Introduction to
Human Resources Management

A Guide for Sustainable Entrepreneurs

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Introduction to Human Resources Management

§1   Introduction

The human resources ("HR") function is at the forefront of a company's efforts with respect to two of the key elements of organizational design—people and organizational structure.[1]   While HR practices differ around the world, it would seem to be universally true that in order for companies to successfully achieve their strategic goals and objectives they must strive to attract, motivate, and retain those employees who are best qualified to carry out the necessary activities of the company and make sure that they are placed into the right spots in the most effective organizational structure. The traditional role of HR was perceived as being largely administrative—recruiting and interviewing prospective employees, administering benefit plans and writing policies—and is often referred to as the "personnel administration" approach; however, forward thinking companies now realize that the HR function must be part of the company's strategic planning activities and that HR leaders must engage in what is common referred to as "human resources management", or "HRM", strategy, and proactively suggest new policies and initiatives to the senior executives of the company to ensure that the company has access to appropriate knowledge and talent in each of the markets where it is active. The personality profile for HR managers and specialists has also changed radically in recent years due to the fact that the HR function now provides a wide array of services to persons throughout the company's organizational structure including training and development, job analysis, oversight of workplace conditions and mediation of disputes between employees and the company.

§2   Scope and importance of human resources management

At the outset it is important to have a basic understanding regarding the scope of HRM and the importance of HRM to organizational performance. Scholz et al. argued that HRM activities consist of the following: the attraction of qualified and talented job applicants ("personnel marketing"); the placement of the right people in vacant positions ("personnel selection"); the knowledge update, education and training of employees ("personnel development"); the creation of incentive systems ("motivation and encourage of employees"); and, finally, the determination of the employee's monetary value for the company ("human capital management").[2]   Another comprehensive list of activities described in more detail below is similar and includes recruiting and staffing; organizational and space planning; performance management and improvement systems; organization development; employment and compliance to regulatory concerns; employee orientation, development, and training; payroll; HRM information systems; policy development and documentation; employee and labor relations; compensation and

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[1] For discussion of the elements of organizational design, see "Organizational Design: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

[2] C. Scholz, H. Bohm and T. Bollendorf, "Introduction" in C. Scholz and H. Bohm, Human Resource Management in Europe: Comparative analysis and contextual understanding (London: Routledge, 2008), 1-30, 4-5.

benefits administration; employee safety, welfare, wellness and health; and employee services and counseling.

There has been a virtual avalanche of research on the relationship between HRM and organizational competitiveness and while the empirical data is sometimes difficult to analyze and use as a basis for definitive conclusions the general feeling is that "people" are among the most important determinants of success for companies.[3] Scholz et al. cited the results of various surveys that appear to provide support for a link between the quality of HRM in companies and the monetary value of the company human capital and the conclusion that the marginal value of investing in human capital is substantially greater than the value of investment in machinery, and they also argued that HRM affects all domains of organizational performance.[4]

The apparent links between HRM and organizational performance have formed the foundation for what is commonly referred to as "strategic HRM", a process that Scholz et al. explained as ". . . strategic realignment of the HR function with the company's business goals . . . [such that] . . . the HR function becomes a business partner for the line management, which means that HR managers work hand in hand with line managers to institute and manage the process of accomplishing the company's goals—whether these goals are financial targets, balanced scorecards, visions, or others".[5] This means that companies should develop an HRM strategy that addresses the key issues associated with creating, administering and improving those elements of the organizational infrastructure of the company that are related to the individuals that carry out the operational activities necessary for the company to achieve its goals and objectives. HRM strategy should be aligned with strategies in other areas, such as operations and finance, in order to ensure that the overall company strategy is cohesive and that all managers and employees are moving forward in the same direction.

The key elements of the HRM strategy for any company will depend on the activities of the company and its stage of development; however, most HRM strategy statements should include career and personnel development in order to assist employees in fulfilling their potential and acquiring the skills necessary for the company to achieve its objectives; organizational development to ensure that the organizational structure of the company and the various horizontal and vertical communications channels therein is appropriate for the company's strategic goals and objectives; and creation and support of an appropriate organizational culture that promotes desired performance and a stimulating and supportive workplace environment. Another list of key HRM policies and practices related to gaining a competitive strategic advantage includes organizational culture,   organizational   structure,   performance   management,   resourcing   and

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[3] See, e.g., C. Scholz, H. Bohm and T. Bollendorf, "Introduction" in C. Scholz and H. Bohm, Human Resource Management in Europe: Comparative analysis and contextual understanding (London: Routledge, 2008), 1-30, 4 ("the most important success factors in global competition are the people: their competencies, their motivation to learn and to perform, leadership and cooperation, corporate values and culture").

[4] Id. at 6-7.

[5] Id. at 5 (citing D. Ulrich, Human Resources Champions: The Next Agenda for Adding Value and Delivering Results (Boston, MA: Harvard Business Press, 1997).

communication and corporate social responsibility.[6] Important enabling elements of this type of HRM strategy include audits to understand the current HRM situation, monitoring and assessment tools and policies and procedures to facilitate effective implementation of the core HRM activities described above.

It is apparent that interest in HRM, and the areas of focus of researchers within HRM, will continue to expand. One researcher provided the following inventory of trends and emerging values in HRM which can serve as a starting point for projecting the direction that HRM research will take in years to come[7]:

- There is a great deal of interest in how to effectively manage HR on a worldwide basis, a problem that is confronting a growing number of businesses from countries all around the world as their business models transform into complex international organizations. The challenge with respect to HRM, as well as other aspects of business activities, is how to "think globally" while "acting locally".
- It has become apparent that much additional work and study is needed in order to understand the impact of societal culture on various aspects of HRM. Again, in the context of global organizations, that means acknowledging "diversity" among managers and employees spread out over numerous countries and taking that into account when attempting to launch HRM strategies such as creating high-performance teams and when designing performance appraisal and reward systems.
- The influence of regulation on HR practices is an increasingly important topic throughout the world. Industrialized countries such as the US have long had an extensive library of federal, state and local regulations that impact employment relationships. In Europe HRM practices in individual countries are being influenced by pronouncements from the European Union and regulatory developments at the country level have impacted the balance of power among various stakeholders including trade unions. As for developing countries, many have started building a framework of employment laws and regulations where little or nothing existed in the past and there is much to be learned about the success of such initiatives and the impact on employees in those countries.
- Companies in many countries around the world are experimenting with transitioning away from traditional compensation schemes, which often use standard pay scales based on the type of job and/or seniority, toward incentive-based compensation systems that measure and reward individual performance. While such changes are driven by competitive factors they can be, and often are, quite disruptive and pose significant challenges for HR professionals.
- Changes in compensation systems are just one of a number of HRM areas that raise gender equality issues and companies all around the world, in both industrialized and developed countries, will be called upon to address how to improve opportunities for women in the workplace. In fact, the issue of equal opportunity extends beyond

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[6] See P. Sparrow, R. Schuler and S. Jackson, "Convergence or divergence: human resource practices and policies for competitive advantage worldwide" in M. Mendenhall and G. Oddou (Eds.), Readings and Cases in International Human Resource Management (Scarborough: Routledge, 2000), 42-203.

[7] R. Cesyniene, "The Most Recent Trends and Emerging Values in Human Resource Management: Comparative Analysis", Engineering Economics, 4(44) (2005), 50-55.

gender to include equal treatment of employees with different racial and ethnic backgrounds and physical disabilities.

- Globalization has driven two other trends that have had important consequences for HRM in industrialized countries. First of all, global competition has forced companies to pursue greater efficiencies and productivity and this has led to plant closures and layoffs that have displaced large numbers of workers and scrambled local labor markets. Second, industrialized countries have seen higher levels of inbound foreign investment and this has led to introduction of HRM from afar, an interesting switching of roles after decades during which foreign investment flowed strongly in the other direction.

- Many countries are struggling with complex, and often divisive, issues raised by immigration and the movement of workers between countries. In some cases immigration is welcomed as a national and firm-level strategy for addressing skills shortages; however, for those countries that benefit there are others that suffer from the loss of skilled workers who are no longer available, at least in the short-term, to participate in economic development efforts in their home countries. In many other instances, however, immigration has been a contentious issue accompanied by discrimination and violence and confusion among governmental policymakers.

- The nature and structure of the "work relationship" is changing in many areas of the world as companies and countries experiment more and more with outsourcing, flexible working patterns and new "forms of work" (i.e., call centers and teleworking). Among other things, these trends have created pressures on HR professionals to learn new skills including how to engage and manage consultants that provide services on an outsourced basis that were previously handled internally by employees and how to manage and motive participants in a "virtual office".

- Traditional employment practices are eroding, and literally disappearing, in industrialized and emerging markets countries around the world. In Japan, for example, the long-standing lifetime employment system is breaking down in the face of sweeping socio-cultural and economic changes. At the same time, the labor market in China is changing as economic activities move from state-owned enterprises to privately-owned and managed firms and foreign investors continue to import their HRM practices. Companies in Eastern Europe are coping with the transition from Soviet-style personnel management (or "hard HRM"), which emphasized control over employees and neglect of their personal needs, to more enlightened approaches to the employment relationship.

§3 Development and evolution of human resources management

Much has been written regarding the development and evolution of the administration and management of the HR function. The HR landscape is continuously changing in all countries around the world and while it would appear that the direction of these changes is fairly well established the pace of change and the manner in which it will occur is difficult to predict and will depend, in large part, on the unique circumstances in each country. Development and evolution is typically explained as a transition from "personnel administration" to strategic HRM; however, they are actually a number of different viewpoints such as the evolution of HRM as a professional and scientific

discipline, as an aid to management, as a political and economic conflict between management and employees and as a growing movement of employee involvement which has been influenced by developments in industrial/organizational and social psychology.[8] In addition, the notion of strategic HRM itself implies a growing recognition that employees are no longer simply one of the means of production, along with capital and machines, but are becoming a key potential source of competitive advantage in an increasingly knowledge-based economy.

The evolutionary path in the HR area is typically illustrated by a historical review from the US. It begins in the early part of the 20th century, prior to World War II, when activities relating to employees were carried out by a "personnel function" that focused primarily, if not exclusively on so-called "caretaker" activities such as recordkeeping, which was considered to be important as a means for closely tracking employee activities so as to ensure that they were performing at maximum productivity consistent with the then-dominant management philosophy of "scientific management". Compensation schemes tended to be based on "piece rates" and companies had great latitude with respect to how they managed employment relations as government intervention in the form of laws, regulations and inspection was quite low in relation to today's standards. As time went by, however, abusive worker practices led to the formation and growing importance of trade unions; World War II and the aftermath brought a realization that employee productivity and motivation could have a significant impact on firm profitability; and there was a growing appreciation that employees were motivated not just by money but also be social and psychological factors, which meant that HR managers needed to understand and implement new rewards and recognition tools and create programs that would nurture the growth and development of employees and their careers. In addition, government became much more involved in the workplace and passed new laws and regulations relating to all aspects of the employment relationship. Finally, at least in the US, employee participation and empowerment became important themes. The end result of these changes was an expansion of the breadth and depth of HR functions, a phenomenon that required a strategic approach that became known as strategic HRM.

Development and evolution of HRM is not, however, strictly an American story and the following sections describe research and commentary from other parts of the world including the European Union, Israel, Korea and India. The survey is not exhaustive but nonetheless illustrates how historical, political, industrial and cultural factors come into play as attitudes and priorities change and evolve in specific regions and countries. In the European Union, for example, the focus in recent years has been on the proper balance between "social partnership" and taking the steps necessary for European firms to achieve and sustain competitiveness in the global economy. Israel is an example of country that has been grappling with the transformation from an agrarian "low-tech" economy to a "high-tech" strategy that has exposed Israeli firms to HR practices from the

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[8] M. Thite and M. Kavanagh, "Evolution of Human Resource Management and Human Resource Information Systems: The Role of Information Technology" in M. Kavanagh, M. Thite and R. Johnson (Eds.), Human Resource Information Systems: Basics, Applications and Future Directions (Second Edition) (London: Sage Publications, 2011), 3-24.

US and other industrialized countries and transformed the role and power of traditional institutions such as labor unions. Korea is an example of the evolution of HRM in the context of a Confucian Asian societal culture that has been focused on economic development since the early 1960s. Finally, the section on India provides both a reminder that HRM has existed in developing countries in some form for centuries and a list of the challenging issues that HR professional in developing countries are required to face as they race forward into the global economy, often well before basic HR supports such as education, health and safety and information technology are in place.

§4 --European Union

Scholz et al. suggested that one way for assessing the development and evolution of HRM, and the relative progress of countries along the path, is to focus on two topics they identified from a review of HRM in thirteen European countries: movement from a focus on "social partnership" in HRM toward increased business orientation or business partnership and the transition of the "personnel function" from largely administrative activities to more strategic initiatives.[9] Scholz et al. explained that "social partnership" is strongly related to the existence and influence of HR institutions such as trade unions and works' councils that have traditionally been engaged in representing and defending the interests of employees vis-à-vis their employers on topics such as wages, working conditions and social benefits. They went on to note that emphasis on social partnership diminishes as the influence of the aforementioned HR institutions recedes in the face of the realities of changing employer-employee relationships due to rapid transformation of the competitive landscape. For example, employers need to have more flexibility with regard to staffing in order to keep up with market demands and thus have become less committed to long-term relationships with employees. For their part, employees no longer have the strong loyalties to their employers that existed in the past and are more likely to focus their attention on their own careers and pursue project-based assignments. These changes, taken together, have gradually transformed the employer-employee relationship into a new "business partnership" in which each side seeks to protect their own interests while combining their resources in a way that is effective in the competitive product marketplace to generate returns for both sides (i.e., profits for employers and work/compensation for workers, either as employees or contractors).[10]

The concept of "strategic HRM" is discussed elsewhere in this chapter and involves conscious strategic realignment of the HR function with the business goals established for the entire company and calls for HR managers to work closely with line managers to

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[9] The discussion in this paragraph is adapted from C. Scholz, H. Bohm and T. Bollendorf, "Introduction" in C. Scholz and H. Bohm, Human Resource Management in Europe: Comparative analysis and contextual understanding (London: Routledge, 2008), 1-30, 18-19.

[10] For further discussion of the role of human resource institutions and social partnership and the impact of changing labor and product market conditions on those institutions and employer-employee relations, see C. Scholz, H. Bohm and T. Bollendorf, "Introduction" in C. Scholz and H. Bohm, Human Resource Management in Europe: Comparative analysis and contextual understanding (London: Routledge, 2008), 1-30, 7-8.

developed processes that will contribute to achievement of those goals.[11]   The HR manager in this type of environment needs to act less like a personnel administrator— being reactive, prescriptive and administrative—and engage with the rest of the organization in a manner that is seen as proactive, descriptive and executive.   The transformation of personnel management into HRM has been documented and extended to included commentaries on HRM as a new source of competitive advantage and a direct influencer of firm performance.   However, strategic HRM requires more than simply a change at the top of the organizational hierarchy, it also requires that HR managers learn new skills and line managers begin to view the HR function from a new, more enlightened perspective.

The distinction between strategic HRM and personnel administration has been widely discussed and many commentators make no distinction between HRM and strategic HRM.   For example, it has been observed that while "HRM is concerned with carrying out the same functional activities traditionally performed by the personnel function, such as HR planning, job analysis, recruitment and selection, employee relations, performance management, employee appraisals, compensation management, training and development etc. . . . the HRM approach performs these functions in a qualitatively distinct way, when compared with personnel management".   Specifically, "[p]ersonnel management is . . . basically an administrative record-keeping function at the operational level . . . [that] . . . attempts to maintain fair terms and conditions of employment, while at the same time, efficiently managing personnel activities for individual departments etc."   In contrast, "[h]uman resource management is concerned with the development and implementation of people strategies, which are integrated with corporate strategies, and ensures that the culture, values and structure of the organization, and the quality, motivation and commitment of its members contribute fully to the achievement of its goals".[12]

Scholz et al. created a two dimensional framework: social partnership versus business partnership and personnel administration versus strategic HRM and then suggested that European countries they had reviewed could be placed into one of the following four quadrants that represent different national approaches to HRM, at least under the circumstances that existed at the time the reviews were conducted: passive role for HR departments: emphasis on personnel administration and social partnership; (pro)active role for HR departments: emphasis on strategic HRM and social partnership; cost control orientation for HR departments: emphasis on personnel administration and business partnership; and human capital management and value creation orientation: emphasis on strategic HRM and business partnership.   Their placement of the countries, while admittedly subjective in many respects, revealed the following:

- A majority of the countries appeared to have shifted their emphasis toward business orientation and business partnership as opposed to the traditional emphasis on social

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[11] Id. at 5 (citing D. Ulrich, Human Resources Champions: The Next Agenda for Adding Value and Delivering Results (Boston, MA: Harvard Business Press, 1997).

[12] Quotes from material appearing at http://www.citehr.com/137410-difference-between-human-resource-development-traditional-personnel-management.html

partnership. Italy, Spain and the UK were particularly strong on business orientation and business partnership while Austria and Latvia remained fairly committed to a social partnership emphasis.

- Most of the countries either still has a strong emphasis on personnel administration, as opposed to strategic HRM, or were clearly in or near the middle with regard to movement toward strategic HRM. Germany and the UK showed the strong propensity for embracing strategic HRM.

- Four countries—the Czech Republic, Italy, Poland and Turkey—could be classified as following a "cost control" orientation and four countries—Austria, Denmark, Hungary and Latvia—preferred a "passive role" for their HR departments.

- While only the UK was clearly dedicated to human capital management value creation orientation it appeared that Germany, the Netherlands and Spain were all moving in that direction.

- None of the countries were placed into the quadrant reserved for a (pro)active role for HR departments, but Austria and France appeared to possibly be moving in that direction as they transitioned from personnel administration to strategic HRM while retaining an emphasis on social partnership.

§5   --Israel

Sagie and Weisberg studied what they characterized as the transformation of HRM in Israel due to the transition of the Israeli economy from the Socialist approach to the "free market" approach accompanied by the emergence of a high technology sector to stand and operate alongside the traditional low technology industries that had long been in place in Israel.[13] They compared and contrasted the HRM strategies used in the "low-tech" and "high-tech" sectors and found that while "HR managers in the low-tech industry still adhere to traditional values and strategies, including a reliance on trade unions and an emphasis on job security and the employees' years of work experience and seniority as key criteria for promotion", HR managers working with firms in the high technology sector had "adopted new values and developed new strategies, including human resource management programs, employee empowerment, higher salaries and better benefits, while placing an emphasis on employees' talents and qualifications".[14] Following the same theme, Dressler found that HR departments in the low-tech sector emphasized "traditional" activities such as deploying conventional methods for recruiting and testing new employees and administering collective agreements, and Sagie and Weisberg found that HR departments in the high-tech sector were engaged in activities that could be characterized as more "strategic" and which included design and implementation of sophisticated HRM programs such as "top quality management" and "management by objectives".[15]

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[13] A. Sagie and J. Weisberg, "The Transformation in Human Resource Management in Israel", International Journal of Manpower, 22(2) (2001), 226-234.

[14] Id.

[15] J. Lund, J. Manion, I. Teller, T. Tran and A. Zak, "Israel: Country Briefing" (2004) http://home.comcast.net/~ThuanTran/business/israel.pdf (citing G. Dressler, Human Resource Management (Upper Saddle River, NJ: Prentice-Hall, 2000) and A. Sagie and J. Weisberg, "The Transformation in Human Resource Management in Israel", International Journal of Manpower, 22(2) (2001), 226-234).

Another factor that has influenced the evolution of HRM practices in Israel has been a gradual shift in major elements of the societal culture in that country. Research conducted by Harpaz and Meshoulam led them to conclude that Israeli workers have become more individualistic and materialistic since the 1980s, and less collectively oriented, and they have observed that this trend will definitely have an impact on employment relations and organizational policies in the Israeli workplace in the years to come.[16] They noted that Israeli workers appear to be much more focused on "themselves" and this is illustrated by increased emphasis on pursuit of materialistic values, self-benefit, career progress, status and prestige. They caution that when workers place personal satisfaction over the needs of society or their organizations the level of commitment and loyalty to specific organizations is bound to deteriorate and the interpersonal and social relations systems within organizations will also be impacted by a heightened sense of competitiveness. On the other hand, Harpaz and Meshoulam note that these changes, driven by "economic and technological developments that are part of global processes . . . [and] not unique to Israel", can have positive consequences for both individual workers and society as a whole. For example, individuals will be motivated to invest more resources in their training, thus increasing the overall level of human capital; and workers will be open to performance-based incentives and assuming more responsibility for their actions in the workplace.

§6   --Korea

Several researchers have attempted to identify and describe the relationship between economic development in Asian economies and the evolution of HRM and the scope and purpose of HR practices and activities. Park, for one, undertook to describe the transitions that had occurred in the characteristics of HRM of Korean companies starting with the "take-off stage" of the 1960s and 1970s and moving forward through the "restoration stage" in the 1980s and into the "transformation stage" in the 1990s and also provided a forecast of the direction that Korean HRM could be expected to take in the 21st century.[17] He described Korean HRM in the take-off stage as "traditional" and based on the socio-cultural values that permeated Korean society at that time. By the 1980s some efforts were made, albeit largely unsuccessful, to adopt Western HRM practices in response to Korea's growing involvement in global business activities and the emergence of the Korean *chaebols* as major international business enterprises. Resistance to changes was high among Korean employees, most of which were generally satisfied with their progress as continuing economic growth at high levels brought ongoing improvements in wages and benefits. However, political changes in the late 1980s and early 1990s caused the country to turn away from military rule to democracy and this ushered in a new era for labor relations that Park referred to as the "New HRM", which were described by Park as including "results-based performance appraisal systems, ability- and performance-based payment and incentive systems, team-basis slim

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[16] I. Harpaz and J. Meshoulam, "The meaning of work, employment relations, and strategic human resources management in Israel", Human Resource Management Review, 20(3) (2010), 212-223, 213-216.
[17] W-W. Park, "Human resource management in South Korea" in P. Budhwar and Y. Debrah, Human Resource Management in Developing Countries (London: Routledge, 2001), 34-55.

organizations, recruiting and promotion irrespective of the academic background, and strengthening the specialist training and management education programs".[18]

In summary, by the close of the 1990s Korean companies and their employees had overcome a great deal of their initial resistance to Western-style HRM practices and had begun to embrace the key elements of the "New HRM". Park cited two factors—the foreign currency crisis and the digital revolution—as forcing Korean companies to abandon their traditional HRM practices and adopt strategies that follow global standards and are based on acceptance of the proposition that management of human resources is a core success factor for Korean companies.[19] Another factor that influenced Korean HRM was the increased interest in entrepreneurship and the emergence of small- and medium-sized enterprises that attracted employees from the larger *chaebols* with offers of stock options and other performance based rewards.[20] While the transition has continued through the first decade of the 2000s it has not always been easy since many of the features of the New HRM (e.g., performance-based rewards and differences in salaries and bonuses among colleagues in the same field with the same grade) have caused great discomfort in a society where collectivism is so deeply entrenched. The evolution toward a performance-based organizational culture has also been complicated by challenging global economic conditions that have pushed companies toward greater emphasis on productivity and efficiency. As a result, tensions have grown between management and labor and anxiety has increased among workers concerned about losing their jobs, a new and troubling development given the long-standing expectation of lifetime employment.

§7   --India

India is, of course, one of the world's oldest civilizations and it is not surprising to learn that organization of work environment was a topic covered in some of the oldest Indian writings.[21] It has been reported, for example, the HRM was referred as early as the 4th century BC and described as including logical procedures and principles for organization of labor, rules regarding payment of wages based on quantity and quality of work and disciplining of workers for unnecessary delays or shoddy work. Interestingly, reference was also made to a number of issues familiar to modern HR professionals including job descriptions and qualifications, selection procedures, executive development, incentive systems and performance appraisal. Other characteristics of Indian HRM included a guild system that was based on the broader caste system and resulted in a division of labor that essentially followed the lines laid down for societal culture in general. An overall assessment of the quality of Indian HR over thousands of years was that "[f]rom 14th century B.C. to the latter half of 10th century B.C., the relationship of employer-employee was marked with justice and equity". However, later events brought strong,

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[18] Id. at 50.

[19] Id. at 53.

[20] Id. at 52.

[21] The discussions in this section of HRM in India before independence and the challenges confronting Indian HR managers in the 21st century are adapted from Study Materials for Course in Human Resources Management, University of Mumbai, http://www.mu.ac.in/myweb_test/M.Com.%20Study%20Material/Human%20Res.%20Management%20-%20M.%20Com%20-%20I.pdf.

and generally negative, influences of foreign aggressions by the Mughals and then the British and Indians were often forced to participate in work environments that have been described as "appalling and full of inhuman cruelties". The British eventually began to implement laws and regulations to address certain abuses—providing for weekly holidays and fixed work hours—and labor organizations began to emerge. All in all, though, HR departments faced tremendous and wide-ranging problems after Indian independence.

Economic policy in India from 1950 through the early 1990s was driven by a series of national plans developed by a Planning Commission established by the central government and which featured roles for both private and public enterprises.[22] Despite the planning efforts, however, the Indian economy of 1991 was hobbled by double digit inflation, decelerated industrial production, high internal and external debt and low foreign exchange reserves and international aid was conditioned upon a dramatic shift away from an extensively regulated regime to a "free market" approach. The consequences of "liberalization" were extensive in a number of areas, not just HRM, but for purposes of this discussion it is worth noting the Indian firms and their HR managers were suddenly and urgently required to deal with a range of issues including the need to train workers to understand and use more sophisticated technologies; the need to modify organizational structures and management styles, which had typically followed the bureaucratic model; and the need to cope with intense competition from foreign investors that forced domestic companies to switch from labor-intensive to more capital-intensive methods of production and cope with the resulting removal of surplus labor and corresponding need to retrain employees and find new jobs for them in a rapidly transitioning economy. Policymakers and businesspeople understood that the ability of Indian firms to modernize would determine their success and, hopefully, raise economic standards throughout the country; however, the pace of change was accompanied by concerns regarding industrial safety, turbulence in the area of industrial relations and pressures to strength human and physical infrastructure (i.e., education for prospective workers and roads and telecommunications facilities to assist movement of goods).

As they entered into the 21st century, HRM professionals in India faced a number of challenges to adapt to changing social-economic, technological and political conditions. These challenges included coping with large workforces as the size of Indian organizations expanded; improving the skills of workers and creating a workforce that itself was capable to dealing with consumers and employees of other companies who were becoming more highly educated; dealing with the impact of technological advances on job requirements, including not only making sure that employees had the technical skills to remain productive but also coping with unemployment due to technological advances that made many old jobs redundant; responding to changes the political and legal environment included increased regulation; addressing the changing aspirations of employees and their desire to satisfy higher level needs beyond salary and security; coping with pressures to modify organizational structures to empower employees and lower level managers by providing them with more opportunities to participate in

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[22] The discussion in this paragraph is adapted from P. Budhwar, "Human resource management in India" in P. Budhwar and Y. Debrah, Human Resource Management in Developing Countries (London: Routledge, 2001), 75-90.

decision making; integrating increasingly sophisticated information management tools into the collection and processing of data regarding employees and their activities; adapting to increased mobility of managerial and professional personnel between organizations; dealing with inter-union rivalries; and adjusting to increased specialization and the need for upgrading norms and standards of work and performance.

§7   Activities of the human resources function

HRM strategy is executed through the careful selection of appropriate activities for the HR function. As discussed earlier in this chapter, many lists of HRM activities have been developed different labels have been used; however, it is reasonable to assume that HR managers will need to be involved in recruiting, hiring and placement ("personnel marketing and selection"; job analysis and organizational and space planning; compensation and benefits; training and development ("personnel development"); performance management and evaluation employee relations, including relations and communications with trade unions and development of labor policies; dispute resolution; development and maintenance of information systems; management of employees working in foreign countries; designing and implementing strategies for motivating and incentivizing employees; employee safety, welfare, wellness and health; employee services and counseling; and, of course, compliance applicable laws and regulations.

When companies are first launched there may be little attention paid to the formal aspects of HR apart from the activities necessary to comply with the basic legal and regulatory requirements and reliance may be placed on outsourcing to handle payroll processing and benefits issues. The first full-time HR manager usually takes a generalist approach and therefore should have an extensive range of knowledge in order to adequately address all the needs of the company in the HR area as it grows rapidly. For example, the manager may be the only person working on recruiting at the same time that he or she is administering benefit plans, writing new policies and procedures and coordinating training programs. When the company reaches the point where it has hundreds, even thousands, of employees spread across multiple business units and geographies the HR function will become much larger, formal and specialized with an executive-level leader who supervises several departments that each specialize in certain activities such as employment and placement, compensation and benefits and training and development. Each department would have its own manager and would be staffed by personnel with appropriate training and background in required specialties.

§8   --Employment and placement activities

Obviously one of the key activities of the HR function is recruitment and hiring of employees. The activities are supervised by employment and placement managers that oversee specialists that recruit and interview applicants and place them into appropriate positions within the organizational structure. Recruitment specialists focus on establishing and maintaining contacts within the community and may travel to attend job fairs and visit college campuses in an effort to meet qualified applicants and create a profile for the company that will interest jobseekers. At larger companies some

recruitment specialists will focus specifically on relationships with employer relations representatives at various government agencies or college career centers that are charged with working with specific employers to promote placement opportunities for their constituencies (e.g., graduates of the college). Recruiters are responsible for screening and interviewing applicants, including testing, and will typically handle reference checks and transmitting offers of employment and notices of the company's decision not to extend an offer. In order for recruiters to be effective in their positions they must have a good understanding of how the company is organized and the specific duties and responsibilities associated with the positions they are trying to fill. They must also be able to inform applicants about wages, working conditions and opportunities for advancement within the company. Finally, given their role in the hiring process, recruiters must be fully versed in relevant laws and regulations to ensure that the company does not run afoul of the rules relating to non-discrimination and that information regarding applicants is properly collected, used and stored.

§9   --Job analysis activities

Job analysis activities include the study of the duties and responsibilities associated with various positions within the organizational structure of the company and the creation of job descriptions and position classifications. Job analysts collect and examine detailed information about job duties and the descriptions that they develop should include not only an explanation of the duties and activities for each position but also information on the necessary skills and training that can be used to evaluate applicants and structure training and development programs. Ideally the company will have job descriptions for each position and will also bring in a job analyst before creating any new positions. Job analysts should have a thorough understanding of the technical requirements associated with the positions they are analyzing and should also be mindful of relevant industry and occupational trends that may impact those positions. In addition, job analysts must understand how the entire organizational structure operates in order to identify the relationships that holders of a particular position must have with other workers.

§10   --Compensation and benefits activities

Compensation and benefits activities include establishing and maintaining the company's pay structure and administering the employee benefits programs offered by the company, including vacation and health insurance benefits and retirement plans. Compensation managers, generally supported by various analysts and specialists, seek to establish fair and equitable salary programs and design commission, bonus and incentive programs that reward executives, managers and employees for engaging in behaviors that are consistent with the company's overall mission and strategic objectives. Compensation managers rely on a variety of tools including salary surveys that provide data on compensation offered by competitors and information relating to specific regulatory requirements that impact the amount and payment of wages. Compensation managers may also be involved in the design and implementation of tools that the company can use to measure the performance of workers as part of any pay-for-performance compensation program that the company decides to implement.

Employee benefits managers have become increasingly important contributors in the HR area as benefit plans continue to account for an increasing percentage of the overall compensation package offered by companies to their workers. Benefits managers generally tap specialists in various areas due to the complexity of the issues involved and the need to rely on persons that are constantly updating their knowledge. For example, in the retirement plan area specialized knowledge is necessary to understand defined benefit pension plans, defined contribution plans (i.e., 401(k) or thrift savings plans) and profit-sharing or stock ownership plans. Similarly, companies should have specialists who understand health benefits such as medical, dental, and vision insurance and protection against catastrophic illness. Other benefit areas that may need to be addressed within the expertise of HR personnel include life and disability insurance, medical and family leaves, flexible benefits plans and wellness programs to assist employees and reduce the costs associated with illness and absenteeism among workers. More and more companies are adopting various programs to enhance employee wellness and workplace safety and improve work-life balance. Examples of initiatives in this area include occupational safety and health standards and practices, health promotion and physical fitness (i.e., food service and recreation activities), flexible work schedules, transportation programs (e.g., carpooling, company-sponsored buses and vans and transit subsidies), child care and elder care, and counseling services for employees grappling with emotional disorders, alcoholism, family problems and legal/financial issues. The benefits department within the HR function must establish procedures for keeping current on the array of federal and state regulations that may have an impact on employee benefits.

§11   --Training and development activities

Training and development activities include creation, procurement and conduction of training and development programs for employees in order to add value to the company by developing skills within the workforce, enhancing productivity and the quality of work and improving employee morale and loyalty. The level of training and development, and the volume of resources that should be invested in this activity, will depend on a variety of factors including the level of competition for qualified workers in the industry, the complexity of the work environment, the pace of organizational and technological change and the degree to which new knowledge is required in order for employees to continue to perform their duties and responsibilities.

Managers in the training area are responsible for developing training programs, contracting with outside providers for training activities and setting and monitoring budgets. In order to determine the best types of training programs these managers will conduct assessments to determine the optimal design and the best way to deliver the information to employees. A wide variety of methods for training are now available including classroom presentations, hands-on instruction on the shop floor or in a laboratory, computer programs, training films, Web video-on-demand, or self-paced or self-guided instructional guides. In some cases, training may be provided by allowing employees to participate in classes offered by outside providers at the company's expense. Once the methods for delivery of the training have been identified it is the

responsibility of the training managers to ensure that all the details relating to the training have been attended to such as making sure that teaching materials are prepared and that the technology used in delivering the information is working correctly. It is the responsibility of the training manager to ensure that the learning process is effective and that means that the manager must develop and use appropriate measurement tools to ensure that training courses fulfill their objectives and have the desired impact on employee performance. Training managers should be supported by specialists who provide support in planning, organizing and directing training activities. One area where specialists can play an important role is setting up individualized training courses for executives, managers and employees to assist them in learning new skills for further advancement and/or transitioning to new positions. Specialists can also work with managers and supervisors in the various functional departments to identify training needs and deliver the appropriate programs.

§12   --Employee relations activities

Employee relations, sometimes referred to as industrial relations, is concerned with establishing and maintaining formal relations with unions and their representatives when that issue is relevant to a particular company. The manager in this area is responsible for development of labor policies, oversight of labor relations, negotiation of collective bargaining agreements and coordinating grievance procedures that may be required in order to handle and resolve disputes between management and employees.   The employee relations manager is the in-house expert on the requirements of the collective bargaining agreement and should work closely with others within the HR department and in other areas on key issues such as wages, benefits, pensions and work practices. The employee relations manager should be consulted whenever new or revised rules impacting the workplace and the conduct of work activities are promulgated to ensure that the rules are in compliance with the requirements of any collective bargaining agreement. In order to be effective in this position the employee relations manager should have extensive knowledge of labor law and collective bargaining procedures and should have in hand current and complete information regarding economic and wage conditions in the relevant industry in order to negotiate effectively with the representatives of the labor union. Specialists supporting the employee relations manager should be versed in administering detailed aspects of the collective bargaining agreement including provisions relating to wages and salaries, grievances, pensions, union and management practices and employee welfare.   Employee relations is an especially important activity for companies that have employees represented by unions; however, similar activities may be assigned to specialized personnel even when there is no collective bargaining agreement to administer. For example, if the company has informal employee associations an employee relations specialist may be assigned to work with association representatives on various projects such as evaluation of benefit programs and/or working conditions. An employee relations specialist may also be designated to work on issues that would otherwise be addressed in detail in a collective bargaining agreement if one existed such as dispute resolution procedures, pensions and employee participation in teams and task forces formed to address issues impacting work activities.

§13   --Other HR activities

Depending on the circumstances managers and specialists within the HR function will be engaged in a variety of other activities that require particular skills, training and experience. One role that has become particularly important is involvement in dispute resolution in an effort to resolve issues that arise with employees that may lead to litigation, governmental investigations or work stoppages. Dispute resolution specialists are particularly important when a company is subject to a collective bargaining agreement; however, their skills are needed by every company to deal effectively with employee grievances and ensure that employees feel they are being treated fairly while the interests of the company remain protected. Dispute resolution specialists must have knowledge of applicable laws and regulations to ensure that grievances are handled properly in light of the applicable legal standards and that all necessary reports are prepared and maintained.   For example, affirmative action specialists should be responsible for investigating and resolving any claim by an employee that he or she was denied equal opportunity in the workplace and making sure that company practices and policies are evaluated to determine if a violation of law has occurred.   Once the investigation is completed the specialist should prepare and submit the necessary statistical report regarding the claim.

Another activity in the HR area is the design and administration of HR information systems, an activity that requires participation of technical specialists who develop computer programs that can be used to process HR information, maintain appropriate records and create reports on HR-related issues that can be quickly and efficiently disseminated to managers to make decisions regarding personnel requirements. Companies that expand their activities internationally will need to bring in new managers and specialists with expertise in handling overseas operations and supervising local HR personnel in foreign countries. Finally, many companies are turning to specialists in economics, psychology and sociology for new insights into incentivizing and motivating employees, improving the work environment and assisting employees in developing the skills needed to support changes in the organizational structure of the company and the required relationships between departments and business units.

§14   HR documents, practices and systems

While carrying out the various activities described above the HR function must prepare various documents and design and implement a wide array of practices and systems. Documents that are generally prepared and use include a mission or values statement; organization charts; a standardized employment application; written job descriptions; personnel manual or handbook; written employment tests; written performance evaluations; standard performance evaluation forms; written affirmative action plans; standard employment contract for exempt employees; employee grievance or complaint form; legal agreements about intellectual property and non-competition; regular employee morale survey; and a newsletter or other regular company-wide correspondence. A list of the systems and practices that might be implement would include an HR information system; a company-wide e-mail system; an employee

suggestion system; employment involvement programs (e.g. quality circles); background checks of prospective employees; employee orientation programs; job rotation programs; in-house training programs; regular company-wide meetings; and regular company-sponsored social events.[23]

§15   Strategic planning for human resources

Each function within a company should develop and execute its own functional-level strategy to acquire and develop the resources necessary for the function to create and sustain a core competency that can be converted into a competitive advantage for the company as a whole. Functional-level core competencies generally fall into one of two major areas: (1) the ability of the company to execute specific functional activities more efficiently and a lower cost than competitors ("low-cost advantage"); and (2) the ability to perform specific functional activities in a way that clearly and positively differentiates the products and services of the company from those offered by competitors ("differentiation advantage").[24]

In general, HR strategy should address the key issues associated with creating, administering and improving those elements of the organizational infrastructure of the company that are related to the individuals that carry out the operational activities necessary for the company to achieve its goals and objectives. HR strategy should be aligned with strategies in other areas, such as operations and finance, in order to ensure that the overall company strategy is cohesive and that all managers and employees are moving forward in the same direction. The HR function can contribute to cost savings by reducing turnover and absenteeism through the implementation of control and reward systems that motivate employees to continue working for the company and increasing their level of performance.   HR can also support the creation of a differentiation advantage by recruiting skilled personnel and implementing innovative training programs. Several techniques can be deployed by HR that will reap benefits in both motivation and recruitment—stock ownership programs, performance-based bonus and profit-sharing programs and flexible work schedules.[25]   In addition, HR can facilitate training activities within the other functions that focus on ensuring that managers and employees have all of the skills necessary to compete with, and hopefully outperform, other firms operating in the same domains.[26]

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[23] See "Entrepreneurship: Lessons from the Stanford Project on Emerging Companies". Stanford Graduate School of Business (September 3, 2003). Further information on the SPEC is available on the SPEC website (http://www-gsb.standord.edu/SPEC).]   As part of the SPEC study the companies were asked whether or not they had performed certain HR activities including development and modification of the various types of HR documents, practices and systems listed in the text.

[24] G. Jones, Organizational theory, design and change (5th Ed.) (Upper Saddle River, N.J.: Pearson/Prentice Hall, 2007), 209-210. For further discussion of functional-level strategies, see "Organizational Design: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

[25] Id. at 211. See also D. Ulrich, "Linking Strategic Planning and Human Resource Planning," in L. Fahey, ed., The Strategic Planning Management Reader (Upper Saddle River, NJ: Prentice Hall, 1989), 421-426.

[26] Id. at 209.

The key elements of the HR strategy for any company will depend on the activities of the company and its stage of development; however, most HR strategy statements should include career and personnel development in order to assist employees in fulfilling their potential and acquiring the skills necessary for the company to achieve its objectives; organizational development to ensure that the organizational structure of the company and the various horizontal and vertical communications channels therein is appropriate for the company's strategic goals and objectives; and creation and support of an appropriate organizational culture that promotes desired performance and a stimulating and supportive workplace environment. Important enabling elements of this type of HR strategy include audits to understand the current HR situation, monitoring and assessment tools and policies and procedures to facilitate effective implementation of the core HR activities described above.

As part of the strategic planning process in the HR area an effort should be made to implement management practices that have found to be good predictors of effective human relations and positive employee morale. For example, HR should take the lead in ensuring that the company implements a clear reporting structure and develops and uses procedures for regularly communicating positive and negative feedback measured against a published set of goals and expectations. HR strategy also includes evaluation and optimization of labor costs across all necessary functions associated with the development and commercialization of products. Historically, small growth companies would attempt to manage development and production expenses by retaining research and development activities in their home markets, albeit at higher costs, while outsourcing standardized, high-volume manufacturing to offshore locations where labor costs have generally been significantly lower.

Another important element of creating core competencies through the development and execution of a functional-level strategy is establishing the proper culture within the functional department (i.e., the set of shared values that the members of the functional department—managers and employees—use and rely upon when interacting with one another and with other stakeholders outside of the department. Core competencies based on distinctive cultural values and norms within a department are difficult to create; however, once established the competitive advantage is substantial since it almost impossible for competitors to understand and duplicate the cultural environment of another firm. The HR department can contribute to the cultural aspects of each functional-level strategy by assisting with the recruitment of new employees who share the terminal values of the company and contributing to creation and implementation of functional orientation and training programs that socialize new recruits and educate them about the desired core values within the functional department.[27] The HR department, through its role in overseeing training and education activities, can also support company values of commitment to and respect for its employees. Obviously training is an important and essential strategy and activity regardless of the overall health of the business since it refreshes the skills of employees and assists them in identifying and cultivating hidden talents that can be leveraged for the benefit of the company. It should

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[27] Id. at 214. See also S.M. Oster, Modern Competitive Analysis (New York, Oxford University Press, 1990).

not be forgotten, however, that skill building within the workforce can be a smart alternative to reductions in force when business conditions have turned difficult. For example, rather than laying off employees during a downturn or a lag between ramping up for the introduction of a new product a company can demonstrate commitment to the well-being of its personnel by retraining those employees to perform other tasks and preparing them for new responsibilities once the business takes off again.[28]

Not surprisingly, the appropriate criteria for strategic decisions regarding HR should change as the company goes through different stages of its life cycle. For example, during the initial growth stages companies generally look to recruit and hire managerial and technical personnel that already have the skills and experience deemed necessary for initial products to be successful. Given this bias toward hiring experienced personnel, training and employee development programs generally are less important during this early period. However, as the company grows selection criteria changes to emphasize recruiting personnel who possess up-to-date technical skills and management begins to focus on identifying and defining future skill requirements and establishing clear career paths within the organizational structure of the company.[29]

Case Study: Hewlett Packard Singapore
Cascio provided an interesting description of how customer requirements and overall strategic planning were effectively integrated with HR management planning at Hewlett Packard's Singapore plant in the late 1980s. In this case, HR management was a careful and formal planning process that was conducted on an annual basis well in advance of the period for which the planning was taking place. After a careful assessment of customer needs and requirements, as well as anticipated changes in the overall business and market environment, the HR management process determined the specific employees and skills that would be necessary in order for the firm to achieve its overall objectives. The next step involved an evaluation of each individual position, including the productivity objectives for the position, the methods to be used to measure and track productivity in the position, and the level of compensation and benefits that would be appropriate for each position. Finally, the staffing requirements identified as described above were matched against the company's current resources and plans were laid for training and development to be sure that employees had the necessary skills to successfully attain the objectives associated with each of the positions. If gaps could not be filled through retooling existing internal resources, strategies for identifying and recruiting qualified new employees from outside the company were developed. The annual HR management planning process was also used as an opportunity to evaluate all employees in light of their long-term career paths and the company would carefully examine changes and new activities directly related to specific individuals, such as job rotation, overseas assignment, classroom education or early retirement. Decisions made during the planning process were supported and monitored through performance appraisal procedures and surveys among employees to gather their feedback.
Personnel from the HR department at Hewlett Packard Singapore were distributed throughout the plant, rather than placed in one central location. In addition to their duties relating to the entire function, each of persons, referred to as a "personal administration manager," had primary and initial responsibility for any HR-related issues that arose in the specific department or unit in which they were located. The idea was to provide employees with easy and open access to a dedicated HR professional that understood their specific job activities and could provide immediate assistance on benefits, vacation, sick leave and problems with managers and co-workers. This type of arrangement was consistent with the general premise that the HR department was, in effect, a customer service center for employees, as well as for the managers of the firm. The personal administration manager also was charged with training and educating line managers to take

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[28] Id. at 215.

[29] T. Kochan and T. Barocci, Human Resource Management and Industrial Relations (1985).

on greater responsibility for a number of routine HR activities, including preparing written performance evaluations, conducting wage reviews, developing forecasts of HR requirements for their department or unit and working with employees to identify appropriate training and development plans. In order to assist them, managers were provided access to, and training in the use of, employee databases and information.

Source: C.F. Cascio. "Strategic Human Resource Management in High Technology Industry", in L.R. Gomez-Mejia and M.W. Lawless (Eds.), Organizational Issues in High Technology Management. (Greenwich, CT: JAI Press, 1990), 191-194.

§16   HR management strategies for emerging companies

Emerging companies, which generally operate in high technology industries, must develop and implement HR management strategies that are tailored to the unique attributes of these industries and the overall business strategies that such companies generally must select in order to be competitive. Cascio suggested that the follow factors are particularly important to emerging companies as they develop their HR strategies:

- Engineers, scientists and technicians account for a much higher proportion of the staffing requirements than in other manufacturing industries;
- New products and production methods are based on applications of science; research and development activities are much more important to the success and survival of the company than in other manufacturing industries;
- The academic community plays a much more important role in educating and training key personnel in the workforce;
- Product markets are both national and international; and
- Product life cycles are generally much shorter than in other manufacturing industries, often leading to product obsolescence before mass production commences.[30]

The presence of the factors described above for emerging companies means that emphasis needs to be placed on developing strategies for attracting and retaining the necessary pool of talented "knowledge workers" to fill key positions throughout the company. In addition, emerging companies must establish formal training and development programs to ensure that the technical skills of their knowledge workers are constantly evaluated and upgraded. Finally, senior management must work closely with the HR function to identify appropriate organizational design features to facilitate and support continuous innovation and change.[31]

Olian and Rynes explored the relationship between business strategy and organizational staffing and suggested that companies that compete primarily on the basis of innovation, technical superiority and their ability to move quickly into emerging and growing

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[30] C.F. Cascio. "Strategic Human Resource Management in High Technology Industry", in L.R. Gomez-Mejia and M.W. Lawless (Eds.), Organizational Issues in High Technology Management. (Greenwich, CT: JAI Press, 1990), 179-198.
[31] R.C. Muljus, R.C., & R.L. Smith. "Key Human Resource Issues for Management in High Technology Firms", in A. Kleingartner & C.S. Anderson (Eds.), Human Resource Management in High Technology Firms (Lexington, MA: Lexington Books, 1987), 115-131.

markets with new products should seek to develop an organizational structure with the following characteristics[32]:

- Since the company is likely to attempt to move quickly into new business and markets, substantial reliance should be placed on outside sources for necessary managerial and technical talent and experience;
- The organizational structure of the company should be more decentralized and organized along divisional or product lines; since there will be constant changes in strategic direction employees should be prepared to accept frequent changes in assignments and responsibilities;
- Hiring decisions for top management positions should be made on the basis of past accomplishments and work history and demonstrated evidence of knowledge, skills and ability; and
- Hiring decisions should be based on less formal selection criteria and job descriptions.

The researchers who worked on the Stanford Project on Emerging Companies ("SPEC") believed that founders and non-founder CEOs of early-stage technology companies in Silicon Valley significantly influenced how those companies developed a blueprint for creating and maintaining a relationship with their employees that fostered reliability and accountability.[33] The underlying assumption made by the researchers was that that these company leaders would have a relatively high involvement in recruitment and selection of managers and employees at least while the size of the company remained small and that they were likely to have regular direct contact with most of the employees. Several distinct alternatives were identified in the course of the research. Not surprisingly, one of the popular approaches was to staff the company based on the skills and experience required in order to complete one or more of the tasks or activities that might be of immediate importance to the success of the company. This alternative is noteworthy because of its emphasis on the immediate, or short-term, needs of the company. Because start-ups often have less time and money than they really want or need it is essential that limited resources be invested in employees who can contribute right away and get up to speed quickly and easily without slowing down the process of developing new products

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[32] J. Olian and S. Rynes. "Organizational Staffing: Integrating Practice with Strategy", Industrial Relations, 23(2), 170-183 (1984).   Olian and Rynes were referring to companies that could be described as "Prospectors," which was one of the categories that Miles and Snow suggested that organizations could be classified into based on the way that they respond to the demands of their chosen product markets. A second category, referred to as Defenders, included companies operating in narrow, well defined and relative stable markets and which therefore compete primarily by minimizing costs and identifying and implementing ways to be more efficient in carrying out their business activities. The last category, referred to as Analyzers, referred to companies that simultaneously operate in stable and unstable markets, as might be the case for growing firms after they launch their initial products and are looking for new opportunities as the initial products mature and the rate of sales and profit growth begins to slow. See R. Miles and C. Snow, Organizational Strategy, Structure, and Process (New York: McGraw-Hill, 1978).

[33] J. Baron and M. Hannan, "Organizational Blueprints for Success in High-Tech Start-Ups: Lessons from the Stanford Project on Emerging Companies", California Management Review, 44(3) (Spring 2002), 8. For fuller discussion of the Stanford Project on Emerging Companies, see "Entrepreneurship: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

or technologies. Companies that looked to grow and develop through completion of a series of projects tended to be more interested in long-term potential of new employees and their apparent aptitude for easily transitioning to new and increasingly challenging projects over time. Finally, some companies, which obviously interested in the skills and experience of prospective employees, tended to place the greatest weight on how well the candidate would fit into the culture of the company and relate to co-workers.[34]

Baron et al. used data collected from the surveys conducted by the SPEC to analyze how the employment model selected by the founders of Silicon Valley-based emerging companies shaped the subsequent adoption and timing of various HR policies and documents over the early years of their companies and found that the propensity of those companies to adopt specific HR policies and documents and to hire a full-time HR manager was indeed systematically related to the employment model on which the companies were founded.[35] In reporting their results Baron et al. distinguished among four employment models based on models identified through analysis of data compiled during the SPEC study: "star", "engineering", "commitment", and "factory".[36] They began by presenting and explaining some of the key distinctions among the companies with respect to their adoption of particular HR policies and practices within the first two years of operation[37]:

- Companies whose founders conceived of employment in "factory" terms were less likely to adopt virtually every type of HR policy and document, relative to otherwise-comparable companies that began with one of the other employment models.
- Companies that followed the "star" model were considerably more likely to institute intellectual property or "non-compete" agreements and stock options within the first two years, a finding which made sense given that those types of companies were extremely reliant on recruiting and retaining key technical personnel.
- The "star" companies were much more likely to adopt a mission or values statement by the end of their second year of operation than the "factory" companies, a finding that the researchers attributed to the recruitment strategies of the star companies to clearly set out their mission and values to attract the best scientific and technical employees.
- The "star" companies were also the most likely to have promulgated job descriptions, standard employment applications, and standard performance evaluation forms by the end of their second year.

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[34] J. Baron and M. Hannan, Entrepreneurship: Lessons from the Stanford Project on Emerging Companies (September 2003), 5.

[35] J. Baron, M. Burton and M. Hannan, "The Road Taken: Origins and Evolution of Employment Systems in Emerging Companies", Industrial and Corporate Change, 5(2) (1996), 239.

[36] The first three models were based on the nomenclature used in the SPEC study, which is described in "Entrepreneurship: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org). The fourth model, the "factory", was similar to the "bureaucracy" model in the SPEC and Baron et al. explained that the "factory" model they used in describing their findings was based on purely monetary motivations, control and coordination through formal organization and close managerial oversight, and selection of employees to perform pre-specified tasks. Id. at 253.

[37] Id. at 258-260.

- The "commitment" companies were notable for their interest in implementing background checks of prospective employees, to conduct formal employee orientation programs, and to sponsor regular social events for employees, all of which appeared to be consistent with the desire of those companies to create an organization based on steady and long-term employment relationships.

Realizing that the trends described above may not be that meaningful given that most of the companies in the SPEC survey group did not make that much of an effort to formalize employment relations during their first two years of operations, the SPEC researchers conducted a further examination and analysis of the timing of adoption of various HR policies and documents over the entire history of the companies.[38] The researchers found that, in general, the differences across the four employment models observed for the first two years of operation continued as the companies got older. For example, the "factory" companies persisted in lagging behind the other models with respect to adoption of almost every type of HR policy or document. The researchers also discovered that the size of the companies, as measured by the growth in the number of employees, dominated aging of the companies as a determinant of the rate of adoption of HR policies and documents, with size being particularly important as triggers for actions on HR issues other than compensation such as formalization and standardization of employment relations and institutionalizing means of socialization and communication (regular social events and meetings, newsletters, e-mail, orientation programs, training). The effect of growth was non-significant for all of the items involving individual rewards (e.g., stock options, skill-based pay, individual bonuses, signing bonuses, and non-monetary rewards); however, the rate of growth was a significant influence on the rate of adoption of group- or team-based incentives and bonuses.

The SPEC researchers continued their analysis by assessing the level and rate of formalization of human resource management practices by reference to when companies first appointed a full-time HR manager.[39] The researchers reported there was substantial diversity among the companies in their survey when it came to appointing experienced HR managers: some companies brought a specialist in from the very beginning while others persisted in the belief that human resources management ("HRM") was "a frill at best and, at worst, an impediment to business activity". Many founders remained closely involved with HR activities as their companies grew; however, their approaches differed significantly. At one end were founders overseeing companies with over 300 employees who had brought in a senior HR manager yet insisted on being involved in all hiring decisions while other founders steering similarly sized firms supervised HR directly with modest administrative support. Age and size both had significant effects on the rate of hiring a full-time HR manager and, of course, companies were often driven toward more formalization by external events such as completing their initial public offering or landing a big government contract that made them subject to outside scrutiny of many of the HR policies relating to affirmative action and similar matters. The researchers also found that the employment model selected by the founders of the companies had a strong and statistically significant effect on the rate of transition to full-time HRM:

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[38] Id. at 260-265.
[39] Id. at 266-268.

"[c]ompanies whose founders espoused a more 'HR-intensive' blueprint (the star and commitment models) hire HR specialists much sooner than otherwise-comparable companies that embark with a different employment model".

The research by the SPEC also provided insights into gender diversity among Silicon Valley firms and survey results indicated differences in the degree of acceptance of women across industries—a higher percentage of scientific and technical roles were filled by women at biotech, medical device and research firms than at software and telecommunications companies—and that the type of organizational blueprint selected by the founders strongly influenced how women the career paths of women in their companies.[40] Specifically, the SPEC researchers found that companies built on the commitment model, which is based in part on building and maintaining an emotional attachment between the company and its employees, tended to have the fewest women on their scientific and technical staffs while companies that valued individual achievement and were less concerned about emotional attachment had much stronger representation by women. A summary of the research noted: "The evidence suggests that differences in hiring, rather than in attrition rates, account for women's underrepresentation in high-commitment firms."[41] The researchers also reported that the employment of larger numbers of women in technical and scientific roles tended to occur in companies that were "larger, growing more rapidly, and competing primarily through technological innovation" and which had already gone public and formalized their human resources activities accordingly by hiring a full-time human resources professional and adopting an affirmative action plan.[42] Looking at the average percentages of women working in positions in specific areas across all of the survey firms the researchers found the following: clerical (91%), administration (54%), sales and marketing (28%), scientific and technical (17%) and senior management (14%).

§17   Organizing and managing the human resources function

The HR function, acting through its senior executive and other managers, supervisors and specialists, is responsible for a wide range of services, policies and programs. As discussed above, HR will generally be involved in recruiting and staffing; organizational and space planning; performance management and improvement systems; organization development; employment and compliance to regulatory concerns; employee orientation, development, and training; payroll; HR information systems; policy development and documentation; employee and labor relations; compensation and benefits administration; employee safety, welfare, wellness and health; and employee services and counseling. The HR function, like other departments and business units, should have its own strategic objectives including creation and maintenance of a high performance culture, recruitment

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[40] The discussion in this paragraph is adapted from J. Baron, M. Hannan, G. Hsu and O. Kocak, "In the Company of Women: Gender Inequality and the Logic of Bureaucracy in Start-Up Firms", Work and Occupations, 34 (2007), 35. See also J. Baron, M. Hannan, G. Hsu, and O. Kocak, "Gender and Organization-Building Process in Young High-Tech Firms", in M. Guillen (Ed.) The New Economic Sociology: Developments in an Emerging Field (Chapter 10) (2002).
[41] Stanford Graduate School of Business, Founders' Values Help Shape Gender Mix in High-Tech (February 1, 2007).
[42] Id.

and retention of talented personnel and support of workplace activities that empower employees and improve quality and productivity. The HR function should work closely with personnel throughout the organizational structure to provide guidance on HR issues.

§18   --HR executive officer

Once a company grows to a reasonable size the duties and responsibilities associated with leading the HR function will generally reside with an HR executive at the senior vice president or vice president level. The HR executive is responsible for developing and implementing HR policies and programs for the entire company including attention to issues arising in the areas of organizational planning, organizational development, employment, indoctrination and training, employee relations, compensation, benefits, safety and health, and employee services. The HR executive carries out the responsibilities of the position through managers and specialists in the HR function and the HR executive must create procedures for recruiting HR personnel, defining their responsibilities and ensuring that they work effectively with one another and with other managers and employees outside of the HR function. Finally, the HR executive is the key advisor to the CEO and other members of the executive team regarding HR issues and the role of HR in the company's overall strategic plan.[43]

The duties and responsibilities of the HR executive can be further broken down into the following list of essential functions:

- Formulation and recommendation of HR policies and objectives for the entire company.
- Determination and recommendation of employee relations practices required to establish a positive employer-employee relationship and promote a high level of employee morale.
- Identification of legal requirements and government reporting regulations affecting HR function and development, implementation and administration of compliance programs working in conjunction with legal department and outside counsel. The HR executive is generally the primary contact for communications with governmental agencies regarding compliance issues although reliance may be placed on the expertise of HR specialists with expertise in particular regulatory issues.
- Protection of the interests of employees and the company in accordance with company HR policies and governmental laws and regulations.
- Review and approval of recommendations for terminations and oversight and review of procedures for considering employee appeals of disciplinary actions.
- Oversight of organizational planning activities including evaluation of organizational structure, job design, and manpower forecasting throughout the company.
- Oversight of organizational development activities including succession planning and managerial development throughout the company.

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[43] For further discussion of the role and responsibilities of the HR executive and the collaborative relationships that the holder of that position should have with the CEO and other members of the executive team, see "Governance: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

- Implementation and oversight of wage and salary structure, pay policies, performance appraisal programs, employee benefit programs and services, and company safety and health programs, including establishment of procedures for monitoring effectiveness and cost containment.
- Implementation and oversight of recruiting and placement practices and procedures. While the HR executive is not expected to interview candidates for all of the jobs within the company he or she should participate in interview and assessment of candidates for executive and senior management positions. The HR executive should also be continuous involved in the creation and maintenance of long-term employment relationships with executives and senior managers since continuity in these positions is important to maximizing the likelihood that core values will be nurtured and shared.
- Establishment of in-house management training programs that address company needs across division lines.
- Implementation of all HR programs including delegation of authority and responsibility within HR function and to line management in other departments.
- Implementation of all HR training programs including recruitment and supervision of training specialists, preparation and dissemination of necessary training materials and monitoring effectiveness of training programs.
- Selection and oversight of HR consultants, insurance brokers, insurance carriers, pension administrators, training specialists, labor counsel, and other outside sources.
- Implementation of procedures for continuing study of all HR policies, programs, and practices and preparation of regular reports to CEO and other members of the executive team regarding HR activities and new developments.
- Implementation of procedures for preparation and maintenance of such reports as are necessary to carry out functions of HR department including creation of appropriate information systems.

All of the activities listed above are important; however, the HR executive should be particularly concerned with overseeing the implementation of HR programs and policies throughout the company through the staff of managers, supervisors and specialists recruited under the direction of the executive. Development of the HR function begins with the creation of a strategic plan for HR operations that includes an outline of the desired organizational structure for the function accompanied by clear and accurate job descriptions for each of the managerial and specialist positions. The HR executive should also identify, vet and select a qualified group of outside service providers who can provide objective and cost-effective advice in areas such as law and compliance, training and development, insurance and other benefits, pension plans, information systems and union relations. Finally, progress toward development and improvement of the HR function must be measurable and the HR executive must design a reporting system that generates meaningful information that can be shared with other top executives.

The HR executive should also play a key role in the overall organizational development of the company. Obviously the HR function should be focus on development and administration of programs and procedures that will ensure that the pool of talent within the workforce is closely aligned with the strategic goals and objectives of the company.

This means that the HR executive must be involved in strategic planning sessions with other executives and work closely with the CEO and CFO to project HR requirements in all areas of the company's business activities. The HR executive should take a leading role on issues such as succession planning, key employee retention, organizational design, organizational culture, inter-departmental communications and collaboration (e.g., team building) and change management (e.g., integration of new employees following an acquisition, facilities closures, outsourcing etc.). The HR executive should also demonstrate leadership skills by creating and managing company-wide committees that address important HR issues such as training, culture, workplace conditions and employee wellness and development.

As is the case with other functional activities there is no universally accepted method for organizing the HR function. In general, as described in the following sections, companies should designate senior managers or directors to oversee certain core areas of interest with respect to HR including compensation and benefits, training and development, employment and employee relations and law and compliance. As companies grow and expand their operations the number of director positions may also increase as certain activities become more specialized. For example, a company may create departments within the HR organizational structure for compensation, including classification of employees for purposes of overtime rules; employment services, including recruitment and staffing and specific hiring-related activities such as testing and background checks; information management, including information systems, technology and records collection and retention; payroll management, including payroll processing, tax management and reporting; benefits, including leaves and workers' compensation and preparation and dissemination of benefits information to employees; employee relations; and training and organizational development. Directors of each department would report to the HR executive and a law and compliance specialist would provide appropriate support to each department and report to the HR executive.

§19 --Director of compensation and benefits

One of the senior management—director level—positions often found in the organizational structure for the HR function will be vested with responsibility for the administration of compensation programs, benefits, payroll services and HR information systems. The director of compensation and benefits will be charged with overseeing the research, design, implementation, communication and overall management of the company's compensation and benefits programs and ensuring that such programs conform to the directives of the board of directors and the members of the executive team. For example, the director will establish the company wage and salary structure and pay policies and supervise the company's variable pay programs including bonuses and raises. In addition, the director will collect competitive market research regarding salaries and benefits that can be used in evaluating and, if necessary, modifying company programs. In the benefits area, the director will work closely with the chief financial officer to identify and implement the most cost-effective solutions and will also be responsible for presentations to employees regarding benefits options offered by the company. In many cases the director of compensation and benefits will work with

various committees and task forces created to address specific issues such as benefits and pensions. Managers working under the supervision of the director of compensation and benefits will focus on specific activities such as payroll processing and implementation of HR information systems and will act as liaisons to other departments with respect to issues that might arise in those areas.

§20   --Director of training and development

Training and development, as well as all aspects of organizational learning, are core areas of interest for the HR function and the HR executive will almost certainly create a director-level position to design and coordinate training programs and lead initiatives relating to improve performance and communication, change organizational culture within the company and resolve conflicts and disputes in the workplace. The director of training and development should have knowledge of, and experience with, all of the different methods for training and development described elsewhere in this Library including workshops, manuals, employee handbooks and Web-based tutorials.[44] The director should also be expected to create performance development plans that can be used to select appropriate training and development strategies that can also monitored and evaluated to determine whether they are effective in achieving the company's goals with respect to training impact. The director of training and development will work with the HR executive to create a training budget and with other director-level personnel in the HR function to support their activities. For example, the curriculum for new employee orientation programs should be developed in collaboration with the director of employment and employee relations. Another important mission for this director position is management development to ensure that the company has qualified people ready to assume positions of authority as the company grows and enters new markets.

§21   --Director of employment and employee relations

The director of employment and employee relations leads the efforts of the company with respect to recruiting and hiring practices and is tasked with establishing practices and procedures that will assure that the company is able to identify and hire the most qualified candidates to fill positions within the company. This director is heavily involved in the interviewing process including meetings with position finalists and selecting and training others within the company to be regular participants in interviews and assessments of potential employees. The director of employment and employee relations is also responsible for the company's policies and procedures relating to various events that occur during the employment relationship including performance reviews, promotions and demotions, investigations and terminations. In addition, the director oversees the company's efforts with regard to other aspects of employee relations including workplace conditions (e.g., safety and health programs), morale and dissemination of notices and other information mandated by law or regulation regarding HR policies, procedures, programs and laws. The holder of this position must have

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[44] For discussion of training and development methods, see "Training and Development" in "Human Resources: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

knowledge and experience in all of the laws and regulations pertaining to hiring, investigation and termination of employees and will generally need to work closely with the director of law and compliance.

§22   --Director of law and compliance

The director of law and compliance in the HR function is responsible for ensuring compliance with applicable state and federal laws and regulations that affect the HR operation including applicable recordkeeping and reporting requirements. The director works closely with department managers in an effort to provide HR service, particularly in the area of employment law, and to design and implement compliance programs that will reduce the risk to the company associated with the possibility of employment-related disputes and litigation. The director of law and compliance serves as the primary liaison of the company with outside employment law counsel and governmental agencies and is also involved in communications with union representatives and negotiation and administration of collective bargaining agreements.

References and Resources

The Sustainable Entrepreneurship Project's Library of Resources for Sustainable Entrepreneurs relating to Human Resources is available at https://seproject.org/human-resources/ and includes materials relating to the subject matters of this Guide including various Project publications such as handbooks, guides, briefings, articles, checklists, forms, forms, videos and audio works and other resources; management tools such as checklists and questionnaires, forms and training materials; books; chapters or articles in books; articles in journals, newspapers and magazines; theses and dissertations; papers; government and other public domain publications; online articles and databases; blogs; websites; and webinars and podcasts. Changes to the Library are made on a continuous basis and notifications of changes, as well as new versions of this Guide, will be provided to readers that enter their names on the Project mailing list by following the procedures on the Project's website.

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