

Khandelwal Vaish Girls Institute of Technology

Internal Examination 2017 - 18

Strategic Human Resource Management

MBA Semester III

Question Paper & Answer Key

MM: 30

Time : 02:30 hours

1. **Define strategic human resource management. Explain its characteristics.** (4)

Ans. **Strategic Human Resource Management:** According to Wright and Snell, “ SHRM can be defined as the organisation system designed to achieve sustainable competitive advantage through people”.

SHRM also emphasize the implementation of a set of policies and practice that will build employee pool of skills, knowledge and abilities relevant to organisational goals.

Strategic human resource management is the practice of attracting, developing, rewarding, and retaining employees for the benefit of both the employees as individuals and the organization as a whole. HR departments that practice strategic human resource management do not work independently within a silo; they interact with other departments within an organization in order to understand their goals and then create strategies that align with those objectives, as well as those of the organization. As a result, the goals of a human resource department reflect and support the goals of the rest of the organization. Strategic HRM is seen as a partner in organizational success, as opposed to a necessity for legal compliance or compensation. Strategic HRM utilizes the talent and opportunity within the human resources department to make other departments stronger and more effective.

The strategic HRM is used during the dramatic changes in the organization. It stimulates the engagement and empowerment of employees and managers. Their responsibilities are enlarged and lifted, and Human Resources has a primary focus to keep the momentum and raise the participation of key employees. The Strategic Human Resources Management is always proactive; HR has to simplify its processes and procedures. It has to work actively with employees to engage them and keep their focus on the redesign of the business. Primarily, it was intended to be used just occasionally. However, the need for the change of the company is almost constant, and most SHRM approaches have become a part of standard modern HR Management.

The Strategic Human Resources Management is not just a purely technical discipline; there is not just one universal definition. Each organization should use a particular set of different strategic approaches; it should apply the strategic thinking and planning.

In general, SHRM is about aligning and linking all HR processes, procedures and initiatives with the strategic objectives of the organization. It is a task for Human Resources to revisit all processes and procedures; they need to be simplified, streamlined and refurbished. This is the fairest and simplest definition of the Strategic Human Resources Management.

Nature of SHRM:

- **Long -term focus:** SHRM has long-term focus, more than a year ,as the business strategic its self a long-term oriented.

- **Associated with Goal-Setting:** Strategic Human Resources is closely associated with goal-Setting ,policy formulation and allocated of resources .
- **Interrelated with Business Strategies:** SHRM is interrelated with business Strategies. It is provides critical input to the formulations of business strategies.
- **Foster corporate Excellence Skills:** SHRM views employees as the strategic capability of the organization and attempts to distinguish the organization from its competition in the markets on that basis.

Strategic human resource management involves the following:

- Human resource management is fully integrated with the strategy and the strategic needs of the firm;
- Human resource policies cohere both across policy areas and across hierarchies;
- Human resource architecture of the firm results in its above-average financial performance. HR architecture is composed of the systems, practices, competencies and employee performance behaviors that reflect the development and management of the firm’s human resource; and
- Human resource practices are adjusted, accepted, and used by line managers and employees as part of their everyday work.

2. Define Business Level Strategy. What is the importance of business level strategy ?
(6)

Ans. **Meaning of Business Level Strategy:** The Business strategy is a detailed plan outlined on how to deliver value to customer at the same time positioning itself as having a competitive advantage over the competitor.

There are four generic strategies that are used to help organizations establish a competitive advantage over industry rivals. Firms may also choose to compete across a broad market or a focused market. We also briefly discuss a fifth business level strategy called an integrated strategy.

- a) **Cost Leadership** – Organizations compete for a wide customer based on price. Price is based on internal efficiency in order to have a margin that will sustain above average returns and cost to the customer so that customers will purchase your product/service. Works well when product/service is standardized, can have generic goods that are acceptable to many customers, and can offer the lowest price. Continuous efforts to lower costs relative to competitors is necessary in order to successfully be a cost leader. This can include:

- Building state of art efficient facilities (may make it costly for competition to imitate)
- Maintain tight control over production and overhead costs
- Minimize cost of sales, R&D, and service.

Porter's 5 Forces Model: A cost leadership strategy may help to remain profitable even with: rivalry, new entrants, suppliers' power, substitute products, and buyers' power.

- **Rivalry** – Competitors are likely to avoid a price war, since the low cost firm will continue to earn profits after competitors compete away their profits (Airlines).
- **Customers** – Powerful customers that force firms to produce goods/service at lower profits may exit the market rather than earn below average profits leaving the low cost organization in a monopoly positions. Buyers then loose much of their buying power.
- **Suppliers** – Cost leaders are able to absorb greater price increases before it must raise price to customers.
- **Entrants** – Low cost leaders create barriers to market entry through its continuous focus on efficiency and reducing costs.
- **Substitutes** – Low cost leaders are more likely to lower costs to entice customers to stay with their product, invest to develop substitutes, purchase patents.

b) **Differentiation** - Value is provided to customers through unique features and characteristics of an organization's products rather than by the lowest price. This is done through high quality, features, high customer service, rapid product innovation, advanced technological features, image management, etc. (Some companies that follow this strategy: Rolex, Intel, Ralph Lauren). Create Value by:

- **Lowering Buyers' Costs** – Higher quality means less breakdowns, quicker response to problems.
- **Raising Buyers' Performance** – Buyer may improve performance, have higher level of enjoyment.
- **Sustainability** – Creating barriers by perceptions of uniqueness and reputation, creating high switching costs through differentiation and uniqueness.

Porter's Five Forces Model – Effective differentiators can remain profitable even when the five forces appear unattractive.

- **Rivalry** – Brand loyalty means that customers will be less sensitive to price increases, as long as the firm can satisfy the needs of its customers (audio files).
- **Suppliers** – Because differentiators charge a premium price they can more afford to absorb higher costs and customers are willing to pay extra too.
- **Entrants** – Loyalty provides a difficult barrier to overcome.
- **Substitutes** – Once again brand loyalty helps combat substitute products.

c) **Focused Low Cost** - Organizations not only compete on price, but also select a small segment of the market to provide goods and services to. For example a company that sells only to the U.S. government.

- d) **Focused Differentiation** - Organizations not only compete based on differentiation, but also select a small segment of the market to provide goods and services.
- e) **Focused Strategies** - Strategies that seek to serve the needs of a particular customer segment (e.g., federal govt.).

Companies that use focused strategies may be able serve the smaller segment (e.g. business travelers) better than competitors who have a wider base of customers. This is especially true when special needs make it difficult for industry-wide competitors to serve the needs of this group of customers. By serving a segment that was previously poorly segmented an organization has unique capability to serve niche.

- f) **Using an Integrated Low-Cost/Differentiation Strategy:** This new strategy may become more popular as global competition increases. Firms that use this strategy may see improvement in their ability to:
 - g) Adaptability to environmental changes.
 - h) Learn new skills and technologies

More effectively leverage core competencies across business units and products lines which should enable the firm to produce produces with differentiated features at lower costs.

Importance of Business Level Strategy:

- **Coordinate Unit Activities:** A common business level strategy is the coordination of all individual unit activities found in a business. Unit activities may be broken down by department, sections of the department and individual job position. The coordination of these group or individuals for getting employees on the same page and focusing these individuals on accomplishing goals or objectives.
- **Units Human Resources:** Companies must be able to utilize the available human resources in their company and the overall economy .Almost all companies need some from of human labour to accomplish business goals and objective.
- **Develop Distinctive Advantage:** Develop Distinctive core competencies or competitive advantage is essential for creating a successful company. Core competencies and competitive advantage represent singular activities or abilities one company use to produce product better than another company.
- **Identify market niches:** Identifying a market niche usually involves conducting an economic analysis and discovering a specific consumer demand is unmet or not enough supply is available to fill current customer demand. While these are common market niches found in a business-level strategy ,other niches may include modifying an existing product, targeting a specific demographic group or other similar strategies. Filling a specific market niche may allow companies to charge higher consumer prices since substitute goods may not exist in the economic marketplace.

Ans. **Definition:** Teaching your employees the skills and responsibilities of another position at your company to increase their effectiveness.

Whenever possible, and especially when if your business has just a few employees, look for people when hiring that you can cross-train into different job responsibilities. A welder who has taken college courses in engineering and a secretary with human resources experience could be beneficial to your business. Cross-trained employees can fill in when others are ill, on vacation or quit unexpectedly, helping you keep costs down and business moving.

Cross-Training, also referred to as 'Worker multi functionality, is the process of developing a multi-skilled labour force by providing employees with training and development opportunities to ensure they have the skills necessary to perform various job functions within their organisation. It involves training and teaching employees to perform two or more roles, skills or tasks which may or may not be related to their current work. The name comes from the fact that a firm is training employees across a broader range of its work

Advantage Of Cross Training:

- **Save Cost:** Cross-training leverage the company's talent within its current workforce. In other words, its helps employees acquire new skills instead of spending money to recruit candidate from the outside.
- **Provides Replacement Workers:** Improving team performance through cross-training sustains the team's productions levels even when employee absences threaten performance levels.
- **Motivates and Retains Employees:** Cross – training demonstrates that the company has faith in employees' abilities and wants to provide them with opportunities fir career growth.
- **Improve the Overall Work Atmosphere:** Cross-training programmes may also improve the overall work atmosphere in a business may also improve the overall work atmosphere in a business ,which may in turn improve the bottom line. Employees are a valuable assets in small business, which often must maintain only more a bare bones staff in order to remain competitive.

4. What do you mean by HR audit? Explain the types and scope of HR audit? (3)

Ans. An audit is an examination and verification of accounts and records. Auditing has been a routine exercise in the area of finances. According to Bils and Schuler, “HR audit evaluate the HR activities in an organization with a view of the effectiveness and efficiency.

According to Storey and Sisson:- HR audit is concerned with the gathering, analysing information, and decide what action need to be take to improve the performance.

HR audit is an important management control device. It is a tool to judge organisations performance and effectiveness of HR management. According to Dale Yoder, “Personnel

audit refers to an examination and evaluation of policies, procedures and practices to determine the effectiveness of personnel management.”

It is an analytical, investigative and comparative process. It gives feedback about HR functions to operating managers and HR specialists. It enables to know about the effectiveness of personnel programmes. It further provides feedback about how well managers are meeting their HR duties. It provides quality control check on HR activities. It refers to determine the effectiveness and efficiency of HRM.

Types of HR Audit:

- **Compliance Audit:** Compliance Audit focus on how well organization is complying with the relevant laws and regulations.
- **Best Practice Audit:** In this audit an organization compares its Hr practice to those of the” best practices” companies.
- **Strategic Audit:** In this audit , an organization checks whether its HR practice are helping in achieving organizational strategic goals by fostering the required employee behaviours.
- **Function Specific Audit:** Audits here concentrate on one or more specific human resource management areas, such as compensation, training and development.

5. Explain the concept of performance along with its dimensions. (5)

Ans. **Concept of Performance:** Performance can be referred to use the act of performing or the state of being performed or the act or style of performing a work or role before an audience or the way in which someone or sometime functions.

According to Rotundo and Sackett, “Performance is defined as those actions and behaviour that are under the control of the individuals and contribute to the goals of the organization”.

Dimensions of Performance:

- **Time Dimension:** Time has been described as both a sources of competitive advantage and a fundamental measures of performance.
- **Cost Dimension:** Cost dimension is closely related to the other dimension.
- **External Quality Dimension:** Quality of a workflow can be judged from at least two angles. External quality id defined from the customer's side, the person or organization that that initiates the workflow and will receive the output.
- **Internal Quality Dimension:** Internal quality can be seen as the quality of a workflow from an operator's perspective. In this context, internal quality involves the working conditions.
- **Flexibility Dimension:** Flexibility is the least noted criterion to measure the effect of a redesign effort. Flexibility can be defined as “the ability to react to changes”.

6. What are the basic purpose of HR Evaluation?

(4)

Ans. **Purpose of HR Evaluation:**

- **To determine whether a programme is accomplishing objectives:** The most important purpose of HR evaluation is the determine the extent to which objectives are met.
- **To identify the strengths and weakness of HR Processes:** HR evaluation effort can help to determine the effectiveness of the content and administration of HR Programmes or services.
- **To calculate the return on investment in an HR Programme:** An increasingly common reason for evaluation is to determine if a programme justifies the expenditure this type of evaluation compare the cost of HR programme to its economic value.
- **To gather data to assist in marketing future programmes:** In some situations, HR departments are interested in knowing why employees participate in specific programmes. This type of evaluation is appropriate for programmes in which participants have an options for participation.
- **To determine if the programme was appropriate:** Something an evaluation can determine if the original problem or issue that necessitated the programme was solvable by the HR staff.
- **To establish a database that can assist management in making decisions:** The central theme of most evaluation is to make a decision about the future of an HR programme. A comprehensive evaluation system builds a database to help managers make these decision.

7. Explain Balance scorecard.

(3)

Ans. According to David Chaudron, “Balanced scorecard is defined as:

- A way of measuring organizational, business unit or department success.
- A way of balancing long-term and short-term actions.
- A way of balancing different measure of success such as – Financial, Customer, Internal Operation, Human Resources Systems and Development.
- A way of tying strategy to measure to action.”

Essential Elements Of Balanced Scorecard:

- **Leadership Involvement:** The scorecard is designed around the strategy, and senior leadership must commit to articulating and communicating the strategy through the framework.
- **Cause-and-Effect Relationship:** Each elements of the scorecard must be linked to the key outcomes through a clear cause-and-effect chain.
- **Performance Measure:** There must be a complete and balanced set of outcomes and drive measures that can report data necessary to steer the organization.

- **Stakeholders Value:** The value to the stakeholders must be clearly articulated .The-and-effect chains should lead directly to the creation of value for these groups.
- **Initiatives that create change:** The portfolio of strategic initiatives must be defined to move the organisation toward the strategic destination. A lack of initiatives may impede strategic success while too many can reduce focus and overstretch resources.

8. Write a note on SHRM practice in future.

(3)

Ans. Future of SHRM:

- **Ethics ,Corporate Social Responsibility (CSR) and HRM :** The desire for a capitalist and egalitarian system has never been so immense given the growing mistrust and skepticism towards business after the Global Economic Crisis (GEC).The demoralized capital markets and deep economic turbulence has failed to be truly addressed in terms and deep economic as the rescue measures taken by governments seem transient at best.
- **Performance Management:** According to McDermott et al, “company and employees performance have been the main focus of SHRM over the past twenty years, especially the connection between implementing strategic HR practices and developing organizational performance“.

Moreover , the psychology contract , as defined by McDermott et al. Denotes an individual's views regarding common responsibilities between that person (employee) and employers.

Furthermore, the HR practices implementation is influenced by the direct line manager.

- **E-HRM:** The HRM functions future strategic direction is encapsulated by the nation of E-HRM. E-HRM is a relatively new field emerging in 1995, whilst SHRM emerged 30 years ago.
- **Organisational Development (OD):** It plays a very crucial role performance, success, achieving ecological sustainability and expertise of HR professionals is key in order to change in behaviour and thinking of employees at all levels within a firm.
- **Diversity Management:** According to Fernando , Fernandez and Gardey, “the concept of diversity require a deeper analysis by organization”. Studies reinforce the view ‘diversity’ in world four heterogeneity is a multidimensional and complex concept. The effect of each type of diversity is not necessarily similar, as employees can differ across a broad range of demographic attributes such as ethnicity, gender and age.
- **Employee Relations:** Through the pursuit of an internal branding strategy employees can be influenced by senior management through a focused and

uniform approach toward corporate and values. Line manager should exercise leadership through strong corporate culture to modify employees' emotional stables organizational tenure and influence job satisfaction.

- **Employee Health and Safety:** The three major issues includes :
 - Employee Stress Management
 - Work-life balance, and
 - Occupational health and safety.