globalize its business.

This unit will discuss the concept of and approaches to international human resource management, and study its features and importance. We will then move on to discuss the factors affecting international human resource management, and the different activities involved in it. Finally, we will discuss the concept of strategic international human resource management.

3.2. Objectives

By the end of this unit, students should be able to:

- Discuss the concept of international human resource management (IHRM).
- State the different approaches to IHRM.
- Demonstrate the various features of IHRM.
- Assess the importance of IHRM.
- Recognize the various factors affecting IHRM.
- Identify the different IHRM activities.
- Explain the concept of strategic IHRM.

3.3. Concept of IHRM

IHRM refers to the management of human resources of an organization in the context of international business. Firms adopt multi-domestic, international, global, and transnational strategies to operate in international markets. To create value, multi-domestic firms focus on local responsiveness, international firms transfer core competencies overseas, global firms realize experience curve and location economies, and transnational firms perform all these things simultaneously.

The IHRM model presented by P. V. Morgan has three dimensions: human resource activities, type of employees, and countries of operation. These dimensions are explained here.

- The three broad categories of HR activities are procurement, allocation, and utilization of human resources.

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- The three categories of employees of a global company are the parent-country nationals (PCNs), the host-country nationals (HCNs), and the third-country nationals (TCNs).
- The three national or country classifications in international business of the organization are the home country (location of headquarter), the host country (location of subsidiary), and other countries (sources of finance and labor).

Apart from the activities involved in domestic HRM, international HRM includes several others. What makes the HR manager's role extremely difficult and complex is the responsibility of ensuring a basic uniformity of structure, operations, policies, and benefits across different business units located worldwide and of ensuring employee satisfaction.

Failure in global ventures arises due to a lack of understanding of the varied needs and demands of employees across different cultures. The differentiating factors between international and domestic HRM are the 'human resources' of the firm and the socio-politico-legal system of the country in which the firm is operating. Today, globalization of business has become a common feature and most of the firms, irrespective of their size, are exposed to the international business environment. Exhibit 3.1 provides a brief idea about the global presence of Sun Pharma, 4th largest pharma company in the world.

Exhibit 3.1 : Sun Pharma's Global Presence

Sun Pharma is the world's fourth largest specialty generic pharmaceutical company and No. 1 in India. The company provides high-quality, affordable medicines trusted by customers and patients in over 100 countries. Sun Pharma's global presence is supported by more than 40 manufacturing facilities spread across 5 continents, R&D centres across the globe and a multi-cultural workforce comprising over 50 nationalities. Sun Pharma fosters excellence through innovation supported by strong R&D capabilities comprising around 2,000 scientists and R&D investments of over 7-8% of annual revenues. It has an international portfolio of affiliates, joint ventures, and representative offices located across the world. A strong presence in the market and a good distribution network gives the company a competitive advantage over the other players.

Adapted from <http://www.ranbaxyusa.com>.

Check Your Progress-1

1. There are four strategies that firms with international operations adopt. Which of the following alternatives is **not** one of these four strategies?
 - a. Multi-domestic
 - b. Inter-continental
 - c. Global
 - d. Transnational
2. The three categories of employees of a global company are PCNs, HCNs, and TCNs. An Indian business house uses _____ when it employs Indians in its operations in Malaysia and _____ when it employs Australians in its operations in Australia.
 - a. PCNs, HCNs
 - b. HCNs, TCNs
 - c. TCNs, PCNs
 - d. HCNs, PCNs
3. According to Morgan, IHRM is the interplay of three dimensions. Identify the three dimensions.
 - i. Human resource activities
 - ii. Type of employees
 - iii. Countries of operation
 - iv. Compensation of employees
 - a. i, ii, iii
 - b. i, ii, iv
 - c. i, iii, iv
 - d. ii, iii, iv
4. Which of the following is **not** apart of the dimension ‘type of employees’ of a global company, as categorized by Morgan?
 - a. Host country national
 - b. Allied country national
 - c. Parent country national
 - d. Third country national
5. In international business, there are three classes of countries or nations involved. Match the three country classifications with their respective role in the business.
 - i. Home country

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- ii. Host country
- iii. Other country
- p. A country that is a source of labor or finances for the organization
- q. A country where the organization has its headquarters or corporate office
- r. A country where the organization has its subsidiary
- a. i/r, ii/q, iii/p
- b. i/q, ii/r, iii/p
- c. i/q, ii/p, iii/r
- d. i/p, ii/r, iii/q

3.4. Approaches to IHRM

There are three different approaches to internationalization or globalization which differentiate international firms in terms of their strategies, products/services, and policies and systems. These are ethnocentric approach, polycentric approach, and geocentric approach. Details of these approaches are given in Table 3.1.

Table 3.1: Approaches to IHRM

Approach	Basis	Features	Advantage	Disadvantage
Ethnocentric	Standardization	Companies following this approach view the world as a single marketplace and follow standardized structures and policies across all subsidiaries.	Smooth and complete transfer of knowledge from the parent company to the subsidiaries is possible.	Prevents international firms from understanding and adapting to the local culture
Polycentric	Customization	Companies following this approach view the	Companies gain by adapting to the local culture.	Knowledge transfer may be slowed down due to

Approach	Basis	Features	Advantage	Disadvantage
		world as a differentiated marketplace where varying needs have to be catered to. They adopt customized strategies, products, policies, and systems.		autonomy of the subsidiaries
Geocentric	Optimization	Companies following this approach identify best practices (both internal and external) and employ them by making optimum utilization of resources.	People are appointed regardless of their nationality and are optimally utilized.	High training and relocation costs

Regiocentric Approach

This is the fourth approach to internationalization. This approach reflects the geographic strategy and structure of the Multinational Enterprise (MNE) or Multinational Corporation (MNC). Like the geocentric approach, regiocentric approach utilizes a wider pool of managers but in a limited way. Staff may move outside their home countries but only within the particular geographic region. Regional managers may not be promoted to headquarters positions but enjoy a degree of regional autonomy in decision-making. For example, a US-based MNE could create three regions: Europe, the Americas, and Asia-Pacific. European staff would be transferred throughout the European region but staff transfers to the Asia-Pacific region from Europe would be rare.

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The advantages of using a regiocentric approach are:

- It facilitates interaction between managers transferred to regional headquarters from subsidiaries in that region and parent-country nationals (PCNs) posted to the regional headquarters.
- It reflects some sensitivity to local conditions, since local subsidiaries are usually staffed almost totally by host-country nationals (HCNs).

There are some disadvantages in a regiocentric policy:

- It can produce federalism at a regional level rather than at country basis and constrain the MNE from developing a more global perspective.
- While this approach does improve career prospects at the national level, it moves the barrier to the regional level. Talented managers may advance to jobs in regional headquarters but less frequently to positions at the MNE headquarters.

Check Your Progress-2

6. What forms the basis of the ethnocentric approach of internationalization or globalization?
 - a. Standardization
 - b. Customization
 - c. Optimization
 - d. Decentralization
7. Identify an important disadvantage of the ethnocentric approach toward internationalization or globalization.
 - a. Transfer of knowledge from the parent company to the subsidiary may be hindered due to autonomy of subsidiaries.
 - b. It prevents international firms from understanding and adapting to the local culture.
 - c. The top management of the corporate office consists of people from different cultures.
 - d. The training cost is high.
8. Which of the following approaches to international business views the world as a 'differentiated marketplace' and is based on 'customization'?
 - a. Ethnocentric approach
 - b. Polycentric approach
 - c. Geocentric approach

- d. Optimization approach
- 9. Which of the following is **definitely true** in case of the polycentric approach to international business?
 - a. It is based on the principle of ‘optimization’.
 - b. The relocation cost is high.
 - c. It prevents international firms from understanding and adapting to local culture.
 - d. There are hurdles in the transfer of knowledge from the parent company to the subsidiary.
- 10. Which of the following is a **primary disadvantage** of the geocentric approach?
 - a. It involves higher costs of training and relocation.
 - b. It prevents international firms from understanding and adapting to local culture.
 - c. It hinders transfer of knowledge from the parent company to the subsidiary due to autonomy of subsidiaries.
 - d. It creates dissatisfaction among local employees.

3.5. Features of IHRM

Following are the features of international HRM which distinguish it from domestic HRM:

3.5.1 Increased Complexity of HR Activities

The human resource department of an organization operating in international markets has some additional responsibilities like employee relocation and orientation, administrative and other support services for expatriates, adherence to social and legal rules in the host nations, maintenance of relationships across borders, etc. As part of their relocation and orientation, expatriates would need the following services from the HR department.

- Language, cultural understanding, taxation standards, etc., of the country to which they are going to be relocated
- Pre-departure training, immigration information, travel information, and assistance on housing, shopping, medical care, and education
- Compensation details in terms of salary abroad, international allowances payable, and taxation liabilities
- Administrative services

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- Language translation services.

The HR department needs to ensure that no employee earns any extra benefits or loses on account of being given a global assignment. It should ensure that the employees perceive equity and uniformity in HR policies and their implementation.

3.5.2 Cultural Awareness and Tolerance

It is essential for the HR managers of a global organization to have awareness, tolerance, and respect toward various cultures in order to inculcate them in the employees. This will lead to successful people management.

3.5.3 Stronger Relationship with Employees and their Families

The HR manager should develop a good rapport with the expatriate and his/her family. This helps in building the trust of the employee's family in the organization as well as the HR department for a secure and comfortable life in the foreign land. When an employee is given an assignment in a foreign country for a considerably long period of time, it is the management's responsibility to arrange for the employee's family to accompany him/her to the foreign country and provide job assistance to the spouse, if it is asked for.

3.5.4 Different Expectations and Requirements of the Employees across Cultures

The different backgrounds and cultures of employees from different countries add to the complexity of managing employees and their expectations in an organization. The management of an MNC operating in a foreign country should understand the requirements of the nationals from the host country and adapt to their respective cultures.

3.5.5 Management of Cross-cultural Teams

International managers should ensure that all members in a team have cross-cultural understanding and tolerance to work as a team. This helps the team function smoothly and effectively. The international managers should train and educate the PCNs, HCNs, and TCNs about different cultures and how to be tolerant toward them.

3.5.6 Diluted Risk on the Business Front and Increased Risk on People Front

On the business front, the majority of the firms operating in international markets dilute the risk of operating in a single market. They expand their

operations for enhanced growth and diluted risk. On the people front, however, companies face a major challenge of managing people from different cultures.

Check Your Progress-3

11. Which of the following are features of international HRM that differentiate it from domestic HRM?
 - i. Increased complexity of HR activities
 - ii. Different expectations and requirements of employees across cultures
 - iii. Need for stronger relationship with employees and their families
 - iv. Increased risk on business front and diluted risk on people front
 - a. Only i, ii, and iii
 - b. Only i, iii, and iv
 - c. Only ii, iii, and iv
 - d. i, ii, iii, and iv
 12. Inno Wayz Technologies Ltd. plans to send 10 software professionals from India to its newly opened software development center in Shanghai. Which of the following activities is associated with the HR department's services for these expatriates?
 - a. Pre-departure training
 - b. Information regarding immigration
 - c. Assistance on housing, medical care, etc.
 - d. All of the above
 13. Why is it important for HR managers of global firms to have greater cultural awareness and tolerance?
 - a. Because of stringent global laws
 - b. To impress the residents of the host country
 - c. To inculcate cultural awareness and tolerance among employees in the organization
 - d. To improve technical expertise
-

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Activity: John Patterson Furnishings, located in Mumbai has been operating successfully in the Indian market since 1999. In January 2021, Timothy, the owner's son, joined the business and proposed an expansion of operations to the European markets in the form of affiliates which would be manned by foreign locals under the supervision of expatriate senior managers from the Mumbai office. As the HR Manager of John Patterson Furnishings, advice Timothy on the enhanced features that your department would require to have (in addition to what it has for domestic operations) for the proposed international operations to function efficiently and effectively.

Answer:

3.6. Importance of IHRM

Globalization has led to companies expanding their reach and foray into the international arena. The HR managers of organizations have to recruit and manage local people in foreign countries. Alternatively, some companies send their employees as expatriates to other countries of operation. In this context, some of the reasons for the importance of IHRM are discussed here.

- The most important factor behind the success of today's business is having competent global leaders.
- The business world is becoming increasingly global and the majority of the markets are part of the global network.
- Today, India is one of the emerging markets in the world with skilled managerial and technical manpower that match the best in the world.
- Foreign trade and FDI in India have been increasing at a very fast pace, thus making it one of the most important destinations for MNCs.
- Expanding businesses implies increasing requirement for manpower. It is an important decision for the HR department to make whether to hire locals or bring in parent country nationals to satisfy this requirement.
- It is very difficult to get qualified and talented managers in every part of the world. Hence, companies invest in training and expatriating talented people for global operations.

- In a new market, expatriate executives can play an important role during the early days of a company's operations although in the long run it is necessary to develop a strong workforce consisting of locals.
- A skilled and well-trained group of local managers can add immense value to a firm's resources and can create successful business for the firm locally.

Because of these reasons, management of PCNs, TCNs, and HCNs are all of equal importance to successfully conduct international business.

3.7. Factors Affecting IHRM

IHRM has gained importance as a unique concept in recent times. This is because people belonging to different cultures have diverse expectations and behave differently under the same circumstances. The factors influencing and causing a change in International HRM are national culture, political forces, economic forces, market forces, technology forces, legal forces, and corporate culture.

3.7.1 National Culture

The culture of a nation is the set of age-old traditions and beliefs shared by the people of the country. Beliefs are people's perception of how things are done in their country. Values are people's aspirations about how things should be done. The difference in people's requirements arises out of differences in their culture, beliefs, and values. Hofstede identified a set of cultural attributes that define and differentiate cultures. These attributes can be studied under uncertainty avoidance, power distance, individualism vs. collectivism, future orientation, etc. Performance orientation and humane orientation are attributes that have been added to the list to help understand different cultures better.

Table 3.2: Hofstede's Cultural Attributes

Attribute	Description
Power Distance	Unequal distribution of power among the people of a nation
Individualism	The degree to which people prefer to act as individuals rather than as members of groups
Masculinity/Femininity	The extent to which the “masculine” values prevail over “feminine” values
Uncertainty Avoidance	The way people in a country give preference to structured situations rather than to unstructured situations
Long-term Orientation	The long-term values held by people that lay stress on the future, rather than the short-term values that focus on the present.

Adapted from Robert L. Mathis et al., “Globalization of HR Management,” Human Resource Management, Cengage Learning; 15th edition, 2016)

3.7.2 Political Forces

Changes in the political scenario of a country will have an impact on the conduct of business operations in the country. A complete change in the political environment of a country might affect the prospects of a company that has strong affiliations. For an HR manager, managing employees and expatriates in a politically dynamic country is a very challenging task.

3.7.3 Economic Forces

The economic condition of a country affects the functioning of an organization operating in that country. For example, companies may not like to open a subsidiary in a country where talented resources are very expensive.

3.7.4 Market Forces

Industry specific changes influence the management of human resources in the international scenario. For example, in a multi-domestic industry (where competition in each country is independent of competition in other countries), the role of HR is closer to domestic HRM though it might need to provide some international services. On the other hand, in case of a global industry (where a firm's competitive strength in one country is largely influenced by its position in other countries), the role of HR becomes international.

3.7.5 Technology Changes

Massive changes in a technology-intensive sector may influence the human resources function of a firm that has global operations. For example, if a firm wants to adopt a totally new technology for its manufacturing process, it has to train its workers all over the world to get them accustomed to this new technology.

3.7.6 Legal Forces

Changes in the legal system of a country will have an influence on its economic performance. Liberalization of the Indian economy in the year 1991 attracted many MNCs who were planning to expand or relocate to the country. Refer to Exhibit 3.2 for FDI reforms in India.

Exhibit 3.2: FDI Reforms in India (2021)

Government of India in September 2021 allowed 100% foreign direct investment (FDI) in the country's telecom sector via the automatic route. Until then, only 49% of FDI was allowed through the automatic route and anything beyond 49% had to necessarily go through the government route. GOI allowed FDI through automatic routes in a majority of the sectors except in few sectors such as defence, media, pharmaceuticals and insurance, in which government approval is needed for foreign investors. Under the government route, the foreign investors have to take prior approval of the respective ministry or department. However, under the automatic route, they (foreign investors) have to only notify the Reserve Bank of India (RBI) after the investment is made.

Source: Adopted from <https://www.hindustantimes.com/business/100-fdi-in-telecom-sector-via-automatic-route-allowed-union-minister-101631702033660.html>, September 15th 2021

3.7.7 Labor Forces

The availability of talented and skilled labor in a nation can attract a large number of investors. This in turn can add value to the country's business environment. In order to attract and retain MNCs, the country should have healthy labor-management relations. A country which might be a very attractive destination in terms of investment will be spurned by prospective investors if it suffers from high labor unrest.

3.7.8 Corporate Culture

The corporate culture of an organization will serve as its best competitive advantage if the organization is successful in establishing and strengthening its

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uniqueness. A corporate culture, which is strong, can use changes in technology, market, economy, etc. to the company's advantage.

More than one of these factors can influence the international business at any given point of time. When these forces operate together, some might prove to be stronger than the others at varying periods of time.

Check Your Progress-4

14. When is the role of an expatriate executive most crucial for an organization?
 - a. When a firm is setting up operations in a new market
 - b. When a firm has been operating for a long time in the host country
 - c. When the firm is winding up its operations in the host country
 - d. When the firm is expanding its operations in the host country
15. The _____ of a nation is a set of age-old traditions and beliefs shared by the people of the country.
 - a. Values
 - b. Expectation
 - c. Perception
 - d. Culture
16. _____ are the 'people's perception of how things are done in their country'.
 - a. Values
 - b. Beliefs
 - c. Ethics
 - d. Culture
17. _____ affect IHRM and are defined as the people's aspirations regarding the way things should be done.
 - a. Values
 - b. Beliefs
 - c. Cultures
 - d. Perceptions
18. Which of the following is **not** one of the cultural attributes defined by Hofstede?
 - a. Uncertainty avoidance
 - b. Power distance

- c. Future orientation
 - d. Performance orientation
19. There are various factors that influence and cause a change in International HRM. Which of the following are some of the factors affecting IHRM?
- i. National culture
 - ii. Market forces
 - iii. Legal forces
 - iv. Technology changes
- a. Only i, ii, and iii
 - b. Only ii and iii
 - c. Only ii, iii, and iv
 - d. i, ii, iii, and iv

Activity: John Patterson Furnishings, (of the earlier Activity) in analyzing the European markets before commencing its international operations, found that labor was very expensive. On making a cost-benefit analysis for other countries, it found that labor would be relatively cheap in the Chinese market. It decided that initially, a manufacturing and marketing affiliate would be opened in China. Subsequently, manufactured products would be marketed in Europe through a subsidiary. As an analyst tracking the company, identify the various factors that might affect the company's human resource management in the international context.

Answer:

3.8.Different IHRM Activities

For an international business organization, HR activities assume greater complexity with the addition of certain new activities like managing expatriate assignments, etc. Some of the HR activities in an international firm are:

Overview of Human Resource Management

3.8.1 Job Analysis and Human Resource Planning

Job analysis should include the special responsibilities and competencies of an expatriate and global manager. HR planning becomes much more complex as it includes cross-country transfers. Special attention should be given to issues like equal opportunity to all employees pertaining to promotions and other such as growth opportunities. HR should also be able to handle reverse flows of deployed talent after completion of the expatriate assignment.

3.8.2 Recruitment and Selection

Employee recruitment should be given importance if a global business has to expand and succeed. Decisions on local recruitment should be made very carefully and care should be taken to provide the local people with adequate opportunities. It is also important to educate the expatriates about the local culture and local markets.

3.8.3 Training and Development

In a global organization, employees should be trained to learn, understand, and develop tolerance toward different cultures. They should be prepared to work smoothly and effectively in cross-cultural teams. Global managers, on the other hand, should be trained to manage teams consisting of people from various cultures and backgrounds. Expatriates should be trained on specific aspects (like the language, the culture, etc.) of the country to which they are being posted.

3.8.4 Performance Appraisal Management

The performance appraisal system of an organization that has international operations has to be designed and implemented with utmost care because the goals and the metrics are different across countries.

3.8.5 Compensation Management

Different countries have different currencies, and their value is also different. It is therefore important to ensure perceived equity and fairness of compensation among all the employees of the firm, across the world. Some of functions associated with compensation management include following a principle of equity in compensation, ensuring employees derive maximum tax benefits, and ensuring proper valuation of benefits enjoyed by employees and expatriates.

3.8.6 Career Management & Development

Employees in an MNC expect better career development opportunities and better prospects worldwide than those working in a local firm. This aspect should, therefore, be taken care of by the HR department so that the career needs and expectations of the employees are satisfied. This in turn can ensure that

both the employees and the company enjoy the long-term benefits of working together.

3.8.7 Unionism and Industrial Relations

Legal and labor principles differ across countries. Thus, it is the duty of the global HR manager to abide by the laws of each country while operating in that country. At the same time, the HR manager should also ensure good labor-management relations in those countries.

3.8.8 Managing Cross-cultural Issues

The responsibility of managing the expatriates and their operations in a foreign country lies with the global HR manager. It is the responsibility of the HR manager to learn the skills required to work in and lead a cross-cultural team. He/she should also foster and develop an organizational culture which encourages workplace diversity. Exhibit 3.3 shows a job advertisement for a global human resources manager.

Exhibit 3.3: A Job Advertisement for an International HR Manager

Post: Global Human Resources Manager

Organization EON Reality

Location: Bengaluru, Karnataka, India

Excellent opportunity in a fast-growing, profitable, IT software company on the path towards fund raising or going public. The candidate will have overall responsibility for Eon's Human Resource on Global basis.

Job Description

We are seeing an experienced HR Manager with outstanding people skills for the Global operations of EON Reality, to manage our personnel and ensure that our human resources programs and initiatives are effective, efficient, and aligned to overall business objectives.

Duties for the HR Manager will include supervising HR personnel, dealing with employee grievances and disputes, supporting employee development, enhancing job satisfaction, designing onboarding procedures, implementing HR strategies that support business objectives, forecasting staffing needs, mitigating risk, structuring benefit packages, maintaining employee records, managing budgets, designing accountability mechanisms, and overseeing overall employment needs.

Responsibilities

- Implementation of HR system on global basis.
- Developing and implementing human resources policies.
- Collaborates with senior leadership to understand EON's goals and strategy related to staffing, recruiting, and retention.

Contd.

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- Plans, leads, develops, coordinates, and implements policies, processes, training, initiatives, and surveys to support EON's HR compliance and strategy needs.
- Administers or oversees the administration of HR programs including, but not limited to, compensation, benefits, and leave; disciplinary matters; disputes and investigations; performance and talent management; productivity, recognition, and morale; occupational health and safety; and training and development.
- Identifies staffing and recruiting needs and creating job descriptions; develops and executes best practices for hiring and talent management.
- Managing staff wellness and performance reviews.
- Conducts research and analysis of organizational trends including review of reports and metrics from EON HR system.
- Monitors and ensures EON's compliance with federal, state, and local employment laws and regulations, and recommended best practices; reviews and modifies policies and practices to maintain compliance.
- Maintains knowledge of trends, best practices, regulatory changes, and new technologies in human resources, talent management, and employment law; applies this knowledge to communicate changes in policy, practice, and resources to upper management.
- Develops and implements departmental budget.
- Facilitates professional development, training & certification activities for EON staff.
- Recruits, interviews, hires, and trains new staff in the department.
- Oversees the daily workflow of the department.
- Provides constructive and timely performance evaluations.
- Handles discipline and termination of employees in accordance with company policy.
- Coordinates with HR resources across other EON offices & subsidiaries.
- Represents EON Reality at personnel-related hearings and investigations.
- Contracts with outside suppliers to provide employee services, such as temporary employees, search firms, or relocation services.
- Performs other duties as required.

Skills

- Experience in implementation of HR system
- Exceptional verbal and written communication with presentation skills.
- Excellent interpersonal and negotiation skills.
- Excellent organizational skills and attention to detail.
- Highly organized & Detail-oriented.
- Excellent time management skills with a proven ability to meet deadlines.
- Strong analytical and problem-solving skills.
- Strong supervisory and leadership skills.
- Ability to adapt to the needs of the organization and employees.

Contd.

- Ability to prioritize tasks and to delegate them when appropriate.
- Thorough knowledge of employment-related laws and regulations.
- Excellent knowledge of MS Office.
- Adaptability & Strong attention to detail.

Education and Experience:

- Bachelor's degree in Human Resources, Business Administration, or related field required; Master's degree preferred.
- At least 8 to 10 years of global human resource management experience required.
- Global Professional in Human Resources (GPHR) & Professional in Human Resources - International (PHRi) certifications highly preferred.

Accomplished individuals with proven track record are eligible to apply.

Source: https://in.linkedin.com/jobs/view/global-human-resources-manager-at-eon-reality-2738174974?refId=PaFEt5nE7P4vAtJ5elw7Sw%3D%3D&trackingId=%2B%2FdMiS764J6LCmNSvjCANA%3D%3D&trk=public_jobs_topcard-title (Accessed on October 5th 2021)

Activity: A Bangalore-based technology company wanted a European base from which to expand operations overseas. Sudarshan Reddy, Vice President of Human Resources, was entrusted with opening an office in Manchester for which he had to travel to the UK. He was supposed to start up the office in three weeks' time and stay on there for another four months. At the end of this period, the office had to be handed over to host country locals employed at manager and executive levels. Managers were to be sent from the parent company at Bangalore periodically to provide assistance for specific projects.

Reddy was an experienced HR professional with a degree in law and 15 years of experience in HRM. Yet the task at hand was a challenging one with a large degree of complexity. What are the activities, with regard to international human resource management which Reddy would have to perform and organize in order that the UK office is successfully operational?

Answer:

3.9. Strategic IHRM

A local firm expands its business to other parts of the world in order to expand its business and earn higher profits. A firm entering international markets develops new visions and missions, and designs new global strategies to achieve them. Global HR strategies should be designed to match with the firm's corporate HR strategies.

The mission and the strategy of an organization determine its organizational structure, the level of centralization or decentralization, and the recruitment strategy of the firm, apart from other factors. In a centralized set-up, the decision making authority lies in the hands of the parent/corporate office, whereas in a decentralized set-up, it lies in the hands of the host-country management. In order to ensure the smooth functioning of HRM in a firm, its HR policies and systems in different parts of the world should be in harmony.

Strategic IHRM helps a global organization to make a SWOT analysis from the HR perspective. This helps the firm to develop its own strategy for survival and success in international business, and gain maximum benefits from its available resources.

Check Your Progress-5

20. Compensation management is an important IHRM activity. Which of the following is **not** a function associated with compensation management?
 - a. Following a principle of equity in compensation
 - b. Ensuring employees derive maximum tax benefits
 - c. Ensuring proper valuation of benefits enjoyed by employees and expatriates
 - d. Providing adequate opportunities to local people
 21. Which of the following statements is definitely true in case of a 'centralized set-up' of an organization?
 - a. The parent/corporate office retains the authority to make the important decisions.
 - b. The decision-making power is vested in the host country.
 - c. Most of the important decisions are taken by the subsidiary.
 - d. The parent company and subsidiary take important decisions jointly.
-

3.10. Summary

- IHRM refers to the management of human resources of an organization in the context of international business. Firms adopt multi-domestic, international, global, and transnational strategies to operate in the international markets.
- There are three different approaches to internationalization or globalization, namely ethnocentric approach, polycentric approach, and geocentric approach.
- IHRM is different from domestic HRM in terms of complexity, cultural awareness and tolerance, risk, etc.
- Factors affecting IHRM include national culture, political forces, economic forces, market forces, technological changes, legal forces, labor forces, and corporate culture.
- The HR activities in international firms include job analysis and human resource planning, recruitment and selection, training and development, performance appraisal management, compensation management, etc.
- Strategic IHRM helps a global organization to make a SWOT analysis from the HR perspective, which in turn, helps the firm to develop its own strategy for survival and success in international business, and gain maximum benefits from its available resources.

3.11. Glossary

- **Ethnocentric approach to IHRM:** Companies view the world as a single marketplace and follow standardized structures and policies across all subsidiaries.
- **Geocentric approach to IHRM:** Companies identify best practices (both internal and external) and employ them by making optimum utilization of resources.
- **Individualism (Hofstede's Cultural Attribute):** The degree to which people prefer to act as individuals rather than as members of groups.
- **International human resource management (IHRM):** The management of human resources of an organization in the context of international business.
- **Long-term orientation (Hofstede's Cultural Attribute):** The long-term values held by people that lay stress on the future, rather than the short-term values that focus on the present.
- **Masculinity/femininity (Hofstede's Cultural Attribute):** The extent to which the "masculine" values prevail over "feminine" values.
- **Polycentric approach to IHRM:** Companies view the world as a differentiated marketplace where varying needs have to be catered to. They adopt customized strategies, products, policies, and systems.

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- **Power distance (Hofstede's Cultural Attribute):** Unequal distribution of power among the people of a nation.
- **Uncertainty avoidance (Hofstede's Cultural Attribute):** The way people in a country give preference to structured situations rather than to unstructured situations.

3.12. Self-Assessment Test

1. IHRM is the management of the human resources of an organization in the context of international business. Explain the concept of IHRM with the help of an appropriate model.
2. The three different approaches to internationalization differentiate international firms in terms of their strategies, products/services, and policies and systems. Discuss these three approaches along with their merits and demerits.
3. Describe the features of IHRM which differentiate it from domestic HRM.
4. Experience shows that people belonging to different cultures behave differently under the same given circumstances and have different expectations too. Explain the factors that influence and cause a change in IHRM.
5. In the context of an international business, HR activities assume greater complexities. Discuss some of the HR activities in an international organization.
6. Write short notes on:
 - a. Concept of Strategic HRM
 - b. Importance of IHRM.

3.13. Suggested Readings/Reference Material

1. "International Human Resource Management: Text and Cases," K. Aswathappa and Sadhna Dash, McGraw Hill; 3rd edition 2020.
2. "International Human Resource Management: Managing People in a Multinational Context," Peter J. Dowling, Marion Festing, and Allen D. Engle, Cengage Learning India Private Limited, 2017.
3. Gary Dessler & Biju Varrkey Human Resource Management. Pearson Education; Sixteenth edition, 2020
4. David A. Decenzo; Stephen P. Robbins and Susan L. Verhulst, "Human Resource Management," Wiley; Eleventh edition, 2015.
5. Pravin Durai. Human Resource Management. Pearson Education, 2020
6. Case Studies in Human Resource Management. Dreamtech Press, 2020
7. L M Prasad. Human Resource Management. Sultan Chand & Sons, 2018

3.14. Answers to Check Your Progress Questions

Following are the answers to the Check Your Progress questions given in the Unit.

1. (b) Inter-continental

The four strategies that firms with international operations adopt are multi-domestic, international, global, and transnational.

2. (a) PCNs, HCNs

The three categories of employees of a global company are parent-country nationals (PCNs), host-country nationals (HCNs), and third-country nationals (TCNs). In the above situation, Indian employees are parent-country nationals, and Australians are host-country nationals for the Australian operations.

3. (a) i, ii, iii

According to Morgan, IHRM is the interplay of the three dimensions -
- human resource activities, type of employees, and countries of operation.

4. (b) Allied country national

According to Morgan, the three categories of employees of a global company are parent-country national, host country national, and third country national.

5. (b) i/q, ii/r, iii/p

The business has its headquarters in the home country. A subsidiary of the business is located in the host country. 'Other country' refers to other location from where a firm gets funds or labor.

6. (a) Standardization

According to the ethnocentric approach, the organization views the world as a single market place and hence adopts a policy of standardization.

7. (b) It prevents international firms from understanding and adapting to local culture.

An important disadvantage of the ethnocentric approach is that it prevents international firms from understanding and adapting to the local culture. (Polycentric approach may hinder the transfer of knowledge from the parent company to the subsidiaries. In the geocentric approach, the top management at the corporate office or any

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subsidiary may consist of people from different cultures, and this approach results in relatively greater costs of training and relocation.)

8. (b) Polycentric approach

The polycentric approach assumes that markets and cultures are different in different countries and their varying needs have to be catered to in a customized manner. Companies that follow an ethnocentric approach to globalization view the world as a single marketplace. In the geocentric approach, the organization identifies its best practices and resources from within and outside the organization across the globe and **optimally** employs them where they are best suited.

9. (d) There are hurdles in the transfer of knowledge from the parent company to the subsidiary.

In the polycentric approach, the transfer of knowledge from the parent company to the subsidiary may be hindered due to the autonomy of the subsidiaries. But it helps international firms to understand and adapt to the local culture. Geocentric approach is based on the principle of optimization and involves relatively higher costs of training and relocation.

10. (a) It involves higher costs of training and relocation.

As the geocentric approach is based on optimization, the best business practices and resources of the home country or host country are employed wherever they are best suited. This results in high training and relocation costs.

11. (a) Only i, ii, and iii

Most firms which expand their operations to other countries dilute the risk of operating in a single market. This decreases the risk on the business front. However, this increases the risk on the people front as it is a complex challenge to manage people from more and diverse cultures.

12. (d) All of the above

Expatriates have to be given pre-departure training, provided information related to immigration and travel, and given assistance on housing, shopping, medical care, education, and recreation as part of their relocation and orientation. It is also important for the HR department to finalize compensation details in terms of the salary abroad, the various international allowances payable, and the taxation liabilities of the employees.

13. (c) To inculcate cultural awareness and tolerance among employees in the organization

It is important for HR managers in global firms to have cultural awareness and tolerance and to inculcate them among employees in the organizations. In fact, for expatriates to succeed, people management is more important than technical expertise.

14. (a) When a firm is setting up operations in a new market

An expatriate manager is most essential for a firm during the initial years of operation in a host country whereas in the long run, a strong foundation of local managers is the key.

15. (d) Culture

The traditions and beliefs shared by the people of a country are collectively referred to as the culture of that country.

16. (b) Beliefs

Belief may be defined as people's perception of how things are done in their country.

17. (a) Values

Values are people's aspirations about the way things should be done.

18. (d) Performance orientation

The cultural attributes defined by Hofstede are uncertainty avoidance, power distance, individualism vs. collectivism, and future orientation. Some attributes like performance orientation and humane orientation were later added to this list to help understand different cultures better.

19. (d) i, ii, iii, and iv

Some of the factors affecting IHRM are national culture, political forces, economic forces, market forces, technology changes, legal forces, labor forces, and corporate culture.

20. (d) Providing adequate opportunities to local people

The function of providing adequate opportunities to local people comes under the scope of the IHRM activity of recruitment and selection (and not compensation).

21. (a) The parent/corporate office retains the authority to make the important decisions.

In a centralized set-up, the parent/corporate office retains the authority to make the important decisions.

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