

Strategic HR: Illusion or Reality?

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.....Abstract.....

The liberalization policy and globalization have hit the Indian economy in a big way. The Industrial sector was one the sectors which have transformed significantly. The increase numbers of private players and arrival of multinationals created the environment of intense competition. Each one wants to be ahead of others using advance technology, cost effective practices and strategic HR policies for managing and maintaining efficient work force.

The current paper aims at describing status of HR in Indian industries, the need to become strategic and the evolution of the concept of strategic HR and its relevance in the current world of work. Secondly, the paper also tries to critically evaluate and analyses the impact of these strategic HR practices on industrial relations over the year, and the challenges that it brought towards the existence of IR in India.

The paper draws on the articles, books written and studies done across India and in nearly similar cultural contexts that is available. The paper holds value in the light of the fact that it discusses the importance of strategic HR post liberalization and how the new practices of strategic HR have sidelined the elements of IR and pushed the trade unions and practices of collective bargaining and on the back foot.

Key words

ER: Employee Relations

HR : Human Resource

HRM : Human Resource Management

SHRM : Strategic Human Resource Management

IR : Industrial Relations

TU : Trade Unions

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Strategic HR: Devil in Disguise?

INTRODUCTION

The process of globalization, international competition, innovation, and technology has persuaded organizations for being cost effective and efficient to survive and prosper. One of the most critical roles realized for the same is by the human resources, as they are the one among all other resources who can bring competitive advantage to the firm. Without HR nothing can be accomplished and without well trained, well developed, well appreciated and well managed HR, modern organizations cannot meet the challenges of the globalization age (Farazmand 2004). So HRM is increasingly been seen as one of the key functions in the development and implementation of strategic responses to this pressure (Ulrich 1997). Business and HR practitioners and academicians are also of the opinion that by aligning HR policies and practices with business strategies, the field of HRM can become greater strategic contributor to organizational performance and success (Mathis and Jackson 2003; Khandekar and Sharma 2005). Chandra and Shen (2009) discuss that, if HRM wants to create added value for the organization, it has to become a strategic partner with the business in achieving business goal.

The practices under strategic HR have impacted the world of work significantly. It has the capability to alter the traditional ways of managing organization and people within it. Discussing its impact on industrial relations, it has brought about severe crucial and critical challenges before trade unions and workers. It has taken in its strides the concept of industrial relations (IR), which is getting increasingly subsumed within HRM concept (Saini, 2003). New work and strategic human resource practices have replaced unions and collective bargaining as the core innovative force in industrial relations. The change from industrial relations (IR) to employee relations (ER) is itself a commentary on the significant changes that have occurred in the field of industrial relations. Undoubtedly, this is an era of declining union power and increasing employer initiatives and the fact that there has been a shift from the focus on labour institutions to research on employer practices.

The present paper aimed at the evolution of strategic HR over traditional HR for bringing competitive advantage for the firm in the globalized economy. It will also discuss the dynamics of changes that are taking place in management of industrial relations and how HRM strategy is being used in this regard. The paper throws on the light as how the new practices of strategic HR have sidelined the elements of IR and pushed the trade unions and practices of collective bargaining and industrial disputes on the back foot.

HRM in New Economy

HR has always considered to be a support system for organizations and struggled hard to make a mark for itself. Liberalization policy triggered the globalization processes letting Indian economy to face intense competition all over with internationalization of domestic business. In order to be successful in today's business environment companies are trying hard to come out of the mindsets of the industrial economy and acclimatize themselves to the realities of the knowledge economy (Saini, 2000). Towers Perrin worldwide study sponsored by IBM (1992) showed that HR

post year 2000 is responsive to a highly competitive marketplace and global business structures; closely linked to business strategic plans; focused on quality, customer service, productivity, employee involvement, teamwork, and work force flexibility; jointly conceived and implemented by line and HR managers (Bhatnagar and Sharma 2003). HR gained respect and dignity in a way that it has now assumed the role of change agent rather just remain a player in the industry.

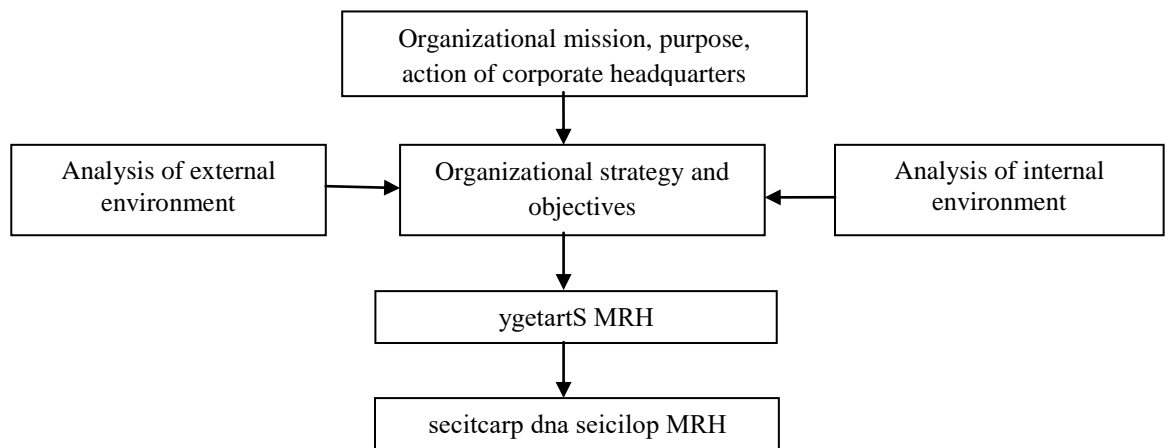
Need to be strategic

Academics, practitioners and consultants argued that if HRM wants to create added value for the organization, it has to become a strategic partner with the business in achieving its business goals. Recent decades have seen HR becoming a unique and differentiating asset, playing an increasingly important role in organization (Chandra and Shen 2009). The Indian economy opened its doors for foreign investors and multinational, revolutionary changes have occurred in the business world. Liberalization has created opportunities for technology upgrading, resource mobilization from new sources and HRM issues associated with strategies of expansion, diversification, turnaround and internationalization (Ahluwalia 1994; Sodhi 1994; Venkata Ratnam 1995). All these developments have lead HR to undergone significant changes in terms of its scope, functions and processes are concerned. Krishna and Monappa (1994) also supported this argument, according to them these economic changes have had direct implications on HRM in India as it is under severe pressure to bring about structural changes to cope up with these economic reforms.

The role HR professionals have now become more critical than ever, on one hand they have the responsibility to create highly sophisticated workforce which can work in technologically enabled industries and on the other they have to bear the burden of delaying and rightsizing leading employment loss to the traditional workforce making an organization successful and cost effective at the same time. The role of HR has become strategic with the increase competition, creating a motivating workforce, facilitating change management and recruiting & retaining the most efficient employees. HR also need to be strategic in dealing with the traditional workers and trade unions as they considered being antagonist in nature, thus are a hindrance and obstacle in the way of being successful.

Strategic HRM

As discuss, with tremendous pressure put in by liberalization, the HR had to transform itself from just being a support system to a strategic partner in business policy. When HRM functions are driven by business strategy it comes under the purview of strategic HR. Strategic HRM is a link between HRM and strategic management processes of an organization. By strategic we mean that HR activities should systematically design and intentionally linked to an analysis of business and its context (Schuler, Jackson and storey 2001). SHRM emphasize on coordination and congruence among the various HRM practices like HR Planning, recruitment, selection, training and development, reward and compensation as they plays crucial roles in the achievement of strategic goals (Chew and Chang 1999).

Typical Strategic Approach to HRM (Figure 1.1)

Source: Adopted from Kane and Palmer

Strategic HRM is a body of ideas, which asserts a critical relationship between environment, overall business strategy and human resource strategy. Human resource strategy involves a central philosophy of the way that people are managed in an organization and the translation of this into personnel policies and practices and its integration with business strategy and within itself (Torrington and Hall 1998). Referring to the model of Kane and Palmer (Figure 1.1), Chandra and Shen (2009) explained that HRM strategy is influenced by the organization's strategy, objectives and various external and internal factors. Major external influences include international and national economic changes, technological changes, legislations and actions of competitors and unions. Internal factors include organizational size, structure, and history influence of top and line management, power and politics.

Implication for Industrial Relations

In the era of globalization employers are trying to shift from the traditional pluralism model of IR to the coercive unitarism, thus adopting policies of some kind of "no-union model" or "weak union model." This is done through the practice of HRM strategy, which is known to be becoming popular across the world restricting labour efforts towards unionization as they believe that trade unions adversely obstruct managerial autonomy (Saini 2007). The author further states that academicians have argued that the new philosophy of HRM is a wolf in sheep's clothing, or iron fist with velvet gloves, or sugar-coated pills that lead workers to a state of illusion about happiness and wellbeing. In this section we are going to discuss how strategic HR practices such as individualization, delaying, rightsizing, performance management etc. have affected the various elements of industrial relations such as trade unions, collective bargaining, employee welfare and employment.

Restructuring Vs. Employment

Liberalization policy facilitated the growth of private players and multinationals in Indian business scenario, this has put an immense pressure on the existing public sector to compete with these global giants. In order to be competitive and cost effective the sector has to restructure itself. It has been observed that in order to make Indian public sector efficient and cost effective, mass level retrenchment took place as most of the public enterprises were overstaffed and procuring

losses. These initiatives have reduced the capacity of Indian public sector to absorb labour and had a severe impact on the employment status of India. Talking in terms of digits Ghosh (2008) observed that organized sector employment (public and private) has come down from 282.85 lakh in 1997 to 264.43 lakh in 2004. Over the last one- decade nearly 8.34 lakh workers in the organized sector have lost their jobs with regular jobs are being actualized gradually.

Knowledge Workers Vs. Traditional Workers

The emergence of knowledge economy, global market, information and communication technology and large scale organization had added complexity in the process of production and management. It requires variety of expertise and skills to carry out the specific activities and processes, this lead to the formation of new breed in the form of knowledge workers who are well educated and sophisticated employees (Nirmal and Singh 2011). These knowledge workers have replaced traditional labourers in the new world of work as many traditional sectors were taken over by multinationals and global giants.

Individualism Vs. Collectivism

The role of strategic HR is extremely critical in both public and private sector as far as managing employee is concern on individual basis. The workers now have distinctly individualistic equations with their work technology, organization and management especially in multinationals and IT enabled industries. As part of strategic HR, being individualistic has been internalised in these workers in such a way that they considered being a part of any union a waste of time. They made to think themselves empowered enough to have direct link with the management hence, do not required trade unions to take care of their wellbeing. In a way, strategic HR policies also play a vital role in keeping trade unions away.

Performance Related Pay Vs. Collective Bargaining

Jacob Mankidy (1998) adds that the lesser number of opportunities at higher levels in the organisation coupled with increasing competition for career enhancement can possible usher in multi skilling as pay-for-knowledge becomes the yardstick. This intense competition among individual employees can have adverse effects on collective bargaining processes on which normally traditional employment relations are based. Through the inception of performance related attached pay, individual appraisals, the steady erosion of collective bargaining involving decentralization of bargaining structures and the supplanting of collective regulation by other means such as direct communication structures and employee involvement practices which de-emphasized union representation have become prevalent " (Mabey and Salaman, 1998).

Contractual Vs. Permanent Employment

As a part of strategic HR more and more emphasis is being put on employing contractual, casual and temporary workers over permanent ones. The mushrooming of such forms of workers provide flexibility to the organisation, as these workers are vulnerable and would never take a chance of engaging their masters secondly, organisation can also get rid of the long term responsibility of wellbeing and lifetime contracts of these employees. As Deshpandey (1992)

rightly argues that flexibilisation of labour in the form of increase in employment of temporary, casual, contract and female labour takes place not only absolutely but relatively to total employment which implies substitution of permanent unionized male labour by non-unionized flexible labour categories. This increases insecurity of employment and income and exploitation of labour by lengthening the workday.

Participative Structures Vs. Trade Unions

In order to bypass collective bargaining and trade unions in Indian organisations, strategic HR has encompassed various participative structures such as participative management. It has been observed that Collective Bargaining is based on power dynamics, pressure tactics and non-sharing of information, participative management on the other hand is based on trust information sharing and mutual problem solving. Empowerment through ownership, complete control, job enlargement and enrichment, suggestion scheme, quality circles and total quality management have actually taken a toll on the traditional methods of participation like work council, joint council and collective bargaining leading to weakening of trade unions.

Conclusion

In India strategic HR policies have adopted to face the challenges that have brought in by the liberalisation policy. Many crucial decisions had to be taken in order to remain competitive and cost effective against the big private players and giant multinationals. Strategic HR has adopted to align HR policies with business policies realising the importance of human resource in the knowledge economy. Strategic HR interventions can be divided into two broad categories: "instrumentalist" (hard) and "empowerment" (soft) (Saini, 2000). Hard interventions envisage a greater degree of measurement of cost-effectiveness of workers' efforts. Empowerment HR interventions on the other hand involve ensuring transparency, fairness and involving employees in decision-making as individuals. But HR interventions are generally an amalgam of hard and soft measures.

Practices of restructuring, rightsizing and delaying have adopted to stay with most productive workforce and get rid of less productive and over staffed employees. Such practices lead to employment loss and shrinking of jobs resulting in intense competition. In order to compete for these less number of jobs employees have become highly competitive and individualistic in their approach. Practices like multi skilling, pay-for-knowledge, performance related attached pay and individual appraisals have erode the chances of workers coming together and form unions. Strategic HR has also been seen responsible for the deployment of permanent employment and creation of casual, contractual and temporary workforce resulting increases insecurity of employment income and exploitation. At the end, these strategic HR policies may remained beneficial in coping up with the challenges of globalisation making Indian organisation competitive, but have put the trade unions at a very tight spot and are one the reasons behind the shrinking of collective approach. Strategic HR as rightly observed by the academicians has proved to be devil in disguise at least for the industrial relations structures in India.

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