

Organizational Effectiveness in Relation to Strategic Human Resource

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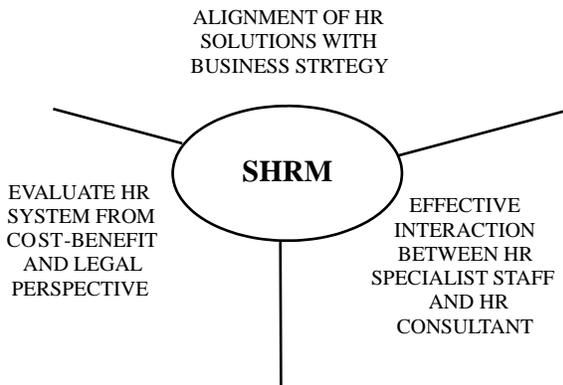
ABSTRACT

Each organization has its own strategic style and each style requires a unique system for managing people. Its core capability is the consistent application of procedures that is, its focus is on efficiency and effectiveness. The author has tried to throw light on the strategic human resource management which is the results of linkage between business strategy and HR strategy and its significance for the management with the help of suitable diagrams.

Keywords: Strategic human resource management, Human resource management, HRP, Strategic management, Business strategy, HR strategy.

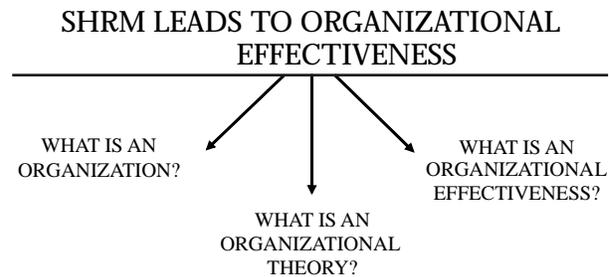
Introduction

In the context of Strategic Human Resource Management, (SHRM) its practices are classified into three rational areas i.e. Alignment of HR solutions with business strategy, Evaluation of HR system from a cost-benefit and legal perspective and Effective interaction between HR specialist staff and HR consultant.



The outcome which are reasons for measuring HR's effort and develop a frame for assessing HR are as follows :-

- ? Organization would be able to utilize the information to determine how particular HR practices correlate with better business results.
- ? Determine the potentialities: Investment, Expansion, Reduction
- ? Efficient utilization of resources.
- ? Develop strategy for creating competitive advantage.



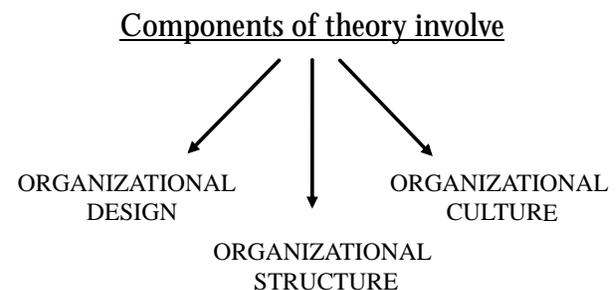
What is a Organization?

Organizations are tools used to achieve goals. Organizations create value through a cyclic process, likewise.



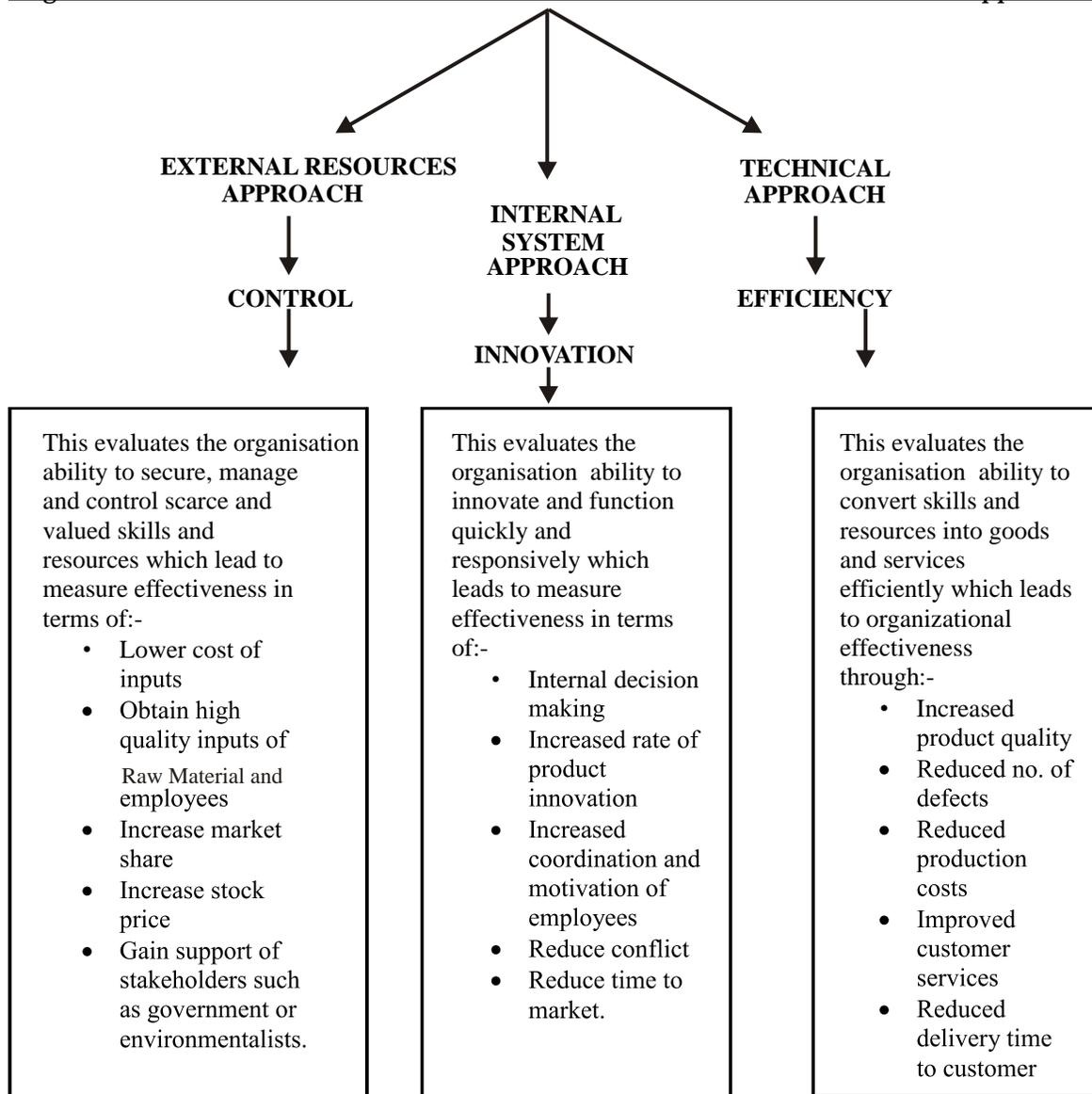
What is an Organizational Theory?

Organizational study is the study of how organizations function and their relationship with their environment.

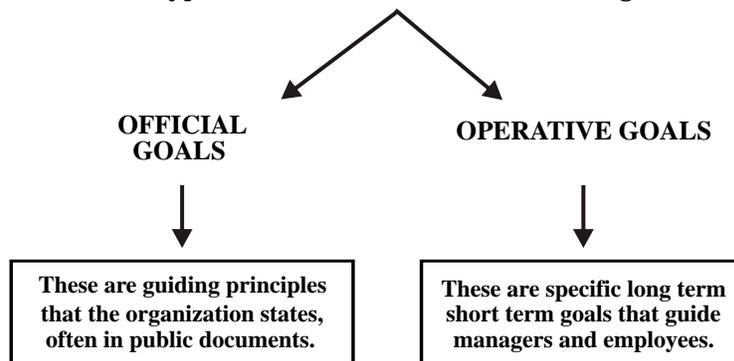


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Organizational Effectiveness Can Be Evaluate On The Basis Of Three Different Approaches



Organizations Set Two Types Of Goals Used To Evaluate Organizational Effectiveness



Each organization has its own strategic style and each style requires a unique system for managing people. Its core capability is the consistent application of procedures that is, its focus is on efficiency and effectiveness.

Strategic human resource management is the results of linkage between business strategy and HR strategy.

The word strategy means 'the determination of long-term goals and objectives of an organization, and the allocation of resources necessary for carrying out these goals.'

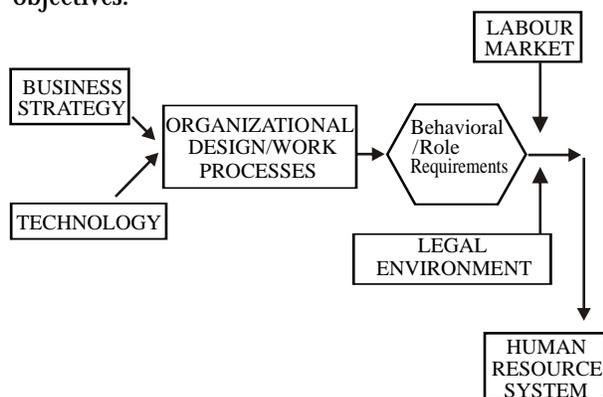
Strategic human resource management

= Business strategy + Human resource strategy

SHRM signifies that different business strategies emphasize different role requirements and employee behaviors, while a firm's business strategy sets the stage for selecting, designing and implementing people management systems, other contextual factors also are at work.

However, the connection between strategic/technological context and HRM is a connection that passes through the behavioral/role requirements of targeted job.

HR systems can be designed to maximize the likelihood that the right people accept job offers and that these employees contribute to meeting business objectives.



HR professionals could talk generally and conceptually about employee morale, turnover, and employee commitment as outcomes of HR efforts but with this, the HR function is often viewed as an expense-generator and an administrative function and not as a value added partner.

The paper examines the strategic role of HR and its main practices, describes the outcomes of respective category of HR practices, explains the critical reasons for measuring HR's efforts, and proposes a framework for assessing HR. This framework has proven its effectiveness at many organizations showing how HR creates value, utilized the information collected to increase investments in specific HR strategies and eliminates ineffective investments, and is used as a critical resource in the strategic business planning and budget allocation.

Understanding the Strategic Role of HR

In today's business environment, organizations need to be constantly evaluating their internal and external environment for challenges and opportunities to remain competitive and to sustain growth. Political, economical, social and even psychological changes within our societies create significant impact on organizations. Many factors are driving changes in organizations today including the use of technology, globalization, and changes in workforce demographics, eliminating the bureaucracies in organizational structures, and balancing work-family issues. Understanding the potential of an organization's resources and optimizing the output of such resources given the changes, provides the impetus for HR being the key source of creating the competitive advantage for the organization.

To create value and deliver results, HR professionals must begin not by focusing on the work activities of HR but by defining the deliverables of that work. HR's roles in building a competitive organization include effective SHRM, management of transformation and change, management of firm's infrastructure and management of contribution.

As a strategic business partner;

HR professionals should understand the nature of the business from strategic, operational, financial, and other aspects necessary to be part of an effective team managing an organization.

As an innovator;

HR professionals are challenged to continuously search for strategies that will create value for the organization and not merely function in a reactionary mode.

As a collaborator,

HR professionals will also serve as collaborators with senior leaders and all employees to implement business strategies forming the strategic link throughout the organizations.

As a facilitator,

HR professionals function as the change agent by providing rationale, support, and readiness for planned changes designed to support the business strategies.

At last the fundamental role of HRM is essentially ensuring profitability, quality of work life and profits through effective management of people etc.

HR's Activities and Outcomes

There are several classifications or groupings of HR activities, as being most strategic and influential in realizing the strategic business objectives of the organization. Today's economy dictates that organizations continually assess the external and internal environment and make relevant changes in order to remain competitive. Each of the clusters are examined a description of its importance in achieving the business strategy, and how it can be measured to determine its effectiveness.

Strategic Planning

The role of HR function has changed tremendously over the past few years. Previously, HR functions were merely viewed as administrative functions of the organization, whereas, today, HR practitioners are not only considered business partners, but also as integral part of the core business activities. Being a business partner, the ideal situation would be the inclusion of the HR leader in the strategic business planning (SBP). Now the thing is to be considered that what product to produce, where should the product be sold, how many to make available, how the products and services differ from that of competitors etc. Business strategy can also be defined as the "process by which the basic mission and objectives of the organization are set and the process by which the organization uses its resources to achieve the objectives".

It is important for HR professionals that they have to be involved in SBP process. The HR function has the most experience and knowledge in addressing

the critical issues. Strategic planning seeks to identify those organizational decisions and actions, which yield the greatest advantage under various assumptions about the organization and its environment. The integration of HR function into the organizational strategy provides the basis to enable the HR function to support and implement the strategic plan to achieve a competitive advantage. This strategy provides for the maximization of human capital, reduction of waste inefficient labor, other financial investment, and eventually maximizing profitability.

Indicators of a successfully crafted strategic plan include creating advantages that are sustainable over a long period of time and whether the planning has resulted in:-

- ? The attainment of the organization's goals and objectives,
- ? Financial profitability,
- ? Positioning to create advantages for short-term and long-term,
- ? The creation of a sense of social responsibility.

In essence, this process determines the decisions and actions an organization will undertake to create and sustain competitive advantages.

Business Strategy and Human Resource Planning

An organization achieves its goals and objectives through its employees or human resources. Organization must ensure that it has the appropriate number of employees with the required skills so that it may achieve its goals. The quality of HR and their contribution to the organization is of strategic importance for bringing about competitive advantage for the firm.

BUSINESS STRATEGY FOCUS	HR STRATEGY	HRP ACTIVITIES
COST LEADERSHIP • Cost control • Stable business environment • Efficiency and quality	• Job and employee specialization • Employee efficiency • Long HR planning horizon	• Internal promotions • Emphasis on training • Hiring and training for specific capabilities
DIFFERENTIATION • Long term focus • Growth • Creative job behavior • Decentralization	• Shorter HR planning • Hire the required HR capabilities • Flexible jobs and employees	• External staffing • Hire and train for broad competencies

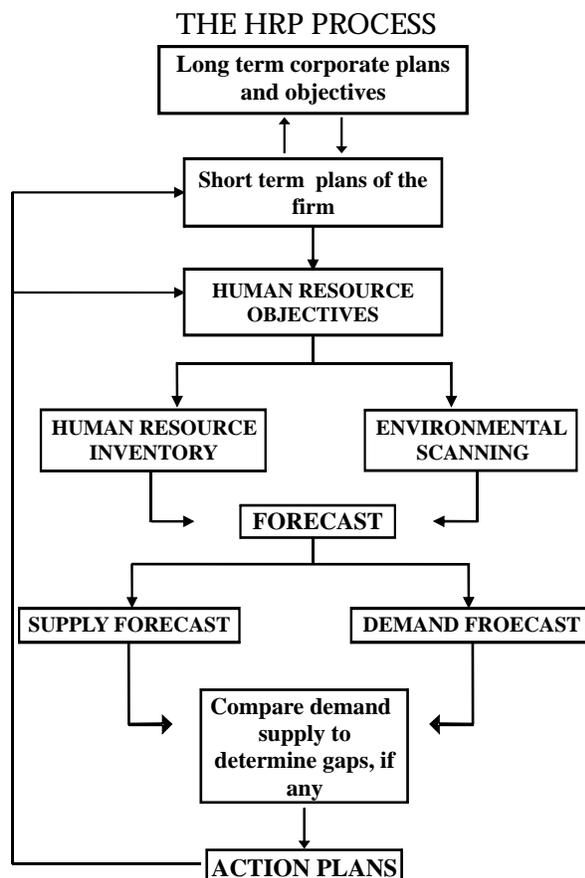
HRP Process

HRP process involves matching the internal and external supply of people with the organizational demand for human resources over a specified period of time. Organizational goals and objectives are translated into HR objectives by determining the job categories and types of people required to be able to accomplish business plans successfully. HRP involves establishing HR objectives and assessing the extent to which the current employees of the firm meet these objectives.

Major activities of HRP process

- ? Stating HR objectives
- ? Forecasting
- ? Inventorying
- ? Anticipating
- ? Action plans
- ? Control and evaluation

HRP process begins with strategic plans. They are then translated into HR plans. Whether, the planning range is short term, medium term and long term, certain data is intrinsic to a firm's activity of forecasting its HR requirements.

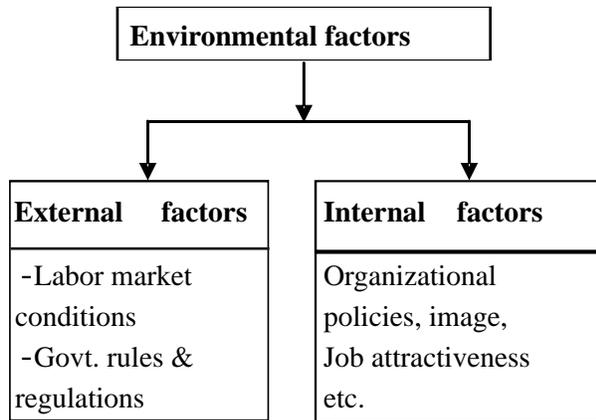


Acquisitions of Employees

With the increase in globalization and the struggle to create sustainable competitive advantages, organizations are continuously evaluating their strategies to ensure that they have the expertise needed to help achieve the mission of the organization. To fully understand the value and effectiveness of the selection process, one has to analyze the impact of the employee's contribution to the organization not only in terms of a cost factor, but also in terms of the value addition through the performance in the short-term and long-term. HR planning involves the process that specifies the activities that a firm must use in order to develop its HR to improve its overall practices. The process entails determining how many employees the organizations need to be performing at its optimum and where the employees should be working in the organization, given the external and internal challenges and opportunities.

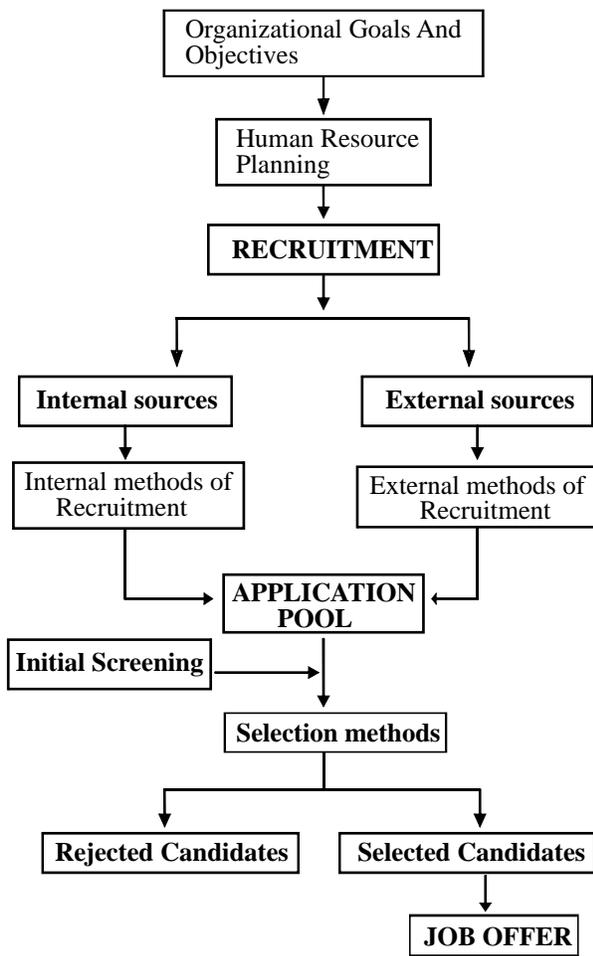
Firms and HR managers are faced with the prospect of a shortfall of qualified managerial talent because there are not likely to be enough people available to replace retiring managers. With HR becoming central to business success, it is important for firms to ensure that they have the right talent in place for today as well as for the future. As firms compete to meet their talent needs successfully, they wage what is commonly referred to as a 'war for talent'. Acquisition of HR is the process by which a firm hires employees to ensure that the required number and types of employees are available to perform organizational activities and accomplish organizational objectives successfully.

The process of finding, attracting, and hiring new employees is called 'staffing'. This function is concerned with 'seeking and hiring qualified employees'. HR planning should involve the skills and competencies currently available within the organization and what other intellectual capital would be needed in the future to adequately meet the needs of the stakeholders. Another aspect of the acquisition process involves the advertising and recruitment sources, like advertising in newspapers, internet websites, journals, employment agencies, etc. In assessing the effectiveness of recruitment and advertisement sources an organization uses to recruit its employees, it is imperative to relate the actual performance of the incumbent to the advertising and recruitment.

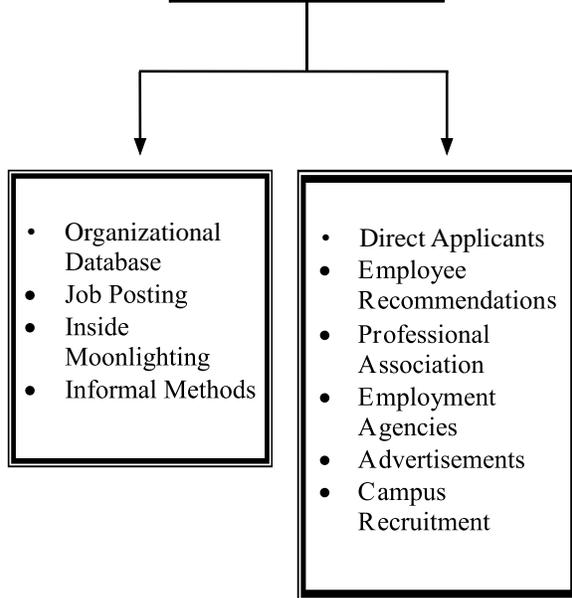


- ? Making large numbers of qualified applicants aware of employment opportunities available in the organization.
- ? Attracting the attention of qualified candidates.
- ? Generating enough interest among qualified candidates so that they apply for the job and accept the job if it is offered to them.
- ? Creating a positive image of the organization among those who come in contact with the firm to increase the success rate of organizational staffing activities.

ACQUISITION OF EMPLOYEES PROCESS



Recruitment Methods



Selection

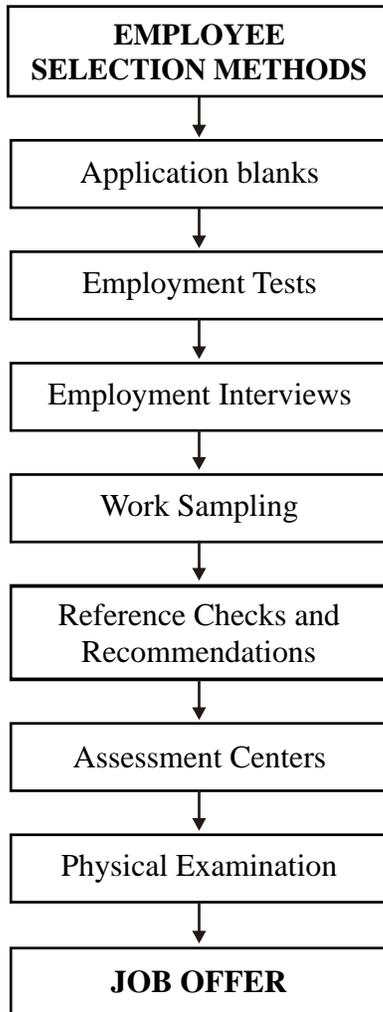
Selection is the process of gathering information on job applicants and making the hiring decision based on the information.

The objectives of selection process are:-

- ? Gathering information about job applicants by using a combination of selection methods.
- ? Predicting which job applicants will perform the job successfully, if hired.
- ? To be able to discriminate between job applicants likely to be successful or unsuccessful on the job.

Recruitment

The recruitment is the process of generating a qualified pool of applicants for actual or anticipated job vacancies. The objectives of this process are :-



Training and Development

Employee training and development is defined as the process of systematically developing expertise in individuals for the purpose of improving performance. The argument as to whether T & D helps to create a competitive advantage has shown that conceptually it can be a source of competitive advantage. Developing a framework for assessing the financial benefits of T & D, three questions have been listed that provide the variations on the assessment of HRD, of which T & D is a major category.

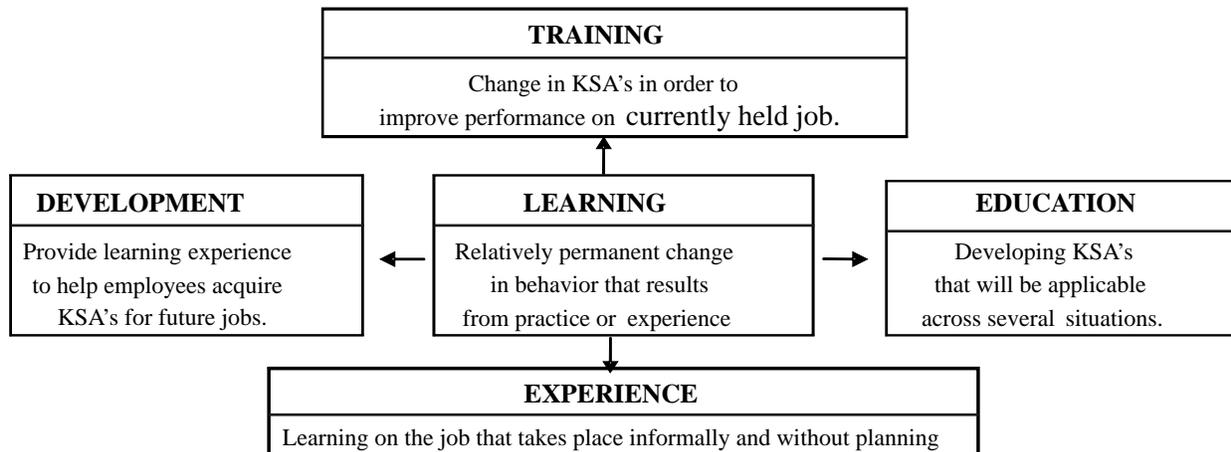
- ? What is the forecasted financial benefit resulting from the HRD intervention?
- ? What is the actual financial benefit resulting from the HRD intervention?
- ? What is the approximate financial benefit resulting from the HRD intervention?

The framework describes three perspectives to assess the benefits including positive benefits, relative benefits, and return on investment. The positive benefits are those indicators that show the benefits exceeding the costs. The key issue in this perspective is to determine that the benefits at least equal the costs. It may also mean the inability of the measurement to show a financial benefit, but demonstrate the benefit for example, strengthening the culture and maintaining the tradition of the organization. Return on investment is a ratio that expresses the relationship of every dollar of performance value to every dollar spent to achieve that value.

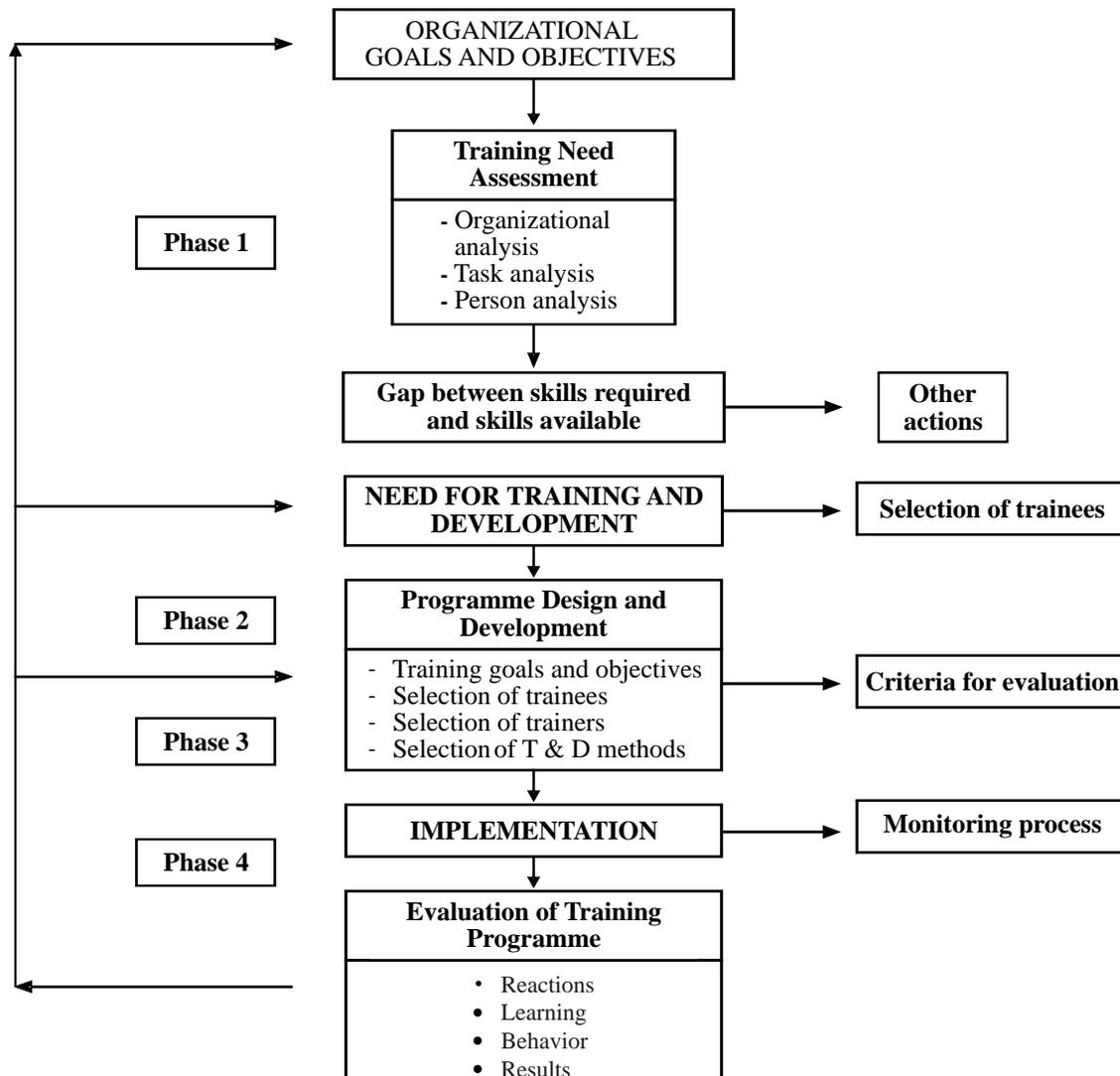
In understanding the impact of the training, it is imperative to determine what difference, if any, the investment made in supporting the business strategy of the organization. The assessment of the training should focus on the difference of the performance of the employees, the department, the process, and the overall performance of the organization. Measuring the impact of a training initiative regardless of the scope, size of investment, and number of employees involved, there is the imperative need to determine the purpose of doing the training and if the goals have been met at various intervals after the intervention had been completed. To determine the benefit, ROI, or whatever terminologies we choose to describe the outcome, one has to consider the direct costs of developing and implementing the intervention, in addition to the indirect and opportunity costs. It is, therefore, imperative to address the following questions that are critical need to understand the impact of the intervention:

- ? Has the employee's attitude changed since the training?
- ? Did the employee acquire knowledge and expertise in an area that would enable him/her to perform more effectively on the job?
- ? Has the employee's performance changed after the training?
- ? How the change in the employee's performance affected the business strategy and performance of the organization as well as HR strategy of the organization?

These are all areas to be integrated in assessing the impact of training and development in today's economy and competitive environment.



STRATEGIC LINKAGE BETWEEN BUSINESS AND HR STRATEGY IN TRAINING PROCESS



Organizational Change and Development

With continuous changes in the global economy, demands of customers, preferences and values of employees, it is necessary for the HR practitioners to ensure that the organization is adapting itself to the external and internal variables it currently faces and would likely to face in the future in order to meet its stakeholders expectations. The pace of global, economic, and technological development makes change an inevitable feature of organizational life. A growing importance and competency expected from the HR professionals, therefore, is his or her ability to plan and implement the necessary changes for the purposes of improving performance. Organization development (OD) is considered as the process of developing and implementing changes in organizations for the purpose of improving performance.

Many OD practitioners may argue that OD is not a measurable effort, at least quantitatively.

The challenge arises again as to what value do the change efforts really have on the bottom-line of the organization.

- ? Should OD be excluded from quantitative measurement?
- ? Crisis in the economy may result in reducing the labor cost?
- ? Are OD practitioners able to justify their worth to the organization?

For these, it is necessary to examine the outputs of OD which results in improving the performance of individuals, process, and structure at organizational levels. OD can be measured through productivity, quality, service, responsiveness, development, and survival. These factors are indeed critical in assessing the effectiveness of OD's efforts and therefore, should be part of the process of making changes in organizations. Some of the key measurements can be derived from the following questions:

- ? What is the quality of the output and does it meet the customer's expectations?
- ? Does the service offered by the organization provide a competitive advantage as compared to its competitors?
- ? How effectively does the system respond to changes in the external environment?
- ? Does the organization allow for maximum sharing of information, leveraging each

employee and work unit, and resolving any internal or external challenges?

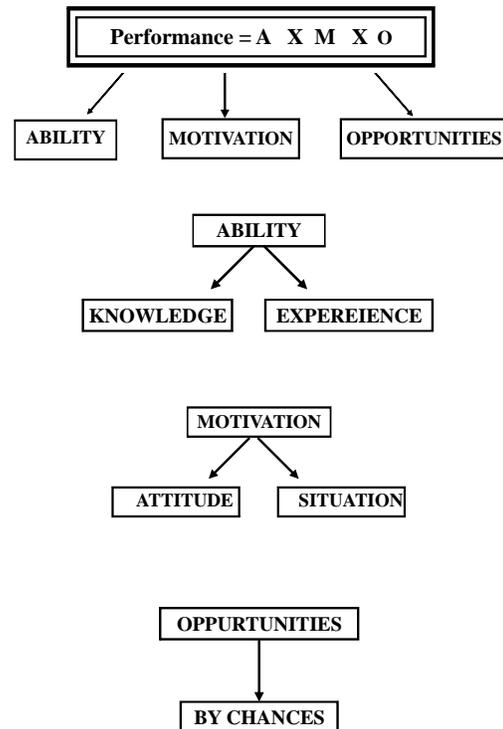
- ? Are the values and ethics of each employee and work unit representative of the overall culture of the organization and supportive of the business strategy?

The responses to these questions based on the respective organization provide the basic measurements in assessing the readiness of the organization to function effectively in its current and anticipated internal and external environments.

Performance Management

“Performance management systems make clear to employees what is expected of them and assure line managers and strategic planners that employee behavior will be in line with the company's or organizational goals”.

In today's economy managing performance is of utmost importance to create a competitive advantage. The thinking of HR practitioners and other business leaders, that an annual performance appraisal is performance management, which must get obsolete. Effective performance management entails a process where each employee is fully aware of his or her role in the organization, what type of output is expected, and how the output will be measured.

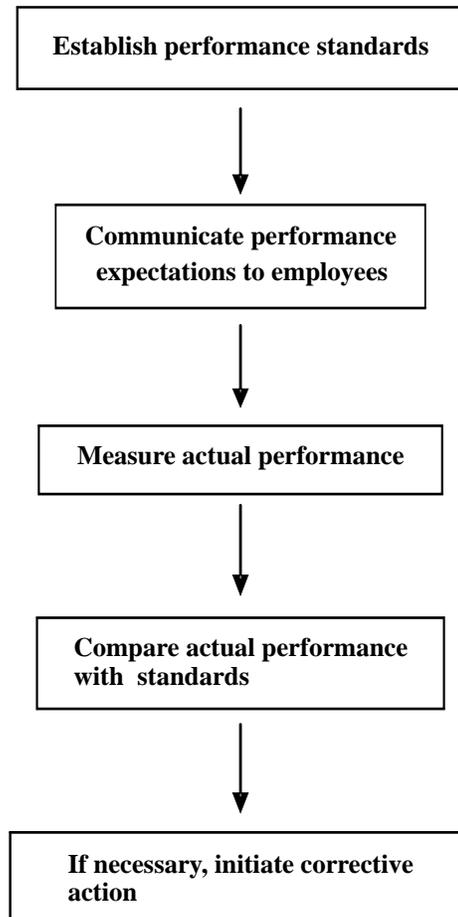


How would one determine the effectiveness of the performance management system in creating competitive advantages for the organization? The following areas are to be considered:-

- ? Ensuring that job descriptions are developed through timely and effective job analysis.
- ? Job descriptions are updated on a regular basis to reflect to changing business environment.
- ? Feedback is shared continuously among all shareholders.
- ? Every employee is fully aware of his or her role in the organization, which can easily be accomplished in the performance planning phase of the process.
- ? There are measurable outcomes assigned to every task reflecting the role of the position and incumbent in achieving the goals and objectives of the organization.
- ? There must be congruency and consistency in performance measures across the entire organizational and performance standards should always be measured consistently.
- ? The process and the system must be viewed as credible, fair, valid, and reliable.
- ? An aggregate of the responses produces an assessment of the performance management system and its effectiveness in improving individual and organizational performance.

One of the critical strategies in performance management is to understand the fundamental role of each employee in achieving the mission of the organization. By mapping a process through the identification of the purpose and role of each incumbent, one is easily able to identify where the deficiencies may exist and to develop corrective actions, identify the strengths of each individual and to maximize each employee's potential and hence their contribution to the financial contribution to the bottom-line of the organization.

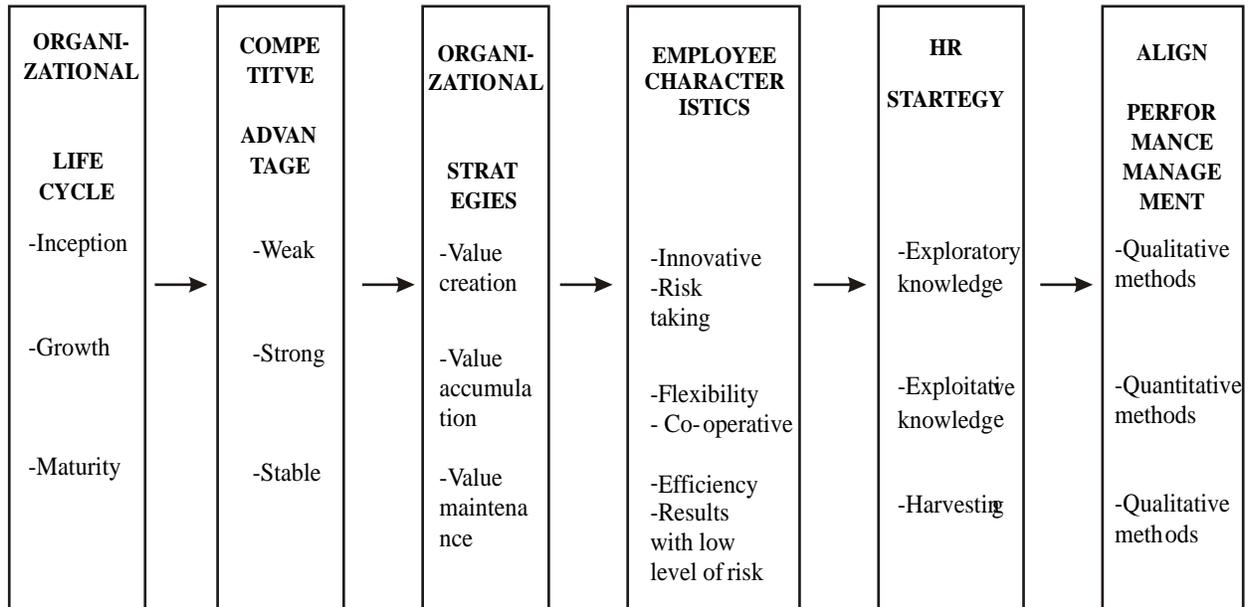
Organization should follow the one of the strategy that is appraisal process for managing the performance of an individual and organization itself.



Rather than this they should calculate the potential score of an individual working in an organization as motivating potential score.

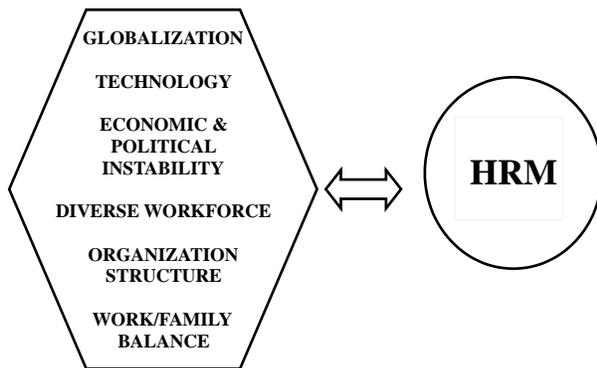
$$\text{MOTIVATING POTENTIAL SCORE} = \frac{\text{Skill variety} + \text{Task identity} + \text{Task significance}}{3} \times \text{Autonomy} \times \text{Job Feedback}$$

STRATEGIC LINKAGE BETWEEN BUSINESS AND HR STRATEGY IN TRAINING PROCESS



Different dimensions of HR practices are important at various stages of the organizational life cycle. Since performance appraisal is an HR activity, it should also be aligned with business strategies.

HR's ROLE IN DRIVING PERFORMANCE



Rewards System

Effective rewards system can significantly increase the motivation of individuals to increase their performance. By understanding where the organization is positioning itself for various intervals in the future, an organization could design the reward system to provide incentives specifically designed to foster behaviors, attitudes, and outcomes among the workforce that directly correlate with the strategic agenda of the organization.

The fundamental intent of rewards in organizations is to provide incentives to achieve individual and organizational behaviors that would enable the organization to create competitive advantages and maximize the value of the shareholder's investment.

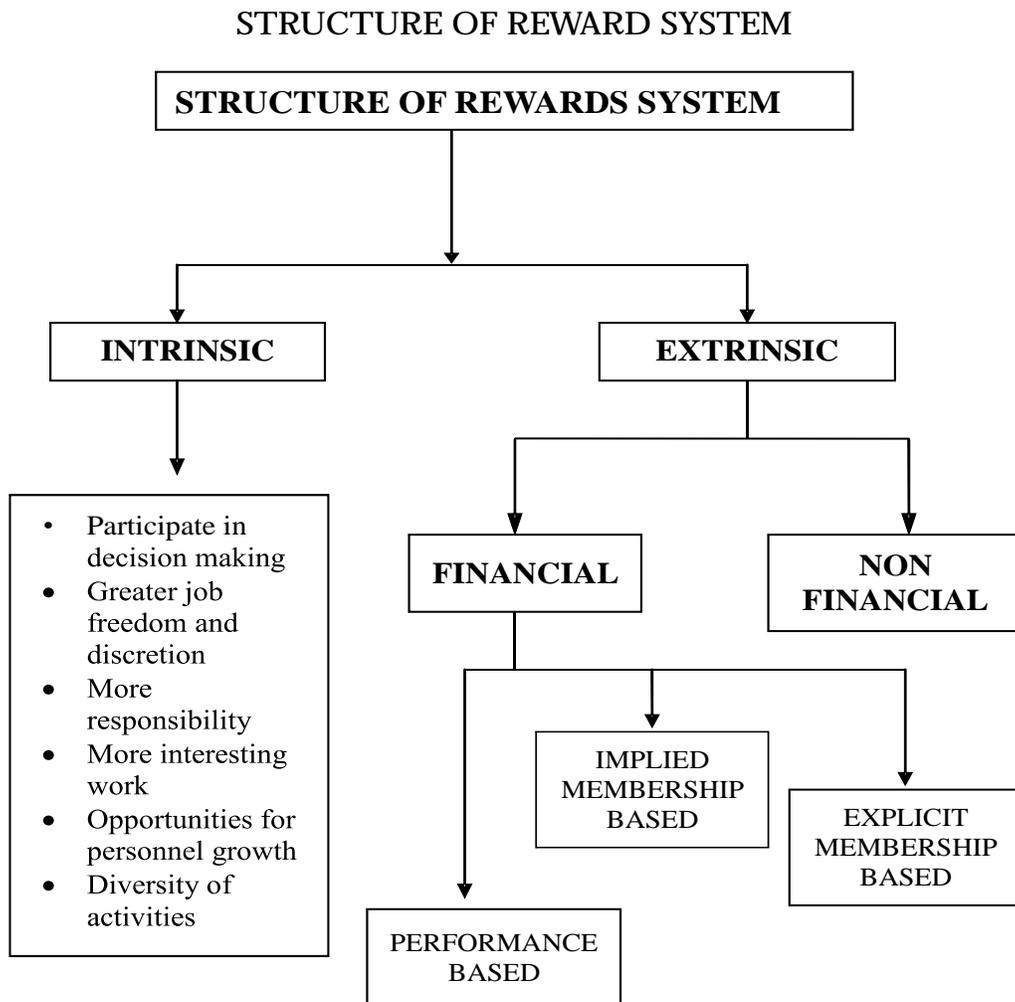
A core outcome of an effective reward system is the role in assisting in attracting and retaining critical employees. In measuring the effectiveness of the rewards system, the following factors should be considered:

- ? Does the current rewards system represent and provide incentives that reward behaviors to support the business strategy?
- ? Are new employees accepting offers with the organization based in part to the rewards system?
- ? How does the rewards system reflect the employee's personal values and overall culture of the organization?
- ? What percentage of employees and role within the organization does the reward system assist in retaining?
- ? What is the overall satisfaction level of the workforce with the reward they are offered?

- ? Is the reward system flexible enough to be changed if there are external challenges and opportunities that would create a need for changing the system?
- ? What is the overall cost of the reward system as compared to its overall benefits?

Organizations whose reward systems are linked to business strategy to a great extent have higher returns than those with less of a linkage.

Along with this, if organizations strategically designed pay systems perform better than the traditional pay counterparts based on financial objectives such as earnings per share, return on assets, profits per employee, and cash flow.



STRATEGIC COMPENSATION PATTERNS

MECHANISTIC COMPENSATION STRATEGIES	ORGANIC COMPENSATION STRATEGIES
<ul style="list-style-type: none"> • Make routine pay decisions • Applied uniformly across the entire organization 	<ul style="list-style-type: none"> • More responsive to changing conditions/ contingencies, and individual situations
<p><u>BASICS FOR PAY</u></p> <ul style="list-style-type: none"> • Pay for job performed, not employee skills • Emphasis on seniority based pay • Internal equity • Minimum risk taking • Short term focus 	<p><u>BASICS FOR PAY</u></p> <ul style="list-style-type: none"> • Pay for skills • Pay for performance • External equity • High risk taking • Long term focus
<p><u>DESIGN TO PAY</u></p> <ul style="list-style-type: none"> • Pay higher than the market rate • Fixed pay more than incentives • Frequent bonuses • Intrinsic rewards 	<p><u>DESIGN TO PAY</u></p> <ul style="list-style-type: none"> • Pay less than the market rate • High incentives • Use bonuses and deferred income • Extrinsic rewards
<p><u>ADMINISTRATIVE FRAMEWORK</u></p> <ul style="list-style-type: none"> • Centralization • Secrecy of pay • Lack of employee participation • Bureaucratic policies 	<p><u>ADMINISTRATIVE FRAMEWORK</u></p> <ul style="list-style-type: none"> • Decentralization • Open pay policies • High employee participation • Flexible compensation programmes

It is necessary to pay attention to certain issues to understand the linkage between compensation strategy and organizational strategy. It is also likely that compensation strategy may differ for different functional areas such as marketing, finance, or R & D. Similarly, payments and reward system for professionals, semi-skilled, and unskilled employees can be quite different.

Summary of Framework For Assessing HR In Today's Global And Competitive Environment.

With the importance of showing how HR contributes to the business strategy and understanding the how to determine the level of HR's effectiveness in contributing to financial profitability of the organization, it is intended that these strategies be used to enhance the profession in creating higher levels of value for organizations. The following summary lists and briefly describes the respective HR

cluster, its outcomes, and possible measurement to determine its effectiveness in creating value:

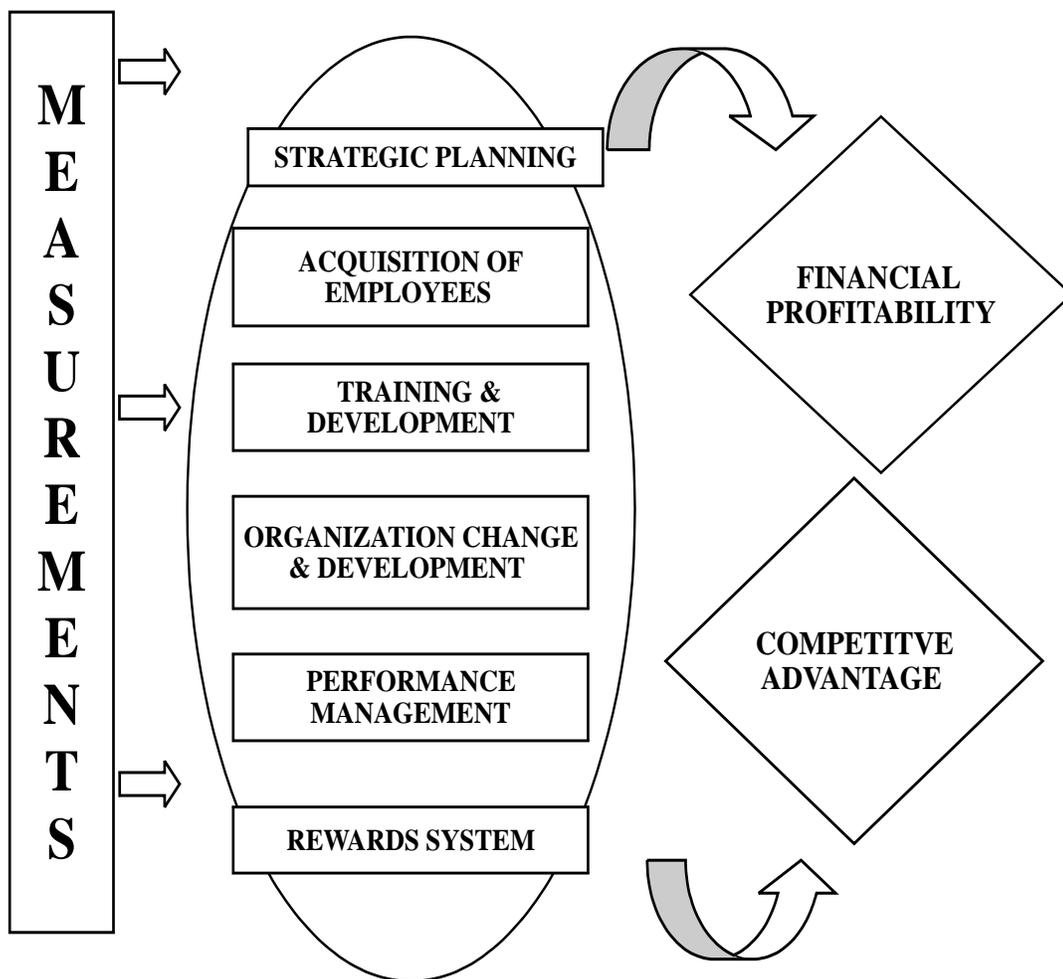
At last keeping in view the cost of human resource, an organization accounted for all HR-related budgets, such as salaries, employee training and development etc. as expenses in the balance sheet that resulted in no returns for the organization. Human skills and knowledge are crucial to everything that is produced including goods and services. Investment in human resources is necessary to :

- ? Attain competitive advantage
- ? Develop new product and services
- ? Determine optimal type and quality of physical and capital assets
- ? Analyze the cost and benefits and extent of risk involved

<p>STRATEGIC PLANNING</p>	<p>Analysis, decisions, and actions needed to create and sustain competitive advantages</p>	<p>Financial profitability, social responsibility, integrated of all areas of organization, efficiently utilizes the resources</p>
<p>ACQUISITION OF EMPLOYEES</p>	<ul style="list-style-type: none"> ■ New employees effectively contribute to the implementation of the business strategy. ■ The planning process, advertising and recruitment sources support the business strategy. ■ Interviewers are effective in selecting the right candidates. 	<p>Adequate number of qualified incumbents, reduced cost per hire, increased applicant pool, reduced employee turnover ratio, higher performance output from incumbents.</p>
<p>EMPLOYEE TRAINING AND DEVELOPMENT</p>	<ul style="list-style-type: none"> ■ Positive change in attitude of participants. ■ Increased expertise. ■ Opportunities for newly acquired employees. ■ Support from peers, supervisors and others in utilizing knowledge gained in training. 	<p>Improvement in the performance of the individual, process, and the organization.</p>
<p>ORGANIZATIONAL CHANGE AND DEVELOPMENT</p>	<ul style="list-style-type: none"> ■ Higher productivity, quality and service. ■ Positive responses in meeting customers' needs. ■ Organization culture reflects the organization and supports the business strategy. 	<ul style="list-style-type: none"> ■ Ability to compete. ■ Quality of output. ■ Ability of the system to respond the changes. ■ Organization allows for maximum sharing of information and resolving any internal or external challenges.
<p>PERFORMANCE MANAGEMENT</p>	<ul style="list-style-type: none"> ■ Each position and task performed by the employees adequately supports the strategic business objectives of the organization. ■ The process is effective in maximizing employee performance. 	<ul style="list-style-type: none"> ■ Job descriptions ■ Feedback is shared among all. ■ Each one is fully aware of his role. ■ Measureable outcomes. ■ The process and system viewed as credible, fair, valid, and reliable.

<p>REWARD SYSTEM</p>	<ul style="list-style-type: none"> ■ Rewards system viewed as motivating for employees to increase their performance. ■ Provide incentives to achieve individual and organizational behaviors alignment with business strategies and investments. 	<ul style="list-style-type: none"> ■ New employees accept offers with the organization based on the reward system. ■ Reward system reflects the employees personal values and overall culture of the organization ■ Outcomes are cost effective.
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UNDERSTANDING THE IMPORTANCE OF MEASUREMENT IN ENHANCING THE EFFECTIVENESS OF HR PRACTICES



Conclusion

Here, it is proved that HRM is a critical driver in an organization's performance, it is imperative for HR and other leaders to understand the critical nature and utmost importance of understanding the effectiveness of all HR activities in creating value for the organization. It is only through measuring of HRM that one can really gain the benefits of HR strategies in achieving the organization's business strategy and in the process enhance the credibility of HR profession.

The HR profession is at a juncture where measuring HR's efforts is not just a nice thing to do, but should be an integral part of an HR department's efforts. There will be practitioners that would naturally resist this important aspect of HR, but through coaching, training, and practice, expertise will be developed and ultimately improve the performance and the effectiveness of the HR function. It is only through such efforts that HR can validate its claims that it is a strategic business partner and a value-added department within the

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