

HRM IN A CHANGING ENVIRONMENT

HRM in a Changing Environment: The Challenges

Today's organizations are facing challenges upon following levels:

1. **Environmental Challenges**
2. **Organizational Challenges**
3. **Individual Challenges**

Environmental Challenges

Environmental challenges refer to forces external to the firm that are largely beyond management's control but influence organizational performance.

Six important environmental challenges today are:

1. Rapid change,
2. Work force diversity,
3. Globalization,
4. Legislation,
5. Technology
6. Evolving work and family roles,
7. Skill shortages and the rise of the service sector

Rapid Change

Many organizations face a unstable environment in which change is nearly constant.

If they are to survive and prosper, they need to adapt to change quickly and effectively.

Human resources are almost always at the heart of an effective response system.

few examples of how HR strategies enable a firm grappling with external change??

T&D

Succession planning

Strategic planning

Work Force Diversity

It is a significant challenge and a real opportunity for managers.

Firms that formulate and implement HR strategies that capitalize on employee diversity are more likely to survive and prosper.

Difference of cultures/ opinions/ experiences/ values/ tastes
Opportunity vs threat

For e.g.

US firms high work force diversity

Globalization

One of the most dramatic challenges facing as they enter the twenty-first century is how to compete against foreign firms, both domestically and abroad.

Many companies are already being compelled to think globally, something that doesn't come easily to firms long familiar to doing business in a large and expanding domestic market with minimal foreign competition.

Human resources can play a critical role in a business's ability to compete head-to-head with foreign producers. The implications of a global economy on human resource management are many.

In today's global world HR is the only sustainable competitive advantage

Legislation

- Much of the growth in the HR function over the past three decades may be attributed to its crucial role in keeping the company out of trouble with the law.
- Most firms are deeply concerned with potential liability resulting from personnel decisions that may violate laws enacted by the state legislatures, and/or local governments.
- These laws are constantly interpreted in thousands of cases brought before government agencies, federal courts, state courts, and Supreme Court.
- How successfully a firm manages its human resources depends to a large extent on its ability to deal effectively with government regulations.

- Operating within the legal framework requires keeping track of the external legal environment and developing internal systems (for example, supervisory training and grievance procedures) to ensure compliance and minimize complaints.

Many firms are now developing formal policies on

- discrimination,
- workplace conflicts,
- child labor,
- safety,
- fair wage,
- sexual harassment and
- establishing internal administrative channels to deal with alleged incidents before employees feel the need to file a lawsuit.

Technology

The world has never before seen such rapid technological changes as are presently occurring in the computer and telecommunications industries.

One estimate is that technological change is occurring so rapidly that individuals may have to change their entire skills three or four times in their career.

The advances being made, affect every area of a business including human resource management.

For e.g. use of advance equipment, data analysis, video conferencing, databases, intranet, internet etc.

Evolving Work and Family Roles

The proportion of dual-career families, in which both wife and husband (or both members of a couple) work, is increasing every year.

Study:

Unfortunately, women face the double burden of working at home and on the job, devoting 42 hours per week on average to the office and an additional 30 hours at home to children. This compares to 43 hours spent working in the office and only 12 hours at home for men.

More and more companies are introducing "family-friendly" programs that give organizations a competitive advantage in the labor market.

These programs are HR tactics that companies use to hire and retain the best-qualified employees, male or female, and they are very likely to payoff. These firms have started to change their policies and are already seeing gains as a result. Different companies have recently begun offering child-care and eldercare referral services as well to facilitate women workers as well as are introducing alternative scheduling to allow employees some flexibility in their work hours

Skill Shortages and the Rise of the Service Sector

Expansion of service-sector employment is linked to a number of factors, including changes in consumer tastes and preferences, legal and regulatory changes, advances in science and technology that have eliminated many manufacturing jobs, and changes in the way businesses are organized and managed.

Service, technical, and managerial positions that require college degrees will make up half of all manufacturing and service jobs by 2000.

Unfortunately, most available workers will be too unskilled to fill those jobs. Even now, many companies complain that the supply of skilled labor is declining and that they must provide their employees with basic training to make up for the shortcomings of the public education system. To rectify these shortcomings, companies currently spend large amount year on a wide variety of training programs.

2) Organizational Challenges

Organizational challenges refer to concerns that are internal to the firm.

However, they are often a byproduct of environmental forces because no firm operates in a vacuum.

These issues include:

- competitive position (cost, quality, and distinctive capability),
- decentralization,
- downsizing,
- organizational restructuring,
- self-managed work teams,
- small businesses,
- organizational culture,
- technology, and outsourcing

Managers can usually exert much more control over organizational challenges than over environmental challenges. Effective managers spot organizational issues and deal with them before they become major problems.

One of the themes of this text is **proactively**: the need for firms to take action before problems get out of hand. Only managers who are well informed about important HR issues and organizational challenges can do this.

An organization will outperform its competitors if it effectively utilizes its work force's unique combination of skills and abilities to exploit environmental opportunities and neutralize threats.

HR policies can influence an organization's competitive position by

1. Controlling costs,
2. Improving quality,
3. Creating distinctive capabilities
4. Restructuring

Controlling costs

One way for a firm to gain a competitive advantage is to maintain low costs and a strong cash flow (sale volume).

A compensation system that uses innovative reward strategies to control labor costs can help the organization grow.

A well-designed **compensation system** rewards employees for behaviors that benefit the company.

Other factors besides compensation policies can enhance a firm's competitiveness by keeping labor costs under control. These include: better employee selection so that workers are more likely to stay with the company and to perform better while they are there, training employees to make them more efficient and productive; attaining harmonious labor relations); effectively managing health and safety issues in the workplace and structuring work to reduce the time and resources needed to design, produce, and deliver products or services

Improving quality

The second way to gain a competitive advantage is to engage in continuous quality improvement.

Many companies are implementing total quality management (TQM) initiatives, which are programs designed to improve the quality of all the processes that lead to a final product or service.

In a TQM program, every aspect of the organization is oriented toward providing a quality product or service.

Creating Distinctive Capabilities

The third way to gain a competitive advantage is to utilize people with distinctive capabilities to create unsurpassed competence in a particular area (for example, 3M's competence in adhesives, Microsoft's competency in OS, Carlson Corporation's leading presence in the travel business, and Xerox's dominance of the photocopier market).

Restructuring

A number of firms are changing the way the functions are performed.

For example, some companies are restructuring HR for reasons such as time pressures, financial considerations, and market pressures.

using shared service centers, outsourcing, and line managers to assist in the delivery of human resources to better accomplish organizational objectives. Additionally, the size of some HR departments is getting smaller because certain functions are now being accomplished by others.

This shift permits the HR managers to focus on more strategic and mission-oriented activities.

The Human Resource Manager--An individual who normally acts in an advisory or staff capacity, working with other managers to help them deal with human resource matters. There is a shared responsibility between line managers and human resource professionals.

Outsourcing Firms—The process of transferring responsibility for an area of service and its objectives to an external provider. The main reason for this movement was to reduce transaction time, but other benefits include cost reductions and quality improvements. Companies found that administrative, repetitive tasks are often performed in a more cost-effective manner by external sources.

Line Managers—Line managers, by the nature of their jobs, are involved with human resources. Line managers in certain firms are being used more to deliver HR services. When implemented, this change reduces the size of the HR department.

Decentralization:

In the traditional organizational structure, most major decisions are made at the top and implemented at lower levels.

It is not uncommon for these organizations to centralize major functions, such as human resources, marketing, and production, in a single location (typically corporate headquarters) that serves as the firm's command center.

Multiple layers of management are generally used to execute orders issued at the top and to control the lower ranks from above.

Employees who are committed to the firm tend to move up the ranks over time in what some have called the *internal labor market*.

However, the traditional top-down form of organization is quickly becoming obsolete, both because it is costly to operate and because it is too inflexible to compete effectively.

It is being replaced by decentralization, which transfers responsibility and decision-making authority from a central office to people and locations closer to the situation that demands attention.

HR strategies can play a crucial role in enhancing organizational flexibility by improving decision-making processes within the firm.

Downsizing –

Periodic reductions in a company's work force to improve its bottom line-often called downsizing-are becoming standard business practice, even among firms that were once legendary for their "no layoff" policies, such as AT&T, IBM, Kodak, and Xerox.

In addition to fostering a lack of emotional commitment, transient employment relationships create a new set of challenges for firms and people competing in the labor market, as well as for government agencies that must deal with the social problems associated with employment insecurity (including loss of health insurance and mental illness).

3) Individual Challenges

Human resource issues at the individual level address concerns that are most pertinent to decisions involving specific employees.

These issues almost always reflect what is happening in the larger organization. How individuals are treated also is likely to have an effect on organizational issues.

For instance, if many key employees leave a firm to join its competitor, it will affect the competitive position of the firm.

The individual issues include

- matching people and organization,
- ethics and social responsibility,
- productivity,
- empowerment,
- brain drain
- job insecurity

Productivity is a measure of how much value individual employees add to the goods or services that the organization produces. The greater the output per individual, the higher the organization's productivity.

Two important factors that affect individual productivity are ability and motivation.

Employee ability, competence in performing a job, can be improved through a hiring and placement process that selects the best individuals for the job.

It can also be improved through training and career development programs designed to sharpen employees' skills and prepare them for additional responsibilities.

Motivation also have significant impact on productivity, motivation refers to a person's desire to do the best possible job or to exert the maximum effort to perform assigned tasks. Motivation energizes, directs, and sustains human behavior.

Empowerment

In recent years many firms have reduced employee dependence on superiors and placed more emphasis on individual control over (and responsibility for) the work that needs to be done. This process has been labeled empowerment because it transfers direction from an external source (normally the immediate supervisor) to an internal source (the individual's own desire to do well).

In essence, the process of empowerment entails providing workers with the skills and authority to make decisions that would traditionally be made by managers.

The goal of empowerment is an organization consisting of enthusiastic, committed people who perform their work ably because they believe in it and enjoys doing it (*internal control*).

This situation is in harsh contrast to an organization that gets people to work as an act of compliance to avoid punishment (for example, being fired) or to qualify for a paycheck (*external control*).

Brain Drain

With organizational success more and more dependent on knowledge held by specific employees, companies are becoming more susceptible to brain drain-the loss of intellectual property that results when competitors attract away key employees.

High-Tec firms are particularly vulnerable to this problem.

To combat the problem of defection to competitors, some firms are crafting elaborate ant defection devices. For example, Compaq computer has introduced a policy that revokes bonuses and other benefits to key executives if they take other employees with them when they quit. Micron Technology staggers key employees' bonuses; they lose un-awarded portions when they leave.

Ethics and Social Responsibility – Corporate social responsibility refers to the extent to which companies should and do channel resources toward improving one or more segments of society other than the firm's owners or stockholders.

- For example, McDonald's established Ronald McDonald houses several years ago to provide temporary accommodation for families of sick children hospitalized away from home. Sears and General Electric support artists and performers, and many local merchants support local children's sports teams.

Job Insecurity – In this era of downsizing and restructuring, many employees fear for their jobs. For most workers, being able to count on a steady job and regular promotions is a thing of the past. Even the most profitable companies have laid off workers. Companies argue that regardless of how well the firm is doing, layoffs have become essential in an age of cutthroat competition

job insecurity is a major source of stress and can lead to lower performance and productivity