

**STUDY OF  
HUMAN RESOURCE STRATEGY FORMULATION AND PRACTICES:  
A CASE STUDY IN A LARGE GAS UTILITY COMPANY IN INDIA**

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## THESIS COMPLETION CERTIFICATE

This is to certify that the thesis on **Study of *Human Resource Strategy Formulation and Practices: A Case Study in A Large Gas Utility Company in India*** by **Subir Bikas Mitra** in partial completion of the requirements for the award of the Degree of Doctor of Philosophy (Management) is an original work carried out by him under our joint supervision and guidance.

It is certified that the work has not been submitted anywhere else for the award of any other diploma or degree of this or any other University.

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## **DECLARATION**

This is to certify that thesis titled “*Human Resource Strategy Formulation and Practices: A Case Study in A Large Gas Utility Company in India*” is my own research work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person nor material which has been accepted for the award of any other degree or diploma of the university or other institute of higher learning in India or Abroad, except where due acknowledgement has been made in the text.

**Subir Bikas Mitra**  
**19<sup>th</sup> November, 2015**

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**Subir Bikas Mitra**

## **LIST OF ABBREVIATIONS**

1. GDP: Gross Domestic Product
2. PPP: Purchasing Power Parity
3. WTO: World Trade Organization
4. GNI: Gross National Income
5. CAGR: Compounded Annual Growth Rate
6. FDI: Foreign Direct Investment
7. NELP: New Exploration Licensing Policy
8. LNG: Liquefied Natural Gas
9. PNGRB: Petroleum And Natural Gas Regulatory Board
10. CGD: City Gas Distribution
11. DIPP: Department of Industrial Policy and Promotion
12. ONGC: Oil and Natural Gas Corporation
13. IOCL: Indian Oil Corporation Limited
14. MT: Million Tonnes
15. MoU: Memorandum of Understanding
16. GGULL: GAIL Global USA LNG LLC
17. CCEA: Cabinet Committee on Economic Affairs
18. OMCs: Oil Marketing Companies
19. BMI: Business Monitor International
20. RIL: Reliance Industries Limited
21. MMSCMD: Million Metric Standard Cubic Meter Per Day
22. TCF: Trillion Cubic Feet
23. BCG: Boston Consulting Group
24. E&P: Exploration and Production
25. HR: Human Resources
26. LPG: Liquefied Petroleum Gas
27. GAIL: GAIL (India) Limited
28. HRM: Human Resource Management
29. SHRM: Strategic Human Resource Management
30. ICC: Initial Conceptual Constructs
31. VUCA: Volatility, Uncertainty, Complexity and Ambiguity

32. TBL: Triple Bottom Line
33. HSF: HRM Strategy Fit or Vertical Fit
34. HIF: HRM Intra- functional Fit or Horizontal Fit
35. HRA: Human Resource Alignment
36. GCC: Gulf Cooperation Council
37. GoI: Government of India
38. E&Y: Ernst & Young
39. HRIS: Human Resource Information System
40. CRQ: Central Research Question
41. ARQ: Additional Research Question

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## **EXECUTIVE SUMMARY**

The Economy of India is the seventh-largest in the world by nominal GDP and the third largest by purchasing power parity (PPP). The country is one of the G-20 major economies, a member of BRICS and a developing economy among the top 20 global traders according to the WTO. The oil and gas industry is amongst the six core industries in India. This industry is a major factor for the growth being witnessed in the Indian economy today. The natural gas and petroleum sector, which is inclusive of refining, transportation, and marketing of these products, contributes about 15% to India's GDP. Exports from petroleum are the highest in terms of the foreign currency amassed and accounts for 17% of the total exports. The power and fertilizer sectors in India drive the demand for gas in the country. They use 66% of the total gas produced. The demand for gas is set to grow; thus, the natural gas share in the overall mix is projected to rise from 8% to 20% by 2025. The investments by public sector oil companies is going to be US\$ 11.33 billion to expand supplies and build new networks for transportation of oil and gas. The policies of the government are a further boost to foreign investment in this industry. As the energy sector is neither expected to slow down nor lose its importance, the growth prospects are considered to be enormous in this industry.

Indian energy sector is going through a critical phase and is facing several challenges. The industry and the nation at large would need to make choices to address key issues like volatile prices, global linkage of raw material prices, limited domestic availability of gas, LNG market dynamics including availability at affordable prices for Indian market, importance of efficiency across the value chain, alternate energy developments, evolving regulatory frameworks and policy guidelines, downstream market reforms, changing competitive landscape, etc. Also, globalization has meant that our energy markets are more and more linked to global markets. The uncertainty caused by such exogenous variables in the oil and gas sector will continue to pose challenges in achieving long-term goals. Indian natural gas sector will offer a range of opportunities in the coming years. The natural gas sector has gone through a number of changes recently that have helped attract investments and catalyse new demand and supply. LNG imports into the country and development of downstream markets to ensure offtake will remain at the core of the natural gas sector in the days to come. Therefore, it is believed that the future of the Indian gas market will significantly depend on LNG imports and the opportunity lies in developing infrastructure and the markets for LNG. In India, energy consumption will also rise due to its population growth and fast-growing economy. Natural gas currently accounts for about 10 % of India's energy basket and it is expected to reach 20% by 2030. In the long term, with decisive climate-change policies, technological improvements in clean fuel technologies, and constrained fossil fuel supplies, the share of renewable

energy will gradually increase. The formation of a regulatory body (PNGRB) in the natural gas sector has brought in a new dimension to the competitive landscape. New players are aggressively entering the natural gas sector, be it the transmission segment or city gas distribution. The competition is likely to intensify in the coming years not only in the midstream areas, but also in the downstream. Reforms in the downstream segments of the value chain and emergence of market-based pricing are encouraging players to enter into sectors like CGD, power, etc. With LNG imports growing there is a need to expand LNG import infrastructure, and this is attracting many companies to set up LNG regasification terminals. The Indian Oil Ministry anticipates that the country's energy demand would expand by more than double by 2035. The government is gearing up to meet this exponential surge in demand through enhanced operations and increased efficiency. The country's natural gas consumption growth rate (CAGR) during 2001-2011 was around 8.75% and is expected to grow the fastest among all other energy forms at 4.5% per annum until 2050. Demand for natural gas is expected to reach more than 450 million m<sup>3</sup>/d by 2017 and over 600 million m<sup>3</sup>/d by the 13<sup>th</sup> Five Year Plan, ending in 2022. Given this scenario, India will have to augment its domestic production as well as create sufficient downstream and regasification infrastructure for LNG imports during this period. It is envisaged that approximately US\$ 14 billion needs to be invested by 2017 to develop the requisite pipeline infrastructure and there are plans to increase the regasification capacity from the current 27.5 million tpy to 50 million tpy at a likely investment of US\$ 5 billion. In a recent development, the government has allowed 100 per cent FDI in the oil and gas sector, enabling some large partnerships such as the US\$ 7.2 billion deal between BP and Reliance Industries. According to the report, natural gas is critical towards attaining energy security for India as the country's primary energy consumption is set to increase to 1120 million tones of oil. Natural gas represents the best alternative to meet the growing demand. The demand from power sector is expected to increase to 354mmscmd while that of fertilizer sector to 110mmscmd due to conversion of naphtha plants to gas and enhanced domestic capacity. (ONGC-BCG Report)

Given the above background and as the organization forays into global ventures in line with its strategic goals, major challenges in the area of alignment of HR with Business strategy remains. As such, ***business problem*** at an organisation level in the large Gas Utility Company can be described as under:-

- Organization is venturing into new business areas like E&P, Shale Gas, and LNG Trading, Solar Energy and Wind Energy as a part of its overall global strategy. These new business initiatives call for the continuous capability building, development of existing human capital and organization

restructuring in these areas. Thus, there is a need for continually challenging the existing HR practices and seeking better solutions by introducing innovative, considered and flexible solutions to line management problems. This is the greatest challenge before HR function in the organization as currently GAIL is predominantly engaged in transportation & marketing of natural gas, petrochemicals, LPG transmissions and Liquid Hydrocarbons and is not having relevant experience in E&P, Shale Gas, and LNG Trading, Solar Energy and Wind Energy at present due to which organization is facing great difficulty in executing the strategy as per its initial plans.

- In order to build its global footprint organization has to develop the cross functional teams for handling Mergers & Acquisitions for which currently there is no expertise in the organization. Further, for driving the performance oriented culture in the organization and to build capabilities in the new business areas globally it also needs to focus on restructuring the organizational structure from time to time. GAIL being a PSU is governed by Government guidelines on pay and perquisites which does not offer level playing field with private sector. While compensation packages in private sector are market driven and are decided based on business strategies Public Sector Undertakings do not have the flexibility to decide based on market conditions. This is one of major hindrance for organization in the Public Sector to attract the talent pool required to drive the business strategy of the organization. Accordingly, venturing in to all these new business areas having global operations will thus require the organization to build new strategies which are completely aligned with HR strategies within the framework of Government guidelines.
- The inability of the Company to harness the human resource data available with existing SAP-HR module and integrating with advance HR analytics software programs. The HR analytics will allow HR to not only be involved in managing talent, but to also collect clearer information on its supply chain of talent and where the most demand for particular skill lies.

It is evident from the annual report for the FY 2013-2014 & FY 2014-2015 that GAIL's competency to its old business verticals i.e. Gas Transmission, Gas Trading, Petrochemicals and LPG Transmission has also come under close scrutiny over the years. To summarize, GAIL is required to develop appropriate core competency in the new business verticals such as E&P, LNG Trading, solar energy, wind energy etc. GAIL also needs to successfully venture out aggressively in Merger and Acquisition globally and domestically. Thus, there is an imperative need for GAIL to develop core competency to venture out in

upcoming business areas such as shale gas. It is needless to mention that despite having requisite infrastructure GAIL is facing difficulty, as it does not possess adequate talent pool for execution of activities as set out in its business objectives.

The above business problem motivates the researcher to perform this study. Detailed literature survey was carried out in the area of formulation of the HR strategy in alignment with business strategy and the practice of these formulated strategies. The detailed literature review reveals that the Emergence of SHRM is about having the kind of association which is that of ‘integrative linkage’, where HRM has equal involvement with other organisational functional areas for business development. HR increases the attractiveness of the organization to the potential employees and other stakeholders and enhances the personal capabilities of peripheral and displaced employees. Strategic capability requires clarity of vision, careful planning, objectives and focus for action. This strategic capability will require different competencies, skills and experience at different organizational levels. In order to acquire and develop these attributes, HR plays a very significant role. Further it also revealed that the concept of SHRM is embedded in the notion of complementarily or integration or ‘fit’. The theories of fit are based on the premise that organizations are more efficient when they achieve fit. On the basis of extensive literature review, four types of fit were identified vis-à-vis SHRM: fit between HRM and corporate strategy; fit between HR roles and position; fit within HRM function and fit between HRM and other functional areas. These various types of fit serve as measures or constructs of SHRM.

The above Business problem is further narrowed down to problem statement based on outcomes of detailed literature review and it is presented below:-

*Although in the current thinking on SHRM various theories and model are well known but the process of human resource strategy formulation & practices in alignment of business strategy at an organisation level have not been described in detail. Holistic process model of SHRM is also not available.*

The research questions & research objectives formulated for this research study are presented as given under:-

*Central Research Question:* How a large Gas Utility Company in India formulates and practices its HR strategy in alignment with Business Strategy?

*Additional RQ1:-* What are the extents of Vertical fit between Business Strategy and HR Strategy and also the extent of Horizontal Fit among various sub functions of HR?

*Additional RQ2:-* What are the factors leading to inconsistency or congruence between HR strategy & Business Strategy?

*Research Objectives: -*

1. To understand and describe the existing HR strategy formulation & practices in a large Gas Utility Company in India.
2. To study the extent of vertical fit between HR strategy and Business strategy.
3. To study the extent of Horizontal fit among the various sub functions of HR.
4. To identify the factors facilitating or hindering the strategic fit (both Vertical and Horizontal)

*Nature of Research Questions: -*

As we seek to understand a pattern of relationships and impacts, hence the central research question is exploratory in nature. (Hedrick et al., 1993; Yin, 2003). To provide support to the Central Research Question, the Additional Research Questions are exploratory and descriptive in nature and aim towards making an inventory of effects. The study is aimed to study the existing HR processes of an Indian large gas utility company.

*Research Methodology: -*

In HR function of a Gas Utility Company in India, the tacit and explicit knowledge in the field of best practices in Human Resource Management (HRM) are available with HR Manager of the company. Thus, there is an imperative need to gather an in-depth understanding of this knowledge in formulation of HR strategy and practices in the Gas Utility Company. Therefore, qualitative research method will be suitable method in capturing and reusing tacit and explicit knowledge in the field of best practices in HRM at the Company studied.

HR strategies related processes such as formulation, implementation of HR strategies, and HR practices at an organisation level in Indian gas industry context are the focus of research here. In early literature, several HR approaches i.e., HR strategies/concepts/methods have been discussed by various authors. At an organisation level in HR function, the implied and unequivocal information in the field of best practices in HR management are accessible with HR managers working in the organisation. We have to

assemble a top to bottom comprehension of this information in definition of HR strategy & practices in the organization. Along these lines, qualitative research strategy will be a suitable technique in catching and reusing implicit and express learning in the field of best practices in HR management at the association considered.

The purpose of this research work is to understand & describe the formulation of HR strategy at an organisation level (large gas utility company). Further, to understand why the particular HR strategy has been chosen and how these formulated strategies are being practiced in the organisation. For this research, a case study approach has been selected, since, the definition of the case study method say that *“the central tendency among all types of case study, is that it tries to illuminate a decision or set of decisions: why they were taken, how they were implemented, and with what result”* (Yin, 2003). For this research study, GAIL (India) Limited has been chosen, since it is having 70% market share in natural gas industry and it is a No. 1 gas utility company in India. GAIL (India) Limited, a Maharatna Public Sector Undertaking, is having 7 LPG processing plants, 1 Petrochemical processing plant & 3 Natural Gas Pipeline networks & 2 LPG pipeline networks.

*Sampling: -*

Theoretical sampling as part of qualitative research has been employed here For data sample, various interview of the important official holding critical position as to the formulation of Corporate Strategy and management of HR were considered. The names & contact details of the officers were obtained from the Telephone directory available in the Gail’s Intranet/website. Among the Managers identified, based on the unit of analysis & level of analysis, 08 officers related to HR and strategy development functions were chose and interviews were conducted.

*Data Collection: -*

The data was collected from officials of corporate strategic planning group, vertical heads and the HR Managers of GAIL using the **case study protocol**. A case study protocol is a document that contains the questionnaire (instrument) for data collection as well as the procedures and general rules to be followed in using the protocol. During data collection stage, Construct validity was checked using multiple sources of evidence (document analysis) and reliability has been ensured by using case study protocol (Yin, 2003).

The detailed case study protocol was developed before data collection and semi structured interviews with personnel from various departments of the large gas utility company were conducted. Before starting the interview, it was explained to the interviewee that the case study material and the interview data will be used in two ways: one is to find out HR strategy & practices, and its process framework, and the other as ‘published case’ for the conference or the book. A brief introduction was also given the interviewee about this case study research based on the framework given above. The aim of carrying out a qualitative inquiry is to produce findings through analysis, interpretation and presentation of findings. The main hurdles in data analysis are to “make sense of massive amount of data, reduce the volume of information, identify significant patterns, and construct a framework for communicating the essence of what the data reveals” (Patton, 1990). A modified form of grounded theory approach has been used for analyzing the data in this research as this approach is based on the researcher’s interpretations and description of phenomena based on the actors’ subjective descriptions and interpretations of their experiences in a context (Locke, 2001; Charmaz, 2006).

Data analysis aimed to identify describing (1) To understand the existing HR strategy formulation & practices in a large Gas Utility Services Company in India, (2) To study the vertical fit between HR strategy and Business strategy, (3) To study the Horizontal fit among the various sub functions of HR (4) To study the factors facilitating or hindering the strategic fit (both Vertical and Horizontal)

To develop a process frame work for Strategic Management of Human Resources, there were major steps involved in data analysis: within-case analysis. Within-case analysis entailed becoming intimately familiar with each case individually and documenting it thoroughly. Within-case analysis involved organizing the data of specific cases for in-depth study and helped to manage the staggering volume of data (Eisenhardt, 1989). Patterns in qualitative data can be represented as dimensions, categories, classification of schemes, and themes (Patton, 1990). Initial Conceptual lens are used as the basis for categories in case analysis. Data Analysis is done through Textual Analysis and it is done with the help of Atlas-Ti software; network diagrams are formulated with the necessary quotation and frequency analysis. The data analysis using grounded theory is a highly iterative process involving moving between interview data, existing theory, and observation data (Charmaz, 2006).

The above detailed data analysis gave the process of formulation of the business strategy which starts with the Environmental Scanning to Identify opportunities and challenges for formulating business



strategy followed by the inputs from business verticals to facilitate formulation of strategy. The analysis also results with the identification of factors influencing strategy formulation process such as influence of Business Strategy on HRM activities and the inherent agility of Business Strategy. A new sub-category has been emerged from the interview data collected from top HR managers of the large gas utility company in India for the category HRM Intra-Functional Fit, which is 'HRD Processes such as talent management & Succession Planning'. Another new sub-category emerged under the category of 'Factors effecting fit' which is 'organisational challenges with the site HR heads'.

This research study showed that, there is evidence of all the construct identified do contribute to the process of formulation in strategy, both Corporate and HR. Basically Corporate strategy is consolidation of business strategy. So strategy means various strategic initiatives. For each initiative, what kind of HR initiative is required is found out, like skill development needs, recruitment needs. So for every business initiative, what should be the corresponding HR initiative needs to be looked into and that is where the alignment comes. To formulate the HR Strategy in consonance with the business strategy, there are two parts. One is that formulating each business strategy and then consolidating it. When business strategy are being formulated, parallely works is also started on the HR strategy, which comes out only after the consolidation of corporate strategy. Finalisation of the strategies is done at the corporate level.

This research study has identified that the studies in *a Large Gas Utility Company in India* have found that alignment of HR practices with business strategy and extent of integration of HR practices are related to firm performance and the Companies following SHRM practices do have a cost advantage due to reduction in employee absenteeism and turnover rates. The primary data also supports the contentions that HR Strategy should be treated as an integral part of each business. It should not be looked at only from corporate level. Further this research study also identifies and provides rich description of the various factors enabling/deterring influence on the success of SHRM. Enablers/deterrents have been classified under external and internal, personal and other influencing factors. Going by the information as obtained from the data analysis, there are a number of factors which lead to inconsistency or congruence between HR strategy and Business Strategy which can be broadly classified into (1) Organizational Factors, which are Culture, Structure etc. (2) Individual Factors like Leadership and skill set, (3) Technology, (4) HR sub system factors: Policies, Practices and Procedures etc.

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# **Chapter 1**

## **Introduction**

## **1.1 Background**

### **1.1.1 Indian Economy along with the Current Business Environment**

The Economy of India is the seventh-largest in the world by nominal GDP and the third largest by purchasing power parity(PPP). The country is one of the G-20 major economies, a member of BRICS and a developing economy among the top 20 global traders according to the WTO. According to the Indian Finance Ministry the annual growth rate of the Indian economy is projected to have increased to 7.4% in 2014-15 as compared with 6.9% in the fiscal year 2013-14. In an annual report, the IMF forecast that the Indian Economy would grow by 7.5% percent in the 2015-16 fiscal year starting on April 1, 2015, up from 7.2% (2014–15). India was the 19th-largest merchandise and the 6th largest services exporter in the world in 2013; it imported a total of \$616.7 billion worth of merchandise and services in 2013, as the 12th-largest merchandise and 7th largest services importer. The agricultural sector is the largest employer in India's economy but contributes a declining share of its GDP (13.7% in 2012-13). Its manufacturing industry has held a constant share of its economic contribution, while the fastest-growing part of the economy has been its services sector — which includes, among others, the construction, telecommunications, software and information technologies, infrastructure, tourism, education, health care, travel, trade, and banking industries. The post-independence era Indian economy (from 1947 to 1991) was a mixed economy with an inward-looking, centrally planned, interventionist policies and import-substituting economic model that failed to take advantage of the post-war expansion of trade and that nationalized many sectors of its economy. India's share of global trade fell from 1.3% in 1953 to 0.5% in 1983. This model contributed to widespread inefficiencies and corruption, and it was poorly implemented. After a fiscal crisis in 1991, India has increasingly adopted free-market principles and liberalised its economy to international trade. These reforms were started by former Finance minister Manmohan Singh under the guidance of Prime Minister P.V. Narasimha Rao. They eliminated much of Licence Raj, a pre- and post-British era mechanism of strict government controls on setting up new industry. Following these economic reforms, and a strong focus on developing national infrastructure such as the Golden Quadrilateral project by former Prime Minister Atal Bihari Vajpayee, the country's economic growth progressed at a rapid pace, with relatively large increases in per-capita incomes. The south western state of Maharashtra contributes the highest towards India's GDP among all states, while Bihar is among its poorest states in terms of GNI per capita. Mumbai, Maharashtra is known as the trade and financial capital of India.

## India – Overview

- World's 3rd largest economy (in PPP terms).
- Indian economy grew at 8.5% + CAGR from 2004-05 to 2010-11. Facing economic headwinds during recent times.
- Growth in the current FY to be around ~ 5% and would rebound to 6% during next FY.
- Foreign Trade (2012-13) - \$ 800 billion
- Strong FDI Inflows - \$ 160 bn during last 6 years
- Foreign Exchange Reserves –\$ 290 bn
- Large and Growing Consumer Base
  - Population : 1.2 billion
  - One of the youngest nations by 2020
  - Over the next two decades, the country's middle class will grow from about 5 % of the population to more than 40%.
- Currently, India is the world's 4th largest energy consumer
  - India's per capita energy consumption is among the lowest.
  - Expected to be 3rd largest energy consumer in the next decade

## **Role of the capital as well as technology intensive industries such as Oil and Natural Gas in GDP of**

### **India**

The oil and gas industry is amongst the six core industries in India. This industry is a major factor for the growth being witnessed in the Indian economy today. The natural gas and petroleum sector, which is inclusive of refining, transportation, and marketing of these products, contributes about 15% to India's GDP.

Exports from petroleum are the highest in terms of the foreign currency amassed and accounts for 17% of the total exports. The Economic Affairs Committee gave 44 oil and gas blocks for exploration under the New Licensing Policy. These allocations will bring investments worth US\$ 1.5 billion in this sector.

As this is an ever growing sector, investment in this industry promises a great deal.

- Refining: India is rising as a potential refining hub because the capital costs are lowered by 25–50% here in comparison to other Asian countries. India ranks fifth in the category of refining. Its share is 3% of the capacity worldwide and is going to improve further by 45% over the next 5 years. This is in accordance with a report compiled by Deutsche Bank.
- Retail: A surge in the automobile market has led to investments for extending the petroleum sector. According to Keystone, a US consultancy, the automobile industry is poised to grow to 20 million by 2030. This makes India the 3<sup>rd</sup>-largest market for automobiles worldwide. Thus, the need for more petroleum and petroleum-based products is going to rise further.
- Gas: The power and fertilizer sectors in India drive the demand for gas in the country. They use 66% of the total gas produced. The demand for gas is set to grow; thus, the natural gas share in the overall mix is projected to rise from 8% to 20% by 2025.

The investments by public sector oil companies is going to be US\$ 11.33 billion to expand supplies and build new networks for transportation of oil and gas.

The policies of the government are a further boost to foreign investment in this industry.

Following are the government initiatives:

1. 100% FDI is allowed in private refineries via the automatic route and up to 26% in government-owned ones.
2. 100% FDI is also granted in cases of petroleum products, gas pipelines, exploration, and marketing or retail via the automatic route.
3. It has also abolished the administrated pricing policy.
4. With NELP (New Exploration Licensing Policy) it has helped encourage further explorations for oil and gas reserves in India.

India's energy sector will be instrumental in providing avenues worth in the coming years. Another reason that investments in this sector can be useful is that crude oil coming from the Middle East region can easily be transported to India. Also, India offers cost-effective refining technologies.



As the energy sector is neither expected to slow down nor lose its importance, the growth prospects are considered to be enormous in this industry.

(Source: <http://www.investinindia.com/industry/oil-and-gas/oil-and-gas-industry>)

### **1.1.2 India's Energy Basket**

Indian energy sector is going through a critical phase and is facing several challenges. The industry and the nation at large would need to make choices to address key issues like volatile prices, global linkage of raw material prices, limited domestic availability of gas, LNG market dynamics including availability at affordable prices for Indian market, importance of efficiency across the value chain, alternate energy developments, evolving regulatory frameworks and policy guidelines, downstream market reforms, changing competitive landscape, etc.

Also, globalization has meant that our energy markets are more and more linked to global markets. The uncertainty caused by such exogenous variables in the oil and gas sector will continue to pose challenges in achieving long-term goals. Indian natural gas sector will offer a range of opportunities in the coming years. The natural gas sector has gone through a number of changes recently that have helped attract investments and catalyse new demand and supply. These include a steady rise in gas prices towards market-based pricing, success in the early NELP rounds that has led to new domestic discoveries, formation of a regulatory body (PNGRB), significant new infrastructure in the form of trunk pipelines, LNG terminals and city gas networks and emerging regulatory changes in downstream consuming sectors such as power, automobile fuels and fertilisers. As the natural gas market develops, demand is set to rise on the back of segments such as power, CGD and industrial users, necessitating higher imports as well as investment in supporting infrastructure. LNG imports into the country and development of downstream markets to ensure offtake will remain at the core of the natural gas sector in the days to come. Therefore, it is believed that the future of the Indian gas market will significantly depend on LNG imports and the opportunity lies in developing infrastructure and the markets for LNG.

(Source ET interview excerpts of CMD, GAIL: [http://articles.economicstimes.indiatimes.com/2011-12-20/news/30534726\\_1\\_gas-demand-bc-tripathi-lng](http://articles.economicstimes.indiatimes.com/2011-12-20/news/30534726_1_gas-demand-bc-tripathi-lng))

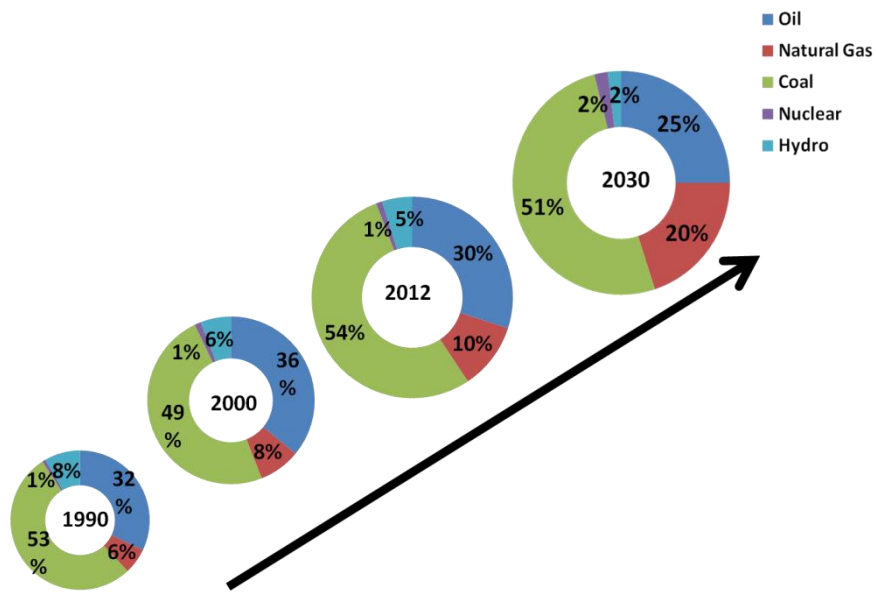
Population and income growth are the two most powerful forces driving demand for energy. Over the last 20 years, the world population has increased by 1.6 billion people, and it is projected to rise by 1.4

billion over the next 20 years. The world's real income has risen by 87% over the past 20 years and it is likely to rise by 100% over the next 20 years. Powerful long-term trends continue to shape the modern energy economy — industrialisation, urbanisation and motorisation. In India, energy consumption will also rise due to its population growth and fast-growing economy. However, inadequate energy addition on the supply-side may widen the already existing demand-supply gap over the coming years. It is expected that fossil fuels will continue to be the mainstay of India's supply basket in the short to medium-term scenario. Natural gas currently accounts for about 10 % of India's energy basket and it is expected to reach 20% by 2030. India could become the second-largest natural gas consumer in Asia by 2015. In the long term, with decisive climate-change policies, technological improvements in clean fuel technologies, and constrained fossil fuel supplies, the share of renewable energy will gradually increase. A number of attractive growth opportunities are emerging in the Indian energy sector and there are also many new players to take advantage of those opportunities. The formation of a regulatory body (PNGRB) in the natural gas sector has brought in a new dimension to the competitive landscape. New players are aggressively entering the natural gas sector, be it the transmission segment or city gas distribution. The competition is likely to intensify in the coming years not only in the midstream areas, but also in the downstream. Reforms in the downstream segments of the value chain and emergence of market-based pricing are encouraging players to enter into sectors like CGD, power, etc. With LNG imports growing there is a need to expand LNG import infrastructure, and this is attracting many companies to set up LNG regasification terminals.

(Source : <http://panchabuta.com/2011/12/21/natural-gas-in-indias-energy-basket-will-be-20-by-2030-says-bc-tripathi-chairman-md-gail-india/>)

Coal dominates the energy mix in India, contributing 55% of the total primary energy consumption. Over the years there has been a marked increase in the share of natural gas in primary energy production from 6% to a projected share of 20% in 2030.

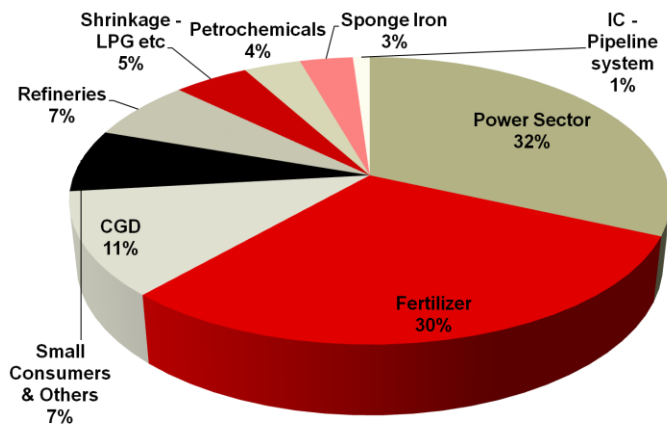
Figure 1.1.2 (a)



(Source: BP Statistics 2011, Energy Outlook 2030)

**India's sectorwise gas consumption is given below:**

Figure 1.1.2 (b)



(Source: BP Statistics 2011, Energy Outlook 2030)

### **1.1.3 Oil & Gas Industry**

The oil and gas sector is one of the six core industries in India. It is of strategic importance and plays a pivotal role in influencing decisions across other important spheres of the economy.

In 1997–98, the New Exploration Licensing Policy (NELP) was envisioned to deal with the ever-growing gap between demand and supply of gas in India. As per a recent report, the oil and gas industry in India is anticipated to be worth US\$ 139,814.7 million by 2015. With India's economic growth closely linked to energy demand, the need for oil and gas is projected to grow further, rendering the sector a fertile ground for investment.

(Source: <http://www.ibef.org/industry/oil-gas-india.aspx>)

To cater to the increasing demand, the Government of India has adopted several policies, including allowing 100 per cent foreign direct investment (FDI) in many segments of the sector, such as natural gas, petroleum products, and refineries, among others. The government's participation has made the oil and gas sector in the country a better target of investment. Today, it attracts both domestic and foreign investment, as attested by the presence of Reliance Industries Ltd (RIL) and Cairn India.

The oil and gas sector consists of three segments upstream, midstream and downstream. The upstream segment primarily consists of companies engaged in exploration and production activities, while the midstream segment comprises of companies engaged in storage and transportation, and the downstream segment includes companies engaged in refining, processing and marketing of petroleum products.

#### **(a) Market Size**

Backed by new oil fields, domestic oil output is anticipated to grow to 1 MBPD by FY16. With India developing gas-fired power stations, consumption is up more than 160 per cent since 1995. Gas consumption is likely to expand at a CAGR of 21 per cent during FY08–17.

(Source: <http://www.ibef.org/industry/oil-gas-india.aspx>)

Domestic production accounts for more than three-quarters of the country's total gas consumption.

India increasingly relies on imported LNG; the country was the fifth-largest LNG importer in 2013, accounting for 5.5 per cent of global imports. India's LNG imports are forecasted to increase at a CAGR of 33 per cent during 2012–17.

(Source: <http://www.ibef.org/industry/oil-gas-india.aspx>)

State-owned ONGC dominates the upstream segment (exploration and production), accounting for approximately 60 per cent of the country's total oil output (FY13).

IOCL operates 11,214 km network of crude, gas and product pipelines, with a capacity of 1.6 MBPD of oil and 10 million metric standard cubic metre per day (MMSCMD) of gas. This is around 30 per cent of the nation's total pipeline network. IOCL is the largest company, operating 10 out of 22 Indian refineries, with a combined capacity of 1.3 MBPD.

(Source: <http://www.ibef.org/industry/oil-gas-india.aspx>)

### **(b) Investment**

According to data released by the Department of Industrial Policy and Promotion (DIPP), the petroleum and natural gas sector attracted foreign direct investment (FDI) worth US\$ 6,519.53 million between April 2000 and January 2015.

Following are some of the major investments and developments in the oil and gas sector

(Source: <http://www.ibef.org/industry/oil-gas-india.aspx>):

- Technip has won a € 100 million (US\$ 109.37 million) contract from Oil and Natural Gas Corporation (ONGC) to build an onshore oil and gas terminal in Andhra Pradesh.
- Essar Oil Ltd has signed a deal with Russia-based OAO Rosneft to import 10 million tonnes (MT) of crude oil per year for 10 years.

- Reliance Industries Ltd (RIL) and Mexican state-owned company Petroleos Mexicanos (Pemex) have entered into a memorandum of understanding (MoU) for cooperation in the oil and gas sector.
- GAIL Global USA LNG LLC (GGULL) has signed an agreement with the US-based WGL Midstream Inc for sourcing gas required to produce 2.5 MT of liquefied natural gas (LNG) a year at the Cove Point Terminal in Maryland, US.

### **(c) Government Initiatives**

Two landmark initiatives for energy efficiency – Design Guidelines for Energy Efficient Multi-Storey Residential Buildings and Star Ratings for Diesel Gensets and for Hospital Buildings – were launched by Mr Dharmendra Pradhan, Minister of State with Independent Charge for Petroleum and Natural Gas, Government of India. Some of the major initiatives taken by the Government of India to promote oil and gas sector are:

- To strengthen the country's energy security, oil diplomacy initiatives have been intensified through meaningful engagements with hydrocarbon rich countries.
- Special dispensation for North East Region: For incentivising exploration and production in North East Region, 40 per cent subsidy on gas price has been extended to private companies operating in the region, along with ONGC and OIL.
- The Cabinet Committee on Economic Affairs (CCEA), chaired by Prime Minister Mr Narendra Modi, has approved a mechanism for procurement of Ethanol by Public Sector Oil Marketing Companies (OMCs) to carry out the Ethanol Blended Petrol (EBP) Program.

### **(d) Road Ahead**

By 2015-16, India's demand for gas is set to touch 124 MTPA against a domestic supply of 33 MTPA and higher imports of 47.2 MTPA, leaving a shortage of 44 MTPA, as per projections by the Petroleum and Natural Gas Ministry of India. Moreover, Business Monitor International (BMI) predicts that India will account for 12.4 per cent of Asia-Pacific regional oil demand by 2015.

(Source: <http://www.ibef.org/industry/oil-gas-india.aspx>)

The Indian Oil Ministry anticipates that the country's energy demand would expand by more than double by 2035. The government is gearing up to meet this exponential surge in demand through enhanced operations and increased efficiency.

(Source: <http://publicopinion.in/OILANDGAS.aspx>)

The country's natural gas consumption growth rate (CAGR) during 2001-2011 was around 8.75% and is expected to grow the fastest among all other energy forms at 4.5% per annum until 2050. Demand for natural gas is expected to reach more than 450 million m<sup>3</sup>/d by 2017 and over 600 million m<sup>3</sup>/d by the 13<sup>th</sup> Five Year Plan, ending in 2022.

(Source:[http://www.lngindustry.com/regasification/06062014/Prabhat\\_Singh\\_GAIL\\_India\\_Ltd\\_discusses\\_recent\\_activities\\_as\\_GAIL\\_looks\\_to\\_meet\\_growing\\_energy\\_needs\\_in\\_India/](http://www.lngindustry.com/regasification/06062014/Prabhat_Singh_GAIL_India_Ltd_discusses_recent_activities_as_GAIL_looks_to_meet_growing_energy_needs_in_India/))

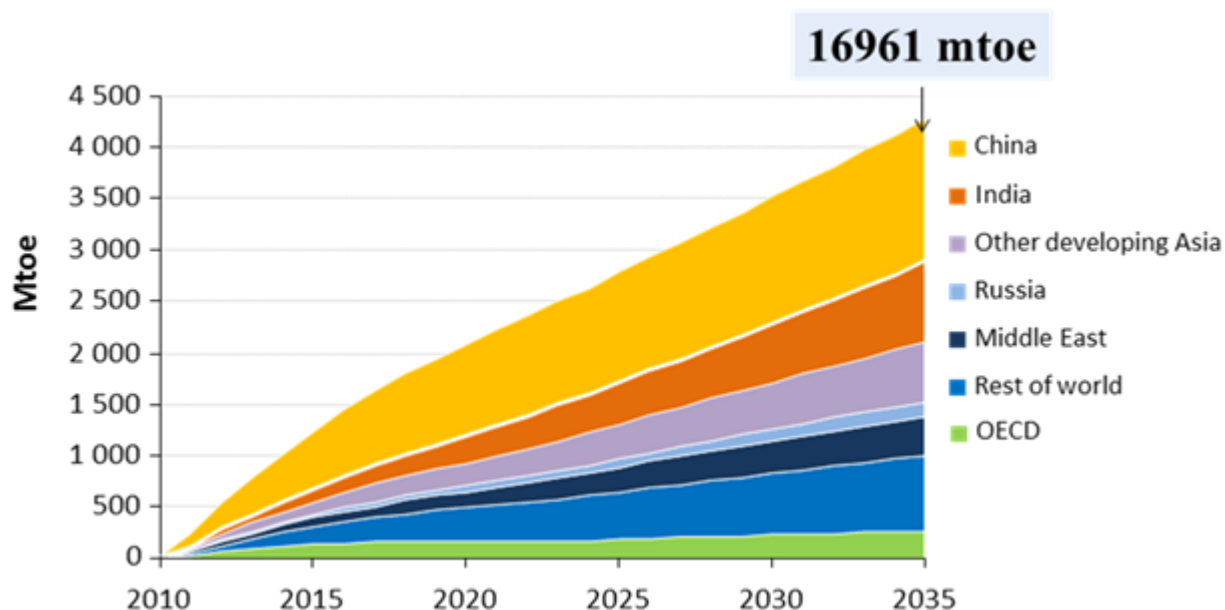
Given this scenario, India will have to augment its domestic production as well as create sufficient downstream and regasification infrastructure for LNG imports during this period. It is envisaged that approximately US\$ 14 billion needs to be invested by 2017 to develop the requisite pipeline infrastructure and there are plans to increase the regasification capacity from the current 27.5 million tpy to 50 million tpy at a likely investment of US\$ 5 billion.

(Source:[http://www.lngindustry.com/regasification/06062014/Prabhat\\_Singh\\_GAIL\\_India\\_Ltd\\_discusses\\_recent\\_activities\\_as\\_GAIL\\_looks\\_to\\_meet\\_growing\\_energy\\_needs\\_in\\_India/](http://www.lngindustry.com/regasification/06062014/Prabhat_Singh_GAIL_India_Ltd_discusses_recent_activities_as_GAIL_looks_to_meet_growing_energy_needs_in_India/))

In a recent development, the government has allowed 100 per cent FDI in the oil and gas sector, enabling some large partnerships such as the US\$ 7.2 billion deal between BP and Reliance Industries. To cope with increasing demand for energy, the government also introduced legislations such as the NELP to enable companies to bid for exploration rights, and encourage private sector participation. Now a lot of international companies are coming forward to invest in India. This will bring in necessary monetary resources and technological capabilities, especially in the field of deep sea exploration and create new employment opportunities.

The predicted energy consumption worldwide vis-a vis emerging economies like India & China are given below:

Figure 1.1.3 (d) (i)



Global energy demand increases by one-third from 2010 to 2035, with China & India accounting for 50% of the growth

(Source: BP Statistics 2011, Energy Outlook 2030)

### 1.1.4 Gas Segment

Natural gas has always been a supply-constraint market in India. The most prolific gas producing fields include Bombay High which is operated by ONGC and KG-D6 offshore which is operated by Reliance Industries Ltd. The total offshore gas production accounts for 88% of the total production in India. The share of the private sector and JVs in the country's total gas production is expected to increase, owing to recent gas discoveries expected to be monetized by the companies.

CBM production is expected to increase over the years on account of the monetisation of discoveries made by Essar Oil Ltd and Reliance Industries Ltd (RIL). Currently, LNG imports of 46 MMSCMD (1.6 BCFD) constitute roughly 27% of the total gas consumption of India, which was 166 MMSCMD (5.9 BCFD) in 2011.



According to supply projections for the XII and XIII Five Year Plan, the re-gasification capacity in India is expected to increase from current 18.4 BCM (0.6 TCF) to 27 BCM (1.0 TCF) by 2013 and around 95 BCM (3.4 TCF) by 2017.

PNGRB has kick-started the process of authorising entities for laying, building, operating and expanding CGD networks in various cities across India. Before PNGRB came into existence, the government had identified cities including Delhi and Mumbai and authorised companies to operate CGD networks in those cities. Increased gas availability, improved gas pipeline coverage and gas being one of the priority sectors are the major drivers of the CGD business in India. The government has aggressive plans to develop CGD network in more than 200 cities across India. Each city would warrant an investment ranging between 65 million USD to 100 million USD. The first round of bidding is complete and the companies have been authorised by PNGRB. In the second round the bids have been received but authorisation is still awaited. The third (8 cities) and fourth (8 cities) rounds of CGD bidding launched by PNGRB are currently underway.

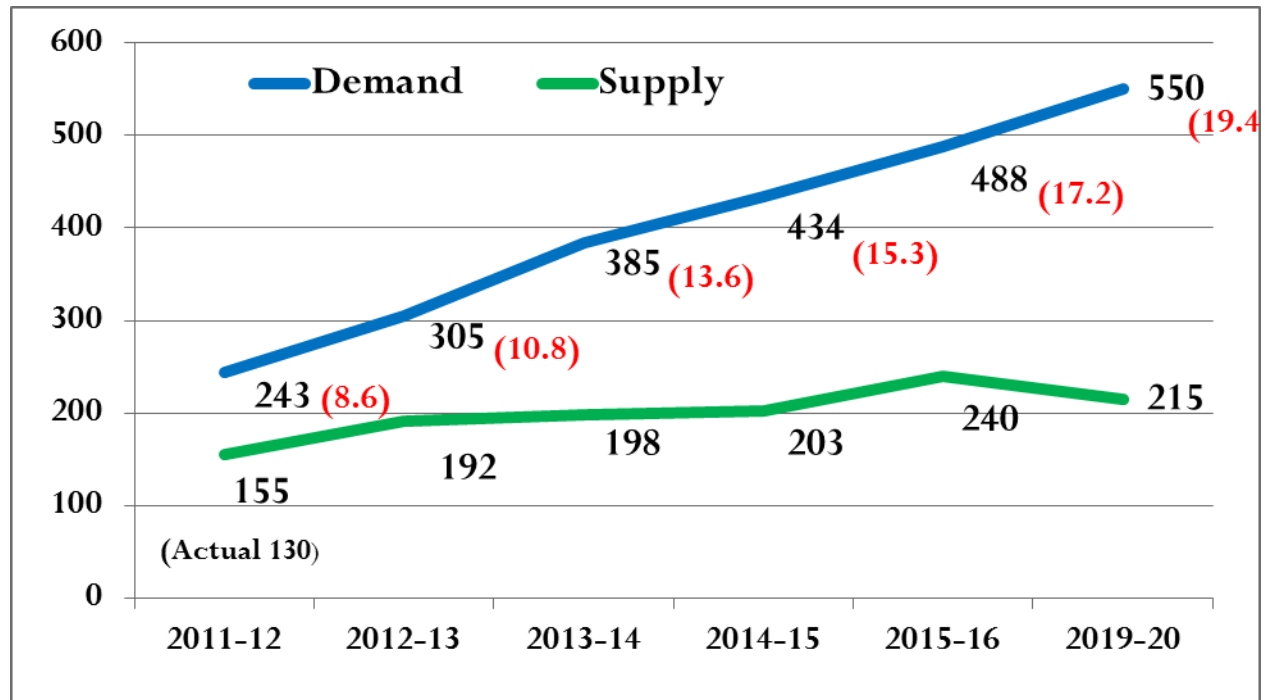
**(a) Demand and Supply Gap:**

Nearly 75% of oil is imported putting a severe strain to current account deficit. Domestic production and supplies from transnational pipelines will not be able to keep pace with the demand for natural gas in India and LPG represents the only opportunity to bridge this gap in future. According to report titled LNG-Global challenges and opportunities in India, the domestic production is expected to reach only 230 million metric standard cubic metres per day.

According to the report, natural gas is critical towards attaining energy security for India as the country's primary energy consumption is set to increase to 1120 million tones of oil. Natural gas represents the best alternative to meet the growing demand. The demand from power sector is expected to increase to 354mmscmd while that of fertilizer sector to 110mmscmd due to conversion of naphtha plants to gas and enhanced domestic capacity. (ONGC-BCG Report)

## CURRENT GAS DEMAND & DOMESTIC SUPPLY SCENARIO

Figure 1.1.4 (a) (i)



Demand – Mercados Analysis , 2011

Supply – Directorate General of Hydrocarbons (DGH)

### 1.1.5 Business Problem

The ground realities of the present status of the Company vis-à-vis its vision and mission clearly reflect the gaps for lack of vertical integration/alignment between the Company Strategy and HR Strategy. As such, HR could not live up to its desired role in integrating/aligning amongst various sub-functions. This gives rise to challenge in sourcing middle and senior level domain specialists since the talent pool is relatively small. There also exists a knowledge and skill gap amongst the fresher joining the sector.

As the organization forays into global ventures in line with its strategic goals, major challenges in the area of alignment of HR with Business strategy remains. Primary challenges among them are:

- In the new Indian vision for energy sufficiency, E&P would be encouraged, shale gas and CBM developed, and the natural gas share in the primary energy basket increased through extensive development of pipeline infrastructure and LNG regasification terminals. Organization is venturing into new business areas like E&P, Shale Gas, and LNG Trading, Solar Energy and Wind Energy as a part of its overall global strategy. These new business initiatives call for the continuous capability

building, development of existing human capital and organization restructuring in these areas. Thus, there is a need for continually challenging the existing HR practices and seeking better solutions by introducing innovative, considered and flexible solutions to line management problems

- This is the greatest challenge before HR function in the organization as currently GAIL is predominantly engaged in transportation & marketing of natural gas, petrochemicals, LPG transmissions and Liquid Hydrocarbons and is not having relevant experience in E&P, Shale Gas, and LNG Trading, Solar Energy and Wind Energy at present due to which organization is facing great difficulty in executing the strategy as per its initial plans.
- In order to build its global footprint organization has to develop the cross functional teams for handling Mergers & Acquisitions for which currently there is no expertise in the organization. Further, for driving the performance oriented culture in the organization and to build capabilities in the new business areas globally it also needs to focus on restructuring the organizational structure from time to time.
- GAIL being a PSU is governed by Government guidelines on pay and perquisites which does not offer level playing field with private sector. While compensation packages in private sector are market driven and are decided based on business strategies Public Sector Undertakings do not have the flexibility to decide based on market conditions. This is one of major hindrance for organization in the Public Sector to attract the talent pool required to drive the business strategy of the organization. Accordingly, venturing in to all these new business areas having global operations will thus require the organization to build new strategies which are completely aligned with HR strategies within the framework of Government guidelines.
- The inability of the Company to harness the human resource data available with existing SAP-HR module and integrating with advance HR analytics software programs. The HR analytics will allow HR to not only be involved in managing talent, but to also collect clearer information on its supply chain of talent and where the most demand for particular skill lies. Rather than instinctive, GAIL-HRD will be able to provide a far more granular roadmap of how GAIL's people's resources need to be reshaped to deliver on the Business Strategy. Thus, it calls for anticipating the GAIL's changing needs and acting quickly and decisively by using technology to provide employees with faster & better quality HR services.

It is evident from the annual report for the FY 2013-2014 & FY 2014-2015 that GAIL's competency to its old business verticals i.e. Gas Transmission, Gas Trading, Petrochemicals and LPG Transmission has also come under close scrutiny over the years.

To summarize, GAIL is required to develop appropriate core competency in the new business verticals such as E&P, LNG Trading, solar energy, wind energy etc. GAIL also needs to successfully venture out aggressively in Merger and Acquisition globally and domestically. Thus, there is an imperative need for GAIL to develop core competency to venture out in upcoming business areas such as shale gas. It is needless to mention that despite having requisite infrastructure GAIL is facing difficulty, as it does not possess adequate talent pool for execution of activities as set out in its business objectives.

## **1.2 Topic and Purpose of the study**

### **1.2.1 Need And Scope of Study : GAIL(India) Ltd**

In management research, the researcher is absorbed with a problem or phenomenon in practice, which the researcher wants to explore and understand (Maxewell, 1996). Then the researcher develops research questions and a research design to analytically understand this problem/phenomenon. Next, existing theory is explored and integrated using the theory development methodology to develop the conceptual lens to study the problem. This conceptual lens along with the research questions lead to the development of empirical research design and data analysis approach. Thereafter, the researcher enters the empirical world and makes observations there and collects data. This data is managed and analyzed in accordance with the conceptual lens and empirical research design which leads to findings. These findings might possibly lead to existing theory extension and helps to understand and prescribe the problem.

The purpose of this research work is to understand & describe the formulation of HR strategy for various Business Verticals and how they practice these formulated strategies in a large gas utility company. Further, to understand why the particular HR Strategy has been chosen and how these formulated strategies are being practiced in the company. A case study approach has been selected for this research study because, the definition of the case study method say that “*the central tendency among all types of case study, is that it tries to illuminate a decision or set of decisions: why they were taken, how they were implemented, and with what result*” (Yin, 2003)

GAIL (India) Limited has been chosen for the study on HR Strategy & practices since it is having 70% market share in natural gas industry and it is a No. 1 gas utility company in India. GAIL (India) Limited, a Maharatna Public Sector Undertaking, is having 7 LPG processing plants, 1 Petrochemical processing plant & 3 Natural Gas Pipeline networks & 2 LPG pipeline networks.

In large Gas Utility Company, formulation and practices of HRM activities are tackled by the HR group of the company. Thus, there is an crucial need to gather an in-depth perception of this knowledge in formulation of HR strategy and practices in the Gas Utility Company. The purpose of this research work is to understand & describe the formulation of HR strategy in Gas Utility Services Company in India. Further to understand why the particular HR strategy has been chosen and how these formulated strategies are being practiced in the Company. A case study approach has been selected for this research

study as the study centre around how and why with the subject of research. GAIL (India) Ltd has been chosen for the study on SHRM practices since it is having 70% market share in natural gas industry and it is a No.1 gas utility company in India. Various Business verticals of GAIL:

Figure 1.2.1 (a)

Business verticals	2012-13		2013-14		2014-15 (up to Dec)	
	Turnover (%)	PBT (%)	Turnover (%)	PBT (%)	Turnover (%)	PBT (%)
Gas Transmission	6%	28%	7%	27%	5%	25%
Gas Trading	75%	23%	74%	25%	75%	13%
Petrochemicals	8%	25%	8%	21%	8%	8%
Liquid Hydrocarbon	9%	26%	10%	16%	9%	44%
LPG Transmission	1%	1%	1%	3%	1%	5%
Others (incl E&P)	0%	-5%	1%	7%	1%	5%

GAIL is aiming at aggressive growth, both organic and inorganic with global presence which includes merger and acquisition thus besides the business verticals much priority is also accorded to venture out such new areas and finally float a special purpose vehicle with separate legal identity.

It is proposed to undertake single case design (Type 1: Yin 2003) as the common HR performs and looks after the various business verticals in large gas utility company.

Our study would cull out data from discussion with people involved in policy formulations of the company. A semi structured questionnaire (data collection protocol) will be prepared for taking interviews of department head etc, such that the questions in the list are directed towards the desired outcomes.

### **1.2.2 Gist of the Literature Review**

Post identification of the Business Problem as above, literature review has been carried out. A brief review on current status of literature on the following concepts of emergence of Strategic Human Resource Management and linkage of SHRM and Business Performance. Overview of Theories and Models of SHRM, Constructs of SHRM, SHRM in India, are presented in this section. Overall an effort has been made in Chapter 2 to comprehensively review the literature of the research topic. The Emergence of SHRM is about having the kind of association which is that of '*integrative linkage*', where HRM has equal involvement with other organisational functional areas for business development. HR increases the attractiveness of the organization to the potential employees and other stakeholders and enhances the personal capabilities of peripheral and displaced employees. Strategic capability requires clarity of vision, careful planning, objectives and focus for action. This strategic capability will require different competencies, skills and experience at different organizational levels. In order to acquire and develop these attributes, HR plays a very significant role.

The concept of SHRM is embedded in the notion of complementarity or integration or 'fit'. Fit is the degree to which the needs, demands, goals, objectives and/or structure of one component are consistent with the needs, demands, goals, objectives and/or structure of another component. The theories of fit are based on the premise that organizations are more efficient when they achieve fit. On the basis of extensive literature review, four types of fit were identified vis-à-vis SHRM: fit between HRM and Business Strategy; fit between HR roles and position; fit within HRM function and fit between HRM and other functional areas. These various types of fit serve as measures or constructs of SHRM. The general trend in Indian industry, due to the liberalization of the Indian economy, is encouraging for the strategic human resource management practices in general. The study is relevant due to changes in the Indian economy and the resulting effect on the management of all resources therein. This change from a regulated environment to a free market environment has direct implications for SHRM practices in India. Since liberalization, the Indian organizations and the managers are dealing with issues of transformation and growth. Restructuring, reengineering, realignment of systems, structures, tasks and technology have all become imperative.

### **1.3 Problem Statement**

Although in the current thinking on SHRM various theories and model are well known but the process of human resource strategy formulation & practices in alignment of business strategy at an organisation level have not been described in detail. Holistic process model of SHRM is also not available.

### **1.4 Potential Significance**

The study essentially is aimed at bringing out such issues in a modest way. This will also trigger further study by the academics/practitioners, as not much study has been undertaken in the past in the Oil & Gas Sector, as such same will further contribute towards development of literature in this field.

The study is also aimed at exploring the current scenario in the large Gas Utility Company with regard to alignment of its Corporate HR Strategy with the overall Business Strategy and further alignment of various sub-functions of Corporate HR.

### **1.5 Thesis Disposition**

This study consists of **Five** chapters. The **first chapter** gives the introduction to the research topic including its **Background, Indian Oil & Gas industry**. It also discusses the business problem and problem statement.

The **second chapter** discusses about the extensive **Review of Literature undertaken** in the area of HR management, which clearly highlights the gap in availability of literature on HR strategies & practices related to Indian gas utility company using qualitative research approach. Literature review thus helped to identify **Initial Conceptual Constructs (ICC)** that can help to formulate & select the HR strategies for an organization.

The **third chapter** explains the **Research Design and Methodology** adopted for achievement of the objective (s) of the study undertaken. This explains the rationale of the study followed by the statement of the research problem, objectives of the study, research questions, propositions, the research design and sampling process, data collection, initial conceptual constructs found through literature survey and tools for analysis of primary data.

The **fourth chapter** deals with the **Analysis and the Interpretation of Data** of HR strategies & practices for Natural Gas Pipelines of a large gas utility company in India. The chapter also gives a snapshot of whether the objectives, research questions and propositions that were initially set out to be achieved, through this research study, has been achieved or not.

Finally, the **Fifth chapter** gives the **Conclusions and Discussions**

Bibliography and Appendix is given at the end as reference.

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**Chapter 2**

**LITERATURE**

**REVIEW**

## **2.1 Introduction**

All over the world organizations are now facing extreme competition, market uncertainty and instability. Given that organizations have to sustain in such environment, there should be explicit links between business strategy and systems/ practices followed by the management including development of people. Human Resources (HR) have become the most critical resource which can give competitive advantage to an organization and therefore, should be managed and valued in the context of organizational strategies and policies. An organization should aim to successfully link HR strategy to the overall business strategy and give proper emphasis to current issues such as performance management and measurement, strategic reward systems, the learning organization, managing knowledge for strategic advantage. Human Resources though critical in the operations of all businesses, have neither been given due emphasis nor the impetus that it deserves. The seeming lack or insufficiency of recognition of the HR function can be attributed to the HR Managers who have failed to demonstrate in concrete terms their impact to the bottom line. Some of the important roles of the HR Department in an organization, in addition to the Managerial and operative functions are Policy Initiation, Advisory Role, Linking Pin Role, Representative Role, Decision-making Role, Mediator Role, Leadership Role, Welfare Role, Research Role, Competency Building Role, so on and so forth. Today, HR helps the top brass of the business in shaping their strategies as much as the business warrants HR strategies to get attuned to its mission and objectives. Pfeffer (1994) states that there is a correlation between performance and how the workers are managed. Organization vision and values will help in formulation of organization's strategy and specific goals. In some of the recent studies (Pfeffer, 1998), suggested that 'best practices' such as incentives, performance management and extensive training are as important for developing competitive advantage as the strategy, structure, technology and market share. This makes it very important that HR in a company should be aligned with the overall business strategy or business focus of the company. As an organization struggles to remain sustainable and competitive, strategic planners and human resources professionals need to collaborate more intensely in designing strategies that are productive and humane. According to many researchers, the most successful organizations in the 21st century will be the ones that adopt a focused and integrated HR processes and systems. The HR function, which is not aligned with an organization's strategy fails to accomplish the mission and vision of the organizations. Most organizations view the department of Human Resources (HR) as an administrative function and ignore the need and opportunity to align it with its strategic plans. In circumstances where HR is included in the strategy of an organization, its alignment does not go beyond a forecasting function. The main reason that HR is not aligned with the strategy of an organization is that it does not hold a seat at the strategic

planning table. The irony with HR being left out of strategy planning is that by its nature, HR is about people, which is the core of an organization and its strategic plan.

We are living in a world where volatility and uncertainty have become the New Normal. The Arab Spring saw a change of government in countries like Tunisia, Egypt, Libya and Yemen. Once powerful countries in Europe are now fighting bankruptcy. Companies that were synonymous with their product categories just a few years ago are now no longer in existence. Kodak, the inventor of the digital camera had to wind up its operations. HMV, the British entertainment retailing company and Borders, once the second largest US bookstore, have shut down due to their inability to evolve their business models with the changing times. The dynamic and fast-changing nature of our world today is best described by VUCA, a term coined by the US Army War College. VUCA stands for Volatility, Uncertainty, Complexity and Ambiguity. VUCA is an acronym used to describe or reflect on the volatility, uncertainty, complexity and ambiguity of general conditions and situations. The organizational complexities have been accentuated by change of demographics, customer profile, localization, and innovations with pressure on Sustainability with Innovation, Talent Management Frameworks, verticalisation of organizations and fast pacing Technological changes. Further, with complex & large organizations in the modern world, interconnections of systems, geographies & products and services Leadership has assumed totally new set of contingencies. Hence, organizational strategies of Leadership are getting more attention of Top Management for using Empowerment, enriching & other critical Positive Psychology & Talent Management tools e.g. developmental conversation, Executive Coaching.

SHRM is largely about integration and adaptation (Schuler and Jackson, 1999). Its concern is to ensure that: (1) HRM is fully integrated with the organization as articulated through its strategy and the strategic needs of the firm; (2) human resource practices are consistent both across policy areas and across hierarchies; and (3) human resource practices are adjusted, accepted, and used by line managers and employees as part of their everyday work. Together, these viewpoints suggest that SHRM has many different components, including activities, policies and practices. The various statements also imply what SHRM does: it links, it integrates, and it connects across levels in organizations. Typically, organizations define (or redefine) their strategic business needs during times of turbulence. As such, these needs reflect management's overall plan for survival, growth, adaptability, and profitability. Internal characteristics (such as culture and the nature of the business) as well as external characteristics (such as the state of the economy and critical success factors in the industry) may well influence the definition of needs. The

biggest factor affecting SHRM, however, is not a particular characteristic so much as it is experience with this mode of planning. Human resource managers who have never before been asked to meld human resource activities with strategic needs will find that the process takes time, persistence, and a detailed understanding of the needs that have been defined. In fact, linkages between human resource activities and business needs tend to be the exception even during non-turbulent times. When such linkages do occur, they are usually driven by the organization's efforts to formulate and implement a particular strategy (Thompson and Strickland, 1998). To trigger specific actions, the business needs are generally translated into more actionable statements, which might be called "strategic business objectives." For other organizations, these might be called "business vision statements." By calling them strategic business objectives, firms believe that the statement conveys a more specific action element, starting with an influence on a variety of human resource activities (Schuler et al., 2000).

## **2.2 Evolution of HRM**

Actually, the seed of HRM were sown during the industrial revolution 1850s in Western Europe and USA. The wind steadily reached to India as well in the start of twentieth century. The situations of workers in the aftermath of factory system as an outcome of industrial revolution were very tragic. The World War-I further worsened their state of affairs. Thus, there was an imperative need for the state intervention in order to safeguard and protect the interest of workers so as to avoid exploitation. The Royal Commission of Labour in India (1911) under the chairmanship of J H, Whitley recommended the elimination of the 'jobber' system and the appointment of labour officers in industrial enterprise to perform the recruitment function as well as to resolve the worker's grievances. Also, workers started forming their associations which was later known as 'trade unions' to improve their lots. Trade Union Act, 1926 was passed in India. The basic philosophy underlying trade unionism was to protect the worker's interest and to sort out of their problems such as use of child labour, long hours of work and deplorable working conditions. These unions used strikes, slowdowns walkouts picketing, boycotts, and sabotage as weapons for the acceptance of their problems. These actions of trade unions gave rises to personnel practices such as collective bargaining, grievance handling system, arbitration, disciplinary practices, employee benefit programmes, installation of rational and defensible wage structures. In the starting decade of 20<sup>th</sup> century, some factory owners/employers started showing humanistic approach towards the workers. Robert Owen, a British industrialist towards workers. He viewed that the principal social and economic environments influence the physical mental and psychological development of workers. Therefore, in order to increase the productivity, it is necessary to improve, conditions of

employees by removing them from an adverse environment or by changing the environment with the provisions of more satisfactory living and working conditions.

The notion of scientific management was introduced by Fredrick Winslow Taylor' in the USA early in the 20th century as an substitute to the prevailing system of management by initiative and incentive. Based on his shop floor job experience, Taylor established four principles of scientific management:

1. Development and use of scientific methods in setting work standards, determining a fair day's work, and best way of doing work.
2. Scientific selection and placement of workers best suited to perform the various tasks and provision of their training and development for maximum efficiency.
3. Clear cut division of work and responsibility between management and workers.
4. Harmonious relations and close cooperation with workers to secure performance of work in accordance with the planned jobs and tasks.

In his scientific theory, Taylor regarded man/worker as one driven by anxiety of hunger and search for profit. Accordingly, if economic reward is tied up with the efforts put on the job, the worker will respond with his maximum physical capability. The main contribution of Taylor to management was it led to professionalization of management and human engineering. However, some critics criticize his views on the ground that its focus was more on technology and not on human factor in industry.

By 1920, it was felt that earlier methods to human resource management were incomplete as these did not distinguish workers as human beings having their feelings, attitudes and needs. It was between 1925 and 1935; many experts expressed their thoughts towards the human aspects of organisational activities. A psychologist namely Hugo Munsterberg in his book "Psychology and Industrial Efficiency" recommended the use of psychology in selection, placement, testing and training of employees in an organisation. Elton Mayo and his associates conducted a series of experimentations from 1924 to 1932 at the Hawthorne plant of the Western Electric company in the USA.

The main findings of the Hawthorne Experiments were as follows:

1. Physical environment at the work place do not have any material impact on the efficiency of work.
2. Favourable attitudes of workers and work-team towards their work were more important factors determining efficiency.
3. Fulfillment of the worker's social and psychological needs had a beneficial impact on the morale and efficiency of workmen.
4. Employee groups based on social interactions and common interests exercised a strong influence on worker's performance.
5. Workers cannot be motivated solely by economic rewards. More important motivators are job security, recognition, right to express their opinion on matters related to them.

Based on these outcomes, the researchers developed a human relations approach to HRM. It was based on the view that the modern organisation is a social system in which the social environment and interpersonal relations govern the behaviour of employees. The relationship between the bosses and subordinates should relate to the social and psychological satisfaction of the employees. In eventual sense, the objective of human relations approach was to make employees productive and it was realized that employees' satisfaction is the best means of making the employee productive.

We have just seen that human relations era accepts that a happy worker is a productive worker. As a corollary to this, the behavioural science era assumes human behavior as a means to achieve efficiency in performance. Behavioural approach to HRM is based on the findings of rigorous research carried out by behavioural scientists belonging to the disciplines of sociology, social psychology, anthropology and management experts. The major contributions made by the behavioral scientists are in the areas of motivation, leadership, communication, organisational change and development, organisational culture, and individual and group dynamics. On the whole, behavioural science approach of HRM was concerned with the social and psychological facets of human behaviour in organisations.

Henry Fayol emphasized the point that there is nothing inelastic or obsolete in management efforts. Thus, it is clear that contingency approach is not new, but has been stretched in the modern times. This is the modern recent approach in management and for that matter in HRM as well. HRM has a modest beginning in India in 1920s. By now, this concept has blossomed into a matured subject and profession.

Venkata Ratnam and Srivastava have outlined the evolution and development of HRM in India as shown below:

Figure 2.2 (a)

**Evolution and Development of HRM in India:**

Period	Development	Outlook	Emphasis	Status
1920s-1930s	Beginning	Pragmatism of Capitalists	Statutory welfare, paternalism	Clerical
1940s-1960s	Struggling for recognition	Technical legalistic	Introduction of techniques	Administrative
1970s-1980s	Impressing with sophistication	Professional legalistic impersonal	Regulatory conformance imposition of standards on other functions	Managerial
1990s	Promising	Philosophical	Human values productivity through people	Executive

(Source:<http://www.yourarticlelibrary.com/hrm/evolution-and-development-of-human-resource-management-hrm/35234/>)

Now that we have explained the evolution of the concept of HRM, we are prepared to outline an overview of HRM in India. Like UK and USA, the evolution and development of HRM in India was not voluntary. The aftermath of the First World War rendered the country with difficult conditions. These manifested in various malpractices in the recruitment of workers and payment of wages leading to trade unionism in organisations causing massive loss in production due to industrial disputes. Given such scene, government intervened under compulsions to take care of the situation. The Royal Commission of Labour in India, in 1931, under the chairmanship of J.H. Whitley recommended the abolition of the ‘jobber’ system and the appointment of labour officers in industrial enterprises to deal with the recruitment of labour and to settle their grievances.

After Independence, the Factories Act, 1948 laid down qualifications and duties of Welfare Officers and also made it compulsory for companies employing 500 or more workers to appoint Welfare Officers with requisite qualifications and training. During the aftermath of the Second World War and Independence, worker’s needs and expectations increased. During the 1960s, the personnel functions got expansion

beyond welfare function. Three areas were added to it: Labour Welfare, Industrial Relations and Personnel Administration. All these three integrated into the emerging Profession called 'personnel management'. This was followed by the Government's massive thrust to the development of basic and heavy industries since the Second Five Year Plan (1956-61) and also accelerated growth of public sector in the country. This, in turn, resulted in professional approach toward management of organisations. The professionalism in managing organisations became quite discernible by the 1970s. There was a clear shift from welfare approach to efficiency one.

During the 1970s, another discipline progressed under the name of HRM. Encompassing the methodological tradition of the personnel and industrial and organizational psychologists and the theoretical frameworks of the organizational behaviorists, HRM took on a broader focus than earlier work. This focus included concerns for the safety and health of the worker as well as individual satisfaction and performance. Industrial relations and planning for personnel needs also came within the domain of HRM. Yet throughout the work on all the HRM topics, the primary focus of attention remained on the entry-level employee.

In the late 1970s and 1980s, the discipline of organizational strategy started to make an impact upon HRM. Environmental forces, namely more intense international and domestic competition for companies, also began to make an impact. This dual blow reflected the continued theoretical and applied sides of HRM. The result of this within HRM was recognition that a substantial number of organizational characteristics not generally addressed actually had/have substantial impact upon managing human resources. Thus, organizational characteristics such as structure, strategy, size, culture, and product and organizational life cycle began to be incorporated into the work under the HRM label.

HR is the center stage of the business today. Gone are the years when HR was relegated just as a cost center and kept out of the decision circles of the companies. However, as have always been, especially in dynamic contexts, HR as a management function and profession, was quick to adapt to changes and did not waste a single avenue to unlearn, reposition and rebrand itself and got reincarnated into a business resource to be reckoned with. From a mere personnel function largely loaded with a welfare orientation and maintenance mandate, HR moved out of its obscure position and emerged as the key business partner by making a paradigm shift in its outlook and approach.



In the new millennium, more and more companies are recognizing the importance of managing their human resources as effectively as possible. Companies are also recognizing that doing so, however, cannot be done without recognition and incorporation of the global context. It is virtually impossible to read a business periodical or newspaper anywhere in the world without seeing stories detailing the success of a company due to how effectively it manages its people. As the environment becomes more global, managing people also becomes more challenging, more unpredictable and uncertain and more subject to rapid change and surprise. Thus what we are witnessing within human resource management (HRM) is the rapid appreciation for and development of all aspects of global and international activities and issues associated with and affected by HRM. And because the importance of managing people effectively in the global context is so great, many companies are devoting a great deal more time, attention, skill, and effort into doing it well.

Academics and practitioners are doing more work in a collaborative way on understanding and advancing our knowledge of issues in and activities associated with managing human resources within a global context. At the same time, they are also relating the basics of HRM with the context of the company. Keeping in view of the global context, two of the areas of managing human resources have evolved: comparative HRM and international HRM. Within the context of the company, the area of strategic HRM (SHRM) has evolved. In essence, there are three general areas of study regarding managing human resources: (1) comparative HRM, (2) international HRM, and (3) SHRM. Over the past 25 years these areas have gained increased academic and professional interest. Literally thousands of articles have been written on them and have appeared in journals such as *Journal of International Management*, *International Journal of Human Resource Management*, *Harvard Business Review*, *Organizational Dynamics*, *Human Resource Management Journal*, *Human Relations*, *Journal of International Business*, *Academy of Management Review*, *Academy of Management Journal*, *European Management Journal*, *Annual Review of Psychology*, and *Journal of World Business*. As such, Human resource management HRM is the basis for comparative HRM, international HRM, and SHRM.

While the goals of attracting, retaining, and motivating are still important, they are critical primarily as a means by which to reach, and improve the bottom-line goals. This is a move away from a functional orientation where the concern was with developing human resource products and services rather than understanding the human resource implications of the business and the managers. Concurrently, human

resource professionals have become more generalists. This trend is articulated at the individual level (each human resource professional becoming multi-skilled) and at the departmental level (teams of different specialists work together to serve the customer). In relation to the employees, the human resource department and the professionals have moved from a philosophical orientation of conflict and differentiation to one of harmony and egalitarianism. In the area of human resource practices, whereas personnel management is associated with practices that are narrowly targeted and individually focused, HRM is associated with practices that are more broadly conceived and team-focused.

### **2.3 Emergence of SHRM**

The Emergence of SHRM can be discussed under the following heads:

#### **(a) Phases of the Evolution of Strategy and HRM Integration**

There are four possible types of linkages between business strategy and the HRM function / department of an organisation as talked about by Greer (1995):

- ‘*Administrative linkage*’ represents the scenario where there is no HR department and some other figurehead (such as the Finance or Accounts executive) looks after the HR function of the firm. The HR unit is relegated here to a paper-processing role. In such conditions there is no real linkage between business strategy and HRM.
- Next is the ‘*one-way linkage*’ where HRM comes into play only at the implementation stage of the strategy.
- ‘*Two-way linkage*’ is more of a reciprocal situation where HRM is not only involved at the implementation stage but also at the Business Strategy formation stage.
- The last kind of association is that of ‘*integrative linkage*’, where HRM has equal involvement with other organisational functional areas for business development.

Purcell (1989) presents a two-level integration of HRM into the business strategy – ‘*upstream or first-order decisions*’ and ‘*downstream or second-order decisions*’:

- First-order decisions, as the name suggests, mainly address issues at the organisational mission level and vision statement; these emphasise where the business is going, what sort of actions are needed to guide a future course, and broad HR-oriented issues that will have an impact in the long term.
- Second-order decisions deal with scenario planning at both strategic and divisional levels for the next 3–5 years. These are also related to hardcore HR policies linked to each core HR function (such as recruitment, selection, development, communication).

Guest (1987) proposes integration at three levels:

- First he emphasises a ‘*fit*’ between HR policies and business strategy.
- Second, he talks about the principle of ‘*complementary*’ (mutuality) of employment practices aimed at generating employee commitment, flexibility, improved quality and internal coherence between HR functions.
- Third, he propagates ‘*internalisation*’ of the importance of integration of HRM and business strategies by the line managers (also see Legge, 1995).

## **(b) SHRM and Leadership**

The concept of managerial leadership permeates and structures the theory and practice of work organizations and hence the way we understand SHRM. In the management texts, leadership has been defined in terms of traits, behaviour, contingency, power, and occupation of an administrative position. Most definitions reflect the assumption that leadership involves a process whereby an individual exerts influence upon others in an organizational context. Leadership is by nature dialectical: it is socially constructed through the interaction of both leaders and followers (Smircich and Morgan, 1982). After a comprehensive review of the leadership literature, Yukl (1998) affirms that any definition of leadership is 'arbitrary and very subjective' and goes on to define leadership as:

The process wherein an individual member of a group or organization influences the interpretation of events, the choice of objectives and strategies, the organization of work activities, the motivation of people to achieve the objectives, the maintenance of cooperative relationships, the development of skills and confidence by members, and the enlistment of support and cooperation from people outside the group or organization (1998, p. 5).

Yukl's definition, while emphasizing many aspects of 'people skills', tends to be focused upon the dynamics and surface features of leadership as a social influence process. More critical accounts of leadership tend to focus upon the hierarchical forms to which it gives rise, power relationships, and the gender dominance. As such, it is argued that leadership is not simply a process of behaving or a process of manipulating rewards, it is a process of 'power-based reality construction' (Smircich and Morgan, 1982). Most of the leadership research and literature tends to be androcentric in nature and rarely acknowledges the limited representation of ethnic groups and women in senior leadership positions (Townley, 1994). Within the literature, however, there is a continuing debate over the alleged differences between a manager and a leader. For example, Bennis and Nanus (1985, p. 21) proposed that 'managers are people who do things right and leaders are the people who do the right thing'. Kotter (1990, 1996) proposed that managers develop plans whereas leaders create a vision and a strategy for achieving the vision. Further, Kotter proposed that managers and leaders differ in their methods for promoting their agenda. Managers *organize* and engage in a process of *controlling* and *problem-solving*, while leaders engage in a process of *alignment* and seek to *motivate* and *inspire*. Clearly, an individual can be a manager without leading, and an individual can be a leader without being a manager (for example an

informal group leader or elected trade union leader). Kotter argues that a balance of management and leadership is necessary for a work organization to operate effectively.

The concept of leadership is a central building block of the 'soft' HRM model's concern with developing a 'strong' organizational culture and building a high level of worker commitment and cooperation. For Guest (1987), the current interest in alternative leadership paradigms in the 1980s, variously labelled 'transformational leadership' (Tichy and Devanna, 1986), 'charismatic leadership' (Conger and Kanungo, 1988), 'self-leadership' (Manz and Sims, 1989), or 'principle-centred leadership' (Covey, 1989, 1990) can be explained by understanding the prerequisites of the resource-based SHRM model. Managers are looking for a style of leadership that will develop the firm's human endowment and, moreover, generate employee commitment, flexibility, innovation and change. Of the many management gurus, Peter Senge (1990, p. 340) makes the most explicit link between strategic HRM, workplace learning, and leadership when he writes that 'leaders are designers, stewards, and teachers' and that a learning organization will remain only a 'good idea, an intriguing but distant vision' until the leadership skills required are more readily available. Thus, it would seem that a key constraint on the development of a resource-based SHRM model and a 'learning organization' is leadership competencies. Barney (1991) emphasizes that the resource-based SHRM requires leaders that develop the organization's 'rare and non-substitutable' human assets. Unlike technology assets, organizations cannot readily purchase human sustainable competitive advantages on the open markets and therefore 'managers are important in this model, for it is managers that are able to understand and describe the economic performance potential of a firm's endowments. Without such managerial analyses, sustained competitive advantage is not likely' (p. 117). The integrative theoretical of leadership and strategy developed by Nahavandi and Malekzadeh (1993) depicts the organizational leader to be 'key' to both the formulation and implementation of competitive strategy. If we accept Nahavandi and Malekzadeh's hypotheses, it would seem plausible that leaders who are 'open and participative' and 'challenge-seekers' are more likely adopt a 'soft' SHRM model to match the high risk 'prospector' and 'differentiation' competitive strategies, than leaders who desire 'control' and are 'challenge-averse' and focus on 'defender' and 'cost' leadership strategies. In the popular management literature, Hammer and Champy (1993), in *Reengineering the Corporation*, make a similar point when they argued that leadership is critical in the re-engineering processes: 'most reengineering failures stem from breakdowns in leadership' (p. 107). Kotter (1996) also argues that the 'engine' that drives change is 'leadership, leadership, and still more leadership' (p. 32).

In essence, the ‘transformational’ leader extols to employees the need for working beyond contract for the ‘common’ good. This leadership style emphasizes the importance of vision building and the ability to communicate this vision and, simultaneously, enthuse subordinates to make their vision a reality: ‘to innovate, to change and indeed to conquer new frontiers in the marketplace or on the shop floor’ (Guest, 1990, p. 393). In contemporary parlance, the transformational leader is empowering workers. However, to go beyond the rhetoric, the transformational model shifts the focus away from the hierarchical nature of work organizations, control processes, inherent conflicts of interest between leaders and the led, and innate power relationships, towards the individualization of the employment relationship, and the development of individual leadership qualities or traits that might lead to gender and racial stereotyping of leadership traits (see Alvesson and Billing, 1992; Wajcman, 1996). Even though the new leadership paradigms emphasize ‘shared leadership’ and empowerment among ‘core’ workers, they represent a ‘unitary’ frame of reference on employment relations and are squarely aimed at ‘bottom-line’ results (Legge, 1995). The general assumption is that ‘enlightened’ leadership will result in higher productivity and effectiveness. Later in this chapter we will elaborate and expand on the HRM–leadership–performance linkages.

### **(c) SHRM and Workplace Learning**

Within most formulations of strategic HRM, employee development has come to represent a key ‘lever’ that can help management achieve the substantive HRM goals of commitment, flexibility and quality. Beer *et al.* (1984, p. 85) muse that ‘employee development is a key strategy for organizational survival and growth’. Others have argued that investment in employee development has become a ‘litmus test’ of whether or not employers have adopted the HRM model (Keep, 1989). In recent years, many academics and corporate leaders have been attracted by the concept of the ‘learning organization’ (Cohen and Sproull, 1996), ‘management learning’ (Burgoyne and Reynolds, 1997) or the more encompassing term, ‘workplace learning’ (Spikes, 1995). Workplace learning is an interdisciplinary body of knowledge and theoretical inquiry that draws upon adult learning and management theory. In practice, it is that part of the management process that attempts to facilitate work-related continuous learning at the *individual, group* and *organizational level*. For workers and managers alike, the assumptions about workplace learning capture the essence of the American Dream, the opportunity for progress or growth at work based on individual achievement (Guest, 1990). Workplace learning occupies centre stage in the ‘soft’ resource based SHRM model. Individual, team, and organizational learning can strengthen an organization’s ‘core competencies’ and thus act as the engine for sustainable competitive advantage.

From a managerial perspective, it is suggested that an organization's investment in workplace learning acts as a powerful signal of its intentions to develop its 'human assets'; this can help develop commitment to the organization rather than compliance. The pursuit of worker flexibility through workplace learning is discussed extensively by observers as a lever for sustainable competitive advantage: the ability to learn 'faster' than competitors (Dixon, 1992). Most advocates of Japanese or 'lean' production systems emphasize the importance of investing in human capital and the processes of workplace learning (for example Schonberger, 1982; Womack *et al.*, 1990). And Kochan and Dyer advise those firms adopting a 'mutual commitment' strategy to gain competitive advantage to make the necessary investment in their workforce and adopt the concept of *lifelong learning* (our emphasis, 1995, p. 336). The relationship between learning and worker commitment, flexibility, and quality have also been subject to much comment in the literature.

There is a growing body of work that has taken a more critical look at workplace learning. Some of these writers, for example, emphasize how 'cultural control' can be reinforced through workplace learning (Legge, 1995) and how the training of 'competencies' can render work more 'visible' in order to be more manageable (Townley, 1994). Coopey (1996) challenges the academic entrepreneurs such as Peter Senge, *The Fifth Discipline* (1990). Coopey argues that workplace learning theory assumes a unitarist perspective in which goals are shared and largely ignores conflict stemming from inherent tensions in the employment relationship, that power is omnipresent in work organizations, and that political activity by organizational members is likely to impede learning. He goes on to argue that the likely effect of workplace learning is to strengthen the power of senior management, those at the 'apex of the organization'. At the level of rhetoric, underpinning notions of 'high quality', 'flexible specialization' and functional flexibility, is the assumption of a well-trained 'high quality workforce' (Legge, 1995). However, empirical data show that in most Anglo-North American companies there is a growing trend in 'non-standard' forms of employment (for example part time and contractors). If these data are correct and we accept the plausible insight that 'peripheral' workers tend to receive the lowest level of training (Ashton and Felstead, 1995), there would appear to be a gap between the theory and practice of strategic HRM models.

#### **(d) Deliverables for HR**

The deliverables of HR are Performance, Capacity Building, Problem Solving, Consulting, Organization Change and Development. Strategic HR requires integration of HR with strategy formulation and implementation. This entails horizontal integration among HR functions and vertical integration with Business Strategy.

Critical business issues, from new marketing strategies to innovations in production technology, are dependent on the performance capabilities of those expected to work on these new work systems for its effectiveness. Through various programs of employee development, employee expertise has been expanded as it has now become an important factor for business success. Swanson after years of research, defined expertise as the optimal level at which a person is able and/or expected to perform within a specialized realm of human activity (Swanson, 1994). In other words, development of workforce expertise through HR initiatives has been proved vital to optimal business performance.

The vital and strategic role of HR in today's business is undisputed as the firm's success and growth relies largely on the strength of its people resources. Furthermore, considering the intricacies and the multi-dimensional nature of business in a ruthlessly competed world, organizations are unable to ignore the advantage that HR brings in.



## **2.4 Strategic Human Resource Management and Business Performance**

Management strategies are mostly focused on improving performance, increase productivity, reduction in costs etc. According to Stern and Sommerland (Stern and Sommerland, 1999), HR should focus on taking initiatives which encourage, empower and reward workers to think and act to improve systems. HR increases the attractiveness of the organization to the potential employees and other stakeholders and enhances the personal capabilities of peripheral and displaced employees. Strategic capability requires clarity of vision, careful planning, objectives and focus for action. This strategic capability will require different competencies, skills and experience at different organizational levels. In order to acquire and develop these attributes, HR plays a very significant role. Understanding the strategic objectives of the firm, kind of human resources required to achieve those objectives, how the workforce could shape the future of the company from present state makes hiring/recruitment process a strategic tool in the hands of the management (Byham, 1989). According to Wellins, Bernthal and Phelps (2005), right employees in right jobs, exceptional leadership and organizational systems and strategies are the key employee engagement drivers. An organization drives engagement by leveraging three sources of influence for change – employees, leaders and organizational systems and strategies. Such systems fostering engagements are for example hiring, promotion, performance management, recognition, compensation, training and career development.

Organizational systems and the importance of practices were studied by Huselid (1995). He found considerable support for the hypothesis that investments in high-performance work practices are associated with lower employee turnover and greater productivity and corporate financial performance. His results were based on a US national sample of nearly one thousand firms and indicated that HR practices that foster high performance also have an economically and statistically significant impact on both intermediate employee outcomes (turnover and productivity) and short- and long-term measures of corporate financial performance. Wright, Gardner and Moynihan (2003) ran a research whose results support the notion that businesses which manage employees by using more progressive HR practices can expect to see higher operational performance as a result. Herzberg (1959) outlines some theories about work motivation. According to Hertzberg, the key motivators are achievement, recognition, responsibility, advancement and personal growth. These are also the elements of employee engagement. This requires a proper alignment of the various HR systems in place and may be further ensured by way of revisiting the HR philosophies, reformulating the policies and reworking on the HR practices and processes. HR needs to understand its internal strengths and self- belief in effecting changes in the lives

of people by taking up the business challenges of modern times. If not HR, who else can take up this mammoth task?

Michael Porter (1980; 1985) identified three possible generic strategies for competitive advantage in business: cost leadership (when the organization cuts its prices by producing a product or service at less expense than its competitors); innovation (when the organization is able to be a unique producer); and quality (when the organization is delivering high-quality goods and services to customers). Considering the emphasis on 'external-fit' (i.e. organizational strategy leading individual HR practices that interact with organizational strategy in order to improve organizational performance), a number of HRM combinations can be adopted by firms to support Porter's model of business strategies. In this regard, Schuler (1989) proposes corresponding HRM philosophies of 'accumulation' (careful selection of good candidates based on personality rather technical fit), 'utilization' (selection of individuals on the basis of technical fit), and 'facilitation' (the ability of employees to work together in collaborative situations). Thus, firms following a quality strategy will require a combination of accumulation and facilitation HRM philosophies in order to acquire, maintain and retain core competencies; firms pursuing a cost-reduction strategy will require a utilization HRM philosophy and will emphasize short-run relationships, minimize training and development and highlight external pay comparability; and firms following an innovation strategy will require a facilitation HRM philosophy so as to bring out the best out of existing staff (also see Schuler and Jackson, 1987). In summary, according to the 'external-fit' philosophy, the effectiveness of individual HR practices is contingent on firm strategy. The performance of an organization that adopts HR practices appropriate for its strategy will then be higher.

There is now an established literature in the field of HRM that highlights how possible contingent variables determine the HRM systems of an organization (for a detailed review see Budhwar and Debrah, 2001; Budhwar and Sparrow, 2002). One among the long list of such variables is the 'life cycle stage' of an organization: introduction (start-up); growth (development); maturity; decline; and turnaround. Research findings reveal a clear association between a given life cycle stage and specific HRM policies and practices. For example, it is logical for firms in their introductory and growth life cycle stages to emphasize a rationalized approach to recruitment in order to acquire best-fit human resources, compensate employees at the going market rate, and actively pursue employee development strategies. Similarly, organizations in the maturity stage are known to recruit enough people to allow for labour turnover/ lay-offs and to create new opportunities in order to remain creative to maintain their market

position. Such organizations emphasize flexibility via their training and development programmes and pay employees as per the market leaders in a controlled way. Accordingly firms in the decline stage will be likely to minimize costs by reducing overheads and aspire to maintain harmonious employee relations (for more details see Kochan and Barocci, 1985; Baird and Meshoulam 1988; Hendry and Pettigrew 1992; Jackson and Schuler 1995; Boxall and Purcell, 2003).

Miles and Snow (1978; 1984) classify organizations as ‘prospectors’ (who are doing well and are regularly looking for more products and market opportunities), ‘defenders’ (who have a limited and stable product domain), ‘analyzers’ (who have some degree of stability but are on the lookout for possible opportunities) and ‘reactors’ (who mainly respond to market conditions). These generic strategies dictate organizations’ HRM policies and practices. For example, defenders are less concerned about recruiting new employees externally and are more concerned about developing current employees. In contrast, prospectors are growing, so they are concerned about recruiting and using performance appraisal results for evaluation rather than for longer-term development (for details see Jackson and Schuler 1995; MacDuffie 1995).

Identifying the need to highlight the prevalence of generic HR strategies pursued by organizations in different contexts, Budhwar and Sparrow (2002) propose four HR strategies. These are:

- ‘talent acquisition’ HR strategy (emphasizes attracting the best human talent from external sources);
- ‘effective resource allocation’ HR strategy (maximizes the use of existing human resources by always having the right person in the right place at the right time);
- ‘talent improvement’ HR strategy (maximizes the talents of existing employees by continuously training them and guiding them in their jobs and career); and
- ‘cost reduction’ HR strategy (reduces personnel costs to the lowest possible level).

Budhwar and Khatri (2001) examined the impact of these HR strategies on recruitment, compensation, training and development and employee communication practices in matched Indian and British firms. The impact of these four HR strategies varied significantly in the two samples, confirming the context specific nature of HRM. On the same pattern, there is a need to identify and examine the impact of other HR strategies such as high commitment, paternalism, etc.

An important issue for top decision-makers is how to evaluate the extent to which both strategic integration and devolvement are practised in their organisations. The level of integration of HRM into the Business Strategy can be evaluated by a number of criteria: these include representation of specialist people managers on the board; the presence of a written people management strategy (in the form of mission statement, guideline or rolling plans, emphasising the importance and priorities of human resources in all parts of the business); consultation with people management specialists from the outset in the development of Business Strategy; translation of the people management strategy into a clear set of work programmes; the growing proactive nature of people management departments through the creation of rolling strategic plans (emphasising the importance of human resources in all parts of the business); through mission statements; by aligning HR policies with business needs through business planning processes; by use of participative management processes and committee meetings; and via HR audits. The level of devolvement of HRM to line managers in an organisation can be evaluated on the basis of measures such as: the extent to which primary responsibility for decision-making regarding HRM (regarding pay and benefits, recruitment and selection, training and development, industrial relations, health and safety, and workforce expansion and reduction) lies with line managers; the change in the responsibility of line managers for HRM functions; the percentage of line managers trained in people management in an organisation; the feedback given to managers/line managers regarding HR related strategies; through consultations and discussions; the extent to which line managers are involved in decision-making; by giving the line managers ownership of HRM; and by ensuring that they have realised / accepted it by getting their acknowledgement (for more details see Budhwar and Sparrow, 1997; 2002; Budhwar, 2000a).

#### **(a) Strategic HR and Business Profitability – The Rationale**

Ensuring and maintaining profitability is the primary objective of any business. Profit generation is no more considered as a greed gratification mechanism, rather it is one of the essential and significant components in the business value chain. However, businesses should not be having the narrow focus of firm-based surplus alone but should be having the larger mission of contributing to the economic prosperity of the community. At a time when businesses are vying for top positions in a fiercely battled market space by outsmarting their competitors, the use of intelligent strategies for profit maximization becomes the undisputed priority. For a business to be considered effective or successful it should be able to recognize the role of HR in its economic sustainability. HR strategy has been identified and accepted as the crucial predictor in determining business profitability.

HR agenda should ideally include:

- Strategic HR and Continued Business Profits
- Corporate HR Policy for Economic Prosperity
- HR Strategies and Business Expectations
- Measuring HR for Enhanced Profits
- Innovative HR Practices and Financial Performance
- HR and Profit Sustainability
- HR as Business Partner and Profits
- HR Competency and Profit Maximization
- Best Practices in HR – Lessons from the Manufacturing Sector
- Strategic People Relations and Profitability or
- Any other related topic

Though the concept of SHRM has been there for more than two decades in the scholastic circles, it has gained currency among Indian businesses only in the recent years.

Consequently, specific HR focus areas could be highlighted as under:

- A national HRD policy for developing people resources aimed at economic prosperity through sustainable business profits
- Redefining HR's role in bringing about a reasonable reconciliation among the three divergent business objectives at the pan India level.
- Renewed efforts in re-orienting and equipping the workforce in India to take up the new age business challenges
- The Triple Bottom Line – a Tripartite agenda for Government, Business and Trade Unions
- HRD for Inclusive Growth and Economic Independence
- Industrial growth for Economic Progress or
- Any other topic of current significance relating to the theme

The HR function is increasingly playing a decisive role, delivering expertise that can be leveraged to create greater business value. HR leaders are more often seen as business partners, engaged in strategic decision making. A transformation from 'soft science' concerning 'people skills' to that of a 'partner' in creating an executive business strategy is underway. HR creates the alignment of HR practices with

organizational strategies enabling delivery to promises made to employees, customers, investors and other stakeholders. As the pace of change increases in global markets, economic uncertainty and technological advances, leaders must both adapt their organizations and help their employees respond to change. To build both organization capabilities and individual competencies, HR departments, practices and professionals must be transformed to respond to the challenge of change. It is desirable to understand how the HR transformation is defined and the model to ensure that HR drives business success and avoids the common pitfalls of such efforts. Basically, the HR transformation revolves around four issues:

Phase 1: Business Context - HR leaders must know business context and build a case for change.

Phase 2: Outcomes – HR leaders with business leaders define the outcomes of HR transformation as the capabilities of the firm.

Phase 3: HR Redesign – HR leaders redesign their HR department, reengineer their HR practices and upgrade their HR professionals.

Phase 4: Accountability: HR leaders combine with line Managers, employees, and advisors to frame and deliver transformation.

#### **(b) SHRM and Triple Bottom Line (TBL)**

The vital and strategic role of HR in today's business is undisputed as the firm's success and growth relies largely on the strength of its people resources. Furthermore, considering the intricacies and the multi-dimensional nature of business in a ruthlessly competed world, organizations are unable to ignore the advantage that HR brings in. This balancing act of meeting the multiple objectives of being simultaneously responsible to the people, environment and profit has become the daunting task of the new-age business Manager. 'People first' strategies and practices without compromising on the interests of the rest of the stakeholders help HR in its readiness to take up this challenge. The concept of TBL demands that a company's responsibility lies with stakeholders rather than shareholders. Therefore, business entity should be used as a vehicle for coordinating stakeholder interests, instead of maximizing shareholder (owner) profit. Innovations and emerging trends in the key HR verticals viz. talent management, business centric learning interventions, performance and reward management, labor management, partnerships and the firm's response to the larger economic/social/environmental issues is a great challenge. Talent management has gained currency in recent years than any other functional area of HR. Relevant issues on managing talents like new trends in recruitment, forecasting HR in turbulent times, importance of cost effective hiring, addressing employability gaps and its challenges, dynamics of

talent retention, engagement, managing career aspirations of Gen-Y etc. have caught the attention of HR practitioners. Linking learning with business strategy is crucial for the growth and development of an organization. There are other pertinent challenges like sustaining the efforts toward the creating learning organizations, employee centric learning and development, empowerment, coaching and mentoring, ROI of learning. The ways of managing performance of people and rewarding and recognizing them have undergone drastic and phenomenal changes in recent years. Challenges pertaining to bringing in performance matrices for organizational effectiveness, goal setting, review, feedback, competency mapping, career planning and advancement, pressure to perform, performance linked pay/ variable pay, non-monetary reward mechanism are emerging issues before HR.

## **2.5 Theories & Models of Strategic Human Resource Management**

The debate relating to the nature of HRM continues today although the focus of the debate has changed over time. It started by attempting to delineate the differences between ‘Personnel Management’ and ‘HRM’ (see e.g. Legge, 1989; Guest, 1991), and moved on to attempts to incorporate Industrial Relations into HRM (Torrington et al., 2005), examining the relationship of HRM strategies, integration of HRM into business strategies and devolvement of HRM to line managers (Lengnick-Hall and Lengnick-Hall, 1989; Brewster and Larson, 1992; Budhwar and Sparrow, 1997) and then the extent to which HRM can act as a key means to achieve competitive advantage in organisations (Barney, 1991). Most of these developments have taken place over the last couple of decades or so, and have precipitated changes in the nature of the HR function from being reactive, prescriptive and administrative to being proactive, descriptive and executive (Boxall, 1994; Legge, 1995). At present then, the contribution of HRM in improving a firm’s performance and in the overall success of any organisation (alongside other factors) is being highlighted in the literature (see e.g. Guest, 1997; Schuler and Jackson, 2005; 2007).

### **(a) Theoretical frameworks for Strategic Human Resource Management**

The area of HRM today is being supported, developed, and understood using a variety of theoretical frameworks (Jackson and Schuler, 1995).

#### **(1) Resource Dependence Theory**

Resource dependence theory stems from the relationship between an organization and its constituencies. This theory emphasizes the need for resources as being primary in the determination of policies and procedures. Organizations are viewed as being able to succeed by gaining and retaining control over scarce valuable resources, such as human resources.

#### **(2) Competitive Advantage Theory**

Competitive advantage theory dictates that a competitive advantage exists if the resource is rare, inimitable, non-substitutable and valuable. Competitive advantage can be sustained through continued training, support of organizational culture, selection processes and other traditional human resource practices.



### **(3) Institutional Theory**

Institutionalism suggests that organizations operate in a manner consistent with the rationalized myths that will garner them legitimacy in their external environment. This external environment is made up of a broad variety of stakeholders. This adherence to rationalized myths in an attempt to retain legitimacy results in both survival and constraints on organizational actions.

### **(4) Agency Theory**

Agency theory is perhaps one of the most related theories to human resource practices. From the legal perspective, an agency relationship exists between an employer and an employee. Agency theory posits that this relationship may be subject to difficulties to the extent that the employer and the employee (in legalese, the principal and the agent, respectively) have differing goals, and when monitoring the employee's actions is difficult for the employer.

### **(5) General Systems Theory**

General systems theory views systems as made up of complex, independent parts. Inputs to this open system come from the environment, are transformed during processing through the system, and are returned to the environment. Using an open systems model, HRM is studied as a subsystem within the larger system of the organization.

### **(6) Human Capital Theory**

Human capital theory appears largely in the economics literature in reference to people's productive capacities. The crux of this theory is that people are of value to the organization because they make it productive. In essence, the organization has invested in people just as if they had invested in machinery, viewing them as an additional type of capital.

### **(7) Life Cycle Theory**

Life cycle theory notes that there are several stages of the life of an organization. These stages have been described as start-up, growth, maturity, decline, and revival. As an organization moves through these stages, researchers have suggested that HRM practices that fit with the life cycle stage of the organization will result in organizational effectiveness.

### **(8) Role Behaviour Theory**

Role behavior focuses on the interdependent role behaviors as building blocks for the organizational system. According to Katz and Kahn (1978), role behaviors are defined as "the recurring actions of an individual, appropriately interrelated with the repetitive activities of others so as to yield a predictable outcome." The primary means by which the organization sends role information through the organization, supports desired behaviors, and evaluates role performances is HRM.

### **(9) Organizational Change Theory**

Organizational change theory focuses on the difference in form, quality or state over time in an organizational entity. Organizational change theory adds two pieces to the understanding of HRM. First, in management of organizational change, organizations need to ensure congruence between the stated goals and stated changes and the enacted changes.

### **(10) Transactions Cost Theory**

Transactions cost theory takes an economic viewpoint of the creation of governance structures that establish, monitor, evaluate, and enforce exchanges previously agreed upon. Central to this theory are two assumptions: bounded rationality and opportunism. Opportunism assumes that if any potential for advantage exists, it will be taken. On the part of employees, the potential for opportunism exists when the employee is specially trained or possesses specialized knowledge or skills that have a market value to other organizations. Bounded rationality dictates that there are a limited number of options that can be assessed by any given organization prior to making a decision. Human resource activities seek to take advantage of bounded rationality while attempting to prevent the exercise of opportunism through the execution of contracts, the creation of monitoring and compliance assurance systems and through the revision of the contracts when necessary.

### **(11) Strategic Contingency Theory**

Strategic contingency theory recognizes that there are several strategic typologies. The choice made by an organization of which strategy to pursue requires systematic management of human resources in order to ensure appropriate and successful implementation. Strategic contingency theory posits that the choice between various typologies is dependent upon the environment within which the organization operates.

## **(12) Organizational Learning Theory**

According to organizational learning theory perspective, prior learning facilitates the learning and application on new, related knowledge. This idea can be extended to include the case in which the knowledge in question is itself a set of learning skills constituting a firm's absorptive capacity.

The above discussion summarizes the theoretical developments in strategic HRM and its linkages with organizational strategies. A number of clear messages emerge from the analysis. For example, strategic HRM models primarily emphasize implementation over strategy formulation. They also tend to focus on matching HR strategy to organizational strategy, not the other way. They also tend to emphasize fit or congruence and do not acknowledge the need for lack of such fit between HR strategies and business strategies during transitional times and when organizations have multiple or conflicting goals (also see Lengnick-Hall and Lengnick-Hall, 1999).

The theoretical implication and challenge lies in institutionalizing the strategic roles in the working processes of the organization in which the managers are working. HR strategic interventions should be given more visibility and constant efforts must be made within the organization to benchmark against the best practices or better still to set benchmarks if not available. Therefore there is a practical need for continuous environmental scanning, both internal and external, to facilitate this process. HR deliverables become crucial to the firm, and the role of HR metamorphoses to line managers, with practical implications for HRIS, emerging as an enabler of the HR function, which would lead to better efficiency of the HR role and free HR managers for strategic roles.

## **(b) SHRM Models**

Theory draws from change literatures found in sociology, psychology, anthropology, organization development, systems theory, high-performing teams and economics. Theory without practice is conjecture and is usually irrelevant. Practice without theory is idiosyncratic and isolated hence the theory and practice need to be combined so that those charged with and affected by HR transformation can make sustainable progress.

A true HR transformation is an integrated, aligned, innovative and business-focused approach to redefining how HR work is done within an organization so that it helps the organization deliver on promises made to employees, customers, investors and other stakeholders. Ultimately, a successful HR transformation increases the value HR adds to the business. This is a simple statement and one that is easy to gloss over, but it reflects an approach to transformation that is not always practiced. The biggest challenge for HR professionals today is to help their respective organizations succeed, and an effective HR transformation will ensure just that.

*Phase 1: Business Context:* HR leaders should not only look at the business strategy but also look through the strategy to see and understand the business conditions or external realities that shape it. Understanding and linking HR with these contextual constituents helps HR not just implement the strategy but play a key role in defining it. Ultimately, HR transformation is not about doing HR; it is about building business success.

*Phase 2: Outcomes:* The HR transformation has two types of outcomes. First, the stakeholders expectation and the second, the capabilities of an organization which is created. Capabilities as Outcomes: Capabilities shape the way people think about organizations. These capabilities also become the identity of the firm, the deliverables of HR practices and the keys to implementing business strategy.

The two to three most critical capabilities represent the outcomes of the HR transformation. They are the deliverables of HR and they lead to the outcomes for each stakeholder. In focusing on capabilities as outcomes, the HR transformation team should do a capability audit where they identify which capabilities are most critical to their organization's future success given business conditions and strategy. With those prioritized capabilities, scorecards can be created to measure baseline and progress in the critical capabilities. By focusing on both stakeholder and organization capability outcomes, the result of the HR transformation can be defined and tracked.

Figure 2.5 (b) (i)  
Organizational capabilities

<b>Capability</b>	<b>Description</b>
Leadership	We are good at building leaders that generate confidence in the future
Strategic Unity	We are good at creating a shared agenda around our strategy
Customer Connectivity	We are good at fostering enduring relationships of trust with target customers
Corporate Social Responsibility	We are good at establishing a strong reputation for sustainability, philanthropy, and employability in our industry and community
Shared Mindset	We are good at ensuring customers and employees have a consistent and positive experience of our firm identity
Collaboration	We are good at working together across boundaries to ensure leverage and efficiency
Learning	We are good at generating, generalizing and implementing ideas with impact
Innovation	We are good at doing something new in both content and process
Talent	We are good at attracting, motivating, developing and retaining talented and committed people.
Speed	We are good at making important changes rapidly
Efficiency	We are good at reducing the costs of our business practices
Accountability	We are good at creating and enforcing standards that lead to high performance and execution

*Phase 3: HR Redesign* – This phase has three components, each of which is a way of defining what we mean by HR:

- a) The HR function or department may need to be redesigned
- b) HR practices may be transformed to be more effectively or more fully aligned, integrated and innovative
- c) HR professionals may be upgraded to possess the competencies required to their work

Revamp HR practices: Transforming HR could mean changing as many as 120 separate HR practices. In *The HR Value Proposition* (Ulrich & Brockbank, 2005), they have synthesized this vast array of HR work into four domains that represent the flows or processes central to organization success.

As depicted above, a true HR transformation is an integrated, aligned, innovative and business-focused approach to redefining how HR work is done within an organization so that it helps the organization deliver on promises made to customers, investors and other stakeholders. Ultimately, a successful HR transformation increases the value HR adds to the business. As leaders complete the four phases of HR transformation, HR professionals become full partners in helping a business move forward. HR can help organizations get the maximum value from their people and their organization while ensuring that they treat them as individuals with unique needs, aspirations and dreams. (Source: HR transformation by Dave Ulrich, Justin Allen, Wayne Brockbank, John Younger and Mark Nyman published by McGraw Hills).

To develop a human resource (HR) strategy which is aligned and provides support to the business plan requires human resource development (HR) planning to be recognized by the management as a fundamental part of the business planning process. Most critical to achieving the business objectives and improving business performance is the alignment of HR activities with overall business goals and also for the HR to come forward to protect the organizations' interests and use their expertise to challenge the status quo or take risks.

If Human Resource Development professionals are to make a difference in the management organizations, they will need to have a thorough understanding of the goals and future strategy of the organization and so that they can develop themselves to meet the requirements. In order to ensure that employees are ready to take on the challenges that the future strategy would bring forward, they will need to continually develop their competency skills and HR should ensure that they are fully kept abreast of the professional standards of performance and latest technology. The linkage between HR practice and strategy has been studied by scholars (Wright & McMahan 1992, Wright & Snell 1998). Due to the lack of rigorous empirical evidence, it is argued that this linkage is relatively weaker than the relationships among internal HR practices. However, from the perspective of the resource based view (RBV) of the firm (Barney 1986, 1991), researchers advocate that HR systems aligned with the firm's strategy is helpful for creating competitive advantage.

The basic assumption underlying RBV is resource heterogeneity (i.e., resources that different firms own are unlikely to be identical). According to the resource based view of the firm, the kinds of resources capable of being utilized to help a firm achieve sustainable competitive advantage over other firms must

meet four requirements. These resources must be (1) valuable, (2) rare, (3) inimitable, and (4) non-substitutable. In other words, if the resources a firm employs cannot be easily imitated by another firm or substituted by similar resources another firm employs, the firm can take advantage of this to gain competitiveness not simultaneously pursued by other firms. Some authors have argued that human resources meet these four requirements (Snell, Youndt & Wright 1996). Furthermore, the linkage of organizational resources and firm strategy cannot be easily identified and imitated by other firms due to the social complexity and causal ambiguity (Barney 1991, Boxall 1998). Thus, the integration of human resources with the appropriate strategy can generate a sustained competitive advantage for the firm. Based upon the resource based view of the firm, Huselid, Jackson and Schuler (1997) differentiated technical HRM activities from strategic HRM activities. They clarified that technical HR activities can be utilized by firms to select employees with high values and train them in a way different from other firms, and hence, ensure its human resources to be unique. Strategic HRM activities are those that are integrated or congruent with the company strategy, which can ensure the inimitability of the firm's human resources.

Technical HRM activity spans a series of HR practices. These activities range from attracting high quality employees, placing them in appropriate positions, training them to work in the firm's specific way, and motivating them to devote more enterprise to organizational goals. This requires a systematic design of HRM practices. HRM effectiveness is likely to be decreased if not enough attention is paid to coordinating these separate HRM practices. For example, an excellent employee might find it quite difficult to achieve high performance without good training compatible with organizational goals and the work itself. Similarly, a lack of motivation for well trained employees may be linked with them performing below their potential. It logically follows that adoption of effective technical HRM activities is a key to implementing a set of internally consistent HR practices. In other words, effective technical HR activities are necessary for accomplishing the partial goal of SHRM (i.e., the horizontal fit among those HR practices).

### **The soft variant of HRM**

The 'Harvard model' of strategic HRM is another analytical framework, which is premised on the view that if general Managers develop a viewpoint of 'how they wish to see employees involved in and developed by the enterprise' then some of the criticisms of historical personnel management can be overcome. The model was first articulated by Beer et al. (1984). Compared to the matching model, this model is termed 'soft' HRM (Storey, 1992; Legge, 1995; Truss et al., 1997). It stresses the 'human'

aspect of HRM and is more concerned with the employer–employee relationship. The model highlights the interests of different stakeholders in the organization (such as shareholders, management, employee groups, government, community and unions) and how their interests are related to the objectives of management. This aspect of the model provides some awareness of the European context and other business systems that emphasize ‘co-determination’. It also recognizes the influence of situational factors (such as the labor market) on HRM policy choices.

The actual content of HRM, according to this model, is described in relation to four policy areas, namely, human resource flows, reward systems, employee influence, and works systems. Each of the four policy areas is characterized by a series of tasks to which Managers must attend. The outcomes that these four HR policies need to achieve are commitment, competence, congruence, and cost effectiveness. The aim of these outcomes is therefore to develop and sustain mutual trust and improve individual / group performance at the minimum cost so as to achieve individual well-being, organizational effectiveness and societal well-being. The model allows for analysis of these outcomes at both the organizational and societal level. As this model acknowledges the role of societal outcomes, it can provide a useful basis for comparative analysis of HRM. However, this model has been criticized for not explaining the complex relationship between strategic management and HRM (Guest, 1991). The matching model and the Harvard analytical framework represent two very different emphases, the former being closer to the strategic management literature, the latter to the human relations tradition. Based on the above analysis, the main propositions emerging from this model that can be used for examining its applicability and for determining the nature of SHRM in different contexts are:

- What is the influence of different stakeholders and situational and contingent variables on HRM policies?
- To what extent is communication with employees used to maximize commitment?
- What level of emphasis is given to employee development through involvement, empowerment and devolution?

Based on the human resource policy framework provided by the Harvard model, researchers at the Centre for Corporate Strategy and Change at Warwick Business School have developed an understanding of strategy-making in complex organizations and have related this to the ability to transform HRM practices. They investigated empirically based data (collected through in-depth case studies on over twenty leading British organizations) to examine the link between strategic change and transformations, and the way in which people are managed (Hendry et al., 1988; Hendry and Pettigrew,



1992). Hendry and associates argue that HRM should not be labeled as a single form of activity. Organizations may follow a number of different pathways in order to achieve the same results. This is mainly a function of the existence of linkages between the outer environmental context (socio-economic, technological, politico-legal and competitive) and inner organizational context (culture, structure, leadership, task-technology and business output). These linkages directly contribute to forming the content of an organization's HRM. To analyze this, past information related to the organization's development and management of change is essential (Budhwar and Debrah, 2001). The main propositions emerging from this model are:

- What is the influence of economic (competitive conditions, ownership and control, organization size and structure, organizational growth path or stage in the life cycle and the structure of the industry), technological (type of production systems) and socio-political (national education and training set-up) factors on HRM strategies?
- What are the linkages between organizational contingencies (such as size, nature, positioning of HR and HR strategies) and HRM strategies.

Debates in the early 1990s suggested the need to explore the relationship between strategic management and HRM more extensively (Guest, 1991) and the emerging trend in which HRM is becoming an integral part of business strategy (Lengnick-Hall and Lengnick-Hall, 1988; Brewster and Larsen, 1992; Schuler, 1992; Storey, 1992; Budhwar and Sparrow, 1997; 2002). The emergence of SHRM is an outcome of such efforts. As mentioned above, it is largely concerned with 'integration' and 'adaptation'. Its purpose is to ensure that HRM is fully integrated with the strategy and strategic needs of the firm; HR policies are coherent both across policy areas and across hierarchies; and HR practices are adjusted, accepted and used by line Managers and employees as part of their everyday work (Schuler, 1992: 18).

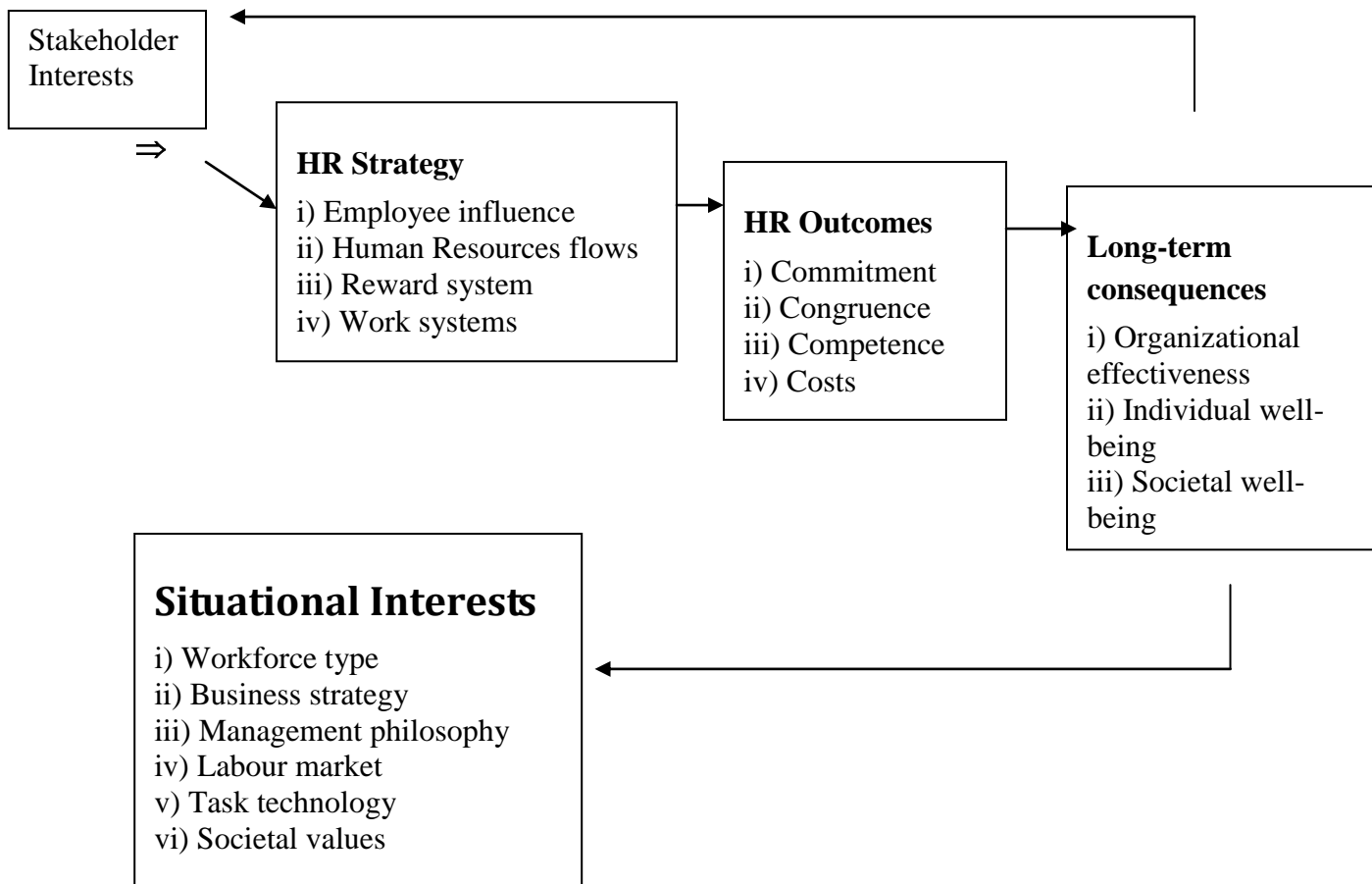
SHRM therefore has many different components, including HR policies, culture, values and practices. Schuler (1992) developed a '5-P model' of SHRM that melds five HR activities (philosophies, policies, programs, practices and processes) with strategic business needs, and reflects management's overall plan for survival, growth, adaptability and profitability. The strategic HR activities form the main components of HR strategy. This model to a great extent explains the significance of these five SHRM activities in achieving the organization's strategic needs, and shows the interrelatedness of activities that are often treated separately in the literature. This is helpful in understanding the complex interaction between organizational strategy and SHRM activities.

This model further shows the influence of internal characteristics (which mainly consists of factors such as organizational culture and the nature of the business) and external characteristics (which consist of the nature and state of economy in which the organization is existing and critical success factors, i.e. the opportunities and threats provided by the industry) on the strategic business needs of an organization. This model initially attracted criticism for being over-prescriptive and too hypothetical in nature. It needs a lot of time to gain an understanding of the way strategic business needs are actually defined. The melding of business needs with HR activities is also very challenging, mainly because linkages between human resource activities and business needs tend to be the exception, even during non-turbulent times (Schuler, 1992: 20).

### **(1) The Harvard Model**

- ⇒ The Harvard Model was postulated by Beer et al (1984) at Harvard University.
- ⇒ The authors of the model also coined it the map of HRM territory.
- ⇒ The Harvard model acknowledges the existence of multiple stakeholders within the organization.
- ⇒ These multiple stakeholders include shareholders various groups of employees, government and the community at large.
- ⇒ The recognition of the legitimacy of these multiple stakeholders renders this model a neo - pluralist model.
- ⇒ This model emphasizes more on the human/soft side of HRM.
- ⇒ Basically this is because this model emphasizes more on the fact that employees like any other shareholder are equally important in influencing organizational outcomes.
- ⇒ In fact the interest of the various groups must be fused and factored in the creation of HRM strategies and ultimately the creation of business strategies.

Figure 2.5. (b) (1) (i)



Source : Beer et al (1984 : 16)

(Source: <http://ww4.msu.ac.zw/elearning/material/1144244020HRM%20Models.doc>)

A critical analysis of the model shows that it is deeply rooted in the human relations tradition.

- ⇒ Employee influence is recognised through people motivation and the development of an organization culture based on mutual trust and team work.
- ⇒ The factors above must be factored into the HR strategy which is premised on employee influences, HR flows, reward system etc.
- ⇒ The outcomes from such a set up are soft in nature as they include high congruence, commitment, competencies etc.

- ⇒ The achievement of the crucial HR outcomes has got an impact on long term consequences, increased productivity, organizational effectiveness which will in turn influence shareholder interests and situational factors hence making it a cycle.
- ⇒ It is thus important to note that the Harvard model is premised on the belief that it is the organization's human resources that give competitive advantage through treating them as assets and not costs.

## **(2) The Guest Model**

The Guest model was propounded by David Guest in 1987.

- ⇒ This model is a fusion of aspects that resemble both a hard and a soft approach of HRM.
- ⇒ Guest proposes 4 crucial components that underpin organizational effectiveness.
- ⇒ These 4 crucial components are: -

### **A. Strategic Integration**

- ⇒ This is the ability of organizations to maintain a fit between the HRM strategy and the business strategy. In other words, there must be congruence between business strategy and the HR strategy for the organization to achieve its goals.
- ⇒ Strategic integration shows the harder side of the Guest Model.
- ⇒ This is precisely because human resources are treated in a similar manner like any other resource with the prime goal of achieving business objectives.
- ⇒ Thus there are implications of labour exploitation.

### **B. Flexibility**

- ⇒ Flexibility is basically concerned with the ability of the organization and its people to adapt to the changing business and work environment and to the capacity to manage innovation.
- ⇒ Flexibility can be numeric, functional, pay, distancing.
- ⇒ Flexibility carries both connotations of hard and soft HRM.

- ⇒ Hard HRM for example can be seen through numeric flexibility where employees are employed only when their production is required and when their labour is not required they are discharged.
- ⇒ This can be exemplified through seasoned work.
- ⇒ Flexibility can also show the soft side of HRM through the same example given above.
- ⇒ Flexibility in this case is not only concerned with the need to achieve business objectives but also the need to treat its employees as fairly as possible.

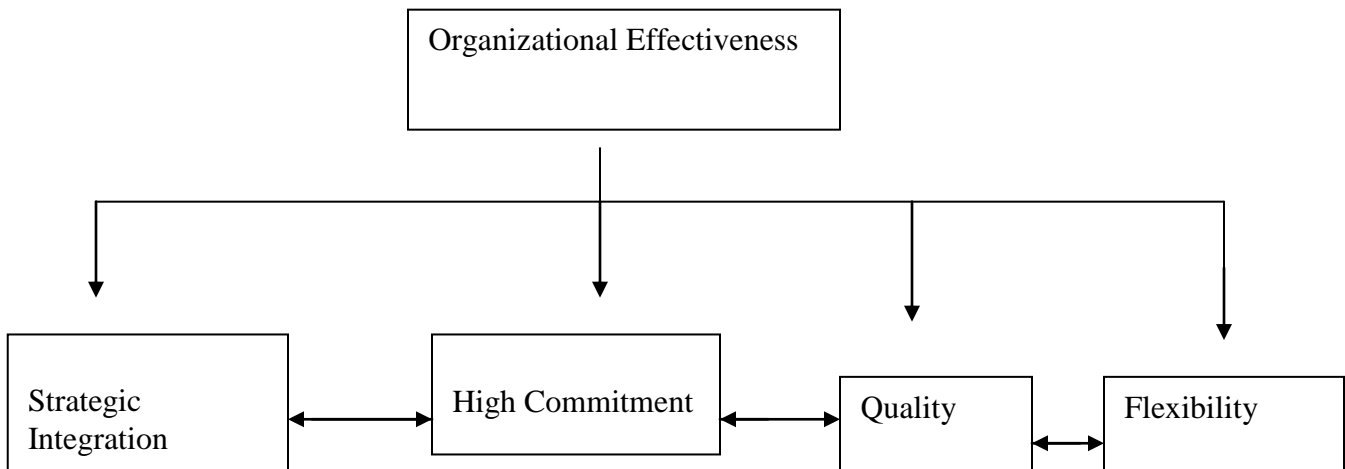
### C. High Commitment

- ⇒ This is concerned with the need to have both behavioural commitment, which is the ability to go an extra mile, and attitudinal commitment, which is reflected through a strong identification with the organization.

### D. Quality

Quality is based on the assumption that provision of high quality goods and services results from a quality way of managing people.

Figure 2.5(b) (2) (D) (i)



(Source: <http://ww4.msu.ac.zw/elearning/material/1144244020HRM%20Models.doc>)

## **The strategic fit or the hard variant of HRM**

### **(3) The Matching Strategic HRM Model**

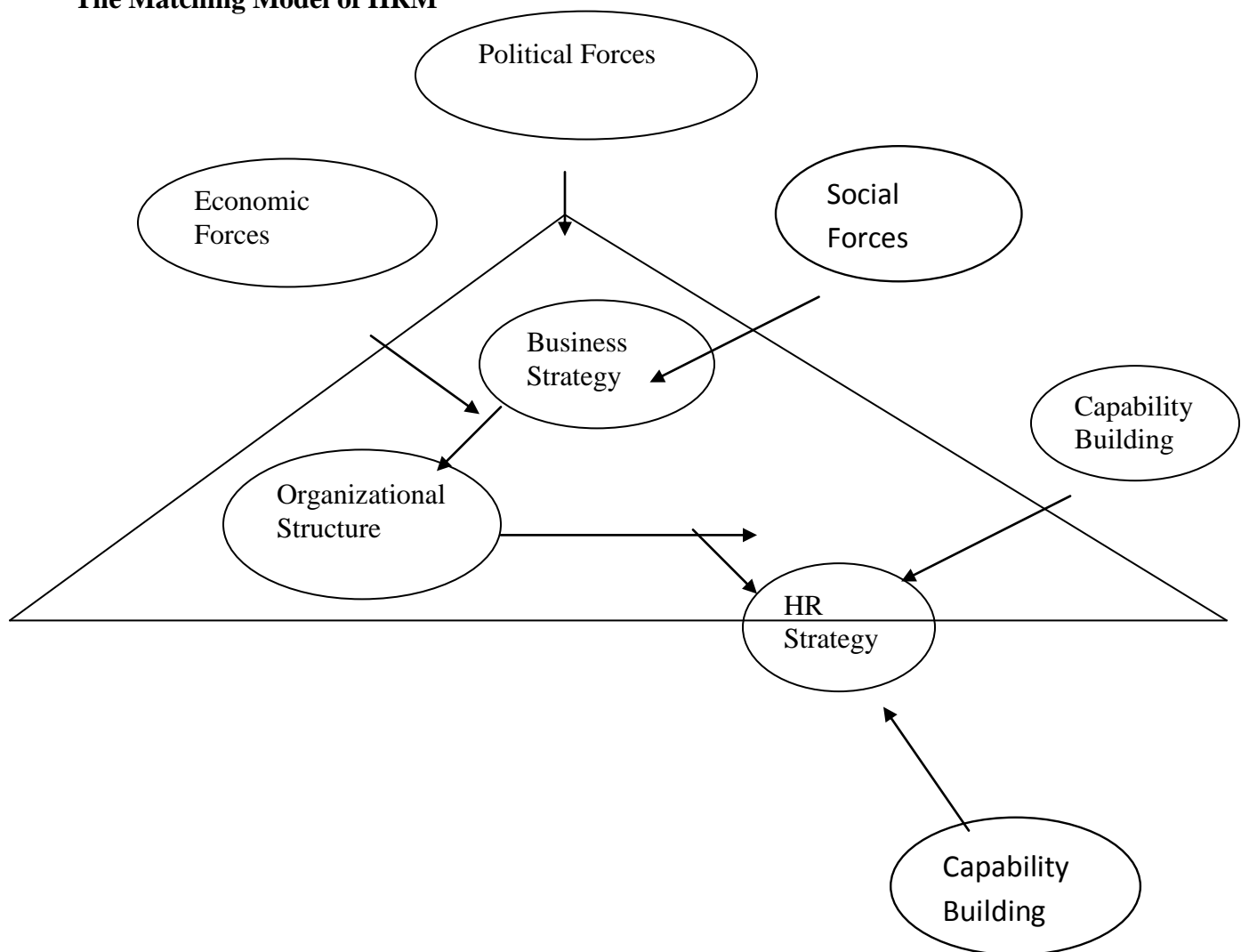
The underlying premise of this influential model is that high-wage countries in the western hemisphere can only gain competitive advantage through adopting Michael Porter's (1980, 1985, 1990) generic 'low-cost' or 'differentiation' strategy. Further, each Porterian competitive strategy involves a unique set of responses from workers or 'needed role behaviours' and a particular HRM strategy that might generate and reinforce a unique pattern of behaviour (Schuler and Jackson, 1987; Cappelli and Singh, 1992). Thus, the practice of strategic HRM is concerned with the challenge of matching the philosophy, policies, programs, practices and process, the 'five Ps', in a way which will stimulate and reinforce different employee role behaviours appropriate for each competitive strategy (Schuler, 1989). Similarly, each type of Miles and Snow's (1984) competitive strategies – 'defender', 'prospector' and 'analyser' – will require that an organization's HRM policies and practices should be configured and managed in a way that is congruent with each particular strategy. The publication of Fombrun *et al.*'s *Strategic Human Resource Management* (1984) generated early interest in the 'matching' model. Devanna *et al.*'s framework chapter in this book argued that 'HR systems and organizational structure should be managed in a way that is congruent with organizational strategy (p. 37). This is similar to Chandler's (1962) distinction between strategy and structure and his often quoted maxim that structure follows strategy. In the Devanna *et al.* model, human resource management strategy and structure follow and feed upon one another and are influenced by environmental forces. This basic model constituted the 'bare bones of a theory' on SHRM (Boxall, 1992). The notion of 'fit' between an external competitive strategy and the internal HRM strategy is a central tenet of the HRM model advanced by Beer *et al.*. The authors emphasize the analysis of the linkages between the two strategies and how each strategy provides goals and constraints for the other. There must be a 'fit between competitive strategy and internal HRM strategy and a fit among the elements of the HRM strategy' (Beer *et al.*, 1984, p. 13). Any inconsistency in internal HRM practices will likely lead to 'role conflict and ambiguity that can interfere with individual performance and organizational effectiveness' (Schuler, 1989, p. 164). There is some theorization of the link between product markets and organizational design and approaches to labour management. So, for example, a firm manufacturing large-batch products in a market where low cost is critical will, Beer *et al.* argue, need to develop a different approach to managing its workforce than a firm manufacturing small-batch, customized products where quality is a key success factor. HRM is seen to be 'strategic by virtue of its alignment with business strategy and its internal consistency' (Boxall, 1996). In the matching model, the relationship between business strategy and HRM strategy is said to be

‘reactive’ in the sense that HRM strategy is subservient to ‘product market logic’ and the corporate strategy. The latter is assumed to be the independent variable (Boxall, 1992; Purcell and Ahlstrand, 1994). As Miller (1987) emphasizes: HRM cannot be conceptualized as a stand-alone corporate issue. Strategically speaking it must flow from and be dependent upon the organization’s (market oriented) corporate strategy (cited in Boxall, 1992, p. 66).

- ⇒ The Michigan model was propounded by Fombrun Tichy and Devanna (1984) at the Michigan Business School.
- ⇒ They also named this model a matching model of HRM.
- ⇒ Precisely, the matching aspect of this model demonstrates that the model is inclined towards the harder side of HRM.
- ⇒ This is because the matching model emphasizes more on “tight fit” between the HR strategy and the business strategy.
- ⇒ It demands that available human resources must be matched with jobs in the organization.
- ⇒ The HR strategy must be highly calculative in terms of the quantity of the human resources required to achieve the objectives enshrined in the business strategy.
- ⇒ Business strategy takes the central stage in this model hence human resources are taken like any other resource which must be fully utilised together with the other resources to achieve organizational objectives.
- ⇒ (Evans and Lorange, 1989) argue that the Michigan model is based on the “product market logic” which demands that to gain high profits labour must be obtained cheaply, used sparingly, developed and exploited fully.

Figure 2.5 (b) (3) (i)

### The Matching Model of HRM



Devanna (1984)

(Source: <http://ww4.msu.ac.zw/elearning/material/1144244020HRM%20Models.doc>)

- ⇒ The point of departure in the Michigan Model is the pre-eminence and pre-dominance of a business strategy, which must strictly be achieved by the available resources regardless of whether, they are able to do so or not.
- ⇒ In fact the business strategy must be achieved through minimum labour costs enhanced by structural re-organization, Performance Related Pay and staff reduction.



Fombrun et al.'s (1984) 'matching model' highlights the 'resource' aspect of HRM and emphasizes the efficient utilization of human resources to meet organizational objectives. This means that, like other resources of organization, human resources have to be obtained cheaply, used sparingly and developed and exploited as fully as possible. The matching model is mainly based on Chandler's (1962) argument that an organization's structure is an outcome of its strategy. Fombrun et al. (1984) expanded this premise in their model of strategic HRM, which emphasizes a 'tight fit' between organizational strategy, organizational structure and HRM system. The organizational strategy is pre-eminent; both organization structure and HRM are dependent on the organization strategy. The main aim of the matching model is therefore to develop an appropriate 'human resource system' that will characterize those HRM strategies that contribute to the most efficient implementation of business strategies.

The matching model of HRM has been criticized for a number of reasons. It is thought to be too prescriptive by nature, mainly because its assumptions are strongly unitarist (Budhwar and Debrah, 2001). As the model emphasizes a 'tight fit' between organizational strategy and HR strategies, it completely ignores the interest of employees, and hence considers HRM as a passive, reactive and implementationist function. However, the opposite trend is also highlighted by research (Storey, 1992). It is asserted that this model fails to perceive the potential for a reciprocal relationship between HR strategy and organizational strategy (Lengnick-Hall and Lengnick-Hall, 1988). Indeed, for some, the very idea of 'tight fit' makes the organization inflexible, incapable of adapting to required changes and hence 'misfitted' to today's dynamic business environment. The matching model also misses the 'human' aspect of human resources and has been called a 'hard' model of HRM (Guest, 1987; Storey, 1992; Legge, 1995). The idea of considering and using human resources like any other resource of an organization seems un-pragmatic in the present world.

Despite the many criticisms, however, the matching model deserves credit for providing an initial framework for subsequent theory development in the field of strategic HRM. Researchers need to adopt a comprehensive methodology in order to study the dynamic concept of human resource strategy. Do elements of the matching model exist in different settings? This can be discovered by examining the presence of some of the core issues of the model. The main propositions emerging from the matching models that can be adopted by Managers to evaluate scenario of strategic HRM in their organizations are:

- Do organizations show a ‘tight fit’ between their HRM and organization strategy where the former is dependent on the latter? Do specialist people Managers believe they should develop HRM systems only for the effective implementation of their organization’s strategies?
- Do organizations consider their human resources as a cost and use them sparingly? Or do they devote resources to the training of their HRs to make the best use of them?
- Do HRM strategies vary across different levels of employees?

The matching model can be critiqued both on conceptual and empirical grounds. In the first area, the conceptual, the matching model is predicated upon the rational view of strategic decision making grounded in clearly definable predispositions and acts of planning, choice and action. That is, the third-order or ‘internal’ strategy – a carefully planned approach to how people at work are to be deployed, developed, motivated and controlled – is derived from first-order or ‘external’ strategy – a chosen approach of competing in the marketplace. In other words, it assumes that organizational controllers act rationally. But, as many critical organizational theorists attest, strategic decisions are not necessarily based on the output of rational calculation. The assumption that business-level strategy and HRM strategy has such a logical linear relationship is questionable given Whittington’s (1993) work on strategy. His two axes model has four perspectives on strategy – ‘classical’, ‘evolutionary’, ‘processual’, and ‘systemic’ – thereby complicating the notion of aligning business strategy and HRM strategy. What perspective on strategy is being adopted when writers make normative statements that HRM should ‘fit’ the business strategy? As Legge (1995) emphasizes, the notion of aligning business strategy and HRM strategy only applies to the ‘classical’ approach (the supreme goal is profitability and rational, top-down strategic planning is the means to achieve it) to strategy. Thus, the ‘act of *consciously* matching HRM policy to business strategy is only relevant if one adopts the rationalistic ‘classical’ perspective on strategy (p. 103). The ‘decision process’ model and the ‘political process’ model appear to provide a more fruitful approach into strategic decision making. Proponents of the two models argue that managerial rationality is limited by lack of information, time and ‘cognitive capacity’ and, adding to the management milieu, management is a highly competitive process, in which managers fiercely compete for resources, status and power. Rather than viewing strategic choices as the outcome of rational decision making, Johnson (1987) opines that:

Strategic decisions are characterized by the political hurly-burly of organizational life with a high incidence of bargaining, a trading off of costs and benefits of one interest group against another, all within a notable lack of clarity in terms of environmental influences and objectives (cited in Purcell, 1989, p. 72).

A second problem is with the prescriptive validity of the model. Some HRM theorists have questioned whether the fit metaphor is necessarily a desirable goal to achieve. In periods of market turbulence and financial stringency there is a tendency for corporate management to improve profitability by downsizing, decentralizing decision making and applying more demanding performance outcomes at the unit level. As Purcell (1989, 1995) argues, this, in turn, encourages similar trends in HRM and industrial relations strategies. A multidivisional company pursuing a strategy of acquisition, asset stripping, and downsizing might 'logically' adopt a set of HRM strategy that includes compulsory lay-off and a compensation system based on short-term performance results. In such a case, the business strategy and HRM strategy might 'fit', but as Legge points out, these HRM policies 'although consistent with such a business strategy, are unlikely to generate employee commitment' (1995, p. 126). In other words, achieving the goal of 'close fit' of business and HRM strategy can contradict the core 'soft' HRM goals of commitment, flexibility and quality. Further, senior managers are pragmatic and the potential for contradictions abound in the work arena. Work organizations may adopt a 'soft' version of HRM for white-collar managerial staff, which is consistent with its business strategy, while simultaneously pursuing a 'hard' version of HRM for blue-collar workers, which might undermine the commitment of the latter.

To further pursue the question whether a matching of business and HRM strategies is necessarily desirable, Boxall (1992, 1996) argues that 'excessive fit' can be disadvantageous to gaining competitive advantage. It can make a company inflexible and incapable of adapting quickly to the external environment: '[managers] need to respond appropriately to a *range* of competitive conditions'. He goes on to state that, 'The fit metaphor is an unfortunate one in an age when flexibility and the need for rapid learning in organizations have become perceived as such major virtues' (1992, pp. 68–9). Finally, a close alignment of HRM policies and practices with business strategy might be 'impractical' owing to the personality traits of managers; it 'assumes a rigidity of personality and a stereotyping of managers that is untenable, as well as an unrealistic precision in the selection process' (Legge, 1995, p. 127).

A third problem centres on underlying structural variables in profit-driven economies which seriously undermine the notion of strategic integration. Purcell's (1995) work, for example, demonstrates how the imperatives of the marketplace and 'rational' managerial decisions limit the adoption of the matching paradigm. He argues that when a financial-control mode of management and short-term investment criterion dominates, it tends to drive out long-term HR investment at the workplace and 'destroy' the basis of HRM as part of Business Strategy. He also notes that multidivisional companies are not monolithic; a range of possible patterns of Business Strategy is possible. It is, however, worth noting that the companies adopting a financial-control model, 'substantially out-perform the industry average' and, consequently, are viewed favourably by the capital markets. As the 1990s continue to be marked by short-term financial expediencies in the Anglo-North American capital markets, this trend makes the adoption of non-economic and intangible values characteristic of the 'soft' HRM paradigm as part of a Business Strategy improbable. The implications of Purcell's (1989) incisive analysis of the integration model is that, however inspired managers might be by the progressive HRM paradigm, there are contradictory 'structural tendencies' at work that will constrain management implementing this model. In addition, the matching model is essentially 'unitary' and it tends to assume that workers are unproblematic and will comply with management's perception of the 'needed role behaviours'. Advocates of tight fit between business and HRM strategies tend to ignore the realities of the workplace and the possibility that workers and their unions might influence strategic planning (Boxall, 1992, 1996).

In the second area for debate, the empirical, there are two related hypotheses: the first asks whether HRM strategies are in fact related to business strategy; the second question asks whether organizations that manage to achieve a 'tight fit' actually experience superior performance. The second and more challenging question, we address later in this chapter. As far as the first empirical question, it is evident that both survey-based research and case studies have generated only limited empirical support for the matching paradigm (Boxall, 1992, 1996; Legge, 1995). Jackson *et al.*'s (1989) survey study of 267 firms found some support for the proposition that firms pursuing an innovative strategy seek to develop HRM practices for blue-collar workers that are 'broadly consistent with that thrust', but that HRM practices varied with technology, industrial sector, organizational size and structure, and workplace unionism (cited in Boxall, 1992, p. 67). The study does not *disprove* the matching model of strategic HRM, but 'it provides few answers' (Jackson *et al.*, 1989, p. 782). Marginson *et al.* (1993), in a survey study of large UK companies failed to find an explicit link between HRM strategy and business strategy. Similarly, Purcell and Ahlstrand's (1994) study of multidivisional companies found that HRM issues are 'rarely

taken into account' in the formulation of corporate strategies. Downie and Coates' (1994) survey study of Canadian firms reported that HRM is taking on somewhat 'more strategic importance', but provided little evidence to substantiate the notion of strategic integration. The study found that Canadian HR managers are 'often outside the decision-making circle'. Peck's (1994) survey study of the relationships between 'strategy, HR policies and the employment relationship' in 45 American firms concluded that the relationships between the three are 'more complex than previously assumed' (1994, p. 729). The case study of US steel mills by Arthur (1992) does provide some evidence of a fit between a low-cost business strategy and cost-reducing HRM practices, but the associations are 'far from perfect' (Pfeffer, 1994, cited in Boxall, 1996, p. 63). As a review of the literature makes clear, the fit metaphor has proven to be both conceptually and empirically elusive. The upshot is that aligning business and HRM strategies is a complex process and we lack detailed data provided by longitudinal case studies to demonstrate the relationship between business strategy and HRM strategy.

#### **(4) Storey Model**

##### **John Storey (1989)**

John Storey emerged to be one of the strongest proponents of HRM as a completely different discipline from the preceding disciplines embraced by the TPM approach.

- ⇒ He believed that HRM is a holistic approach with a set of interrelated policies with an ideological and philosophical underpinning.
- ⇒ Because of these ideological and philosophical aspects, HRM does not only stand distinctively outstanding from TPM but also emerges to be a much more humane approach to employment management.
- ⇒ The model by John Storey is based on four aspects.

##### A. **Beliefs and Assumptions**

- ⇒ The model is premised on the notion that HRM is based on a set of beliefs and assumptions, which makes it a distinctive approach.
- ⇒ Fundamentally it is believed that it is the human resource among all the other factors of production, which gives the difference.

- ⇒ Successful organizations are distinguished from the rest by the capabilities and commitment of the people who work for them.
- ⇒ It is therefore imperative that the human resource ought to be treated with great care and nurtured as valuable assets.
- ⇒ Finally it is believed that the employment relationship is based on commitment and not compliance.

B. **Strategic Qualities**

HRM is further distinguished by the fact that it is strategic in nature and therefore requires the attention of senior management and top executives.

- ⇒ The above-mentioned assumption stems from the 1<sup>st</sup> belief that the human resource is the most important source of competitive advantage.
- ⇒ HR Policies are too important to be a product of prescribed best professional practice only. In fact they must be sensitive to the demands of the competitive business environment, business strategy and the HR strategy.

C. **Role of Line Managers**

- ⇒ Line managers have a very important role to play in people management.
- ⇒ It is clear from the HRM philosophy that people management is too important to be left to operational personnel specialists.
- ⇒ Fundamentally, the importance of line managers is seen through the strong link that exists between them and their respective subordinates or employees.

D. **Key Levers**

- ⇒ There is a strong belief that culture management is important than managing Procedures and systems.
- ⇒ This is primarily important because culture management brings consensus on overall organizational values, beliefs and assumptions.
- ⇒ Culture management is also believed to be essential in flexibility and commitment.
  - i) Integrated action on all HRM policies
  - ii) Restructuring and job redesign to allow developed responsibility and empowerment.

### **(5) The Resource-based Model**

The resource-based model of SHRM draws attention to the strategic value of the workforce and to the issues of workplace learning. Thus it appears to embrace a 'soft' view of human resource management. The genesis of the resource-based model can be traced back to Selznick (1957) who suggested that work organizations each possess 'distinctive competence' that enables them to outperform their competitors, and to Penrose (1959) who conceptualized the firm as a 'collection of productive resources'. She distinguished between 'physical' and 'human resources', and drew attention to issues of learning including knowledge and experience of the management team. Moreover, Penrose emphasized, what many organizational theorists take for granted, that organizations are 'heterogeneous' (Penrose, 1959, cited in Boxall, 1996, pp. 64–5). More recently, Barney (1991) has posited that '*sustained* competitive advantage' (our emphasis) is not achieved through an analysis of its external market position but through a careful analysis of the firm's skills and capabilities; characteristics which competitors find themselves unable to imitate. Putting it in terms of simple SWOT analysis, the matching model emphasized the strategic significance of external 'Opportunities' and 'Threats', the resource-based perspective emphasizes the strategic importance of internal 'Strengths' and 'Weaknesses'. This model suggests that work organizations achieve sustainable competitive advantages by 'implementing strategies that exploit their internal strengths, through responding to environmental opportunities, while neutralizing external threats and avoiding internal weaknesses' (Barney, 1991, p. 99).

Barney argues that four characteristics of resources and capabilities are important in sustaining competitive advantage: value, rarity, inimitability and non-substitutability. From this perspective, the collective learning in the workplace by managers and non-managers, especially how to coordinate workers' diverse knowledge and skills and integrate diverse information technology, is a strategic asset that rivals find difficult to replicate. Amit and Shoemaker (1993) make a similar point to Barney when they emphasize the strategic importance for managers to identify, *ex ante*, and marshal 'a set of complementary and specialized resources and capabilities which are scarce, durable, not easily traded, and difficult to imitate' to enable the company to earn 'economic rent' (profits). Thus, according to the resource-based SHRM model, 'the value of the firm's strategic assets extends beyond their contribution to the production process' (p. 37).

It depends on a wide range of characteristics, including inimitability, limited substitutability, overlap with strategic industry factors and scarcity, and varies with changes in the relevant set of strategic

industry factors. Amit and Shoemaker's multidimensional framework is useful because it recognizes the dynamic nature of strategy and takes into account the existence of power and conflict in shaping (and potentially subverting) strategy when they state that:

Owing to uncertainty, complexity, and conflict (both in and outside the firm), different firms will employ different strategic assets, without any one set being provably optimal or easily imitated. At best, managers can devise heuristic solutions that navigate between the numerous cognitive and affective biases characteristic of humans and organizations (1993, p. 44).

Cappelli and Singh (1992) envision a coming 'marriage' between business strategy and HRM strategy based on the mutual recognition of the sustainable competitive advantage that skilled employees potentially create for the post-industrial organization. As Cappelli and Singh go on to discuss, this means that 'competitive advantage arises from firm-specific, valuable resources that are difficult to imitate' (p. 186). The strategic significance of HRM, Cappelli and Singh argue, is when HRM specialists demonstrate how, by developing valuable, non-transferable skills, HR impacts positively on long-term organizational performance. Similarly, Kamoche (1996) argues that when the two dimensions of 'human resource competencies' and the 'firm's core competencies' are aligned the 'full value of this synthesis is realizable' (p. 226). John Purcell (1995) builds on Cappelli and Singh's work to offer a more optimistic scenario than that offered in his 1979 study. He argues that the organization's human resource assets can make the potential contribution of strategic HRM 'immense'. The role for internal HRM strategy is to avoid becoming enmeshed in short-term, decentralized financial-control models characteristic of most American, Canadian and UK multidivisional companies. Instead, the strategic role for HRM is to develop 'horizontal' long-term strategies which place a 'premium' on the human resources and which 'emphasize intangible, learning, and skill transfer and the reduction in transaction cost' (Purcell, 1995, p. 84). The message for corporate HRM executives, argues Purcell, is clear; they have to demonstrate that the progressive HRM paradigm is invariably associated with improved organizational economic performance: 'The challenge for human resource management is to show a link between policy, practice and organizational outcomes that is meaningful to the corporate board' (p. 84). As we discuss later in this chapter, there now appears to be sufficient survey and case study evidence available to demonstrate a positive relationship between HRM and performance (Ichniowski *et al.*, 1996).

How should we evaluate the resource-based model? As with the contingent matching approach, the resource-based approach to strategic HRM can be critiqued on both conceptual and empirical grounds.



One problem is that the term itself, 'resourcebased' appears to mean different things to different authors. Some competing terms include 'distinctive competence' (Selznick, 1957), 'dynamic capabilities' (Teece *et al.*, 1990), 'core competencies' (Prahalad and Hamel, 1990), 'human resource competencies' and the 'firm's core competencies' (Kamoche, 1996) and so on. The definitions range from narrow specific interpretations to very broad descriptions and are 'sometimes tautological; resources are defined as firm strengths, and firm strengths are then defined as strategic resources; capability is defined in terms of competence, and competence is then defined in terms of capability' (Nanda, 1996, p. 100). The prescriptive message of the resource-based approach is based upon the familiar assumptions in McGregor's (1960) 'Theory Y' – that workers have talents which are rarely fully utilized in the workplace – and could therefore be seen as no more than 'good intentions and whistling in the dark' (Guest, 1990, p. 392). The prescriptive validity of the resource-based approach has been questioned by some theorists. For some, this perspective on strategic HRM makes the mistake it accuses the matching model of making; 'it seems to be ascribing preeminence to the inside-out perspective of strategy' (Nanda, 1996, p. 103). The practitioner literature, however, warns against ignoring the strategic relevance of both external and internal factors and calls for a 'dual' focus on market analysis and organizational capabilities. Another problem with the resource-based SHRM model stems from its implicit acceptance of a unitary perspective of the post-industrial workplace in which goals are shared and levels of trust are high. As is the case with the matching model, advocates of the resource-based SHRM perspective omit the dynamics of workplace trade unionism in the strategic equation. However, writers typically recognize the importance of workers' contribution to the labour process, knowledge and skills, synergy, proactive leadership, encouraging innovation and stimulating learning processes and, in contrast to the matching approach, it is a dynamic model of strategy. A comprehensive theory of strategic HRM would be 'pluralist' and incorporate worker interests within the nexus of the firm. As Boxall (1996) correctly acknowledges 'we must incorporate an adequate theory of employment relations into the theory of strategic HRM' (1996, p. 68).

Finally, what empirical support is there for the resource-based SHRM model? To date, the literature reports that empirical studies have lagged behind this model of strategic HRM. In relation to the question of empirical support Nanda (1996) makes a pertinent observation: 'While the analysis has been sophisticated at macrotheoretic level, it stands relatively unsupported by microtheoretic foundations on the one side and empirical verifications on the other' (Nanda, 1996, p. 97). The premise underlying the resource-based approach to strategic HRM is that sustainable competitive advantage or above average

performance is derived from workplace learning: 'it is a firm's ability to learn faster and apply its learning more effectively than its rivals, that gives it competitive advantage' (Hamel and Prahalad, 1993, cited by Boxall, 1996, p. 65). This makes training and employee development a vital if not pivotal component of strategic HRM. In Britain and Canada however, the general record of workplace training is 'dismal'. Ashton and Felstead (1995) assert that there has been no systematic evidence of a transformation of training activity in British companies.

In addition, Anglo-North American managements have placed more emphasis on nonstandard employment and reducing labour costs and, explicitly or implicitly, have deemphasized employment security, which would suggest a limited acceptance of the resource-based approach as it applies to HRM (Boxall, 1996). In Canada, Betcherman *et al.*'s (1994) survey study reported that 'the large majority of firms do not take a systematic, forward-looking approach to training; roughly 20 per cent appear to have a training budget and about 15 per cent have a formal training plan' (1994, p. 36). When faced with the various exigencies of global price competition, the majority of Anglo-North American companies have opted for a Porterian low-cost strategy and a market-driven HRM strategy to minimize investment in human resources. The consequences of a low-cost strategy in a free-market global economy leads to second-round effects on the workforce. Line managers, clerical and manual workers realize that their jobs are more insecure, and that their employers are compelled to be increasingly aggressive on employment relationship matters; that in turn affects workers' commitment to the organization and the value they place in upgrading their skills. Thus, a market-driven 'hard' HRM strategy can perpetuate a low-skill, low-wage economy. Despite consultants and senior business executives' protestations it would appear that much of the 'soft' HRM practices have been put back on the shelf.

Although a number of models have been proposed (e.g. Becker and Huselid, 1998; Dyer and Reeves, 1995; Truss and Gratton, 1994), very little empirical research has examined multiple potential links (Wright and Gardner, 2002). Gardner and Wright (2003) presented executives and graduate students with fictitious descriptions of high and low performing companies and found evidence that their reports of HR practices can be influenced by knowledge of the company's past performance. Ostroff (2000) found some support for a HRM practices and performance. In this study, we have extended this link to include strategic HR roles, which are a reflection of the implementation of HR practices within organizations. Wright *et al.* (2003) reveal that both organizational commitment and HR practices are significantly related to operational measures of performance, as well as operating expenses and pre-tax profits.

## **2.6 Constructs of Strategic Human Resource Management**

HRM in organizations has often appeared to be incoherent and haphazard, without any linkage with the organization's strategy. Debates in the mid 1980s suggested the need to explore the relationship between HRM and strategic management more extensively (Guest, 1991). The need to integrate HRM with the SM process led to the emergence of SHRM. Starting roughly from the late 1980s, the literature shows an increasing emphasis on SHRM (Budhwar & Sparrow, 1997; Hendry & Pettigrew, 1992; Lengnick-Hall & Lengnick-Hall, 1988; Schuler & Jackson, 1987; Storey, 1992; Wright & McMahan, 1992).

The concept of SHRM became popular in the 1980s with the development of two models viz. the Matching model and the Harvard model that proposed integrating strategy and HRM. Fombrun, Tichy & Devanna (1984) through their Michigan model emphasised the importance of designing HR strategies to suit organisational strategy. Beer, Spector, Lawrence, Mills & Walton (1984) in their Harvard model, advocated the need for a more comprehensive and strategic perspective regarding HR.

SHRM is basically concerned with the integration of HRM with corporate strategy (Bennett, Ketchen & Schultz, 1998; Cook & Ferris, 1986; Storey, 1992). However, there is divergence of view on the nature of integration. Definitions of SHRM range from it being a human resource system that is tailored to the demands of the business strategy (Miles & Snow, 1984) to it being the pattern of planned human resource activities intended to enable an organization to achieve its goals (Wright & McMahan, 1992). Where in the first definition, HRM is a reactive management field; in the latter definition it has a proactive function.

Several scholars (e.g., Dyer, 1985; Fombrun, et al., 1984; Schuler & Jackson, 1987) opine that the basic premise underlying SHRM is that organizations adopting a particular strategy require HR practices that suit that strategy. These scholars tend to emphasize its implementation role. On the other hand, several scholars (e.g., Bennett, et al., 1998; Wright & McMahan, 1992) believe that in order for SHRM to be effective, human resource practices must be effectively integrated with all phases of the strategic planning process. Boxall and Purcell (2003) state, "HRM should play a major role in improving the quality of strategic management" (p. 41).

Despite differences in definitions, most authors (e.g., Huselid, Jackson & Schuler, 1997; Schuler, 1992; Wright, 1998) agree that the essence of the SHRM lies in gaining competitive advantage by managing

human assets through an integrated, synergistic set of HR practices that both complements and promotes the overall business strategy. SHRM is largely concerned with 'integration' and 'adaptation'. Its purpose is to ensure that HRM is fully integrated with strategy, HR policies are coherent and HR practices are accepted by line managers (Schuler, 1992).

Carroll and Schuler (1983) presented, starting from 1900, a summary of the major HRM innovations in each decade up to 1980. Personnel management is listed as the major innovation, while SHRM is not mentioned at all. However, in a more recent edition of his textbook on HRM, Schuler (1995) extends this summary to the 1990s and lists SHRM as one of the major innovations. Increasingly, SHRM is becoming more popular. Today, HR is seen as "potential contributors to the creation and realization of the organization's mission, vision, strategy and goals" (Jackson & Schuler, 2000, p. 37). It is interesting to note that HR managers are the front-runners today in the organization's strategic management process.

SHRM is an area that continues to evoke a lot of debate. The field is still in its evolutionary phase and it is difficult to identify any crystal clear framework to retrofit the existing scattered perspectives. Becker and Gerhart (1996) noted that the body of work in SHRM is relatively small, and most of the key questions are sorely in need of further attention. It is fashionable to raise questions about the viability of SHRM because the research stream has had mixed results (Chadwick & Cappelli, 1999). One of the most common complaints is that empirical studies lag far behind SHRM's theoretic underpinnings. Most studies on SHRM generally focus on normative frameworks on how HRM should fit with business management processes (Baird & Meshoulam, 1988; Lengnick-Hall & Lengnick-Hall, 1988; Miles & Snow, 1984; Schuler, 1992). Surprisingly, there are few studies that look beyond what the 'fit' actually comprises (Bennett, et al., 1998; Golden & Ramanujam, 1985; Truss & Gratton, 1994; Wright & Snell, 1998). Thus, we know relatively little about what variables determine this fit. There have been no significant efforts to develop a reliable and valid instrument to measure this fit. Despite the increasing importance of SHRM, there is still a paucity of reliable and valid research instruments to measure the various dimensions of SHRM. Most scales used by scholars (e.g., Budhwar & Sparrow, 1997; Green, Wu, Whitten & Medlin, 2006; Huselid, et al., 1997; Teo, 2000) focus on SHRM narrowly, taking a rather limited view of SHRM. Many of these scales, as discussed above, center around a 'reactive' perspective to SHRM. One noticeable limitation of prior work in this area has been their failure to take a comprehensive view of HR function. Most scales in the area of SHRM concentrate on strategically

linking of single or few HR practices. Studies that are conducted with respect to single HRM practices may be biased (Becker & Gerhart, 1996).

Despite the importance of SHRM, there is dearth of literature in the Indian context. Indian research (e.g., Amba-Rao, 1994; Bordia & Blau, 1998; Mathur, Aycan & Kanungo, 1996) has focused more on traditional HRM rather than on the interaction between HRM and strategy. More recently, dramatic changes have been witnessed in terms of changing corporate mindsets and HRM practices in Indian companies. Expectedly, there has been a marked shift towards valuing HR in Indian organizations as they become increasingly strategy driven (Budhwar & Boyne, 2004; Chatterjee, 2007). The volatile and changing business environment of India offers a good testing field for measuring SHRM. Although a few instruments have been developed in the Western world, a need was felt to develop a reliable and valid instrument in the Indian context.

On the basis of an extensive literature review, two constructs of SHRM were identified and developed viz. *HRM-Strategy Fit* (Depicted by HSF), *HRM Intra- functional Fit* (Depicted by HIF). The concept of SHRM is embedded in the notion of complementarity or integration or 'fit'. Wright and Snell (1998) opine that fit is the degree to which the needs, demands, goals, objectives and/or structure of one component are consistent with the needs, demands, goals, objectives and/or structure of another component. The theories of fit are based on the premise that organizations are more efficient when they achieve fit (Lengnick-Hall & Lengnick-Hall, 1988; Milliman, von Glinow & Nathan, 1991). On the basis of extensive literature review, four types of fit were identified vis-à-vis SHRM: fit between HRM and corporate strategy; fit between HR roles and position; fit within HRM function and fit between HRM and other functional areas. These various types of fit serve as measures or constructs of SHRM. Various studies have explored fit between HRM and corporate strategy (e.g., Baird & Meshoulam, 1988; Lengnick-Hall & Lengnick-Hall, 1988; Truss & Gratton, 1994). Similarly there are several studies on dimensions of fit between HRM and other functional areas (e.g., Casco'n- Pereira, Valverde & Ryan, 2006; Welbourne & Cyr, 1999) or on fit between HR roles and position. However, there is hardly a study that explores all these types of fit together.

There are four conceptual constructs for this research: Process of Formulation of Business Strategy and HR strategy, HRM Strategy Fit, HRM – Intra-functional Fit, and Factors Affecting Fit. Each one of these constructs can be further divided into its sub-constructs and/or the attributes of interest as given under:-

1. Process of Formulation of Business Strategy and HR strategy:

- 1.1. Environmental Scan to Identify opportunities and challenges for formulating business strategy.
- 1.2. Inputs from business verticals facilitate formulation of Business strategy
- 1.3. Business Strategy influence HRM activities
- 1.4. The inherent agility of Business strategy helps in HR strategy formulation

2. HRM Strategy Fit (HSF) – Vertical Fit

- 2.1. HRM activities designed to suit business strategy
- 2.2. HR activities consistent with organizational vision
- 2.3. HR inputs considered integral/consistent to business strategy/organizational visions.
- 2.4. Top management take interest and trained in HR issues.

3. HRM – Intra-functional Fit ( HIF) – Horizontal Fit

- 3.1. HR activities linked to long term HR vision.
- 3.2. HR sub-area managers work in co-operation.
- 3.3. Information is shared among various sub functions of HR.

4. Factors Affecting FIT

- 4.1. Organizational Factors: Culture, Structure
- 4.2. Individual Factors: Leadership and Skill set
- 4.3. Technology
- 4.4. HR sub system factors: Policies, Practices and Procedures

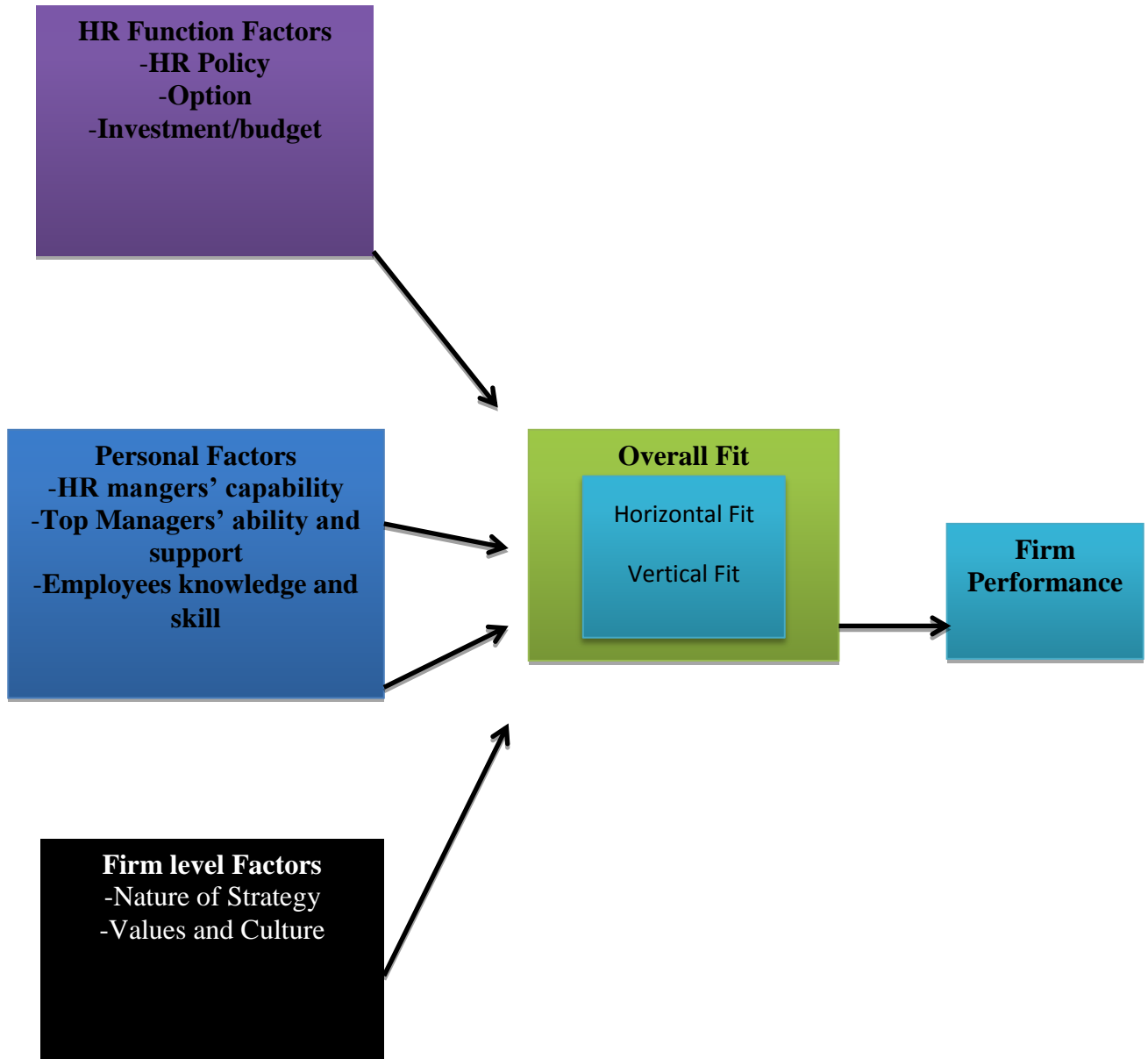
## **2.7 Factors affecting Strategic Human Resource Management**

### **(a) Theoretical Background of Fit**

Definitions of the two types of fit of SHRM have been introduced. In brief, horizontal fit refers to the coordination among a variety of human resource practices, while vertical fit is concerned more with the compatibility between the HR practice package and the strategy a firm pursues. Both types of fit contribute to the competitiveness of a firm and it is important to arrange a variety of HR practices in a systematic way. As Pfeffer (1994) noted, a set of properly arranged HR practices can have a positive impact on firm performance when they are properly implemented. Vertical fit, on the other hand, emphasizes the congruence of a series of HR measures with the strategy the firm is pursuing. A firm will be challenged to acquire or create the optimal package of human resources necessary for its strategy and to enhance its overall performance. Now the question is; are there any factors influencing the achievement of horizontal fit and vertical fit? Since achieving both kinds of fit is necessary for firm performance, an examination of the relevant determinants of fit is helpful to better understand the nature of SHRM as well as its contribution to organizational performance. Determinants of horizontal fit and vertical fit are shown in Figure below:

Figure 2.7 (a) (i)

**Determinants of Both Types of Fit**



(Source: <http://rphrm.curtin.edu.au/2006/issue2/strategic.html>)

The HR function factors are proposed to be specific factors that influence the compatibility of a variety of HR practices themselves, while firm level factors are analyzed as major determinants for matching HR activities with organizational strategy. Personnel factors, which embrace the capabilities of both employees and Managers, including HR Manager and other top Managers, are identified as common determinants for both horizontal fit and vertical fit.



Thus, Strategy revolves around following constructs:

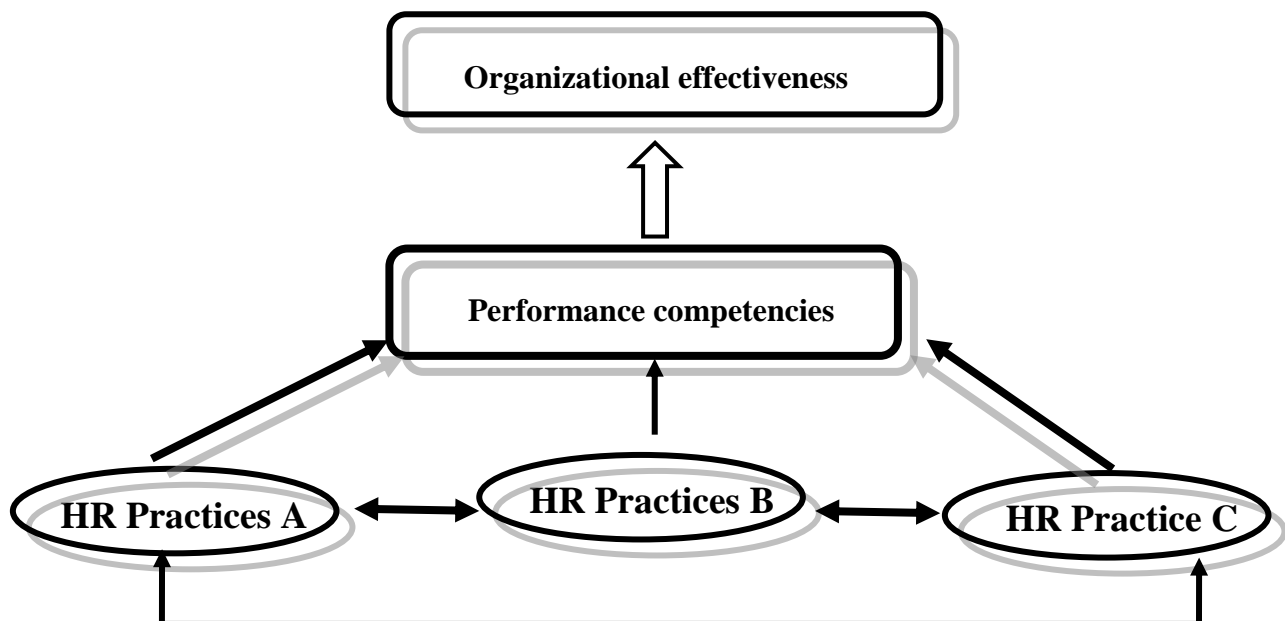
1. Vertical Fit i.e The alignment of HR Strategy with the Business Strategy
2. Horizontal Fit : i.e. Alignment of various sub-functions of HR so as to meet the Business Strategy

This paper will launch a conceptual framework on the antecedents of fit for better understanding the various organizational factors that facilitate the establishment of fit of HR practices and firm strategy. The definitions for the two types of fit are first introduced, and this section is followed by a summary of the theoretical underpinnings of how they both relate. A conceptual model illustrating the determinants of both horizontal and vertical fit is then provided, together with a detailed discussion on the role of three level factors on both internal and external fit. Propositions are suggested as well in this part. Finally, the implications of the conceptual model and the directions for future research are discussed.

To create an aligned HR system, the organization must first determine the current state of its HR'S system alignment. Such a diagnosis will help the organization to get a realistic idea of how well each HR practice is aligned, and provide the opportunity to develop idea for HR practice improvement that will be alignment enhancing. This diagnostic process is called Human Resource Alignment Analysis (HRA).An overview of the process is shown in the figure.

Figure 2.7 (a) (ii)

**HR Alignment Analysis:**



(Source: <http://www.smhc-cpre.org/wp-content/uploads/2009/04/analyzing-human-resource-practices-alignment.pdf>)

Throughout the world organizations are now facing extreme competition, market uncertainty and instability. Given that organizations have to sustain in such environment, there should be explicit links between business strategy and systems/ practices followed by the management including development of people. Human Resources have become the most critical resource which can give competitive advantage to an organization and therefore, should be managed and valued in the context of organizational strategies and policies. An organization should aim to successfully link HR strategy to the overall business strategy and give proper emphasis to current issues such as performance management and measurement, strategic reward systems, the learning organization, managing knowledge for strategic advantage.

Moreover, HR through its systems and processes needs to align the strategic imperatives of different functions with the overall strategic objectives of the company. HR therefore needs to vertically align the strategic priorities of cross functional teams with the business goals or strategy.

According to Pfeffer (1994) studies have shown that there is a correlation between performance and how the workers are managed. Organization vision and values will help in formulation of organization's strategy and specific goals. In some of the recent studies (Pfeffer, 1998), suggested that 'best practices' such as incentives, performance management and extensive training are as important for developing competitive advantage as the strategy, structure, technology and market share. This makes it very important that HR in a company should be aligned with the overall business strategy or business focus of the company.

Contemporary management practices indicate that many leading companies have recognized the strategic importance of human resources and have adopted an investment perspective toward these resources. Effective management practices focus a lot on effective management of people as it can be a source of competitive advantage. Further, there is greater awareness of the costs of treating employees as variable costs, which is beginning to change views of human resource practices. There is also a growing recognition of the relationship between companies' overall strategies and their human resource practices.

Fundamental values must be addressed in many human resource issues, particularly those involved in major strategic initiatives. When senior Managers formulate and implement strategies, their values and philosophies are communicated to members of the organization through human resource policies and

practices. For a successful organization, it is essential to integrate HRM into the business strategy and adapt HRM at all levels of the organization.

HR strategies are essentially plans and programmes that address and solve fundamental strategic issues related to the management of human resources in an organization (Schuler, 1992). They focus is on alignment of the organization's HR practices, policies and programmes with corporate and strategic business unit plans (Greer, 1995). Strategic HRM thus links corporate strategy and HRM, and emphasizes the integration of HR with the business and its environment. It is believed that integration between HRM and business strategy contributes to effective management of human resources, improvement in organizational performance and finally the success of a particular business (Holbeche, 1999; Schuler and Jackson, 1999). It can also help organizations achieve competitive advantage by creating unique HRM systems that cannot be imitated by others (Barney, 1991; Huselid et al., 1997). In order for this to happen, HR departments should be forward-thinking (future-oriented) and the HR strategies should operate consistently as an integral part of the overall business plan (Stroh and Caligiuri, 1998). The HR-related future-orientation approach of organizations forces them to regularly conduct analysis regarding the kind of HR competencies needed in the future, and accordingly core HR functions (of procurement, development and compensation) are activated to meet such needs (see Holbeche, 1999).

#### **(i) Vertical Fit and HRM Strategic Fit: Alignment of HR Strategy with the Business Strategy**

In general, vertical fit is viewed as a critical step toward attaining the organisational goals through initiating some human resource activities that are aligned with firm objectives, while horizontal fit is essential when making good use of these resources.

Despite the large bulk of literature on HRM produced since the mid-1980s, there is very little solid evidence on the ways in which various types of HRM strategies are shaped in practice in organization. Additionally, the firm's effectiveness depends on whether it has aligned its human resource management practices (Baron & Kreps, 1999) with its choice of strategy and with the environment within which the firm operates, i.e. there is a "vertical fit" (Fombrun et al., 1984; Delery & Doty, 1996). Unfortunately, only few studies have focused on the demand for simultaneous horizontal and vertical fit and have only to a limited extent provided more coherent design suggestions concerning the human resource strategy.

For example, Lepak and Snell (1999) have introduced the concept of human resource architecture, and Baron and Kreps (1999) have developed the human resource blueprints.

The congruence or 'fit' between HR practice and business strategy has been emphasized in studies related to SHRM (Miles & Snow 1984, Baird & Meshoulam 1988, Wright & McMahan 1992). It is the primary logic of melding the HR function into the strategy of a firm. A great deal of conceptual illustrations assert that the employment of effective HR practices and the design of a HR system compatible with the firm strategy are imperative for the successful implementation of business strategies (e.g., Lengnick-Hall & Lengnick-Hall 1988). There are also increasing numbers of empirical studies, conducted in various contexts, on the relationship between strategic HRM and organizational performance or competitive advantage (Huselid 1995, Bjorkman & Fan 2002, Chan, Shaffer & Snape 2004). Essentially, SHRM emphasizes developing the firm's capacity to respond to the external environment through a better deployment of human resources. Since the strategy of a firm is a reflection of its response to the competitive external changes, a human capital pool with a broad array of skills that are compatible with the Business Strategy, is a catalyst for fulfilling the strategic goals through promoting behavioural utility among employees.

Vertical fit, on the other hand, emphasizes the congruence of a series of HR measures with the strategy the firm is pursuing. A firm will be challenged to acquire or create the optimal package of human resources necessary for its strategy and to enhance its overall performance. Now the question is; are there any factors influencing the achievement of horizontal fit and vertical fit? Since achieving both kinds of fit is necessary for firm performance, an examination of the relevant determinants of fit is helpful to better understand the nature of SHRM as well as its contribution to organizational performance.

Among studies related to fit between HRM practices and business strategies (e.g., Huselid 1995, Delery & Doty 1996), various types of 'match' have also been examined from these two perspectives. For example, there are studies on strategy-employee skills fit as well as strategy employee behaviour fit (Wright & Snell 1998). For instance, the matching of the skill of the CEO and the general Managers (Kerr 1982, Hambrick & Mason 1984), and the fit between a firm's strategy and some specific behaviors of its employees.

## **(ii) Horizontal Fit: Alignment of various sub-functions of HR with the Business Strategy**

Previous research suggests that firms can gain sustainable competitive advantage through strategically managing their human resources, operationally exercised as strategic human resource management (SHRM). However, it remains unclear about the conditions under which a firm employs SHRM so as to achieve enhanced performance. As an important feature underlying SHRM, fit reflects the interactive role of HRM practices and their relationship with the organizational strategy. In this paper, factors facilitating fit are discussed. In the proposed conceptual framework, the individual, functional and organizational level factors that influence both types of fit are discussed. Among these factors, individual/personal factors impact both horizontal fit and vertical fit, while HR function related practices and firm level factors influence horizontal fit and vertical fit; respectively.

Strategic human resource management (SHRM) is a strategic approach to manage human resources of an organization. Compared with technical HRM, SHRM is considered a relatively 'new' concept, despite its continuous development over the past two decades. Although there is still no consensus on an exact definition of SHRM among scholars, broad agreement has been reached on its basic function, which involves designing and implementing a set of internally consistent policies and practices that ensure the human capital of a firm contributes to the achievement of its business objectives (Schuler & MacMillan 1984, Baird & Meshoulam 1988, Jackson & Schuler 1995). The traditional HRM function, or technical HRM activities, covers a wide range of employment practices, including recruitment, selection, performance appraisal, training and development and the administration of compensation and benefits. By combining the HRM function with business strategy, SHRM reflects a more flexible arrangement and utilization of human resources to achieve the organizational goals, and accordingly helps organizations gain a competitive advantage.

There are three HR function related factors that influence horizontal fit. They are (1) HR policy, (2) options of HR practices, and (3) the investment or budget of HRM. In general, horizontal fit of HRM refers to the congruence of a bundle of HR practices within the system (Baird & Meshoulam 1988). Specifically, horizontal fit is concerned about the composition and arrangement of the HRM system, and the organizational policies toward HRM matters for achieving a high level of fit among independent HR practices. Actually, HR policy directed clearly to or emphasizing the compatibility among a variety of HR practices facilitates a fine tuning process within the system. If certain functions are considered less important than others, according to the HR policy, less resources/budget will probably be given to these functions, making them poorly operated or less effective, relative to other institutional functions. For

example, if a firm installs a HR policy that places more attention on some aspects of HR practice, such as training or compensation, while discriminating against some others, such as a high quality selection process, the overall fit among HR practices will be poorly exercised. This action consequently, will bring higher costs and negative performance.

Another aspect that will influence HR horizontal fit is the option of HR practices available for implementation by the HR department and the firm. Regarding the HR function as a whole, if there are more options in the practical activities in managing human resources, there will be more freedom to choose the most optimal ones. This is especially important in today's highly competitive and uncertain business world. Bhattacharya and Wright (2005) suggested that the real options view could be especially useful to account for this issue. They argued that although a firm's human resources, as an asset, can provide value and competitive advantage, the uncertainties and risks associated with HR assets, cannot be ignored. However, firms can manage these uncertainties through HR options which are capabilities generated by certain HR practices and their combinations. In sum, the scope of choices for HR activities can be enlarged if there are a series of options of them. This will increase the probability of realization of horizontal fit. The investment of the firm in its human resource management is a key factor influencing horizontal fit. According to resource dependence theory (Pfeffer & Salancik 1978), resource is critical for organizational existence and development. Internally, the development of various HRM functions depends on resource provision from the organization (Tsui 1990). The amount of investment or budget devoted to HRM represents the resources available for the HR department. This is critical if the HR department is to design or implement high quality HR practices. For example, some effective HR practices require the involvement of outside experts or licensing expertise from other organizations. The establishment of an efficient HR system by experimentation or reform requires investment as well. Under these circumstances, resources or investments of a firm provided to its HR practices will affect the horizontal fit of the HRM system. The intra-function HR fit is contingency among HR activities such as hiring and compensation (Chenevert & Tremblay, 2009). Each of these functions represent a way that the HR department should learn to fit into the organization internal and external. Internal consistency of HR policies or practices is another important dimension of SHRM (Guest, 1991; Milliman, et al., 1991; Schuler & Jackson, 1987; Wei, 2006; Wright & McMahan, 1992; Wright & Snell, 1998). This construct measures how integrated the various sub-functions of HRM are. It focuses on issues like presence of HR vision, existence of a coherent HR strategy, information-sharing among HR managers, linkages between HR sub-functions, allocation of budget for HR sub-functions and so forth.

### **(iii) Elements of Both Types of Fit: Personal and Other Influencing Factors**

Ability and skills of organizational members are important for successful implementation of organizational goals and strategies (Lado & Wilson 1994). As a major function, the HR system and practices are crucial in facilitating the achievement of business strategy through the management of people. Therefore, it is necessary to identify the impact of personnel factors on HRM based on prominent characteristics of the HR function. First, based on the competency perspective, Managerial competencies are important organizational dimensions, which add value to an organization through its determination on the acquisition and arrangement of business resources, process of resource transformation to valuable products or services as well as the value delivery process to organizational stakeholders (Lado, Boyd & Wright 1992). The capability of HR Managers is critical in designing an internally consistent as well as a compatible strategic HR system. Second, HR Managers have been found to play significant roles in the business strategic making process (Dutton & Ashford 1993). But with a common view of the HR function as an advisory or support department, and hence, as a 'cost centre', it is vital for top level Managers to express recognition and support of the HR function, if the HR function is to add value to the organization. Third, as the target of HRM, employees should be allowed to influence the performance of the HR function through the interaction of their knowledge and skills with HRM practices and the strategies implemented in the firm. In sum, the three aspects, the HR Managers' capability, the top Manager's ability and support, and the employees' knowledge and skills will affect both the horizontal fit of HR system and the vertical fit of HRM practices and firm strategy. The capability of a HR Manager matters to the effectiveness of the design and implementation of a HRM system. In general, a HR Manager's capabilities include the utilization of business knowledge to facilitate HR issues, the ability to initiate changes or help employees to plan for changes, and the capability to coordinate HR redirection corresponding to the strategic changes of the firm (Wei & Lau 2005). The more capable the HR Manager, the more likely this Manager will be able to discern any incongruence or problems of the HR system, and thus, be able to initiate adjustments to rectify the incompatibility of the system. The scope of the capability of the HR Manager is important. A wider scope of abilities and skills of a HR Manager will help to accommodate a much broader variety of HR practices that are necessary for achieving the horizontal fit of contemporary complex institutions.

The capability of a HR Manager influences the establishment of the vertical fit, due to the nature of vertical fit as the arrangement of HR packages based on the firm's strategy. The design of a sophisticated HR system can be well accomplished only if the firm's strategy is comprehensively understood by the

HR Manager (Huselid, et al. 1997). Therefore, the capability of a HR Manager, especially in terms of abilities in understanding and analyzing the business strategy, will influence the achievement of vertical fit. In sum, the capability of the HR Manager is positively associated with the realization of both types of fit.

Ability and support from senior Managers is also critical for a firm to acquire both horizontal fit and vertical fit. According to the competency based perspective, organizational competencies can be employed as potential sources of competitive advantage. As an important type of organizational competencies, Managerial competencies refer to the ability of strategic leaders to create and enact the strategic vision of an organization (Lado & Wilson 1994). The ability of top Managers in the business strategic process is key to the competitive advantage of an organization in the marketplace. Top-level Managers have an important role in the implementation of business strategy, and consequently, they impose their influence on various functional activities, such as the design of HR system, based on their knowledge and insights from both strategic and business perspectives. The relationship between their enactment of strategy and functional performance reflects the connection between strategy and the HR system, which is vertical fit. Additionally, the support of top Managers for the HR function to adopt a series of internally compatible HR practices has impact on the fit of the HR system itself and on the HR system with the firm's strategy. Nevertheless, there are numerous debates on the value or significance of the HR department in organizations, due to the 'cost' nature and the difficulty in identifying the immediate contribution of the HR function under some circumstances. It becomes less likely that horizontal fit and vertical fit will be obtained if there is a lack of conceptual consent and/or insufficient resources. Prior research evidence (e.g., Tsui 1990) also indicates that top executives are one of most important constituencies on HRM and the priorities of top management have significant influences on HRM policies and practices (Kane & Palmer 1995). The logical conclusion is that the ability and support given by senior Managers impacts both horizontal fit and vertical fit.

Employee knowledge and skills also influence the HR system fit. Since the effects of the design and implementation of a firm's HR activities are embodied through all employees, their knowledge and skills directly affect the quality and performance of the HR system (Wright & Snell 1998). Arguably, more knowledgeable and skilful employees will have competencies to understand and enact a variety of HR practices, such as those designed for a firm's specific strategy. Conversely, if the knowledge and skills of employees are limited, it is likely their behaviors and performance will be adversely affected, and their



acceptance and utilization of HR practices will be impeded. Therefore, it becomes difficult to expect the employees to accomplish the series of HRM activities internally consistent, or congruent with the Business Strategy. A lower level of desirable knowledge and skills exercised by employees will accordingly hinder efforts to change their behavior in an effective way to accomplish their job and the HR practice.

Personnel factors influence both horizontal and vertical fit. It is suggested that other factors, however, especially some firm level factors, are pertinent for firms seeking vertical fit. Primarily, the nature of the strategy a firm chooses and value and culture system of a firm are proposed to be two major determinants that influence the extent of vertical fit that a firm can ultimately realize. These two factors are sequentially illustrated as follows. The nature of strategy impacts vertical fit. This relationship is because different strategies have unique implications on diverse HR practices, and will influence the achievement of vertical fit (Schuler & Jackson 1987). HR practices are designed and arranged to reinforce functional implications of the various generic strategies defined by Porter (1985). For example, it will be more effective for firms adopting a cost leadership strategy to formulate uniform, objective criteria on performance evaluation than firms using a differentiation strategy. The clear goal of cost leadership strategy (minimizing production costs) adds to the explanation, compared with the complexity and uncertainty of objectives of differentiation strategy. There is empirical evidence to support these perspectives. A recent study undertaken by Martell, Gupta and Carroll (1996) demonstrated the effects of different HR practices and business strategy on firm performance. Specifically, these researchers found that training has higher positive effects for firms adopting a cost leadership strategy than with differentiation strategy. The authors of this investigation attribute the ineffectiveness of training under differentiation to a higher extent of creativity and flexibility needed, which is not likely to be learned through pre-defined training. Therefore, it will be easier for a firm to achieve the strategy matching HR arrangements if the goals defined by a certain strategy are less uncertain and clearer.

Values and culture of a firm impact the vertical fit. Organizational culture and values shape the HRM practices (Bowen & Ostroff 2004). The influence of values and culture on vertical fit is mainly reflected in how quick or good the strategy can be merged into the designing of HR practices that are compatible with the strategy. Development of a strategy compatible HR practices is affected by corporate values and culture, partly because the HR system takes on an advisory or consultancy role in the management structure of a firm. If the contribution of the HR function is deemed as minor or unimportant, it is difficult to induce the efforts of the HR Managers to design a series of HR practices according to

Business Strategy. Even if the HR department is self motivated to provide a set of strategy compatible HR arrangements, the adoption and implementation of these HR activities may become problematic due to lack of enough support from the top level Managers, who are representatives of the values and the unique culture of a firm (Wei & Lau 2005). Furthermore, the importance of values and culture of a firm for vertical fit can be reflected in the speed of achieving vertical fit. Indeed, the HR system of an organization is relatively stable and difficult to change quickly due to inertia (Wright & McMahan 1992). Consequently, when a new strategy is formulated, the adjustment or redesign of the former HR system cannot emerge automatically. However, the values and the culture system of an organization that emphasizes a quick following of those functional departments with renewed strategy will benefit the vertical fit process, with an immediate adjustment toward designing and adopting an optimal HR practice arrangement. Similarly, an organizational atmosphere advocating a higher extent of fit between strategy and HR practices will be advantageous to the realization of vertical fit for an organization.

Developing an effective HR system that is compatible with organizational strategy is critical for the functioning and success of a firm in the competitive business arena. Indeed, the increasing complexity of contemporary corporate life has elevated the importance of shedding traditional beliefs that were the concerns of personnel Managers, and to shape newer mindsets, proactive attitudes and professional identities, orientations that have placed greater emphasis on the utilization of human resources. In this process, achieving both types of fit is necessary for firms striving for good performance. This paper provides a conceptual model on the conditions that a firm might employ to establish both fits, with propositions related to three independent factors within the organization. Specifically, the HR function related factors are relevant to the horizontal fit, while the firm level factors to vertical fit. Personal factors, including the Managers and employees, impact both types of fit.

In spite of providing an initial exploration on the antecedents of HR fits the process by which these antecedents have impact on both fits is yet unclear. Further studies, especially empirical based investigations, are needed to better understand the mechanisms through which these factors influence both types of fit. For example, the three types of factors take different roles in facilitating the realization of both fits and such roles may be distinct in firms with different backgrounds, such as firms from different industries, with different ownership types and size. Despite the extant studies on the role of firm strategy on vertical fit (e.g., Delaney & Huselid 1996, Youndt, Snell, Dean & Lepak 1996, Fey & Bjorkman 2001), further evaluations that rigorously examine the effect of other firm level factors, and even functional and personal level elements, need to be made for a comprehensive understanding of the

antecedents of SHRM. In addition, it may be worthwhile to examine the possible interactions among these factors that may have an impact on the performance of a firm. For instance, HR policy is usually formulated based on firm strategy, and the HR frameworks and top level Managers are relevant in this process. Clarification of the relationship among these determinant factors from different levels will contribute to a better understanding of the overall process underlying how both fits are realized, and so lead to better outcomes. Methodologically, qualitative research and longitudinal designed empirical studies will be very helpful, for achieving desirable corporate objectives.

Traditionally, the HR department was viewed as an entity that served the role of staffing, compensating and training of personnel. Today these functions are considered to be pragmatic, narrow in scope, and now Managerial duties that are less central than the role of the HR Manager who embodies 'softer' more important orientations. With the increasing importance of human resources in modern business the management of people is highlighted to be strategic. This means, a systematic and long term view needs to be taken in the management of human capital so as to enhance the organizational competitiveness. Indeed, the HR plans and system need to be developed on the long term plan of the firm, and when of a high quality the HR system will feature the internal consistency of various HR practices. This is onerous for establishing the strategy to be compatible as well as internally consistent with the HR system, or SHRM, initiatives are challenged at various levels. Encouraging high trust ideologies to seed collaborative work place relations will require the attention and support of top management towards HRM at the corporate level, expertise of Managers in both business and HR functional area, and a culture acknowledging the importance of HR as well as facilitating the effective implementation of HR activities. In sum, it is an interactive process that SHRM and business development will promote each other. Firms engaging in HR development activities are likely to be rewarded by the improvement of both financial performance and quality of human capital, which in turn, will strengthen those antecedents for achieving better fits, and finally enhancing the competitiveness of the firm.

Organisations are increasingly looking at human resources as a unique asset that can provide sustained competitive advantage. The changes in the business environment with increasing globalisation, changing demographics of the workforce, increased focus on profitability through growth, technological changes, intellectual capital and the never-ending changes that organisations are undergoing have led to increased importance of managing human resources (Devanna, Fombrum, & Tichy, 1981; Wright, 1998). In this scenario, a human resource (HR) department that is highly administrative and lacks strategic integration fails to provide the competitive advantage needed for survival, thus losing its relevance. Huselid and

Becker (1997) found that there were noticeable financial returns for the organisations whose human resource management (HRM) systems have achieved operational excellence and are aligned with business strategic goals. According to Ulrich (1998), one of the four roles of HR personnel is to become strategic business partner. Youndt and Snell (1996) find that firms employing HR practices according to the stated strategy are regarded to have better perceptual performance.

In recent years a host of papers have been published which look into the strategic aspects of HRM. Kazmi and Ahmad (2001) classify various definitions of strategic human resource management (SHRM) based on strategy-focused, decision-focused, content-focused and implementation-focused approach. According to the strategy-focused approach, which is supported by authors like Mathis and Jackson (1985) and Beer, Spector, Lawrence, Mills, and Walton (1984), HRM is strategic by its very nature and all its elements have strategic linkages.

The decision-focused approach formulated by Devanna et al. (1981) is based on three decision making levels, namely operational, managerial and strategic and considers HRM at strategic level to be SHRM. According to content-focused approach that is proposed by Torrington and Hall (1995), SHRM emerges when HRM elements match the organisation's strategy. According to the implementation-focused approach that is brought forward by Miles and Snow (1984), SHRM is when HRM systems help in the formulation and implementation of business strategies.

However, it is the definition based on implementation-focused approach dealing with alignment of HR policies and practices with business strategies that has gained momentum in the works of various researchers (Brockbank, 1999; Delery and Doty, 1996; Devanna, Fombrun, and Tichy, 1984; Golden and Ramanujam, 1985; Martell and Carroll, 1995; Truss and Gratton, 1994; Wright and McMahan, 1992). Wright and McMahan (1992: 298) define SHRM as "the pattern of planned human resource deployments and activities intended to enable an organisation to achieve its goals".

The literature in the field of SHRM that analyses the process of involvement of HR in the strategy formulation, implementation, and evaluation has stressed on some of the critical external and internal factors involved in this process (Hendry and Pettigrew, 1990; Lengenick-Hall and Lengenick-Hall, 1988; Lundy, 1994; Mello, 2001; Schuler, 1992; Truss and Gratton, 1994). Truss and Gratton (1994) bring out five key aspects that should be present in any model explaining SHRM process. These elements are: the

external environment, the business strategy that affects and is affected by the SHRM process, the internal environment – the organisational context within which SHRM operates, SHRM comprising the HR strategy and individual HRM practices, and the outcomes of the process of SHRM. The strategy formulation process is influenced by a number of external and internal factors. Formbrun (1984) identifies technological, economical, socio-cultural and political environment as interrelated external factors that have impact on the strategy formulation of organisations. The changes in these factors that are manifested through better information processing, automation, changes in the economic growth or growth in specific sectors, changes in the demographics of work force and political influences effect the strategic direction of the organisations and thus create the need for alignment of human resource management to these changes. Lengnick-Hall and Lengnick-Hall (1988) categorise the external environment factors into those that affect the competitive strategy formulation and those that specifically affect the human resource strategy. Competitive strategy is influenced by economic conditions, industry structure, competitive advantage, product/market scope and the distinct competence. The labour market, skills and values, economic conditions and the culture at large influence the human resource strategy formulation.

Truss and Gratton (1994) refer to the external environment as the one that provides opportunities and constraints to the functioning of HR in an organisation. In addition to the factors mentioned by Formbrun (1984), the authors also refer to Tsui (1987) and Freeman (1985) in pointing out the key external stakeholders like the government, media, environmentalists, local community organisations and consumer advocates who can influence the strategy formulation. The internal factors identified by Truss and Gratton (1994) through a survey of literature are: organisational culture, dominant coalition, internal stakeholders like the employees and management, HR department and its expertise. Similarly, Mello (2001) refers to key external environment and internal variables that influence strategy formulation. Competition, government regulations, technology, market trends and economic conditions are key external environment variables and culture, structure, politics, employee skills and past strategy are key internal variables.

Lundberg (1985), examining various influencing factors, proposes a model for business and HR strategy. Business strategy is differentiated into current and long-term business strategy. The current business strategy determines the current HR strategy and tactics whereas the long-term business strategy and current HR strategy determine the probable HR strategy for the future. A major factor that influences the

current business strategy is the dominant coalition, which in turn is influenced by the organisational culture, CEO leadership roles and the current business conditions. The organisational culture and CEO leadership roles are influenced by the organisational history that includes the founder's vision, technological investments, marketing and financial history, competition, regulations, unions, and consultants. The anticipated business conditions, which are determined by anticipated environmental conditions and state of industry, influence the long-term business strategy. Long-term business strategy is also influenced by the current business strategy.

Sparrow and Pettigrew (1987) identify the external factors like technology changes, political, social and economical climate as factors that influence the HR strategy formulation in organisations. The authors point out that internal factors like the structure, culture, internal politics, business direction and business outcomes interact with the external environment in the process of HRM.

A number of organisational factors influence the SHRM process. A few general factors are identified to be barriers to effective SHRM. Devanna et al. (1981) put forth a number of reasons why strategic orientation may lack in the HR function. A major one is that the top management does not perceive it important to include the HR department in the decision making process. Mike Losey in an interview (Huselid and Becker, 1999) notes that CEOs must realise that additional competencies are required for HR professionals HRM now entails more than basic proficiencies like administration, transactions, compliance and keeping complaints to a minimum but is now the bottom line stuff. It is a profession that not everyone can perform and HR departments must develop competencies in dealing with strategic issues, business awareness and the ability to quantify its own the contributions/ significance. Tony Rucci in the same interview states that the three significant barriers to HR playing a more proactive role in the next ten years are “a) Lack of basic economic literacy among HR professionals, b) Lack of comfort among HR professionals to take risks and c) HR professionals who do not demonstrate courage of conviction about their principles” (Huselid and Becker, 1999: 362). Research has been carried out on the competency requirements of the HR professionals. Ulrich, Brockbank, Yeung and Lake (1995) find in a study that knowledge of business, delivery of HR practices and management of change are significant competencies of HR professionals. Also, they should have a high degree of personal credibility and should master HR practices.

For SHRM to happen, the cooperation of the line managers is critical (Ulrich, 1998). HRM is more of a line managers' responsibility with the increasing strategic importance of HR (Brewster and Smith, 1990; Mello, 2001; Truss and Gratton, 1994) and this requires a closer relationship between HR and line managers (Becker and Gerhart, 1996). Martell and Carroll (1995) look at the inclusion of line managers in the HR policymaking process as a critical element of SHRM. Line managers could be in a better position to respond to issues concerning the employees enabling HR managers to find more time to perform strategic functions related to HRM (Budhwar and Sparrow, 2002). However, effective participation may be constrained by factors like the lack of HR competence of the line managers, lack of training for taking up devolved HR responsibilities, inadequate time for people management issues, and emphasis on short term performance measures that causes lack of focus on achieving results through managing people (McGovern, Gratton, Hope-Hailey, Stiles and Truss, 1997).

Mello (2001) puts forth eight barriers to effective SHRM. The first one is the short-term orientation of firms. As most of the HR interventions or practices have long-term implications, short-term oriented actions can hamper effective HRM. The second one is the inability of the HR managers to think strategically. Their insufficient general management training or inability to influence colleagues in other departments is seen as a constraint. The third is lack of appreciation for HRM as a function. The fourth is lack of cooperation from the line managers and their unreliability in handling HR function in their respective departments. The fifth reason that hampers HR functioning is the increasing focus on the quantifying results. The feeling of risk in investing heavily on human resources is the sixth reason that can hamper the development of the employees for complementing organisational performance. The seventh reason that can also hamper strategic linkage is the inability of the HR practices to change according to the business needs. Most of the HR practices tend to get fixed as something permanent and then it becomes difficult to change. The final reason would be the disincentives related to changes associated with SHRM. Implementation of SHRM may involve drastic changes in the work practices and other HR processes and hence may affect a lot of employees. Bringing about change is a difficult process and people who have faced negative consequences of an unsuccessful effort to change may obstruct the change processes of the future.

## **2.8 Strategic Human Resource Management in India**

The roots of SHRM in India can be traced back to the early 1920s when the Tata Group implemented basic employee welfare measures. In the 1980s, the personnel function was rechristened into Human Resource Development (HRD) or Human Resource Management (HRM) (Singh, 2003). In the recent years, there have been a number of studies related to SHRM practices in the Indian context (Budhwar and Sparrow, 1997; Budhwar and Sparrow, 2002; Singh, 2003; Sparrow and Budhwar, 1997).

Studies in the Indian context have found that alignment of HR practices with business strategy (Singh, 2003) and extent of integration of HR practices (Budhwar and Sparrow, 1997) are related to firm performance. Singh (2003) gives two reasons why SHRM may have an impact on the firm performance. Firstly, companies engaged in SHRM practices are likely to have a cost advantage due to reduction in employee absenteeism and turnover rates. Secondly, firms engaged in SHRM practices lay greater emphasis on the development of their employees into a competent workforce. This is likely to produce a competitive advantage that is more valuable, and difficult to imitate (Barney and Wright, 1998 and Pfeffer, 1994).

In a study of 137 Indian companies, Budhwar and Sparrow (1997) found that high growth firms were most likely to have a high level of integration between their HR practices and business strategies. The IT industry in India, employing more than a million persons, accounts for 4.8 per cent of India's Gross Domestic Product and is estimated to grow by 28 per cent in 2006 (Nasscom, 2006). The growth rates are one of the highest in the industry and thus this industry is likely to have highly integrated HR policies.

The IT industry is a service industry that is both labour and skill intensive and although India has always had a large talent pool in these sectors, it is only in the past 10 years or so that Indian industries have leveraged such talent (Kambhampati, 2002). A number of reasons have been proposed to explain India's success in the software industry like, India's emphasis on tertiary education, support from expatriate Indians, government's policies of liberalisation and the innate mathematical abilities of Indians. The software industry has also been successful in attracting the best talents because of relatively high salaries, attractive working conditions, training facilities and opportunities for travel. Access to this large pool of skilled talent has made India a cost effective option for software development, and a number of



companies from the developed countries have outsourced their software development to India (Balasubramanyam and Balasubramanyam, 1997).

However, due to the growing demand, there has been a shortage of talent in the industry. Because of this, there has been a steep increase in the salaries and the number of training institutes for software training is on the rise (Thibodeau, 2006). Companies are going beyond merely giving salaries to retain and engage their employees. The software industry has spawned a number of innovative HR practices to source, retain and develop their talent. The motivation for software industries to engage in innovative human resource practices is twofold. On the one hand, there is the struggle to source and retain trained professionals in a rapidly growing industry. On the other...in order to remain competitive, they are under pressure to leverage their labour to the maximum extent in order to achieve profitability. When a highly labour-intensive industry is faced with such a dynamic situation, SHRM practices become critical to the survival of a company (Strategic Human Resource Management In Indian IT Companies: Development And Validation Of a Scale by Zubin R. Mulla and R. K. Premarajan). There is a strong influence of social, cultural, economic and political factors on HRM policies and practices in Indian organizations (Budhwar and Khatri, 2001). The adoption of professionalized HRD practices in India is a recent phenomenon that has gained momentum in the past ten years (Krishna and Monappa, 1994; Rao et al., 1999, 2001).

The general trend in Indian industry, due to the liberalization of the Indian economy, is encouraging for the strategic human resource management practices in general. The study is relevant due to changes in the Indian economy and the resulting effect on the management of all resources therein. This change from a regulated environment to a free market environment has direct implications for SHRM practices in India (Krishna and Monappa, 1994; Rao, 1999). Since liberalization, the Indian organizations and the managers are dealing with issues of transformation and growth. Restructuring, reengineering, realignment of systems, structures, tasks and technology have all become imperative.

The impact of restructuring, the economic transition to an open market, as well as increased competition from internal and external sources has put pressure on all functions of the organizations. There has been evidence of a general need among the managerial cadre to build capabilities, resources, competencies, strategies, macro as well as micro HRM activities, which translate into strategic HR roles and enhanced organizational learning capabilities. HRM specialists and the HRM departments are under severe

pressure to bring about large-scale professionalized changes in their organizations in order to cope with the challenges brought about by economic liberalization (Rao et al., 2001; Som, 2002).

Foreign firms, which have started operating in India since the liberalization of the economy, do not confine their interventions to HRD, which Indian firms do, but undertake wider programmes and strategies of HRM (see Budhwar and Boyne, 2004). Some of the leading Indian organizations have also taken the initiative in this regard and have brought out newer issues in the strategic management of their human resources (Saini and Budhwar, 2004). Many experts (Ahluwalia, 1994; Das, 1996; Krishna and Monappa, 1994; Mathias, 1994; Sodhi, 1994; Thyagi, 1994) have discussed the implications of the new economic environment for organization and management structure, strategy, culture and values. They have suggested, for example, the need for improvement in quality, cost efficiency, corporate ethical practices, employee development, motivation and team functioning, strategic integration of the HRM function and greater involvement of line management in HRM.

A core of empirical studies on HRM in India relevant to the new environment has been conducted using a variety of methods and theories (Amba-Rao et al., 2000; Sodhi, 1994; Sparrow and Budhwar, 1997; Tayeb, 1988). Budhwar (2000) highlights the need for research in the Asia Pacific region, specifically of the growing economies of Latin America, China and India, and a strong need to research the HR practices of these regions.

## **2.9 Strategic Human Resource Management in Oil & Gas**

Organizations in the Oil and Gas sector are realigning their HR strategies to match their core business objectives. The roles of HR personnel are becoming increasingly challenging due to the talent-crunch in the sector that is staring right in the face.

The HR discipline is becoming a lot more central to any organization today. It's a truism that the best asset that most organizations have are their people. The traditional functional department that managed people is HR, and this function is becoming more strategic in its scope. There is a widening of activities managed by HR teams- change management, succession and retention planning, continuous learning, and 360 career planning.

More and more companies in the Oil & Gas sector are now recognizing the importance of HR in the entire value chain. The talent crisis is making their task of organizing their resources all the more difficult. A key issue for HR managers is to operate in harmony with the constantly changing business imperatives. Hence, they are not given enough time or wherewithal to design long term strategies to handle the talent crunch.

Typically, most business strategies are reviewed and modified periodically whereas the management sometimes fails to review the HR strategies whereby making the task of the HR manager all the more difficult. The good news is that in recent years some of the companies have realized that there is a grave problem if the role of the HR function is not addressed by the management. New managerial techniques such as professional recruitment - based on systematic assessment tests and executive searches; competency based management; career and succession planning and tailored compensation plans have been increasingly gaining ground.

Key focus areas for regional players are: HR marketing and recruiting; staff development and motivation; rewards and compensation, and performance management. Companies should demonstrate exceptional performance in each one of those areas in order to achieve long-term success. For a potential employee, rewards and compensation matter greatly, but training and development opportunities are just as important to differentiate a company from its competition.

Emphasizing the role of HR department is more important in the Oil & Gas sector as nationalization of the labor force is a major driving force. Additionally, every GCC (Gulf Cooperation Council) country is looking towards implementing innovative HR strategies. The HR departments of a large number of regional Oil & Gas Producers are currently facing one of the biggest challenges they have encountered in recent years. The prevalent talent pool comprising mainly of engineers who are vital for the sustenance of the entire industry may retire soon. Research indicates that the average age of production engineers in the region is already at around 51 years. Further, recent studies show that by the end of this decade there will be a 38% shortage in the influx of talented engineers and a 28% shortage of instrumentation and electrical workers. There is a tremendous pressure on the HR to replace the ageing workforce within the coming years. Training young professionals to replace senior employees, who often have more than 25 years of relevant experience, is not at all an easy task for HR departments. Additionally, job opportunities created in booming sectors such as IT and Outsourcing appeals to today's youth which further leads to high rate of employee turnover every year. This talent shortage, along with other recruiting issues creates a big challenge for today's HR executives.

Another big challenge faced by the HR department is employee development and retention. Motivation, performance appraisal and reward management contribute greatly towards employee retention and satisfaction. Satisfied and trained employees, rarely consider quitting their current profession, even when offered comparatively higher compensation packages. The HR department is deploying newer and modern techniques to retain existing employees and to attract talented young professionals to the Oil & Gas sector. One technique that is gaining a lot of recognition is e-learning and several companies are slowly implementing it.

Besides, the Herzberg's hygiene factors including company policy and administration, supervision, working conditions, interpersonal relations (co-workers), company policies, and job security also play a major role in recruitment and employee retention.

It is important to note that creating a strong Human Resources department is not going to show results immediately. It is a journey where the fruits are borne over a longer term. The way to get started is to link business objectives to HR objectives; and build a continuous feedback loop: business strategy drives people management, and people issues influence strategy.

Source- The Global Energy Talent Editorial Team

With a GDP of US\$1.25 trillion, India is currently the world's fourth-largest economy. The country's oil and gas sector has contributed significantly to the GDP, and the sector is expected to become increasingly critical for India's economic development, since it fuels the growth of other sectors. India is already the fifth-largest energy consumer in the world, with oil and gas accounting for 45% of the country's energy needs. However, the proportion of natural gas consumption in India to total energy consumption in the country (around 9%) is one third compared with the proportion of natural gas in the world's primary energy consumption.

With a 53% share in the primary energy sector, coal remains the dominant fuel, but its share is projected to decrease with the thrust on gas and other renewable sources increasing. With India's growing population and rising living standards, the demand for energy is expected to increase in future. India's fuel needs are likely to grow at a significant rate, considering the growth pattern of the country's GDP in the past few years. Currently, India's per capita consumption of energy is well below that of the world average (around one fourth).

India is currently facing a substantial crude oil deficit, as its current production levels are lagging behind the fast pace of the economy. This has resulted in significant imports of crude oil. The demand-supply gap is set to widen in future with a consumption increase of 47% between 2008 and 2018 and with production poised to increase by around 12% in the same period. India's heavy dependence on import of crude oil has compelled the Government of India (GoI) to provide a long-term policy for the hydrocarbons sector in order to meet the country's future energy needs.

Organizations in the Oil and Gas sector are realigning their HR strategies to match their core business objectives. The roles of HR personnel are becoming increasingly challenging due to the talent-crunch in the sector that is staring right in the face.

The HR discipline is becoming a lot more central to any organization today. It's a truism that the best asset that most organizations have are their people. The traditional functional department that managed people is HR, and this function is becoming more strategic in its scope. A key issue for HR managers is to operate in harmony with the constantly changing business imperatives. Hence, they are not given enough time or wherewithal to design long term strategies to handle the talent crunch. Typically,, most

business strategies are reviewed and modified periodically whereas the management sometimes fails to review the HR strategies whereby making the task of the HR manager all the more difficult. The good news is that in recent years some of the companies have realized that there is a grave problem if the role of the HR function is not addressed by the management. (Global Energy Talent Pvt. Ltd. © 2013)

Major HR Challenges being faced by Indian Oil & Gas Sector is as under:

1. Manpower requirements

Anticipated business growth in the sector is contingent on the availability of skilled manpower in the country. As such, the report on Ernst & Young's study Manpower Demand and Supply Study for Oil and Gas sector, conducted in 2009, provides an assessment of the manpower demand for critical skill sets across the country's oil and gas value chain and the corresponding supply of such resources.

Key findings of the study include: India's oil and gas sector is likely to require around 25,000 additional professionals in the next five years due to business growth and retirement or attrition in the sector. This is equivalent to around 48% of the current employee strength. Core (technical) functions are likely to account for around 80% of required manpower. The upstream sector is expected to see the maximum shortfall, with a requirement for around 7,600 employees in the next five years on account of high attrition and retirement.

In the downstream sector, the refining and petrochemical sectors are likely to require around 6,000 and 2,700 professionals, respectively. The refining and petrochemical sectors are witnessing substantial capacity additions that are translating into significant manpower requirements. CGD is projected to require around 4,500 people in the next five years due to exponential growth in pipeline infrastructure and the network, while the marketing sector is expected to need close to 3,600 people.

Manpower projections for the oil and gas industry predict a substantial demand for oil and gas professionals over the next five years. The sector needs to tide over the challenges of attraction and retention efficiently to support current operations and execute planned growth. One of the common challenges all sectors within the oil and gas value chain currently face is planning for the sustained availability of a competent workforce. Although technological development has garnered benefits that have allowed oil and gas companies to reduce manpower requirements, future technological advancement is not expected to manage offsetting impending manpower requirements. Existing

academic institutes are not sufficient to ensure industry stability in terms of manpower supply. The gap between the demand for trained manpower and its supply is widening annually. Some of the key issues include an aging workforce, retirement, attrition, and talent acquisition and supply.

## 2. Aging workforce

Largely in line with the global trend, the average age of workforce employed in the Indian oil and gas sector is high. This is a major challenge, particularly for upstream companies, which are expected to find it particularly difficult to replenish talent loss due to heavy retirement in the next five years. Intermittent hiring by oil and gas companies has led to the majority of the workforce being skewed at the top of the organizational pyramid. Around 50% of employees have more than 20 years of experience, and the majority is due to retire in the next 5–10 years.

## 3. Retirement

As a natural consequence of the aging workforce, impending employee retirement in the sector is expected to peak over the next five years. Around 11% of the current workforce is estimated to retire in the next five years. This is likely to significantly reduce experienced talent in the oil and gas sector. Further, public sector undertakings (PSUs) are expected to be considerably impacted as a result of projected retirement rates. It is also anticipated that the sector will witness 34% of retirement at the middle management level, which implies a significant loss of experience. Core technical functions will face major manpower challenges due to retirement. Three-fourths of all retired people are expected to hail from technical or core functions such as geosciences, reservoir, production, maintenance, technical services and R&D.

## 4. Attrition

Attrition is another major reason for the loss of talent in the Indian oil and gas sector. It is estimated that in the next five years, around 7% of the current workforce will leave the oil and gas sector in India. A study of total attrition by level reveals that the upstream oil and gas sector is faced with significant attrition at the middle-management level, while other sub-sectors are facing this challenge at junior-management levels. Middle-management attrition in the E&P sector is due to various international opportunities available for employees with more than 10 years of experience. The lack of career opportunities and extreme working conditions are other primary reasons for employee attrition. In the downstream (refining and petrochemical) and marketing sectors, around 75% of attrition is expected at

the junior-management level, indicating the absence of a robust talent-retention mechanism in organizations.

#### 5. Attracting talent

Attrition and retirement are not unique to the oil and gas sector. In fact, sectors such as IT-ITeS, retail and telecom face far more attrition than the oil and gas sector does. The loss of manpower due to retirement is common in core sectors such as power and heavy engineering. The key cause for concern around the loss of industry talent is that skill sets in this industry are highly specialized and difficult to develop and acquire. Thus, the impact of losing industry professionals with five or more years of experience is likely to be of high magnitude. Therefore, a strong talent development strategy needs to be developed and followed at all levels in an organization. Significant efforts to attract talent from engineering campuses are the need of the hour. Lack of awareness among people about this sector in India is another challenge. Certain negative perceptions around the sector have become common over time among students, parents and counselors. It is largely presumed that working conditions in this industry are generally hazardous and that postings are typically restricted to remote locations. This impacts talent attraction and acquisition relevant courses in the oil and gas sector in India. As such, a dedicated communication campaign highlighting various career options in the sector needs to be developed. The communication campaign is likely to motivate students to opt for courses in oil and gas and subsequently join the sector.

#### 6. Inadequate supply of talent and dwindling course intake

The oil and gas sector currently faces an acute skill crisis due to challenges arising from an aging workforce. Lack of student interest in petroleum and geosciences courses has only compounded the problem. A marked decline has been witnessed in the number of petroleum degrees granted in countries such as the US, where even enrolments have decreased more than 90% since 1982. Irregular periods of hiring have dented the image of the oil and gas industry. The sector's reputation as a competitive employer in the media, as well as on college campuses, has been adversely impacted during downturns in the economic cycle. This has affected its image as a preferred recruiter and continues to hinder recruitment efforts to date.

Source: (E&Y Report 2010, HR challenges in the Indian oil and gas sector)



## 2.10 Theme based Literature Review

A summary of theme based literature reviewed is as shown in the table given below:

Theme	Authors	Inference	ICC	Gap
<b>Theories, Practices and Models of SHRM</b>	Armstrong & John Barton, 2004; Wright & McMohan, 1992; Dyer,1985 Schular,1987; Devanna et al,1984;Delery & Doty, 1996; Richardson & Thompson, 1999;Budhwar &Debrah, 2001; Storey, 1992;LengnickHall,1998;Guest 1987, Legge,1995;Cappeli and Crockrer – Hefter ,1996,; Purcell ,1999; MacDuffie 1995;MacDuffie 1996; Stevens, 1998; Walton, 1985; Wood,1996; Pil and Macduffie, 1999; Lengnick-Hall and Lengnick-Hall,1999; Budhwar, 2000a; 2000b; Barney, 1991; Huselid et al., 1997; Azmi,2010; Kazmi and Ahmad (2001); Mathis and Jackson (1985) and Beer, Spector, Lawrence, Mills, and Walton (1984); Brockbank, 1999; Delery and Doty, 1996; Devanna, Fombrun, and Tichy, 1984; Golden and Ramanujam, 1985; Martell and Carroll, 1995; Truss and Gratton, 1994; Beer	The theoretical implication and challenge lies in institutionalizing the strategic roles in the working processes of the organization in which the managers are working. HR strategic interventions should be given more visibility and constant efforts must be made within the organization to benchmark against the best practices or better still to set benchmarks if not available. Therefore there is a practical need for continuous environmental scanning, both internal and external, to facilitate this process. HR deliverables become crucial to the firm, and the role of HR metamorphoses to	HSF or vertical fit (HRM Strategy Fit) and HIF or horizontal fit (HRM Intrafunctional Fit). Research has shown that horizontal and vertical fit of HR practices can have an influence on the organizational performance.	There are various models available but adoption and implementation is not categorically addressed.

	<p>et al (1984) Beer et al (1984); Fombrun Tichy and Devanna (1984); David Guest (1987); John Storey (1989); (Barney, 1991, p. 99); Jackson and Schuler, 1995; Ulrich &amp; Brockbank, 2005; Wright &amp; McMahan 1992, Wright &amp; Snell 1998; Evans and Lorange, 1989; Selznick (1957);</p>	<p>line managers, with practical implications for HRIS, emerging as an enabler of the HR function, which would lead to better efficiency of the HR role and free HR managers for strategic roles.</p> <p>A true HR transformation is an integrated, aligned, innovative and business-focused approach to redefining how HR work is done within an organization so that it helps the organization deliver on promises made to customers, investors and other stakeholder. Ultimately, a successful HR transformation increases the value HR adds to the business</p>		
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		<p>Strategic HRM links business strategy and HRM. Some of the Models of SHRM are :</p> <p>1. Harvard Model :</p> <p>The model highlights the interests of different stakeholders in the organization (such as shareholders, management, employee groups, government, community and unions) and how their interests are related to the objectives of management.</p> <p>2. Michigan/Matching Model :</p> <p>Michigan model is based on the “product market logic” which demands that to gain high profits labour must be obtained cheaply, used sparingly, developed and exploited fully.</p>		
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		<p>3. The Guest Model:</p> <p>This model is a fusion of aspects that resemble both a hard and a soft approach of HRM.</p> <p>Guest proposes 4 crucial components that underpin organizational effectiveness.</p> <p>These 4 crucial components are: - Strategic Integration, Flexibility, High Commitment and Quality</p> <p>4. Storey Model:</p> <p>HRM is a holistic approach with a set of interrelated policies with an ideological and philosophical underpinning</p>		
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5. The Resource-based Model :

The resource-based model of SHRM draws attention to the strategic value of the workforce and to the issues of workplace learning. Resource-based perspective emphasizes the strategic importance of internal 'Strengths' and 'Weaknesses'. This model suggests that work organizations achieve sustainable competitive advantages by 'implementing strategies that exploit their internal strengths, through responding to environmental opportunities , while neutralizing external threats and avoiding internal weaknesses'

<b>Factors Affecting Fit</b>	<p>Hendry and Pettigrew, 1990; Lengnick-Hall and Lengnick-Hall, 1988; Lundy, 1994; Mello, 2001; Schuler, 1992; Truss and Gratton, 1994). Formbrun ,1984; Tsui,1987; Freeman ,1985; Lundberg,1985; Mello,2001; Huselid and Becker, 1999; Ulrich, Brockbank, Yeung and Lake ,1995;Sandeep K and Singh, 2011; Pfeffer (1994); (Schuler, 1992); (Greer, 1995); Holbeche, 1999; Schuler and Jackson, 1999; Barney, 1991; Huselid et al., 1997; Miles &amp; Snow 1984, Baird &amp; Meshoulam 1988, Wright &amp; McMahan 1992; Huselid 1995, Bjorkman &amp; Fan 2002, Chan, Shaffer &amp; Snape 2004; Huselid 1995, Delery &amp; Doty 1996; Bhattacharya and Wright (2005); Pfeffer &amp; Salancik 1978; Tsui 1990; Lado &amp; Wilson 1994; Lado, Boyd &amp; Wright 1992; Kane &amp; Palmer 19; Wright &amp; Snell 1998; Bowen &amp; Ostroff 2004</p>	<p>The various factors enabling/deterring influence on the success of SHRM have been discussed. Enablers/deterrents have been classified under external and internal, personal and other influencing factors.</p> <p>The HR function factors are proposed to be specific factors that influence the compatibility of a variety of HR practices themselves, while firm level factors are analyzed as major determinants for matching HR activities with organizational strategy. Personnel factors, which embrace the capabilities of both employees and Managers, including HR Manager and other top Managers, are identified as common</p>	<p>Organizational Factors: Culture, Structure</p> <p>Individual Factors: Leadership and Skill set</p> <p>Technology</p> <p>HR sub system factors: Policies</p>	<p>The studies suggest the various factors affecting the SHRM, but how to convert these factors as enablers in formulating and implementation of SHRM is not discussed in detail.</p>
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		<p>determinants for both horizontal fit and vertical fit.</p> <p>Ability and skills of organizational members are important for successful implementation of organizational goals and strategies</p> <p>The capability of HR Managers is critical in designing an internally consistent as well as a compatible strategic HR system.</p> <p>Personnel factors influence both horizontal and vertical fit. It is suggested that other factors, however, especially some firm level factors, are pertinent for firms seeking vertical fit. Primarily, the nature of the strategy a firm</p>		
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		<p>chooses and value and culture system of a firm are proposed to be two major determinants that influence the extent of vertical fit that a firm can ultimately realize.</p> <p>Values and culture of a firm impact the vertical fit. Organizational culture and values shape the HRM practices</p>		
<b>Implementation of SHRM in India</b>	<p>Amba Rao, 1994; Mathur, Aycan and Kanungo, 1996; Budhwar and Sparrow, 1997, 2002; Barney and Wright, 1998 and Pfeffer, 1994; Zubin R. Mulla and R. K. Premarajan, April-June, 2008; Singh, 2003; Budhwar and Sparrow, 1997; Krishna and Monappa, 1994; Rao, 1999;</p>	<p>Studies in the Indian context also have found that alignment of HR practices with business strategy and extent of integration of HR practices are related to firm performance.</p> <p>Companies engaged in SHRM practices are likely to have a cost advantage due to reduction in employee absenteeism and turnover rates. Secondly, firms</p>	<p>The studies identify the importance of Intrafunctional fit among various HR sub functions and an alignment with the business strategy for effective implementation of strategic human resource management.</p>	<p>Implementation of SHRM was carried out in a limited way in Indian IT sector only. No empirical study was found on formulation and implementation of SHRM in oil and gas sector, which is the assets</p>



		<p>engaged in SHRM practices lay greater emphasis on the development of their employees into a competent workforce. This is likely to produce a competitive advantage that is more valuable, and difficult to imitate</p> <p>The general trend in Indian industry, due to the liberalization of the Indian economy, is encouraging for the strategic human resource management practices in general. This change from a regulated environment to a free market environment has direct implications for SHRM practices in India.</p>	<p>based infrastructure sector and is much different as compared to IT.</p>
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## 2.11 Categorization of Initial Conceptual Constructs Identified from Literature

Authors/ References	Constructs & Sub- Constructs	Inference
<p>Pfeffer (1994); (Pfeffer, 1998); Purcell and Ahlstrand's (1994); Miles and Snow (1984); (Hendry and Pettigrew, 1990; Lengnick-Hall and Lengnick-Hall, 1988; Lundy, 1994; Mello, 2001; Schuler, 1992; Truss and Gratton, 1994). Truss and Gratton (1994); Formbrun (1984); Lengnick-Hall (1988); Mello (2001); Sparrow and Pettigrew (1987)</p>	<p><b>1. Process of Formulation of Business Strategy and HR Strategy:</b></p>	<p>There is a correlation between performance and how the workers are managed.</p> <p>Organization vision and values will help in formulation of organization's strategy and specific goals.</p> <p>'Best Practices' such as incentives, performance management and extensive training are as important for developing competitive advantage as the strategy, structure, technology and market share. This makes it very important that HR in a company should be aligned with the overall business strategy or business focus of the company.</p> <p>The deliverables of HR are Performance, Capacity Building, Problem Solving, Consulting, Organization Change and Development. Strategic HR requires integration of HR with strategy formulation and implementation. This entails</p>

		<p>horizontal integration among HR functions and vertical integration with Business Strategy.</p> <p>The strategy formulation process is influenced by a number of external and internal factors. Competitive strategy is influenced by economic conditions, industry structure, competitive advantage, product/market scope and the distinct competence. The labour market, skills and values, economic conditions and the culture at large influence the human resource strategy formulation.</p>
	<p><b>a.</b> Environmental Scan to Identify opportunities and challenges for formulating business strategy.</p>	<p>The strategy formulation process is influenced by a number of external and internal factors. Studies identifies technological, economical, socio-cultural and political environment as interrelated external factors that have impact on the strategy formulation of organisations. The changes in these factors that are manifested through better information processing, automation, changes in the economic growth or growth in specific sectors, changes in the</p>

		demographics of work force and political influences effect the strategic direction of the organisations and thus create the need for alignment of human resource management to these changes.
	<b>b.</b> Inputs from business verticals facilitate formulation of Business strategy	Key external environment and internal variables that influence strategy formulation are: Competition, government regulations, technology, market trends and economic conditions are key external environment variables and culture, structure, politics, employee skills and past strategy are key internal variables.
	<b>c.</b> Business Strategy influence HRM activities	HRM issues are ‘rarely taken into account’ in the formulation of corporate strategies.  SHRM is when HRM systems help in the formulation and implementation of business strategies.
	<b>d.</b> The inherent agility of Business Strategy helps in HR strategy formulation	The external factors like technology changes, political, social and economical climate are the factors that influence the HR strategy formulation in organisations. The authors point out that internal factors like the

		<p>structure, culture, internal politics, business direction and business outcomes interact with the external environment in the process of HRM.</p> <p>The literature in the field of SHRM that analyses the process of involvement of HR in the strategy formulation, implementation, and evaluation has stressed on some of the critical external and internal factors involved in this process bring out five key aspects that should be present in any model explaining SHRM process. These elements are: the external environment, the business strategy that affects and is affected by the SHRM process, the internal environment – the organisational context within which SHRM operates, SHRM comprising the HR strategy and individual HRM practices, and the outcomes of the process of SHRM.</p>
<p>(Singh, 2003); (Budhwar and Sparrow, 1997); (Barney and Wright, 1998 and Pfeffer, 1994); Purcell and Ahlstrand's (1994); (Tsui 1990); (Kane &amp;</p>	<p><b>2. HRM Strategy Fit (HSF) – Vertical Fit:</b></p>	<p>Studies in the Indian context have found that alignment of HR practices with business strategy and extent of integration of HR practices are related to firm</p>

Palmer 1995);		performance. Study gives two reasons why SHRM may have an impact on the firm performance. Firstly, companies engaged in SHRM practices are likely to have a cost advantage due to reduction in employee absenteeism and turnover rates. Secondly, firms engaged in SHRM practices lay greater emphasis on the development of their employees into a competent workforce. This is likely to produce a competitive advantage that is more valuable, and difficult to imitate.
	<p><b>a.</b> HRM activities designed to suit business strategy</p>	In a study of 137 Indian companies, it was found that high growth firms were most likely to have a high level of integration between their HR practices and business strategies.
	<p><b>b.</b> HR activities consistent with organizational vision</p>	According to many researchers, the most successful organizations in the 21st century will be the ones that adopt a focused and integrated HR processes and systems. The HR function, which is not aligned with an organization's strategy fails to accomplish the mission and vision of the organizations.

	<p><b>c.</b> HR inputs considered integral/consistent to business strategy/organizational visions.</p>	<p>Study of multidivisional companies found that HRM issues are ‘rarely taken into account’ in the formulation of corporate strategies</p>
	<p><b>d.</b> Top management take interest and trained in HR issues.</p>	<p>Research evidence also indicates that top executives are one of most important constituencies on HRM and the priorities of top management have significant influences on HRM policies and practices. The logical conclusion is that the ability and support given by senior Managers impacts both horizontal fit and vertical fit.</p>
<p>Baird &amp; Meshoulam 1988; (Pfeffer &amp; Salancik 1978); (Tsui 1990); (Chenevert &amp; Trembly, 2009); (Guest, 1991; Milliman, et al., 1991; Schuler &amp; Jackson, 1987; Wei, 2006; Wright &amp; McMahan, 1992; Wright &amp; Snell, 1998);</p>	<p><b>3. HRM – Intra-Functional Fit (HIF) – Horizontal Fit:</b></p>	<p>There are three HR function related factors that influence horizontal fit. They are (1) HR policy, (2) options of HR practices, and (3) the investment or budget of HRM. In general, horizontal fit of HRM refers to the congruence of a bundle of HR practices within the system. Specifically, horizontal fit is concerned about the composition and arrangement of the HRM system, and the organizational policies toward HRM matters for achieving a high level of fit among independent HR practices.</p>

	<p><b>a.</b> HR activities linked to long term HR vision.</p>	<p>The investment of the firm in its human resource management is a key factor influencing horizontal fit. According to resource dependence theory, resource is critical for organizational existence and development. Internally, the development of various HRM functions depends on resource provision from the organization. The amount of investment or budget devoted to HRM represents the resources available for the HR department. This is critical if the HR department is to design or implement high quality HR practices.</p>
	<p><b>b.</b> HR sub-area managers work in co-operation.</p>	<p>The intra-function HR fit is contingency among HR activities such as hiring and compensation</p>
	<p><b>c.</b> Information is shared among various sub functions of HR.</p>	<p>Each of these functions represent a way that the HR department should learn to fit into the organization internal and external. Internal consistency of HR policies or practices is another important dimension of SHRM. This construct measures how integrated the various sub-functions of HRM are. It focuses on issues like presence of HR</p>



		vision, existence of a coherent HR strategy, information-sharing among HR managers, linkages between HR sub-functions, allocation of budget for HR sub-functions and so forth.
(Bowen & Ostroff 2004); Mello (2001); Lundberg (1985); Nahavandi and Malekzadeh (1993); Hammer and Champy (1993); Kotter (1996); Sparrow and Pettigrew (1987); (Schuler, 1992); (Huselid, Jackson & Schuler, 1997; Schuler, 1992; Wright, 1998); (Greer, 1995); (Schuler & MacMillan 1984, Baird & Meshoulam 1988, Jackson & Schuler 1995);	<b>4. Factors Affecting FIT:</b>	Key external environment and internal variables that influence strategy formulation: Competition, government regulations, technology, market trends and economic conditions are key external environment variables and culture, structure, politics, employee skills and past strategy are key internal variables.
	<b>a. Organizational Factors:</b> Culture, Structure	Values and culture of a firm impact the vertical fit. Organizational culture and values shape the HRM practices.
	<b>b. Individual Factors:</b> Leadership and Skill set	Business strategy is differentiated into current and long-term business strategy. The current business strategy determines the current HR strategy and tactics whereas the long-term business strategy and current HR strategy determine the probable HR strategy for the future. A major factor that influences the current business strategy is the dominant coalition, which in turn is

influenced by the organisational culture, CEO leadership roles and the current business conditions. The organisational culture and CEO leadership roles are influenced by the organisational history that includes the founder's vision, technological investments, marketing and financial history, competition, regulations, unions, and consultants. The anticipated business conditions, which are determined by anticipated environmental conditions and state of industry, influence the long-term business strategy. Long-term business strategy is also influenced by the current business strategy.

Organizational leader is the 'key' to both the formulation and implementation of competitive strategy. Leaders who are 'open and participative' and 'challenge-seekers' are more likely adopt a 'soft' SHRM model to match the high risk 'prospector' and 'differentiation' competitive strategies, than leaders who desire 'control' and are 'challenge-averse' and focus on 'defender' and 'cost' leadership strategies.

		<p>Leadership is critical in the re-engineering processes: ‘most reengineering failures stem from breakdowns in leadership’</p> <p>‘Engine’ that drives change is ‘leadership, leadership, and still more leadership’</p>
	<p><b>c. Technology</b></p>	<p>Key external environment and internal variables that influence strategy formulation are: Competition, government regulations, technology, market trends and economic conditions are key external environment variables and culture, structure, politics, employee skills and past strategy are key internal variables.</p> <p>Studies identifies external factors like technology changes, political, social and economical climate as factors that influence the HR strategy formulation in organisations. The authors point out that internal factors like the structure, culture, internal politics, business direction and business outcomes interact with the external environment in the process of HRM.</p>
	<p><b>d. HR sub system factors: Policies, Practices and</b></p>	<p>Despite differences in definitions, most authors agree that the</p>

	Procedures	<p>essence of the SHRM lies in gaining competitive advantage by managing human assets through an integrated, synergistic set of HR practices that both complements and promotes the overall business strategy. SHRM is largely concerned with 'integration' and 'adaptation'. Its purpose is to ensure that HRM is fully integrated with strategy, HR policies are coherent and HR practices are accepted by line managers. HR strategies are essentially plans and programmes that address and solve fundamental strategic issues related to the management of human resources in an organization. Thus the focus is on alignment of the organization's HR practices, policies and programmes with corporate and strategic business unit plans.</p> <p>SHRM involves designing and implementing a set of internally consistent policies and practices that ensure the human capital of a firm contributes to the achievement of its business objectives</p>
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### **2.12 Research Gap**

It is evident from the review of literature that Implementation of SHRM in India is inconspicuous other than the software industry. It has not been widely Implemented across the corporate, especially the infrastructure companies.

Based on above literature review, the gaps in literature can be summarized as given below:

- ❖ Literature is not available as to how Gas Utility Company formulates its HR strategy and practice it in alignment with business strategy.
- ❖ Literature is not available on vertical alignment of HR Strategy with Business Strategy as also horizontal alignment among various sub-functions with HR strategy.
- ❖ Literature is also not available as to how factors affecting formulation of HR strategy could be used to its advantage and process involved therein.

### **2.13 Summarization**

Post identification of the Business Problem and Problem Statement in Chapter 1, this Chapter basically gives the brief overview to the literature review of the research topic wherein the evolution of Human Resource Management from Global perspective and Indian Perspective has been appropriately described. Further, an effort has been made in this Chapter to describe the emergence of Strategic Human Resource Management and linkage of SHRM and Business Performance. Subsequently, brief overview on Theories and Models of SHRM, Constructs of SHRM, SHRM in India, SHRM in Oil and Gas Sector of India has been narrated in this Chapter. Overall an effort has been made in this Chapter to comprehensively review the literature of the research topic, post which identification of gaps in literature has been defined.

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# **Chapter 3**

## **Research Design &**

## **Methodology**

### **3.1 Introduction**

This part specifies the research design and system for leading the research study. Research design depicts the association between observational data to the study's starting research questions logically and finally to the conclusions research study (Yin, 2003). It particularly addresses different scientific paradigms, scientific approaches, research methodologies, research strategy, data accumulation technique and data analysis strategy. By this segment the research focus, research questions, research objectives, and the way of research inquiries are displayed. Segment 3.2.6 portrays general methodology and basis for the choice of case study research strategy. Further, it examines about the particular routines utilized as a part of directing this research and their pertinence to the study. Area 3.9 talks about the case study design perspectives, for example, number of cases, and sampling. Segment 3.10 clarifies the data gathering techniques followed in this research study. Segment 3.11 portrays about data analysis strategy.

### **3.2 Research Objectives & Research Questions**

#### **3.2.1 Research Focus**

HR strategies related processes such as formulation, implementation of HR strategies, and HR practices at an organisation level in Indian gas industry context are the focus of research here. In early literature, several HR approaches i.e., HR strategies/concepts/methods have been discussed by various authors. At an organisation level in HR function, the implied and unequivocal information in the field of best practices in HR management are accessible with HR managers working in the organisation. We have to assemble a top to bottom comprehension of this information in definition of HR strategy & practices in the organization. Along these lines, qualitative research strategy will be a suitable technique in catching and reusing implicit and express learning in the field of best practices in HR management at the association considered. For this research, to think about on HR methods & HR practices related procedures at association level in an Indian connection, a large gas service organization is chosen for this study. The manner of selection of the company and business verticals discussed in detail under section 3.4.

#### **3.2.2 Problem Statement**

Although in the current thinking on SHRM various theories and model are well known but the process of human resource strategy formulation & practices in alignment of business strategy at an organisation level have not been described in detail. Holistic process model of SHRM is also not available.

### **3.2.3 Research Questions**

CRQ: How a large Gas Utility Company in India formulates and practices its HR strategy in alignment with Business Strategy?

ARQ 1: What are the extents of Vertical fit between Business Strategy and HR Strategy and also the extent of Horizontal Fit among various sub functions of HR?

ARQ 2: What are the factors leading to inconsistency or congruence between HR strategy & Business Strategy?

### **3.2.4 Nature of Research Questions**

As we seek to understand a pattern of relationships and impacts, hence the central research question is exploratory in nature. (Hedrick et al., 1993; Yin, 2003). To provide support to the Central Research Question, the Additional Research Questions are exploratory and descriptive in nature and aim towards making an inventory of effects. The study is aimed to study the existing HR processes of an Indian large gas utility company.

### **3.2.5 Objectives of the Study**

**The specific objectives of the research work are:**

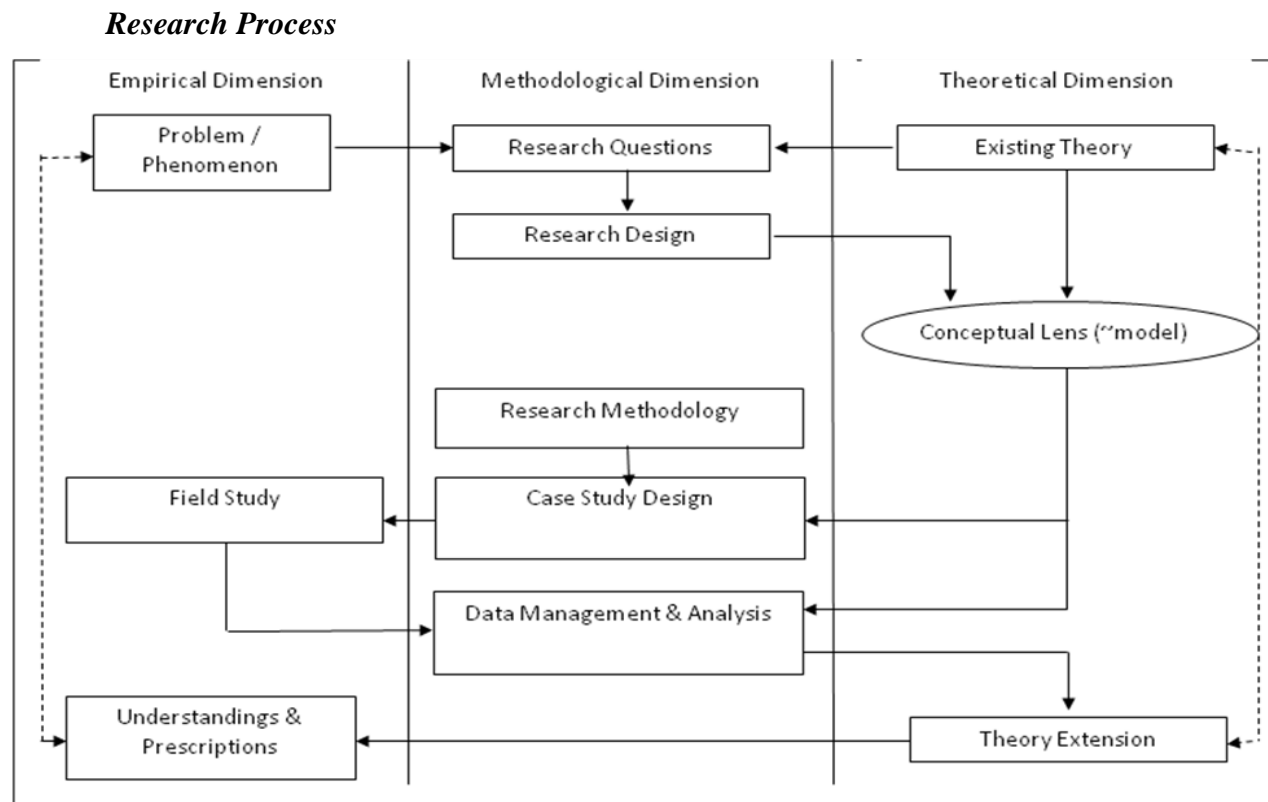
- To understand and describe the existing HR strategy formulation & practices in a large Gas Utility Company in India.
- To study the extent of vertical fit between HR strategy and Business strategy.
- To study the extent of Horizontal fit among the various sub functions of HR.
- To identify the factors facilitating or hindering the strategic fit (both Vertical and Horizontal)



### **3.2.6 Overall Approach & Rationale of the study**

For carrying out a management research, the researcher develops curiosity with an issue or phenomenon, which the researcher seeks to examine and perceive the significance (Maxewell, 1996). Then research questions and a research design are developed by the researcher to systematically understand this problem/phenomenon. Next, to develop the conceptual lens to study the problem, the existing theory is examined and incorporated by taking the help of the theory development methodology, which further leads to the development of empirical research design and data analysis approach. Then, data is collected by the researcher by making observations in an empirical manner. The management and analysis of the data is done by the researcher, in accordance with the conceptual lens and empirical research design. This further leads to findings, which might possibly lead to existing theory extension and helps to understand and prescribe the problem. This overall research design is depicted in the figure below.

Table 3.2.6 (a)



For this research, a case study approach has been selected, since, the definition of the case study method say that “*the central tendency among all types of case study, is that it tries to illuminate a decision or set of decisions: why they were taken, how they were implemented, and with what result*” (Yin, 2003). For this research study, GAIL (India) Limited has been chosen, since it is having 70% market share in natural gas industry and it is a No. 1 gas utility company in India. GAIL (India) Limited, a Maharatna

Public Sector Undertaking, is having 7 LPG processing plants, 1 Petrochemical processing plant & 3 Natural Gas Pipeline networks & 2 LPG pipeline networks.

### **3.3 Philosophical Assumptions**

The research study relies on upon few elements, for example, the suitable research techniques, constituents' of substantial research, and assumptions about the nature of reality (Myers, 2013). These philosophical assumptions comprise of a position toward the nature of the reality and how it ought to be built (ontology), how the researcher thinks about the reality and what is the premise for his/her insight (epistemology), what are the qualities put into the research (axiology), how the researcher expounds on it (rhetoric), and the routines utilized as a part of the research process (methodology). These are clarified by Creswell, 2007. The below given Figure 3.3 (a) summarises the above assumptions identified with this research study and their suggestions on this research.

*Figure 3.3 (a) Philosophical Assumptions along with implications for this research study*

<b>Assumptions</b>	<b>Question</b>	<b>Characteristics</b>	<b>Implication in this research study</b>
Ontological	What is the nature of reality and how it should be constructed?	As described by participants in the research study, reality is subjective and multiple in nature. The nature of the world and what we can know about it.	Quotations & Concepts are described in words of participants and evidences have been provided to explain different perspectives.
Epistemological	What is the nature of knowledge and the relationship between the knower and the would-be known?	Researcher attempts to understand thoroughly and be in continuous touch with subjects being studied in this research work.	Researcher spent time of 30 days in various sites of gas utility company and observed the HR practices & implementation of HR strategies
Axiological	What values go in to research?	Researcher acknowledges the value addition in this research study	Inferences and interpretations of researcher are validated with the interpretations of interview participants
Rhetorical	How the researchers write about his/her research study?	The writing style adopted in this research study is of literary and informal style using the personal voice. It also uses qualitative terms and limited definitions.	First person pronoun is used in the research; Provided rich description of the problem
Methodological	What is the process of research? (or) How can the knower go about obtaining the desired knowledge & understandings?	To study the topic within its context inductive logic with good design is used.	Research has described the context of HR strategy and practices at an organisation level. Conceptual lens has been revisited based on the findings from case studies.

*(Source: Creswell, 2007; Ritchie & Lewis, 2003; Guba & Lincoln, 2005)*

These assumptions mirror a specific paradigm that researchers make when selecting qualitative research routines. A paradigm is "an expansive perspective or viewpoint of something" (Taylor, Kermode & Roberts, 2007). Research could be influenced and guided by a certain standard and it can be characterized as "examples of convictions and practices that manage request inside of a control by giving lenses, edges and procedures through which examination is proficient (Weaver & Olson's, 2006)". Therefore, to elucidate the researcher's structure of examination and methodological decisions, the ideal model embraced for this research study must be talked about preceding any exchange about the particular systems used in this study. This study utilized interpretive standard (Orlikowski & Baroudi, 1991; Knowles & Cole, 2008), the points of interest are given in the subsequent section.

### **3.4 Scientific Paradigms**

A research paradigm sets the context for an investigator's study. There are numerous paradigms used to guide research, and authors incorporate different paradigmatic schemas to conceptualize and classify their research (see Denzin & Lincoln, 2000b). Of the numerous classification schemes introduced in the literature, the schema of Guba and Lincoln (1994) is found to be the most concise and manageable. The paradigms are positivism, post positivism, constructivism–interpretivism, and critical theory (with related ideological positions).

Five underlying paradigms which are available for qualitative research are positivism, post-positivism, critical theory, constructivism, and participatory (Guba & Lincoln, 2005). Another theory provides four paradigms such as post-positivism, constructivism, advocacy/participatory, and pragmatism (Creswell, 2003).

Positivism is a form of philosophical realism adhering closely to the hypothetico–deductive method (Cacioppo, Semin, & Berntson, 2004; McGrath & Johnson, 2003; Sciarra, 1999). As all counseling psychology students are quickly taught, the scientific method involves systematic observation and description of phenomena contextualized within a model or theory, the presentation of hypotheses, the execution of tightly controlled experimental study, the use of inferential statistics to test hypotheses, and, finally, the interpretation of the statistical results in light of the original theory (Cacioppo et al., 2004). Relying on the hypothetico–deductive method, positivism focuses on efforts to verify a priori hypotheses that are most often stated in quantitative propositions that can be converted into mathematical formulas expressing functional relationships (Guba & Lincoln, 1994; McGrath & Johnson, 2003). The primary

goal of positivistic inquiry is an explanation that (ultimately) leads to prediction and control of phenomena. Positivism paradigm has more suitable options to conduct a natural science research. Positivists believe that the measurable properties, can be used to describe the reality objectively. The measurable properties are independent of researcher and the instruments being used (Myers, 1997). In this paradigm, theory has been tested based on hypothesis so that predictive understanding of the problem can be improved. A research can be categorised into positivist approach in case there is evidence of formal propositions, quantifiable measures of variables, testing of hypotheses and also inference about a problem can be drawn from the sample to a stated population (Orlikowski & Baroudi, 1991; Ritchie & Lewis, 2003). This research study is to explore the processes of HR strategies and HR practices at an organisation level in order to understand the tacit & implicit knowledge available with the HR managers; it is not possible to develop the hypothesis for testing and also to have a measurable list of variables. Therefore, positivist paradigm is not suitable for this study.

Hermeneutics and phenomenology is the philosophical base of interpretive approach also known as constructivist approach (Myers, 1997). The constructivist (or interpretivist) paradigm can be perceived as an alternative to the “received view” or positivist paradigm. In marked contrast to positivism’s naïve realism (a single objective external reality), constructivism adheres to a relativist position that assumes multiple, apprehendable, and equally valid realities (Schwandt, 1994). Essentially, constructivists hold that reality is constructed in the mind of the individual, rather than it being an externally singular entity (Hansen, 2004). The constructivist position espouses a hermeneutical approach, which maintains that meaning is hidden and must be brought to the surface through deep reflection (see Schwandt, 2000; Sciarra, 1999). This reflection can be stimulated by the interactive researcher–participant dialogue. Thus a distinguishing characteristic of constructivism is the centrality of the interaction between the investigator and the object of investigation. Only through this interaction can deeper meaning be uncovered. The researcher and her or his participants jointly create (co-construct) findings from their interactive dialogue and interpretation. The goals of constructivism–interpretivism are both idiographic and emic. Qualitative research and the seeds of constructivism–interpretivism can be traced back to Kant’s (1881/ 1966) Critique of Pure Reason. According to Hamilton (1994, p. 63), Kant’s position was that “human perception derives not only from evidence of the senses but also from the mental apparatus that serves to organize the incoming sense impressions” and that “human claims about nature cannot be independent of inside-the-head processes of the knowing subject.”

Figure 3.4 (a)

Comparison between Scientific Paradigms

Characteristic	Positivist View	Interpretive View
Purpose	The researcher will predict and explain changes in phenomena of study	The researcher will interview the stakeholders and recognise the value and depth of the individual content
Beliefs	<ul style="list-style-type: none"> <li>• One truth exists</li> <li>• Must be objective</li> </ul>	<ul style="list-style-type: none"> <li>• Many truths and realities</li> <li>• Different people have different perceptions, needs and experiences</li> </ul>
Research Methods	Quantitative	Qualitative
What Study Data is Based Upon	Measurable outcomes from questionnaire data	Descriptive, explanatory and contextual words of interview data
Study Sample	Clear and precise inclusion and exclusion data	Representatives who are able to provide expertise from different point of view

(Source: Ritchie & Lewis, 2003)

The holistic view of research problem and individual interpretive process for understanding of the problem are the characteristics of hermeneutics researcher. Researchers in this tradition are allowed to be subjective and devoted. Pre-understanding in the hermeneutic perspective is considered as a requirement as this will help the researcher to understand and interpret conditions (Patel & Davidson, 2003). Pre-understanding is an essential concept and also an indispensable prerequisite in the hermeneutic approach because, it gives direction to the research. In hermeneutics theory, interpretation and understanding of situation by studying the human nature, action and language can be carried out in well-structured manner (Bell & Bryman, 2007; Patel & Davidson, 2003).

**3.5 Scientific Approach**

There are three unique sorts of research methodologies that are being utilized via researchers to relate the current speculations with empirical data. These research methodologies are deductive, inductive, and abuctive. All these three research methodologies are clarified in subtle element in the subsequent sections.

The deductive approach begins from the current theories in the specific research zone. These theories are tried with the assistance of hypotheses and the research inquiries defined for the research study. The empirical data are gathered in light of these hypotheses and research addresses in order to do correlation

between existing theories and empirical data. The conclusion is landed through an analytical process. (Gummesson, 2000; Bell & Bryman, 2007).

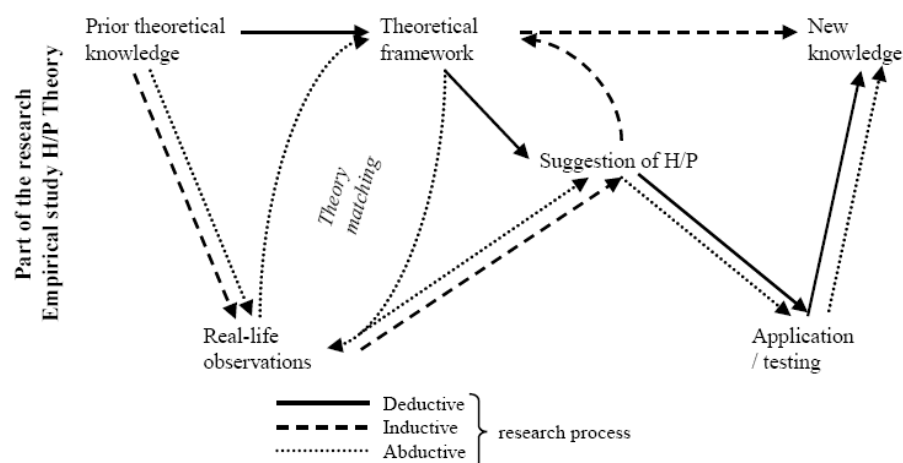
The inductive approach is in view of empirical realities. In this approach, empirical data gathering is the first step. In light of the empirical data, researcher builds up an idea. Further, the ideas are utilized to structure theories. The contrast in the middle of inductive and deductive approaches is that deductive approach tests the existing theory and inductive approach creates new theory (Gummesson, 2000).

Inductive approach has been utilized as a part of this research study. Empirical data are gathered from Corporate Planning Group, HR Vertical Heads and Business Vertical Heads of the gas utility company through semi-organized meeting in regards to their existing practices in the region of HR strategy in the Organization.

The abductive approach is the iterative process among theoretical system, empirical data and the examination of case. The results of innovative iterative process are orderly mix of matching theory and expansion of theory of past research study (Spens and Kovacs, 2006).

Therefore, new theory improvement is conceivable in this approach. The progressions in abductive approach are advancement of theory through inductive approach, clarification of theory, testing of new theory through contextual investigation. This demands involvement in the range of study therefore, this system can't be connected schematically (Saunders, Lewis, & Thorhill, 2007). The abductive approach is not utilized as a part of this research study subsequent to the new theory improvement is not the point of this study.

**Figure 3.5(a) – Three different research approaches (Spens & Kovács, 2006)**



### **3.6 Research Methods**

There are many ways to categories research methods in social science research. The major research methods are *Quantitative* Research Method and *Qualitative* Research Method. The social world is one reality, but the methodologies associated with quantitative and qualitative research are quite different. Quantitative research allows the researcher to discover patterns, associations, correlations, and other features of a population based on analysis of large numbers of measurements of individuals. Qualitative research usually involves studies of single individuals, based on interviews and observations, with the goal of identifying their internal psychological and behavioral characteristics. Quantitative research is directed at identifying population characteristics, patterns, and associations. Qualitative research is directed at teasing out the mental frameworks and experiences of individuals within specific social and cultural settings. Qualitative researchers are generally not interested in discovering generalizations or regularities, and are more interested in identifying particular features of consciousness, culture, and behavior. Rossman & Rallis (1998) offer eight characteristics of qualitative research and researcher as shown in Figure 3.6 (a).

Figure 3.6 (a)

#### Characteristics of Qualitative Research Methods

<b>Research Method</b>	<b>Characteristics</b>
Qualitative Research	<ul style="list-style-type: none"><li>• Naturalistic – takes place in the natural world</li><li>• Uses multiple methods that are interactive and humanistic</li><li>• Is emergent rather than tightly prefigured</li><li>• Is fundamentally interpretive</li><li>• Views social worlds as holistic or seamless</li><li>• Engage in systematic reflection on his own role in the research</li><li>• Is sensitive to his personal biography and how it shapes the study</li><li>• Uses complex reasoning that is multifaceted and iterative</li></ul>

*(Source: Rossman & Rallis, 1998)*

A comparison of Qualitative and Quantitative approaches is presented in Figure 3.6 (b) based on purpose, research methods, validity, conceptual framework etc. for understanding the qualitative research method.

Figure 3.6 (b)

Comparison of qualitative and quantitative elements in design

	Quantitative	Qualitative
<b>Purpose</b>	<ul style="list-style-type: none"> <li>• Precise measurement and comparison of variables</li> <li>• Establishing relationships between variables</li> <li>• Inference from sample to population</li> </ul>	<ul style="list-style-type: none"> <li>• Meaning, Context &amp; Process</li> <li>• Discovering unanticipated events, influences, and conditions</li> <li>• Understanding single cases Inductive development of theory</li> </ul>
<b>Conceptual framework</b>	<ul style="list-style-type: none"> <li>• Variance theories</li> </ul>	<ul style="list-style-type: none"> <li>• Process theories</li> </ul>
<b>Research questions</b>	<ul style="list-style-type: none"> <li>• Variance questions</li> <li>-Truth of proposition</li> <li>-Presence or absence</li> <li>-Degree or amount                      - Correlation</li> <li>• Hypothesis testing</li> <li>• Causality (factual)</li> </ul>	<ul style="list-style-type: none"> <li>• Process questions</li> <li>How and why</li> <li>• Meaning</li> <li>• Context (holistic)</li> <li>• Hypotheses as part of conceptual framework</li> <li>• Causality (physical)</li> </ul>
<b>Research Methods</b>		
<b>Relationship</b>	<ul style="list-style-type: none"> <li>• Objectivity / reduction of influence (researcher as extraneous variable)</li> </ul>	<ul style="list-style-type: none"> <li>• Use of influence as tool for understanding (researcher as part of process)</li> </ul>
<b>Sampling</b>	<ul style="list-style-type: none"> <li>• Probability sampling</li> <li>• Establishing valid comparisons</li> </ul>	<ul style="list-style-type: none"> <li>• Purposeful sampling</li> </ul>
<b>Data collection</b>	<ul style="list-style-type: none"> <li>• Prior development of instruments</li> <li>• Standardization</li> <li>• Measurement / testing – quantitative /</li> <li>• Categorical</li> </ul>	<ul style="list-style-type: none"> <li>• Inductive development of strategies</li> <li>• Adapting to particular situation</li> <li>• Collection of textual or visual material</li> </ul>
<b>Data analysis</b>	<ul style="list-style-type: none"> <li>• Numerical descriptive analysis (statistics, correlation)</li> <li>• Estimation of population variables</li> <li>• Statistical hypothesis testing</li> <li>• Conversion of textual data into number of categories</li> </ul>	<ul style="list-style-type: none"> <li>• Textual analysis (memos, coding, connecting)</li> <li>• Grounded theory</li> <li>• Narrative approaches</li> </ul>



Validity		
<b>Internal validity</b>	<ul style="list-style-type: none"> <li>• Statistical conclusion validity</li> <li>• Construct validity</li> <li>• Causal validity (control of extraneous variables)</li> </ul>	<ul style="list-style-type: none"> <li>• Descriptive validity</li> <li>• Interpretive validity</li> <li>• Construct validity</li> <li>• Causal validity (identification and assessment of alternative explanations)</li> </ul>
<b>Generalizability</b>	<ul style="list-style-type: none"> <li>• External validity (comparability)</li> </ul>	<ul style="list-style-type: none"> <li>• Transferability</li> <li>• Generalizing to theory</li> </ul>

(Source: Maxwell & Loomis, 2003)

For this study Qualitative research method was selected for following reasons using above table as a guide.

- First, the nature of research questions suggests a qualitative approach. These are more of “how” and “what” types rather than “how many” or “how much” or “why” types.
- Second, the aim is to present a detailed understanding of HR strategies and HR practices at an organisation level (in a large gas utility company in India), requiring a focus on HR managers/engineers perspective and their meaning i.e. tacit & implicit knowledge available with the HR managers. Without getting involved, detailed understanding of these HR processes is difficult to understand and describe. Therefore, semi-structured interviews and secondary data were used for data collection. Participant observation has also been used as an additional technique for collecting data in this thesis. This helps to researcher to better understand tacit and implicit aspects of formulation of HR strategies and HR practices existing in the company.
- Third, HR strategy formulation and implementation aspects of this study needs to be studied in natural settings, rather than in controlled experimental settings.

The following are the key characteristics of qualitative research:

- Events can be understood adequately only if they are seen in context. Therefore, a qualitative researcher immerses her/himself in the setting. The contexts of inquiry are not contrived; they are natural. Nothing is predefined or taken for granted.
- Qualitative researchers want those who are studied to speak for themselves, to provide their perspectives in words and other actions. Therefore, qualitative research is an interactive process in which the persons studied teach the researcher about their lives. Qualitative researchers attend to the experience as a whole, not as separate variables. The aim of qualitative research is to understand experience as unified. Qualitative methods are appropriate to the above statements. There is no one general method. For many qualitative researchers, the process entails appraisal about what was studied.

### **3.7 Research Methodology**

In HR function of a Gas Utility Company in India, the tacit and explicit knowledge in the field of best practices in Human Resource Management (HRM) are available with HR Manager of the company. Thus, there is an imperative need to gather an in-depth understanding of this knowledge in formulation of HR strategy and practices in the Gas Utility Company. Therefore, qualitative research method will be suitable method in capturing and reusing tacit and explicit knowledge in the field of best practices in HRM at the Company studied.

### **3.8 Research Strategy– Case Study**

Research design requires a choice of research strategy, a decision to use experimentation, survey methods, archival analysis, histories or case studies. Researcher can opt for a specific kind of qualitative research strategy suitable to the research study as different qualitative research techniques are accessible. Cases of subjective techniques are action research, case study research, and ethnography (Ritchie & Lewis, 2003). Based on the following conditions each method is having advantages and disadvantages: (a) type of research question, (b) Investigator control over actual behavioural events, and (c) focus on contemporary phenomena instead of historical phenomena (Yin, 2003).

The relative usefulness and application of case studies, indeed any type of 'qualitative' research is subject to interpretation. As mentioned earlier, critics of case research such as Miles (1979) suggested that the case study's usefulness is limited to an exploratory phase in a hierarchically arranged research programme. Proponents of wider application of case studies, such as Yin (1981) claim that the use of case studies is only limited by lack of understanding of the types of applications, the types of research questions best addressed (as opposed to other strategies) and the type of case study design. (Subsequent sections will discuss all of these issues). In a HR function of the organisation, the tacit and explicit knowledge available with HR managers & engineers working in the organisation needs to be captured for understanding existing approaches in HR strategies formulation. Therefore, there is a need to gather an in-depth understanding of this knowledge in formulation of HR strategy & practices at an organisation level. Qualitative research method is a suitable method in capturing and reusing such tacit and explicit knowledge in the field of best practices in HR management at the company.

Case studies are only one of many ways of doing social science research, with experimentation, observation, surveys and archival information (as mentioned above) each suited to a certain type of

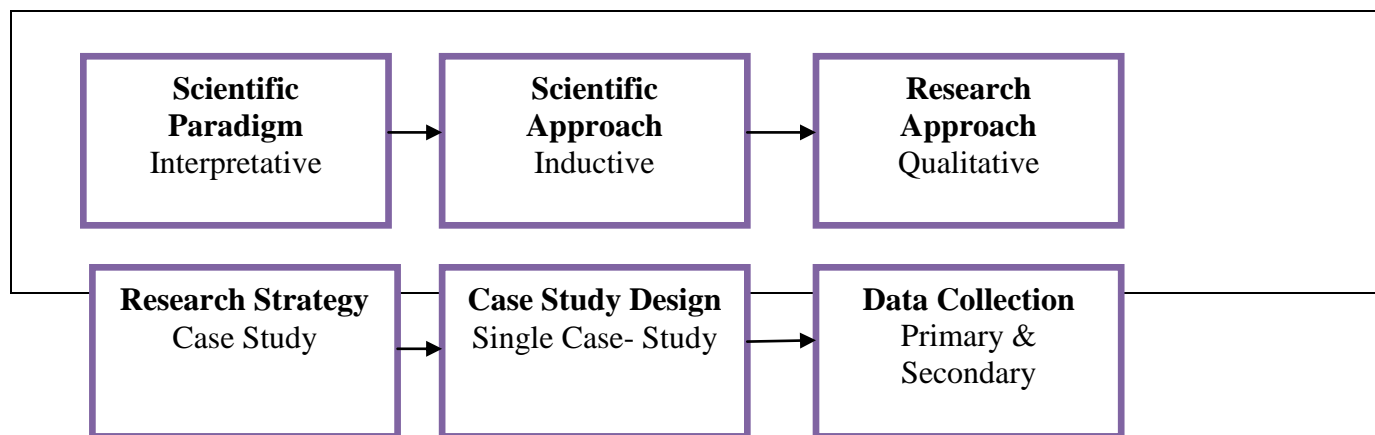
research problem, degree of experimenter control over events and historical/contemporary perspective and focus. What are case studies? By design, case studies usually take as their principal subject selected examples of a social entity within its normal context. At the simplest level, the case study provides descriptive accounts of one or more cases, yet can also be used in an intellectually rigorous manner to achieve experimental isolation of one or more selected social factors within a real-life context. Robert Yin tried to define a case study, as part of his defense of the method, as an attempt to examine: (a) a contemporary phenomenon in its real life context, especially when; (b) the boundaries between phenomenon and context are not clearly evident.<sup>2</sup> Despite the popular misconception that case studies are limited to qualitative analysis they can use both qualitative and/or quantitative information.

The purpose of this research work is to understand & describe the formulation of HR strategy at an organisation level (large gas utility company). Further, to understand why the particular HR strategy has been chosen and how these formulated strategies are being practiced in the organisation. A case study approach has been selected for this research study because, the definition of the case study method say that “the central tendency among all types of case study, is that it tries to illuminate a decision or set of decisions: why they were taken, how they were implemented, and with what result” (Yin, 2003)

The chosen design & methodology decisions which enclose the methods and techniques employed in designing this research study is summarised in the below shown Figure 3.8.

Case Study Design and data collection strategies are described in the subsequent sections in detail.

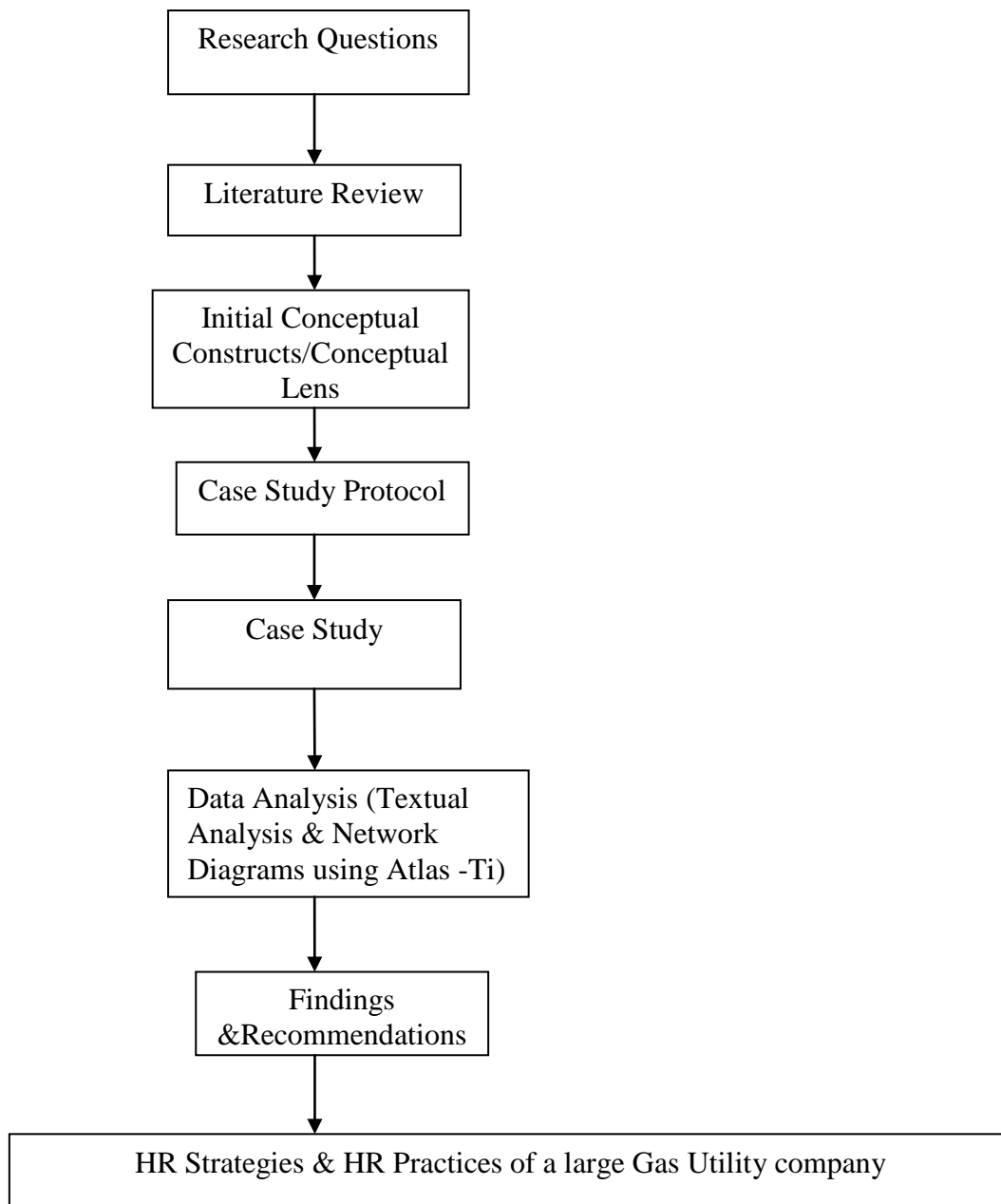
*Figure 3.8 – Summary of Research Design & Methodology*



### 3.9 Case Study Design

This section describes the design of case studies. First the process of carrying out case studies is described. Then design issues like numbers of cases, unit of analysis, selection criteria for cases are discussed. Figure below describes the case study design taken up in this research.

Figure 3.9 – Case Study Design



The structure of the case design is to cover all the Business verticals and also the Business Development and Project Development group involved in identifying and venturing into new Business areas.

Unit of analysis

1. Corporate

Level of analysis

1. Company Level (Corporate)

**3.9.1 Initial Conceptual Constructs for the study**

There are two conceptual constructs for this research: HRM Strategy Fit, and HRM – Intra-functional Fit. Each one of these constructs can be further divided into its sub-constructs and/or the attributes of interest as given under:-

**1. Process of Formulation of Business Strategy and HR strategy:**

**Sub Constructs:**

- 1.1. Environmental Scan to Identify opportunities and challenges for formulating business strategy.
- 1.2. Inputs from business verticals facilitate formulation of Business strategy
- 1.3. Business Strategy influence HRM activities
- 1.4. The inherent agility of Business Strategy helps in HR strategy formulation

**2. HRM Strategy Fit (HSF) – Vertical Fit**

**Sub Constructs:**

- 2.1. HRM activities designed to suit business strategy
- 2.2. HR activities consistent with organizational vision
- 2.3. HR inputs considered integral/consistent to business strategy/organizational visions.
- 2.4. Top management take interest and trained in HR issues.
- 2.5. Information is shared between HR and top management.

**3. HRM – Intra-functional Fit ( HIF) – Horizontal Fit**

**Sub Constructs:**

- 3.1. HR strategy clearly spelled out
- 3.2. HR activities linked to long term HR vision.
- 3.3. HR sub-area managers work in co-operation.
- 3.4. HR activities internally consistent.
- 3.5. Information is shared among various sub functions of HR.

#### **4. Factors Affecting FIT**

##### **Sub Constructs:**

- 4.1. Organizational Factors: Culture, Structure
- 4.2. Individual Factors: Leadership and Skill set
- 4.3. Technology
- 4.4. HR sub system factors: Policies, Practices and Procedures

#### **3.9.2 Sampling**

Theoretical sampling as part of qualitative research has been employed here For data sample, various interview of the important official holding critical position as to the formulation of Business Strategy and management of HR were considered. The names & contact details of the officers were obtained from the Telephone directory available in the Gail's Intranet/website. Among the Managers identified, based on the unit of analysis & level of analysis, 08 officers related to HR and strategy development functions were chose and interviews were conducted.

### **3.10 Data Collection**

Inductive system is utilized for examination and understanding of data accumulated in this research, which is "submersion in the subtle elements and indicates of the data to find critical classes, measurements, and interrelationships; investigating really open questions instead of testing hypothetically inferred theories" (Patton, 1990). Subjective data is "point by point, thick description, inquiry in depth, direct quotations catching individuals' personal viewpoints and experiences" (Patton, 1990).

Case studies provide a unique approach of collecting, organizing, and analyzing data together comprehensive, systematic, and in-depth information about each case of interest. The case study method allows people being interviewed to describe experiences in their own language, rather than the researchers'. Case study research involves gathering evidence from a variety of sources documents, archival records, questionnaire, interviews, observations, and physical artifacts (Eisenhardt, 1989, Yin, 2003). Triangulation of data collected from multiple sources allows an in-depth study of a phenomenon from different angles and may increase the validity of the research findings. Data at the gas utility company was collected from three sources: Corporate Planning Group, Vertical Heads and HR Heads, interviews, informal discussions and archival documents. The observations focused on the process elements of context, actors and actions (Pettigrew, 1997). The researcher also noted down the interactions taking place during the course of discussions and interviews at the company whenever possible.

The data was collected from officials of corporate strategic planning group, vertical heads and the HR Managers of GAIL using the **case study protocol**. A case study protocol is a document that contains the questionnaire (instrument) for data collection as well as the procedures and general rules to be followed in using the protocol. During data collection stage, Construct validity was checked using multiple sources of evidence (document analysis) and reliability has been ensured by using case study protocol (Yin, 2003). A copy of the Data Collection Protocol used for interview is as attached in Appendix II.

The detailed case study protocol was developed before data collection and semi structured interviews with personnel from various departments of the large gas utility company's were conducted.

Before starting the interview, it was explained to the interviewee that the case study material and the interview data will be used in two ways: one is to find out HR strategy & practices, and its process framework, and the other as ‘published case’ for the conference or the book. A brief introduction was also given the interviewee about this case study research based on the framework given above.

The interview was conducted in three levels to collect the data for the study of HR strategy & practices in the gas utility company. The three levels are as given under.

- 1) Interview with Corporate Strategic Planning group
  - a. Deputy General Manager (Corporate Planning)/Chief Manager (Corporate Planning)
  
- 2) Interview with Vertical Heads such BD, E&P, Marketing
  - a. Executive Director (Business Development)
  - b. Executive Director (Marketing)
  - c. Executive Director (Exploration and Production)
  
- 3) Interview with HR/HRD Heads
  - a. Executive Director (Human Resources and Human Resource Development)
  - b. General Manager (Human Resources)
  - c. General Manager (Human Resource Development)/Deputy General Manager (Human Resource Development)
  - d. Chief Manager (Training)

The above interviews lasted between 30 to 60 minutes. The interviews were recorded and fully transcribed. Typed interview scripts were shown to the interviewees, along with follow-up questions. Figure 3.10 below summarizes the main steps of data collection for all cases.



Figure 3.10

***Main steps in data collection***

<b>Steps in data collection</b>	<b>SHRM Case Study</b>
Development of Case Study Protocol (CSP), Review and final CSP development	August 2013 to December 2013
Initial Contact and Arrangements	January, 2014
Data Collection Interviews	May, 2014 to June, 2014
Review of case report for internal validity	June, 2014
Additional data collection	November, 2014
Total Number of interviews	8

**3.11 Data Analysis Strategy**

The aim of carrying out a qualitative inquiry is to produce findings through analysis, interpretation and presentation of findings. The main hurdles in data analysis are to “make sense of massive amount of data, reduce the volume of information, identify significant patterns, and construct a framework for communicating the essence of what the data reveals” (Patton, 1990). A modified form of grounded theory approach has been used for analyzing the data in this research as this approach is based on the researcher’s interpretations and description of phenomena based on the actors’ subjective descriptions and interpretations of their experiences in a context (Locke, 2001; Charmaz, 2006).

Data analysis aimed to identify describing (1) To understand the existing HR strategy formulation & practices in a large Gas Utility Services Company in India, (2) To study the vertical fit between HR strategy and Business strategy, (3) To study the Horizontal fit among the various sub functions of HR (4) To study the factors facilitating or hindering the strategic fit (both Vertical and Horizontal)

To develop a process frame work for Strategic Management of Human Resources, there were major steps involved in data analysis: within-case analysis. Within-case analysis entailed becoming intimately familiar with each case individually and documenting it thoroughly. Within-case analysis involved organizing the data of specific cases for in-depth study and helped to manage the staggering volume of data (Eisenhardt, 1989). Patterns in qualitative data can be represented as dimensions, categories, classification of schemes, and themes (Patton, 1990). Initial Conceptual lens are used as the basis for categories in case analysis. .

Data Analysis is done through Textual Analysis and it is done with the help of Atlas-Ti software; network diagrams are formulated with the necessary quotation and frequency analysis. The data analysis using grounded theory is a highly iterative process involving moving between interview data, existing theory, and observation data (Charmaz, 2006).

Following three steps were used iteratively for conducting data analysis:

1. Open Coding
2. Focused/Selective Coding
3. Identifying patterns of relationship among conceptual categories

The first two steps were used to determine how HR strategy is formulated in a large gas utility company by developing codes, categories and concepts of HR strategy formulation, its alignment and practices being followed in the company.

Details of these activities are as given under:-

### **Step I: Open Coding**

At first, input data was selected, categorized and combined to understand main concepts and identify the relevant constructs. Part of the text which are sentences or paragraphs (Strauss and Corbin, 1990) describing (i) HR strategies formulation , (ii) HR practices, (iii) Vertical and Horizontal Fit using open code technique (Strauss and Corbin, 1990; Charmaz, 2006).

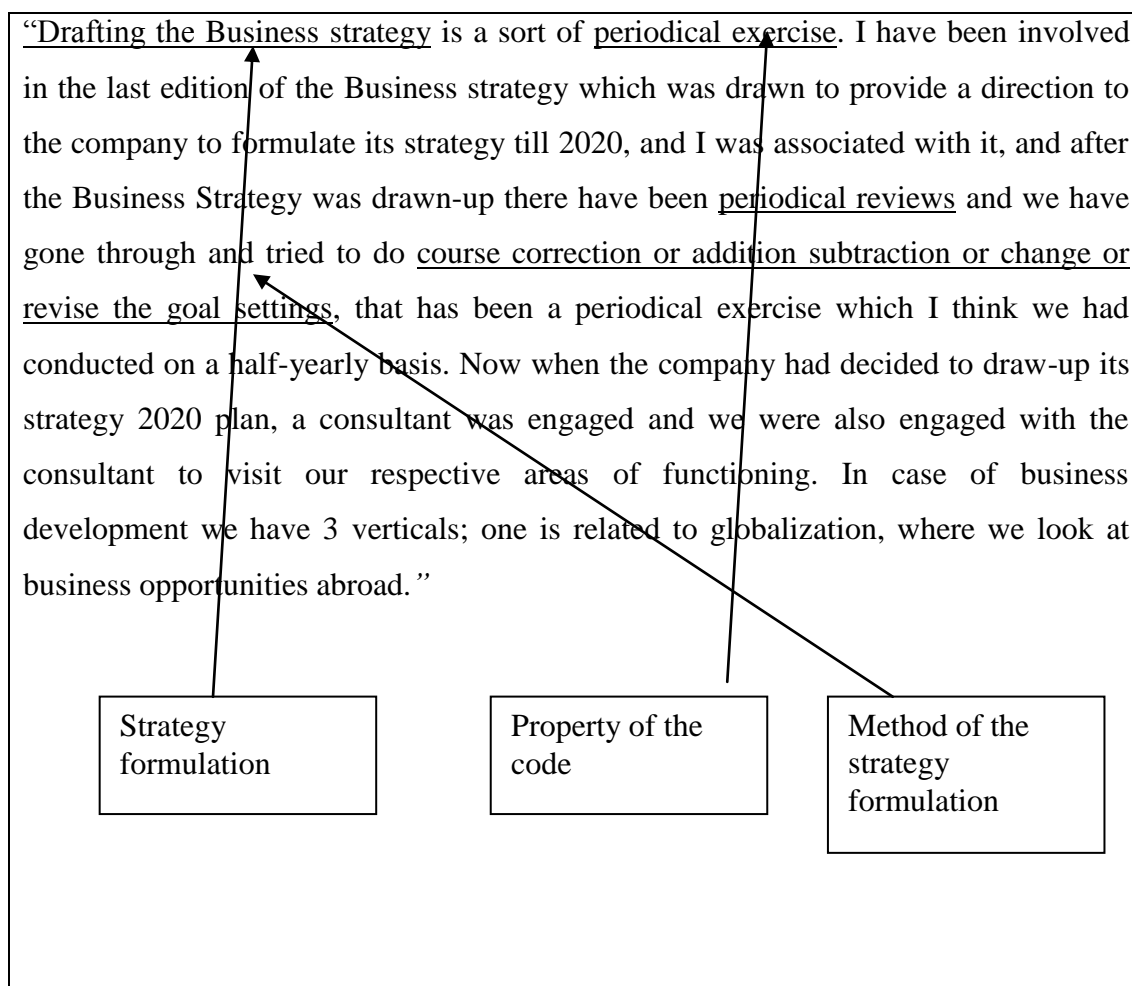
Open Coding is a process where ‘the investigator identifies potential themes by pulling together real examples the text’ (Ryan and Bernard, 2000) which implies the codes are discovered from the empirical data. New codes are created as a new evidence (for example issues, themes) emerges from data. The

open coding is used to investigate a new phenomenon, and focus of research is on the emergence of theoretical categories from empirical evidence (Strauss and Corbin, 1990; Charmaz, 2006).

Figure 3.11.1 below illustrates how the open coding was done, based on a statement from an interview. In the example statement the words “drafting the Business strategy”, “periodical exercise”, “periodical review” illustrates the methods of strategy formulation, therefore, in open coding step these were marked as codes.

Figure 3.11.1

*Examples of Codes*



Using the Qualitative Analysis software Atlas-Ti, the coding of interview scripts was done, which facilitated the analysis process by helping with coding, linking codes, and text segments, creating memos, searching, editing and reorganizing, and for visual display of data and findings (Miles and Huberman, 1994; Weitzman, 2000; Creswell, 2007).

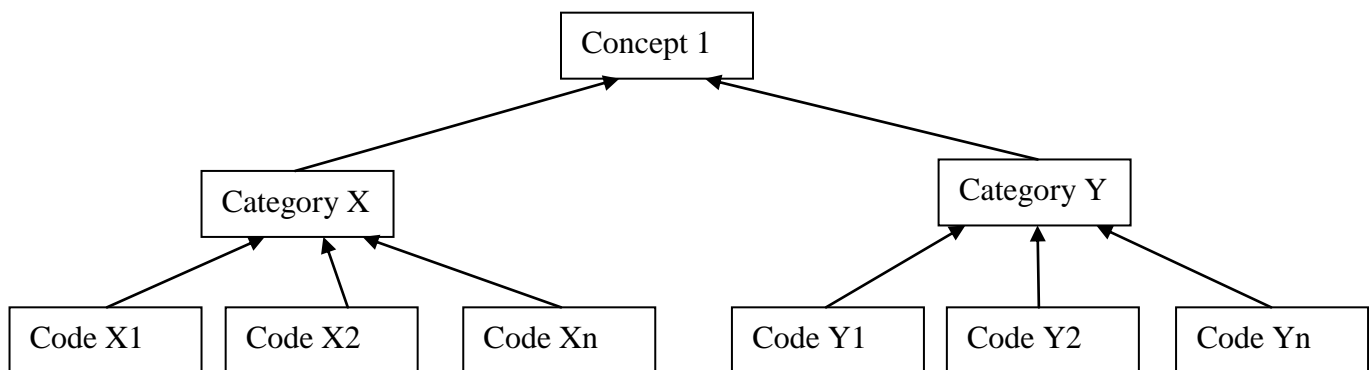
List of Open Codes is annexed.

## Step II: Focused Coding / Selective Coding

In focused/ selective coding, similar codes, codes with some common attributes were merged to create conceptual categories and abstractions from the empirical data (Strauss and Corbin, 1990). This consolidation of cases made possible the reduction of number of units the researched is working with (Strauss and Corbin, 1990) and clarified the main themes emerging from the data. Codes were grouped into categories using a bottom up approach as shown in the Fig. 3.11.2 given below.

Figure 3.11.2

### *Codes, Categories, and Concepts*

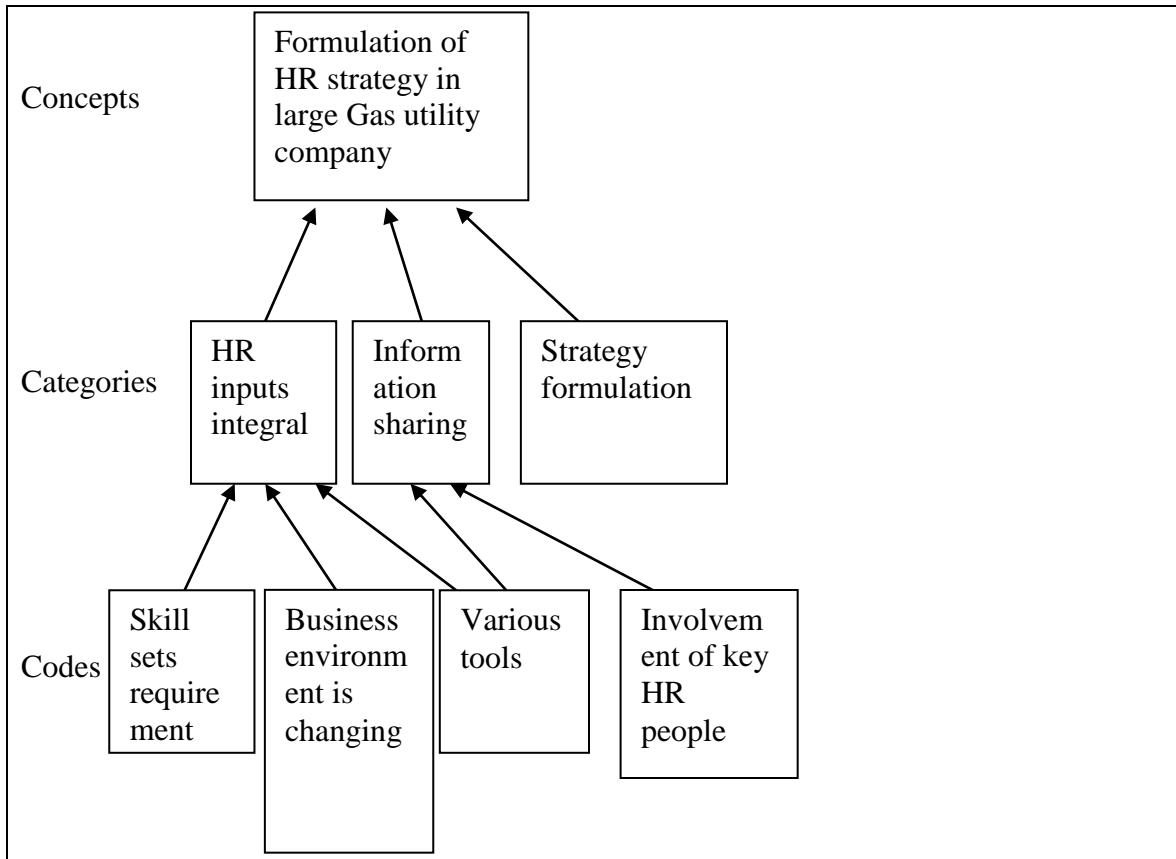


Codes illustrating (i) long-term HR vision, (ii) Strategy Formulation, (iii) HRM strategic function and, (iv) information sharing were discovered from the empirical data during the open coding, were consolidated into broader categories and categories were classified into concepts/themes are the basic units of analysis in grounded theory since these are from conceptualizations of data.

Initial Conceptual Constructs identified related to SHRM from literature served as basis of identifying concepts. Statements illustrating these initial conceptual constructs were coded first. Then these codes were consolidated into categories: each category represented the factors which are related to HR strategy formulation and practices of a large gas utility company. Finally, each category was linked to the categories of Initial Conceptual Constructs. Figure 3.11.3 below shows this categorization and linking process in detail.

Figure 3.11.3

*Categorization and linking of codes, categories & concepts*



Open and focused coding resulted in labeling of all the interview data in codes, categories and concepts.

List of Focused Codes is annexed.

**Step III: Identifying patterns of relationships among conceptual categories**

In this step, an effort was made to identify the underlying relationships between codes, categories and concepts. Here the relationships identified are causal ('is part of', 'is associated of') and associative in nature. Activities mentioned by interviewees leading to the HR strategy processes were identified by creating appropriate codes in Atlas-Ti software. Figure 3.11.4 below shows how causal relationships were identified from the interpretation of interview statements.

Figure 3.11.4

*Casual relationships identified from interview statements*

“Drafting the Business strategy is a sort of periodical exercise. I have been involved in the last edition of the Business strategy which was drawn to provide a direction to the company to formulate its strategy till 2020, and I was associated with it, and after the Business Strategy was drawn-up there have been periodical reviews and we have gone through and tried to do course correction or addition subtraction or change or revise the goal settings, that has been a periodical exercise which I think we had conducted on a half-yearly basis. Now when the company had decided to draw-up its strategy 2020 plan, a consultant was engaged and we were also engaged with the consultant to visit our respective areas of functioning. In case of business development we have 3 verticals; one is related to globalization, where we look at business opportunities abroad.”

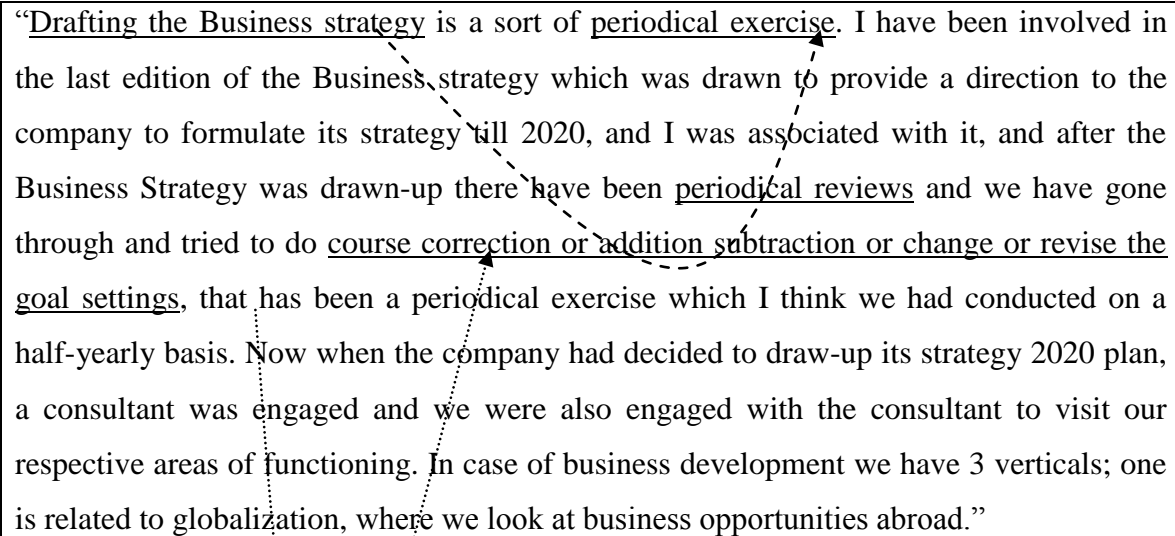


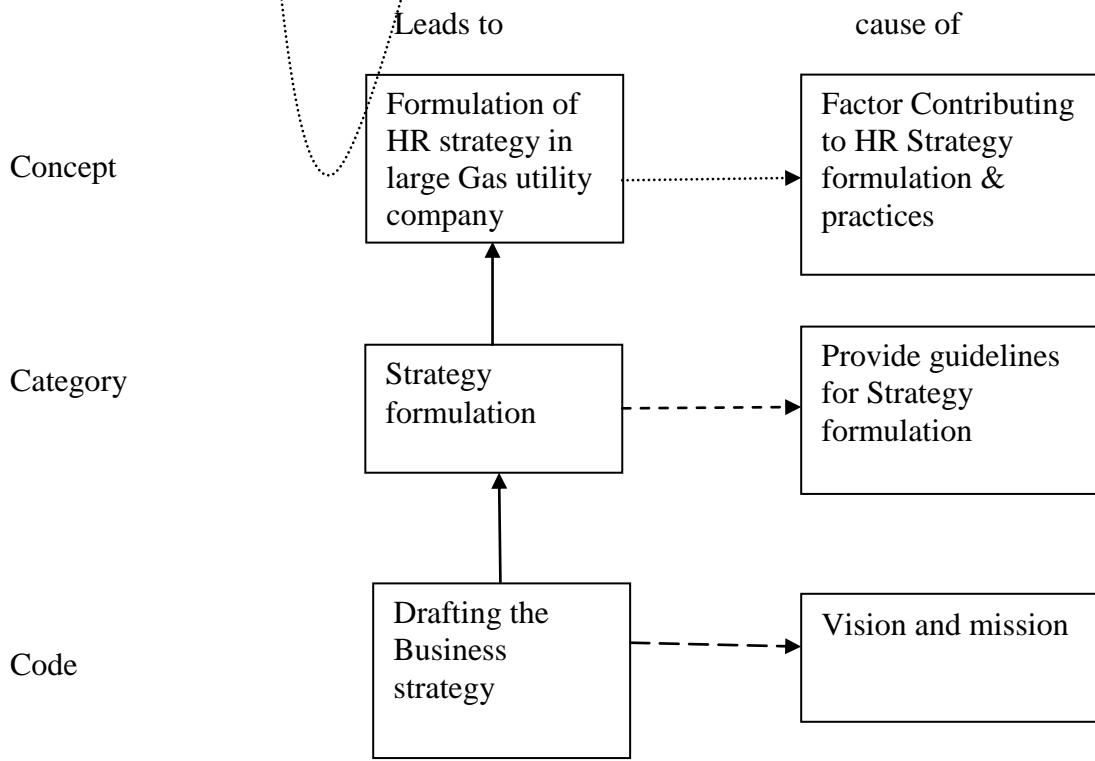
Figure 3.11.4 shows how casual relationships were identified from the interpretation of interview statements. Accordingly, these codes were linked through Atlas-Ti software by “leads to” and “is cause of” and “is part of” relations as shown in figure.

Abstraction of these codes into categories, and categories into concepts, lead to inheritance of relationships between codes already identified from the data by the categories and codes. Continuing with the above example, code “Drafting the either one strategy” is associated with “periodical exercise”, which in turn is part of “strategy formulation” concept. The casual relationship “leads to” between the codes is inherited in turn by respective categories and codes as shown in figure 3.11.5 below.

Figure 3.11.5

*Relationships between concepts/categories inherited from codes*

“Drafting the Business strategy is a sort of periodical exercise. I have been involved in the last edition of the Business strategy which was drawn to provide a direction to the company to formulate its strategy till 2020, and I was associated with it, and after the Business Strategy was drawn-up there have been periodical reviews and we have gone through and tried to do course correction or addition subtraction or change or revise the goal settings, that has been a periodical exercise which I think we had conducted on a half-yearly basis. Now when the company had decided to draw-up its strategy 2020 plan, a consultant was engaged and we were also engaged with the consultant to visit our respective areas of functioning. In case of business development we have 3 verticals; one is related to globalization, where we look at business opportunities abroad.”



- > Relationship between Categories inherited from codes
- .....> Relationship between concepts inherited from categories

### **3.12 Quality of research**

#### **3.12.1 Construct validity**

Construct validity can be defined as establishing correct measures for the concepts being studied, which provides that the selected Concepts are measured correctly (Yin, 2003). The prospective problems of construct validity can be sorted out by data triangulation, when evidence is collected from multiple sources “but aimed at corroborating the same fact or phenomenon” (Yin, 2003), and not “when you have multiple sources that nevertheless address different factors” (Yin, 2003). Gathering evidence from a variety of sources essentially provides “multiple measures of the same phenomenon” (Yin, 2003) and ensures “stronger substantiation of constructs and hypotheses” (Eisenhardt, 1989).

#### **3.12.2 Internal validity**

Internal Validity implies “establishing a casual relationship, whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships” (Yin, 2003). Two problems associated with internal validity are (1) making interferences (as case study involves inferences, every time event cannot be directly observed), and (2) spurious effects when there are other determinative factors than those identified in the research model. In this research a number of tactics were used to address these problems and improve internal validity. First, theory triangulation, which implies triangulating perspectives on the same data set (Patton, 1990) was applied. During with-in case analysis the same data set was analyzed from difference perspectives such as conceptual and detailed analysis levels. Second, key participants were requested to review and comment on case reports, and their comments were incorporated in the final case reports. To ensure construct validity these two tactics were focused on the understanding and interpretation of the concepts studies, while for internal validity they were focused on the understanding and interpretation of the processes that can be represented as casual relationships between concepts: (a ‘cause’) leads to another concept (an ‘effect’).

#### **3.12.3 External validity**

External validity implies “establishing the domain to which a study’s finding can be generalized” (Yin, 2003). Case study relies on analytical generalization (Eisenhardt, 1989, Yin, 2003), not statistical generalization as with experimental hypothesis-testing research. Once the replication is made, the results may be accepted even though further replications have not been performed (Yin, 2003).



### **3.12.4 Reliability**

A reliability test aims to minimize the errors and biases in the study. It refers to “demonstrating that the operations of a study, such as data collection procedures can be repeated, with the same result” (Yin, 2003). This implies that if another researcher follows the same procedures as applied by a previous researcher for conducting the same (and not another) case study, he/she will arrive at the same findings and conclusions (Yin, 2003). In this research a numbers of tactics were used to ensure consistency in applying procedures for data collection and analysis.

### **3.13 Case Study Protocol Development**

First, the **case study protocol** was used to guide the research process. The protocol is a major tactic in increasing the reliability of case study research and is intended to guide the investigator in carrying out the case study (Yin, 2003). The protocol included instrument (i.e., the interview questions) as well as procedures and general rules that should be followed. This ensured consistency in the areas covered within cases and across cases. Second, to reduce the likelihood of forgetting or misunderstanding the data, and to allow independent data analysis by other researchers, interviews were recorded and transcribed. Third, use of Atlas-Ti software allowed systematic and consistent analysis of qualitative data (Weitzman, 2000) and increased the reliability of research because the procedures can be repeated (Yin, 2003). Fourth, the filed notes taken by the researcher were also transcribed for future reference. The Case Study Protocol is appended in Appendix II. The results of within case analysis are displayed in the form of “Qualitative Associative Networks”, process maps, and conceptually clustered matrix (Miles and Huberman, 1994). Associative networks have nodes linked to each other by association and allows for fuzzy, intuitive and subconscious relations between concepts to be presented visually. These characteristic made these suitable to model HR strategies and HR practices of a large gas utility company visually. In the case analysis of the study, data has been analyzed in order to identify the HR strategy formulation practices of the gas utility company.

The theoretical framework of this study consists of a model of Initial Conceptual Constructs such as Strategic Human Resource, Top Management in HR issues, information sharing, strategy formulation, HR gaps, horizontal and vertical fit, practice of HR strategy in different business verticals etc. This framework will be used as a template for comparing and generalizing the empirical results of the above

case study. The relevant issues concerning formulation of HR strategies & practices relate to Research Questions have been formulated as propositions and they are as given under:-

## **A. Introduction to the case study and purpose of protocol**

### **A1. Background**

Human Resource Management process is continuous in a gas utility company and any change in HR policies and processes cause a huge impact. Although Organization follows various HR strategies, the cost and impact of HR policies and processes was found to be huge in the organization. Therefore, this case study protocol has been prepared to study on this problem i.e., How the HR Managers in a large gas utility company in India formulate the HR strategies for their gas transportation/processing operations and how they practice these formulated HR strategies to maintain motivated employees & operate the process/plant continuously without interruption?

To conduct the above case study, GAIL (India) Limited has been chosen to conduct the study. Approval of conducting this study has also been obtained from the organization.

### **A2. Purpose of Case Study Protocol**

A case study protocol is a document that contains the questionnaire (instrument) for data collection as well as the procedures and general rules to be followed in using the protocol. This purpose of this Case Study Protocol is using case study as research strategy to understand:

How the gas utility company (GAIL India Limited) is planning and executing its HR strategy & practices to ensure its alignment with overall company's business strategy?

## **B. Data Collection Procedures**

### **B1. Names of sites to be visited, including contact persons**

For the above case study, data collection will be done from the employees of GAIL (India) Limited. The proposed list of employees who will be contacted for interview along with the location & contact details is also prepared.

## **B2. Data Collection Plan**

Data Collection from the employees of GAIL (India) Limited will be done in the calendar year 2014. The data collection will be done by semi-structured interview with an individual employee using the Case Study Protocol.

Description	Period
Interviews for Case Study	May 2014 – July 2014

## **B3. Expected preparation prior to data collection**

1. Intimate the employee regarding interview schedule & get his permission well in time
2. Prepare with interview tool kit such as questionnaire, interview recording format, audio recorder if required etc.

## **C. Case Interview Guide**

This document serves as guideline specifying the type of questions in conducting interview for this case study “How the Managers in large Gas Utility Services Company in India formulate the HR strategy for various Business Verticals and how they practice these formulated strategies?”. The relevant initial conceptual constructs identified from the literature review related to this case study research are mentioned. These constructs will be used for validation purpose during interview. Documentary evidences will be identified during interview & the same will be recorded.

### **C1. Description of the Case Study entity**

#### *C1.1 General*

1. Company: GAIL (India) Limited
2. Name:
3. Designation:
4. Location:
5. Experience:
6. Date:

## **C2. Planning & Execution of HR Strategy & Practices**

This section of interview will cover the primary research question of this case study which deals with the planning & execution of HR strategy and practices of GAIL (India) Limited.

C1.2 Responsibilities and their roles relevant to HR strategy formulation at GAIL

C2 Formulation, Planning and execution of HR Strategies and practices:

This section of interview will cover the primary research question of this case study which deals with planning & execution of HR strategy and practices in GAIL (India) Ltd.

*C2.1 How a large Gas Utility Services Company in India formulate its HR strategy for different Business Verticals?*

*C2.2 How these strategies are practiced in different Business Verticals?*

*C2.3 What are the extents of Horizontal & Vertical fit in different Business Verticals?*

*C2.4 What are the factors leading to inconsistency or congruence between HR strategy & Business Strategy of different Business Verticals?*

## **1. Corporate Planning Group:**

1. How Business strategy is formulated in your company?
2. How do you describe the role of H.R influencing and formulating the Business strategy?
3. H.R happens to be integral part of formulating the Business Strategy and you take the input also, what is your feeling about the inherent agility of the Business Strategy that helps in HR Strategic formulation?
4. How is the interaction being done in between top management and HRM in the organization and what kind of information do you share?
5. How the HR strategy is formulated in alignment with the Business strategy?
6. Do you feel that the HR strategy formulated in this company is very much in sync with the vision and mission of the company?
7. How HR strategies are practiced in different business verticals of this company?
8. What is the impact of diversification of business in your company on the strategic planning process?
9. Do you feel there is a gap between business strategy you formulate and HR strategy in its vertical alignment?

## **2. Business Vertical Head:**

### **A. ED (E&P)**

1. How do you feel that the Business strategy is formulated in alignment with your business vertical in the company?
2. How do you feel, I am talking about your honest feeling about HR and how far it is in sync with mission and vision of the company?
3. Business is a dynamic in nature; it keeps changing so how do you relate yourself with the change environment with the Business Strategy?
4. What kind of information you share with the HRM (Human Resource Group) or with the top management?
5. Tell me your understanding about HR strategies, whether it is aligned with the business strategy, if so, and secondly how it is aligned with your business vertical? So there are two things, HR and its alignment with the business strategy and HR in alignment with your business vertical.

6. But you tell me, (it's a very consequential question) that how HR strategies are practiced in your business vertical, how this functions for your business vertical? Are you satisfied?
7. Business situation is dynamic, so whenever you decide for a diversification or expanding your horizon, as you said that to overseas operations, how does it impact the HR strategy planning process in particular?
8. What are the factors you feel that leads to inconsistency? Or the factors which bring congruence in the HR strategy planning process?
9. How do you manage the issues related to HR in your vertical?
10. How do you envisage the effects of organizational consequences, the risks, the benefits on the HR planning process in your business verticals?
11. What would be your inputs on such issues even for the project development group? Is it the same?

**B. ED (BD)**

1. How Business strategy is formulated in alignment with business vertical of your company?
2. Whenever you develop strategy for your department, be it for globalization, be it for diversification, be for that matter M&A, do you associate HR as a part and parcel of preparing strategy?
3. What is your feeling, I mean, HR strategy that HR formulates, is in sync with the vision and mission of the company?
4. So you say that you share information with HRM and top management about the requirement and for implementation of the strategy that you have already formulated for your vertical?
5. You need to bring LNG and for which you need to have shipping line also, so do you feel that those requirement have been duly mapped by HR vertically, keeping in view the Business strategy in mind?
6. What is your feeling that HR strategies that are practiced in your business vertical and for other business verticals as well are good enough for organization to remain satisfied or something more is required to be done?
7. So it is very clear that the impact of diversification is influencing the HR strategic planning process and to what extent do you feel it's correct?

8. Tell me about factors which you envisage that leads to inconsistency or congruence in the HR strategic planning process?
9. How do you manage the issues related to HR to your business vertical, because your business has to go on?
10. HR also involves or needs implementation of the strategic process like recruitment strategy, training and development strategy, are you associated remotely or grossly associated?
11. Tell me how do you envisage the effect of your organizational consequences, risks, benefits and impact (including company culture) on HR planning process in your business vertical?

### **C. ED (Marketing)**

1. That as vertical head and heading the marketing division how do you feel that the Business strategy is formulated in alignment with your business vertical in the company?
2. What is your feeling about HR i.e. how far it is in sync with the mission and vision, as you mentioned, of the company?
3. What are the inputs you consider you should provide to the corporate planning group for formulation of Business Strategy keeping in view the interest of the business verticals?
4. What kind of information do you share with HRM and top management?
5. What is your understanding that the HR strategies are duly aligned with the Business strategy firstly, and secondly how it is aligned vertically with your business vertical?
6. HR strategies are practiced in different verticals of the organization, how it is functioning for your vertical?
7. Business situation is dynamic and so whenever you decide for diversification how does it impact the HR strategic planning process?
8. What are the factors you feel that lead to inconsistency or bring congruence, either way, in the HR strategic planning process?
9. How do you manage the issues related to HR in your business vertical?
10. How do you envisage the effects of your organizational consequences, the risks, benefits and impacts on the HR planning process in your business verticals?
11. Your work culture does it any way impact the HR in the strategic planning process?

### **3. HR Head:**

#### **A. ED (HR&HRD)**

1. How do you engage in formulating the Business Strategy because you are the head of HR and HRD?
2. Do you really feel that the HR's Managers working in this company are viewed as business partners and involved in strategy initiatives?
3. So corporate HR was grossly involved? What are the HR inputs you considers as integral or consisting to Business Strategy or your organizational vision?
4. How HR strategies formulated in alignment to the Business Strategy in your company and how do you envisage the strategic management influence in your HRM activities?
5. What are the extents that are the strategic fit be it horizontal or vertical in different business vertical of your organization and what are the factors facilitating or hindering such a fit?
6. The various sub-functions how do you align them so as to cater the requirement of posting as in putting right people at right place? How various sub-functions are aligned so to make sure right people at right place?
7. How this HR strategy is implemented across the work centers across the business verticals?
8. HR is reasonably involved for purpose of strategy formulation in business and also HR is practiced in various business verticals be it project, be it marketing, be it E&P with reasonable satisfactions of the concerned head of the business verticals?

#### **B. GM (HRD)**

1. Do you feel that the corporate HR strategy that you have created for the company is aligned with the business strategy formulated in the 2020 document adequately or not?
2. For each sub-function you create a strategy for yourself for implementation. How do you go about it and how do you align them as they are all inter-related functions?
3. How do you link the different HR activities to long term vision of the company?
4. can you describe how HR Managers in this company can be taken as business partners or how they are involved in HR strategy formulation, because that will in return help in formulating the business strategy?



5. To what extent do you feel that the corporate HR strategy-a strategic fit between the Corporate HR strategy & Business strategy and similarly, the horizontal fit amongst the various sub functions of the HR including HRD?
6. What are the factors you feel that facilitates this kind of strategic fit or there are factors which hinder in the progress of the strategic fit?
7. Given a choice to you what are the measures you would like to put in place to improve this process of formulating the HR strategy in the existing framework of business?
8. How often you involve line Managers in such decision making process?
9. How do you develop the requisite skill sets for various job positions in your company?
10. How do you manage to bring about co-operation among various Managers of HR?

### **C. GM (HR)**

1. What is your feeling that HR is properly aligned with Business strategy?
2. So, how do you decide to align your sub-functions of HR with the comprehensive HR strategy?
3. How do you formulate it for various sub-functions? How do you go about it?
4. So in a way I would like to know how do you link the HR activities to long term HR vision?
5. How the HR Managers in your company can be taken as the business partners and be involved in HR strategy formulation, which also in turn supporting in formulating the Business strategy?
6. What are the strategies you have developed to develop the HR in the framework in your company?
7. Can you describe how your department contributes in the diversification of business of company on the strategic planning process?
8. To what extent do you feel that the strategic fit with business verticals and also there is friction among various sub-function of HR department not limited to your function but other HR and HRD, what is your opinion ?
9. Can you give few factors which facilitate or factors which is hindering such a fit?
10. But can you describe the few factors which is hindering the process because you know that the short fall of your expectation?

11. How do you manage to bring about operation among various sub area Managers of HR?
12. Do you think that HR is meeting the expectations of various business verticals? Or there is scope for improvement?

**D. CM (Trg.)**

1. How do you find that the functions of this training department are duly aligned with the HR strategic objective as said by the Corporate Office in alignment with the Business strategy of the company?
2. So, how do you identify? I would like to know the process of identification of the training needs for the training department?
3. Do you feel that your focused program is in sync with the developmental requirements as have been identified in the performance appraisal system?
4. So, is this more of a Managerial kind of Programme?
5. So, how do you implement those developmental needs?
6. How do you ensure that at the end of the program the purpose for which this was designed, organized or conducted is reasonably achieved?
7. training happens to be an integral part of HR functions, it cannot be treated in isolation and how do you find the alignment of training function with other sub-functions of HR like recruitment, promotion etc. as the objective happens to be making voice?

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**Chapter 4**

**Analysis and**

**Interpretation of the**

**Data**

## **4.1 Introduction**

This qualitative case study is an approach to research that facilitates exploration of a phenomenon inside of its connection utilizing a variety of data sources. This guarantees that the issue is not investigated through one viewpoint, yet rather a variety of lenses which allows for various facets of the phenomenon to be revealed and caught on. There are two key approaches that guide case study system; one proposed by Robert Stake (1995) and the second by Robert Yin (2003, 2006). Both try to guarantee that the point of hobby is all around investigated, and that the pith of the phenomenon is revealed, yet the strategies that they each utilize are very distinctive and are deserving of talk.

In addition to recognizing the "case" and the particular "sort" of case study to be led, researchers must consider in the event that it is reasonable to lead a solitary case study or if a better understanding of the phenomenon will be gained through leading a various case study. In the event that we consider the subject of breast reproduction surgery again we can start to talk about how to focus the "sort" of case study and the necessary number of cases to study. (Yin, 2003).

As in any other qualitative study the data collection and analysis happen simultaneously. The sort of analysis engaged in will rely on upon the kind of case study. *Yin* quickly portrays five strategies for analysis: pattern matching, linking data to propositions, explanation building, time-series analysis, logic models, and cross-case synthesis. In contrast, Stake portrays categorical aggregation and direct interpretation as sorts of analysis. Yin (2003) notes that one important practice during the analysis phase of any case study is the return to the propositions (if used); there are several reasons for this. First, this practice leads to a focused analysis when the temptation is to analyze data that are outside the scope of the research questions. Second, exploring rival propositions is an attempt to provide an alternate explanation of a phenomenon. Third, by engaging in this iterative process the confidence in the findings is increased as the number of propositions and rival propositions are addressed and accepted or rejected.

One danger associated with the analysis phase is that each data source would be treated independently and the findings reported separately. This is not the purpose of a case study. Rather, the researcher must ensure that the data are converged in an attempt to understand the overall case, not the various parts of the case, or the contributing factors that influence the case.

Data collection details related to this case study is discussed in Section 4.3. The detailed HR Strategies & Practices in A large Gas Utility Company is described in Section 4.2. Further, Summary of Research Objectives & Research Questions is described in Section 4.6

#### **4.1.1 A Large Indian Gas Utility Company**

GAIL (India) Limited is the flagship natural gas company of India. It was incorporated in August 1984 as a National Public Sector Undertaking under MoPNG with the mission of “Accelerating and optimizing the effective and economic use of Natural Gas and its fractions for the benefit of the national economy”. After having started as a gas transmission company, GAIL has grown organically into an integrated gas major having over 10800 km of Natural Gas Pipelines with pan-India capacity of 210 MMSCMD, two LPG Pipelines of over 2040 Km; seven gas processing plants for production of LPG and other Liquid Hydrocarbons with a capacity of 1.4 MMTPA, a gas based integrated 410,000 TPA petrochemical plant at Pata (in U.P) which is being expanded to 900,000 TPA, and 30 E&P blocks including 2 blocks overseas (in Myanmar). GAIL is also an active partner of TAPI pipeline project and has signed GSPA for import of 38 MMSMCMD gas to India. Leveraging on its pipeline network, GAIL has also built a strong Optic Fiber Cable (OFC) network of 13,000 km approximately for its own internal use and leasing of bandwidth as a carriers' carrier. Today GAIL has around 75% share in natural gas transmission and over 60% in natural gas marketing. GAIL supplies gas for more than half of total fertilizer and gas based power plants in India. GAIL's long customer list includes the major power and fertilizer companies of India including NTPC, Tata Power, Rashtriya Chemicals and Fertilizers, IFFCO, KRIBHCO etc. More than 2/3rd of country's CNG stations are operated by GAIL & its JV's and over 50% of country's piped natural gas is supplied by GAIL. In petrochemicals segment, almost 1/5th of polyethylene produced in the country comes from GAIL.

**Figure 4.1.1, GAIL's Business Portfolio**



GAIL has been a leading public enterprise with consistently excellent financial track record. The Turnover and PAT have remarkably grown at CAGR of 16.6% and 9% respectively in the last decade. At GAIL, utmost importance is given to human resource, which is considered to be our biggest asset. GAIL firmly believe that only engaged employees will go beyond the call of duty and walk extra mile which is critical for realizing our mission and vision and company's business strategy. In order to unleash the true potential of employees, GAIL's HR policies, systems and processes are customized towards engaging the hearts and minds of the employees.

The core HR strengths which make GAIL a unique workplace are:

- ❖ Lean and thin workforce
- ❖ Young and highly qualified manpower
- ❖ Cross functional expertise
- ❖ Learning organization
- ❖ Free and open communication process
- ❖ Accessible senior leadership

GAIL which promotes "Performance Oriented Culture" also provides adequate emphasis on providing work-life balance. All our efforts are focused at creating a workplace for our employees which is not only intellectually stimulating but also a lot of fun to work at.

#### **4.1.2 A Large Indian Gas Utility Company : HR**

GAIL has been one of the success stories amongst the PSU over the last two decades and the relentless pursuit of excellence has been possible only due to our talented and highly motivated workforce. Since inception, the objective has been to achieve highest levels of business growth with a lean and thin workforce. GAIL being a dynamic organization believes that investing in people by means of training and development and by providing growth opportunities to its employees, the organization would attain greater heights. In fact, "Engaging employees for superior results" has been one of GAIL's success mantras as it fall under Hewitt's Best Employer Zone in terms of the latest Employee Engagement Survey. This is demonstrated not only by continuously increasing "Year-wise Value added per employee ratio" but also GAIL has one of the highest profitability per employee ratio amongst all the PSUs.

GAIL values commitment, dedication, integrity and sincerity. Right from the early stages, employees are expected to take initiative and surpass the expectations of the organization. Freedom to work and respect for individual's opinion are the mantras very much prevalent in day-to-day working of GAIL. Close working relationship with peers & superiors, collaborative & supportive working environment and informal work culture are some of the facets of GAIL which makes it a very exciting company to work for.

As a model employer, GAIL provides generous social support system which not only takes care of the employees but also their families.

From the onset of their careers, new joinees at GAIL are taken onboard through a well structured and enriching Induction programme. As part of this orientation programme, the new recruits are made to interact with the heads of various business functions and they are encouraged to ask questions to the best of the field executives, which gives them a greater insight of GAIL's businesses and its value chain. Moreover, new recruits are sent to major workstations for gaining a deeper understanding of the various business functions of GAIL. In order to add different dimensions to the induction programme, it also has modules on Yoga and Dramatics conducted by the prestigious National School of Drama. The top brass of the company including C&MD and Directors interact with the new joinees during a cultural evening where the youngsters are encouraged to perform on various themes which we feel helps in bonding and breaking the ice.

A formal mentorship program has also been put in place in the organization for the Executive Trainees. As Part of this mentorship program, the trainees are assigned to a mentor who is a senior executive in order to assist them in any personal or professional matter. The objective of the mentorship program is to help our new recruits in seamlessly getting integrated into GAIL's culture. A programme was conducted each for mentors and mentees.

At GAIL, learning is a never ending process. Company is willing to spend time, money and resources for all its employees at various stages of their careers in order to help them to grow as a professional and realize their full potential. Apart from providing functional and behavioral trainings to all levels of employees, adequate exposure is given to employees through conferences, seminars, skill building workshops, etc.

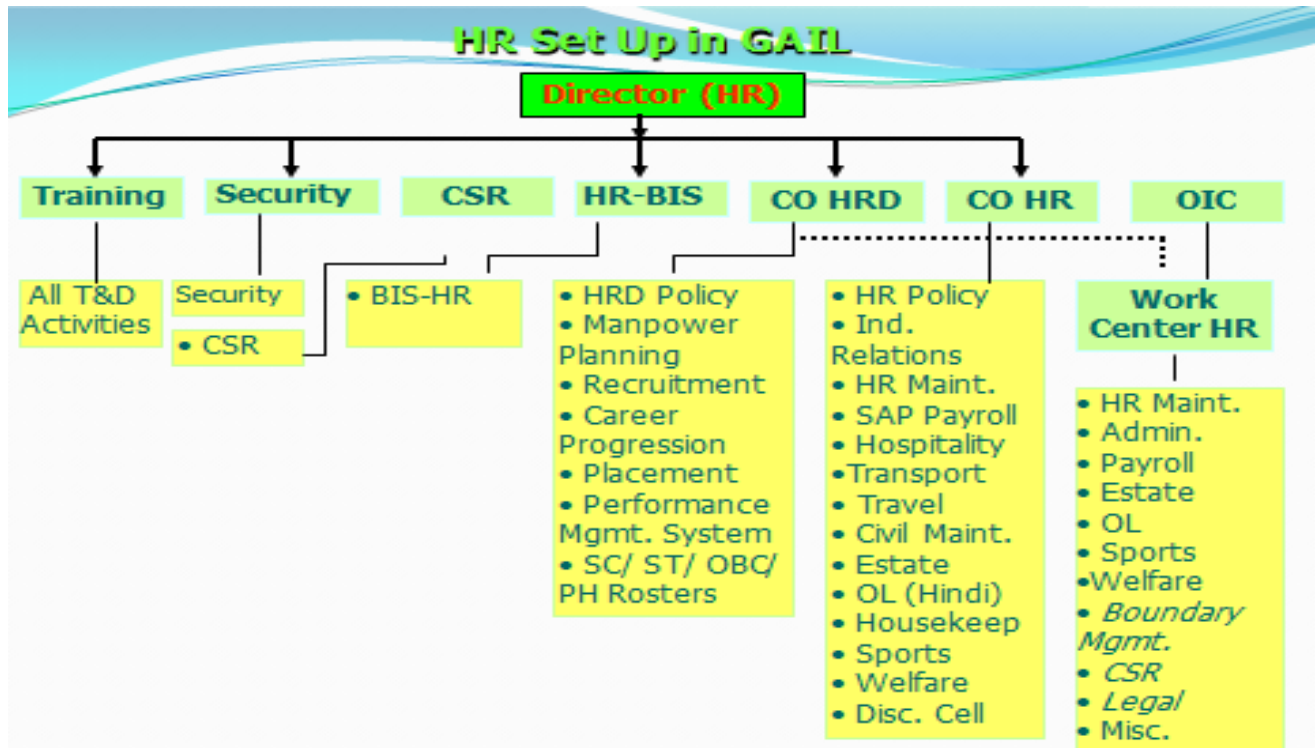
Strong emphasis is given on leadership development programs for executives at senior levels. In order to assess the talent pool at senior level, executives are made to undergo Development Centers. Developmental gaps identified through this process are mitigated through executive development programs, job rotation and higher responsibilities.

An organisation chart for the large gas utility company's HR Team is as shown in Figure below:-



Figure 4.1.2

Figure: Organisation Chart for HR Team of large gas utility company



GAIL's Overall Organizational Structure

- ❖ A relatively younger and progressive organization with growth opportunities in sync with individual aspirations of professionally competent personnel
- ❖ Structured on basis of 5 broad functional streams viz. Business Development, Projects, Finance, Marketing and HR each headed by Functional Director
- ❖ Below Functional Director, various work groups/units are headed by an Executive Director/ General Manager.
- ❖ There are nine levels in the Executive cadre below Board level and eight levels in the Non-executive cadre.
- ❖ The Organization Structure encompasses both Functional and Administrative channels of Reporting and Delegation

## **4.2 HR Strategies & Practices in A large Gas Utility Company**

GAIL Top Management realizes that Strategic Human Resource Management is essentially about aligning HR strategy with the organization's overall business strategy which in turn helps to improve performance and leads to the business becoming more competitive in the marketplace. Therefore, GAIL's SHRM seeks to initiate organization-wide practices that lead to increased employee motivation, decreased reliance on hierarchies of management and an increased push for performance data to measure employee progress.

### **4.2.1 Recruitment**

GAIL has a well structured hiring process suiting to the business requirements of the organization. Recruitment policy is continuously updated for keeping it in sync with the changing times. Recruitments are mainly carried out at the entry level i.e. at the level of Executive Trainee. Experienced Talent pool available in the market is tapped for middle & senior level positions, especially for E&P and other new business operations for Lateral Hiring. Moreover, in order to meet the specialised skill requirements at senior level, term appointments in the form of engagement of advisors/ Consultants are also resorted to. Recruitment at entry level is carried out through a mix of Campus selection process and Open recruitment exercise. While hiring for any position apart from looking at qualifications and skills, adequate emphasis is paid on Attitude, Conceptual Ability.

### **4.2.2 Performance Related Payment**

Corporate MOU signed between GAIL and Government of India and Company's annual growth plan forms the basis for Internal MOU for different business functions and units. The targets spelt out in the internal MOUs further cascade down and form part of KRA/KPIs of down below executives. Thus, there is system which aligns the targets of business units and individual executive with the GAIL's business plans and strategic priorities. This gives the individuals a feel that they are part of the "Big Picture". Time to time communications to all the employees from top management reinforces the belief that all the employees are important cogs in the organizational wheel. Further, a new framework for Performance related payment (PRP) has been introduced which has linkages with:

- a) Company performance;
- b) Unit performance; &
- c) Individual performance.

Achievement of Corporate MOU targets are shared with all the employees and celebrated company wide to reinforce the importance of company strategy and vision.

### **4.2.3 Communication of Business Strategy to all Employees**

There is a regular top to bottom flow of communication in the organization. Personalized communications/messages are sent by senior management on important occasions either through e-mail or video conferencing mode. Senior Management interacts with employees across locations through video conferencing mode on various occasions. Also, communications are sent through e-mails to all the employees from the desk of C&MD/Directors on important business related developments/ issues such as Sustainability Development, highlights of the business strategy, oversees investments, sharing the findings of employee engagement survey, launch of e- learning modules, progress update on PMS review exercise, etc. GAIL has charted out its growth path for the period 2011-20 as part of formulation of Business Strategy - 2020. The key highlights of the business strategy along with the growth targets for the coming years have been shared with all the employees in order to sensitize them as well as motivate them to give their best for achieving the business strategy. Company-wide Business Function wise meets are being held from time to time such as O&M, C&P and HR Meets etc. In order to accord all sense of purpose, commitment and seriousness, the Meets are chaired by concerned Directors and are attended by all concerned executives across the organization. The meet presents a knowledge-sharing platform for discussing important issues concerning company's business and is a vital tool of "collective learning" for GAIL executives with a holistic goal of improving overall "Organizational Effectiveness".

### **4.2.4 Suggestion Scheme**

GAIL believes in creating a participative work culture in the organization which is conducive for encouraging employees to be creative, innovative and come up with process improvement suggestions. GAIL has a very robust Employee's Suggestion Scheme.

The essential features of the suggestion scheme are:

- Employees directly submit their suggestions through GAIL intranet.
- An Immediate monetary reward and an appreciation letter is given on acceptance of a suggestion for consideration.
- Significant monetary rewards are given for the suggestions where tangible monetary savings are established, which can go up to 10% of the savings incurred or Rs.1,00,000, whichever is less

Upon evaluation, best suggestion is rewarded with CMD's trophy, monetary reward and a certificate of appreciation on GAIL Day.

#### **4.2.5 Employee Participation in Management**

GAIL management believes in participative management and takes employee opinions and suggestions before making any critical employee related decision. Employee's Participation in Management and their inclusion in the decision making process has been an integral part of company's philosophical premises. Employee collectives play a very important role in the process of participative management. At GAIL, executives are represented by GAIL Officers' Association (GOA). There are two unions of non-executives – GAIL Employees' Association (GEA) and GAIL Karmachari Sangh (GKS). Regular meetings and interactions are held with the collective bodies to have the feel of employee pulse. Issues brought out by them are resolved amicably through the consultative process. It has been HR's consistent endeavor to keep Employee's Collectives associated with the various employee related issues; policy review and introduction of new schemes. In order to get bottom-up views on various business issues, Top Management Discussions involve middle management executives also. There are numerous forums in the Company for promoting Employee participation in Organizational Decision Making, as well as on issues related to employee welfare.

#### **4.3 Data Collection**

Semi structured interview was conducted from the following personnel in the area related to HR Strategy formulation and implementation of strategy, who are the employees of GAIL (India) Limited using case study protocol.

Figure 4.3

*List of interviewees Case study*

<b>Designation</b>	<b>Date of Interview</b>
DGM(C&P) & CM(CP)	23.05.2014
ED(BD)	26.05.2014
ED((Mktg)	27.05.2014
ED(E&P)	16.06.2014
GM(HR)	17.06.2014
ED(HR)	17.06.2014
GM(HRD) & DGM(HRD)	17.06.2014
CM(Training)	25.06.2014

Based on the interview data, case data analysis was undertaken keeping in mind the research questions: How the gas utility company is planning and executing its HR Strategy & Practices to ensure its alignment with the overall business strategy of the company? This led to the identification of various factors forming the basis for HR Strategy Formulation and HR Practices in a large Indian Gas Utility Company.

The factors are HRM Strategic fit and HRM Intra-functional fit. For this, data was identified in the interviews by recording the interviews and making the transcripts of each interview. As discussed in the Chapter 3, the data in the transcripts of the interviews were coded and a list of open codes was generated. The open codes were grouped as per the factors identified in various research questions to form various focused codes. Then, the focused codes were then linked to various research questions to check their validity, by forming network diagrams using the Atlas-Ti software. These links were then analyzed to find out the answers to various research questions and to achieve the research objectives.

#### **4.4 Data Analysis**

As stated in the interview that HR strategy should be aligned to the different business verticals. HR activities are linked to long term HR vision. HR sub-area Managers work in co-operation. HR activities are internally consistent. Information is shared among various sub functions of HR. By the time, new businesses of GAIL are going to be in place, GAIL would have the requisite people with required qualifications and experience in place and possibly in advance so that the business objectives can be met and the projects are not delayed because of lack of requisite skills. Today, in the company people from HR have moved across the organization and are working in other verticals of the business providing support to the respective field. However, inconsistency might exist in co-ordination and co-operation for information sharing and in recruiting people at senior or middle level. This is the biggest challenge. Being a public sector undertaking, the organization might not be able to match with the compensation being offered in the market, especially for some key skills. Thus, acquisition of talent laterally might be a difficult proposition. Similarly, compensation structure (owing to government guidelines) might become a major challenge in hiring expats in certain new business areas.

Further, specific HR strategies being adopted in the organization were identified. Then, the relationship among the identified factors and HR strategies being adopted was analyzed.

The data analysis was done at two levels, conceptual and detailed. The findings from the conceptual analysis are of descriptive nature, these describe the nature of HR strategy formulation and HR practices.

The findings from the detailed analysis are perspective in nature (Tsang, 1997), they describe the relationships among the factors contributing to HR strategies and practices. This two level analysis also helped increasing the internal validity of the research by triangulation of perspectives on the same data set (Theory triangulation) (Patton, 1990).

#### Phase 1 - Identification of factors contributing to HR Strategies & Practices in an Indian large Gas Utility Company

Attempt was made in this phase, to identify the factors contributing to HR strategies formulation & HR practices being adopted in an Indian large gas utility company. Open coding and focused coding, as described in the earlier section were used to identify categories and concepts from the data. Codes illustrating about HR strategies and HR practices were discovered from the empirical data during the open coding, were consolidated into broader categories and categories were classified into concepts. This phase resulted in description of various factors contributing to HR strategies formulation & HR practices of the company. The categories and concepts identified in this phase were used in next two phases.

#### Phase 2 –Extent of vertical and horizontal fit

In this phase, open coding and focused coding were used to identify the factors contributing to the fit between vertical and horizontal fit for a specific process. Codes illustrating the specific HR strategies selections were discovered from the empirical data during the open coding, were consolidated into broader categories and categories were classified into concepts. The relationships among the identified factors were labeled in Atlas-Ti software with “is associated with” relations.

#### Phase 3 – Factors facilitating or hindering the fit

In this phase, an effort was made to identify the relationships between factors facilitating or hindering the fit. A detailed analysis of interview data was undertaken to identify the underlying patterns among these factors. The results of each phase were compared and contrasted with the exiting literature to identify emerging new ideas and concepts. This process was continued till no more concepts and categories were emerging. At this stage any new cases did not add any new concept to the findings.

The results of within case analysis are displayed in the form of “qualitative associative networks” (See Appendix I). Associative networks have nodes linked to each other by association and allows for fuzzy, intuitive and, subconscious relations between concepts to be presented visually. The associative networks have been displayed using boxes and arrows, with the boxes containing the concepts and the arrows representing the relationships among them. The arrows can be unidirectional and bi-directional. Relationships can include causality, association, choices, time (Ryan and Bemard, 2000). The qualitative associative networks created for this case study are shown in Appendix I.

Critical observations in the above process of data analysis are summarized in 4.4.1 to 4.4.4 as under:

#### **4.4.1 Process of Formulation of Business Strategy and HR strategy**

It is evident from the data collected from the interviews that sub-constructs such as Environmental Scanning, business verticals inputs, influence of Business Strategy on HRM and the inherent agility of Business Strategy exist in the company.

Environmental Scanning is an important exercise carried out by the company before the strategy is formulated. Environmental Scanning is carried out for analyzing the external business environment, so as to decide the future direction of the organization in line with the external business environment. The interviewees from Corporate Planning group in their interview stated “what we start with is environment scanning i.e. the external business environment, what kind of opportunities it poses, what are the challenges which the business is facing....” Thus it is concluded that practice of Environment Scanning for the purpose of formulation of Business Strategy is existing in the company.

“From the very beginning we take HR inputs along with business strategy inputs.... We deploy various tools to get the involvement and interaction between the top management and HRM. Survey, site visits, video conferencing, meetings with the Unions and associations for taking their feedback and inputs into the formation of the strategy wherever it is needed.”- Corporate Planning Group

“Various stakeholders were consulted, inputs were taken, lot of *manthan* was there, so many meetings were held. That’s how GAIL had come up with the Strategy 2020.”- General Manager, (HRD) “During the formulation of business strategy of GAIL, there was multi-disciplinary group in which people from business development group were involved and there were people from HR department also. So while

formulating that strategy our inputs was taken, inputs of departments were taken.”- Deputy Manager (Business Development)

It is clearly evident from the above quotations that the Inputs from business verticals facilitate formulation of business strategy and the practice of consulting various departments and verticals for the formulation of Business Strategy is existing in the Company. This will help in bringing integration in functioning of various verticals and functional departments of the company towards a common goal, as rightly pointed out by GM (HRD) “keeping in mind the ultimate objective of the organization when all efforts are concerted and pointed towards the common goal then only that strategy can be termed as a robust and a successful strategy”.

Formulation of Business Strategy has to be a participative process. Though it is driven by top but involvement of all concerned stakeholders is must and that requires atmosphere of openness, collaboration and mutual trust because this type of open dialogue, open communication is important in order to formulate a robust strategy.

Business Strategy does influence the HRM activities of the company. The ED (HR & HRD) in his interview states ““HR strategy is in alignment with Business Strategy.....everything flows from the strategy of the business, now to achieve the business goals for 2020 we have identified what are the areas where HR needs to align its strategy”. The interviewee had identified two crucial areas of focus for the HR department to keep up with the Business Strategy. They are succession planning and talent development.

Further the Corporate Planning Group states “We also look at those HR intervention which go hand in hand with strategic initiatives and we make sure that those are formulated in a manner that whenever there is a change in the business strategy, our HR interventions and initiatives are also changed to that extent.” They also pointed out some gap in this as they state “Sometimes there is a lag between the two, but in due course of time it is taken care of.” Thus it can be safely concluded that the influence of the Business Strategy on the HRM activities is somewhat existing in the company.

“If we look at business strategy the business environment is changing so fast, that the strategy has to be dynamic in nature, so in our case we make sure that the strategy is dynamic in nature, we conduct



periodic reviews for our strategy, we look at what are the implementation hurdles, we also look at some of the external factors which may force us to put some strategic initiatives on board”- Corporate Planning Group.

“HR, as far as, I mentioned that in a changing environment, it should also keep on changing. So we see that it is aligned to our requirement, but once the requirement changes then we give the required inputs to HR, how to adjust to those changes, so that’s what we require that HR also needs to change at few areas”- ED, (Business Development).

It can be concluded from the above mentioned quotes from the interviews that the inherent agility of Business Strategy helps in HR strategy formulation. The important element in this is the proper communication of the changes to the HR department, so that they can formulate the HR strategy as per the need of the company or the particular business. This is rightly pointed out in the interview of ED (Marketing) “implementing business strategy is a dynamic process and the business changing its strategy from time to time, the same if it is not conveyed to the HR, the HR strategy will not be in alignment with the strategy of the vertical itself”.

No clear evidences could be collected from interview data related to any kind of inconsistency in the formulation of Business Strategy, except for a few gap in communication between various functions, HR and Corporate Planning as pointed out in the interview of Corporate Planning Group and Business Development team.

The findings from the case data related to these sub-constructs are also shown in the following Table 4.4.1 (a):

<b>Initial Conceptual Constructs</b>	<b>Sub Constructs</b>	<b>Categories from empirical data</b>	<b>Focused codes from empirical data</b>	<b>Observation on Data Analysis</b>
<i>Process of Formulation of Business Strategy and HR strategy</i>	Environmental Scan to Identify opportunities and challenges for formulating business strategy.	Corporate planning and Vertical Heads	Environment Scanning .	This somewhat exists in the company. Corporate Planning group in their interview stated “ what we start with is environment scanning i.e. the external business environment, what kind of opportunities it posses, what are the challenges which the business is facing....”
	Inputs from business verticals facilitate formulation of business strategy	-do-	Inputs were taken	This somewhat exists in the company. Corporate Planning Group stated “from the very beginning we take HR inputs along with business strategy inputs.” Further the GM (HRD) stated “Various stakeholders were consulted, inputs were taken, lot of manthan was there, so many meetings were held. That’s how GAIL had come up with the Strategy 2020.” The BD group also stated “while formulating that strategy our inputs were taken, inputs of departments were taken.”

	Business Strategy -do- influence HRM activities		Business strategy	<p>This somewhat exists in the company.</p> <p>Corporate Planning Groups states “we also look at those HR intervention which go hand in hand with strategic initiatives and we make sure that those are formulated in a manner that whenever there is a change in the business strategy, our HR interventions and initiatives are also changed to that extent. Sometimes there is a lag between the two, but in due course of time it is taken care of.”</p>
	The inherent agility of Business Strategy helps in HR strategy formulation	-do-	Inherent Agility	<p>This also exists in the company but requires robust mechanism so that HR keeps pace with the changing environment.</p> <p>The corporate planning group in their interview stated “If we look at business strategy the business environment is changing so fast, that the strategy has to be dynamic in nature, so in our case we make sure that the strategy is dynamic in nature, we conduct periodic reviews for our strategy, we look at what are the implementation hurdles, we also look at some of the external factors which may force us to put some strategic initiatives on board”</p> <p>Further ED(E&amp;P and PD) also</p>



#### **4.4.2 HRM Strategic Fit**

From the data collected in interviews it is evident that sub-constructs such as designing of HRM activities to suit business strategy, Consistency of HR activities with organization vision, HR inputs integral to business strategy/organizational visions, interest of Top management in HR issues, sharing of Information between HR and top management exist in the company.

“HR is properly aligned with business strategy because when you see the role of HR, it is visible that HR is to assist the business strategy in different business forum of activities. The activities which is taken care by me in HR is establishment, one. The second is the administration and the third is the maintenance. So, if you see directly or indirectly these are all related to the business strategy”- GM (HR)

“From the very beginning we take HR inputs along with the Business Strategy” and “HR strategy cannot be alienated with the Business Strategy” “In the changing environment due to some external factors the organization required to put some strategic initiative on hold and therefore HR interventions and initiatives are also required to be changed to that extent. Sometimes there is a lag between the two but in due course of time it is taken care of.”- Corporate Planning Group

From the above statements of the interviewees it can be safely deduced that the practice of designing HR activities to suit the Business Strategy is somewhat existing in the company. Sometimes there is a minor gap in bringing a consonance between the changing environment and the HR initiatives, but in due course of time it is sorted out.

On the topic of whether HR activities are consistent with organization vision, ED (BD) states “it has to happen in that manner because if you want to do a job very professionally, and now that we are no more a monopoly and the business environment is extremely challenging and competitive, so not having a good human capital will only function to the detriment of the interest of the company”

“Because of the vision and mission of the company, the strategies are formulated and also later on other business verticals are made accordingly”- Corporate Planning Group

Thus, from the above quotes it can be concluded that the HR activities are consistent with organization vision to some extent. There are certain constraints, in this regard, existing in the company. As pointed out by the ED (BD) GAIL being a PSU can't recruit people at a senior level or at the middle

management level. Recruitment can only be done at the junior level and they are groomed within the organization. So these things take time, whereas private sector would have the advantage of getting somebody hands on person from the market and just straightaway deploy him. So there are constraints within which the company works, but it lays a lot of stress on training the people whom they have recruited to bring them up to the required standards. . The company is actually aware of, is conscious of imparting some skills to new persons, so that they can be productive and can handle new assignment.

“Like couple of years ago we have formalized Business Strategy 2020. Now, as rightly said, HR is the integral part in formulating such policies. HR particularly here I mean corporate HR because these are the things done at the corporate level so nothing much is contributed by HR at different work centre, they come into implementation stage. Now, here also, what has happened is that small group of various Business Process Owners was formed in Corporate Office where I was an active member. In this process we have explored various opportunities, as our strategy was for 2020, that what GAIL needs to aspire in year 2020 and I must say that we consulted to a consultant who had come with their inputs wherever they worked on such strategic document”- ED (HR)

“Coming to business strategy of GAIL, Strategy 2020, and the first and foremost thing - who has formulated the strategy? It is a collective effort, the Board of Directors, the stakeholders, the employees etc. So, the human input is first and foremost. It is some human being to whose mind certain thought has occurred, that leader at the top has shared the vision with the team members, the board members and the employees at large and that is how this was rolled out. Various stakeholders were consulted, inputs were taken, lot of manthan was there, so many meetings were held. That’s how GAIL had come up with the Strategy 2020”- GM (HRD)

“As we develop this business strategy, we do not do it in isolation. From the very beginning we take HR inputs along with business strategy inputs. Whenever there is a business strategy devised, we try to find out what are the HR interventions required to make sure that this strategy works, to make sure strategy is implemented.”- Corporate Planning Group

As described by interviewees with reference to above quotations, HR inputs are considered integral/consistent to business strategy/organizational visions.

“Whenever top management is discussing about the business strategies, the key HR people are involved in those discussions so that they remain in sync with what is the business requirement and accordingly they take care of those HR requirement also”-Corporate Planning Group.

“Well, while I am not a specialist HR manager, but there is an element of HR in every individual. Managing people is one of the biggest asset that any manager can have and since one has to manage the managers across India in the marketing vertical I go by the set principles of managing Human Resources through the time tested policies of listening to people, understanding them and trying to motivate them in order to perform and at the same time have a policy of carrot and stick for them to deliver the objectives and goals of the marketing.”- ED (Marketing)

From the above quoted statements from the interview, though not directly, but implied it can be deduced that the top management takes interest and also tries to get trained in HR issues.

On the issue of whether Information is shared between HR and top management or not the Corporate Planning Group states “It’s both at formal and informal level, done at structured and also during the non-structured meetings and gatherings. We deploy various tools to get the involvement and interaction between the top management and HRM.”

Thus it can be concluded that information sharing between top management and HR is existing to some extent in the company.

The findings from the case data related to these sub-constructs are also shown in the following Table 4.4.2:

Initial Conceptual Constructs	Sub Constructs	Categories from empirical data	Focused codes from empirical data	Observation on Data Analysis
<i>HRM Strategic Fit</i>	HRM activities design to suit business strategy	Corporate planning and Vertical Heads	HRM to suit business strategy.	This somewhat exists in the company. This was concluded from the data collected from the interviews of Corporate Planning Group.
	HR activities consistent with organization vision	-do-	Vision and mission	This exists in the company The corporate planning group stated in their interview “because of the vision and mission of the company, the strategies are formulated and also later on other business verticals are made accordingly.” Hence definitely the HR strategies of the company are consistent with vision and mission of the company.
	HR inputs considered integral/consistent to business strategy/organizational visions.	-do-	HR inputs integral	This exists in the company. As in the interview the corporate panning has stated that the HR inputs are taken into consideration while formulating the business strategy. The HR interventions are required to make the strategy work, hence



				HR interventions are identified.
	Top management take interest and trained in HR issues	-do-	Top management in HR issues	This exists in the company. The corporate planning group stated that whenever the Business Strategies are discussed the key HR people are involved. This was also reflected in the interview of ED (Marketing)

#### **4.4.3 HRM Intra-Functional Fit**

Horizontal fit refers to the congruence among the various HRM practices i.e. HRM Intra-Functional Fit. The HRM Intra-functional fit is existing in the company to some extent. All the sub-constructs related to HRM Intra-functional fit identified through literature reviews have been emerged out from our case study.

“Whenever we recruit people either on campus or through all India recruitment we see what is that position for which we are going to hire, what are the specifications, what are the competencies expected from the candidates for that role, whether functional or behavioral competency.”- ED (HR).

“Long term vision of the company as we know, our vision is to be the leading company with global focus in natural gas and beyond because now we are not limited to natural gas. So therefore the HR strategy has to be in alignment. In fact when I share my thoughts at various fora”- GM (HRD).

“Basically the long term vision gives us a direction to step by step break down into their small activities and ensure that the vision is achieved. So we break down activities into small tasks and assign them the target date for completing the tasks. Once all the tasks are completed we reach to the stage where final objective is met”- GM (HR)

As explained by the top level HR managers of the company, the practice of linking HR activities to long term HR vision is followed in the company. The corporate planning group stated that for the formulation of the vision and mission of the company the strategies are formulated and also later on other strategies for business verticals are made accordingly. So, definitely the HR strategy formulated in this company is in sync with the vision and mission of the company.

This practice of HR sub-area managers working in co-operation is followed in the company. Though there was no direct statement in this regard but it can be inferred from the interview of GM (HR) “it is all about your building relationship and once you have good relationship with your subordinates and co-group members, I’m sure that we get full support from them and it is a mutual thing, we support them they support us whenever there is a problem and I don’t find any difficulty in managing this” going forward they can be utilized for the overall growth of the organization. ”

“Again in simple words it has to be a culture of sharing and caring. Each individual has certain strengths, there are many areas of development but there is definitely something to learn from somebody and each one working in his or her domain acquires certain level of expertise by way of doing the thing. So, free exchange of knowledge and experience is a must. ....when there is free exchange of knowledge and experience then only this kind of conducive culture can be created and sub groups can be integrated .....keeping in mind the ultimate objective of the organization when all efforts are concerted and pointed towards the common goal then only that strategy can be termed as a robust and a successful strategy.”- GM (HR)

The above statement quoted from the interview of GM (HR) shows that the information sharing is done to some extent. Except for the above quote, there was not much evidence from the data collected to show that the practice of Information sharing among various sub functions of HR is carried out. Thus it can be concluded that, though it is existing to some extent, there is a scope for improvement.

A new category has been emerged from the interview data which is collected from top HR managers of the large gas utility company in India. In GAIL, the HRD looks after the promotion, placement, recruitment and talent management. Further, it has also got establishment administration, and then there are policies, industrial relation etc. Each of function has different roles people who are involved in recruitment, talent management. These are the people who were involved and it is the right thing to be

done instead of involving people of administration job as they would not have contributed. Thus the HRD Processes such as talent management, Succession Planning etc help in achieving the HRM Intra-Functional Fit.

The findings from the case data related to these sub-constructs are also shown in the following Table 4.4.3 (a):

<b>Initial Conceptual Constructs</b>	<b>Sub Constructs</b>	<b>Categories from empirical data</b>	<b>Focused codes from empirical data</b>	<b>Observation on Data Analysis</b>
<b><i>HRM- Intra-Functional Fit</i></b>	HR activities linked to long term HR vision	Sub-functional heads of HR, Corporate Planning Group	Long term HR vision	This practice is followed in the company as is evident from the interviews of ED (HR), GM (HRD) and corporate planning group who stated that of the vision and mission of the company the strategies are formulated and also latter on other business verticals are made accordingly. So, definitely the HR strategy formulated in this company is in sync with the vision and mission of the company.
	HR sub-area managers work in co-operation	-do-	<i>Scope for improvement</i>	This practice is followed in the company. Though there was no direct statement in this regard but it can be inferred from the interview of GM (HR).

	Information is shared among various sub functions of HR	-do-	<i>Scope for improvement</i>	This exists in the company. As can be inferred from the interview of GM (HRD).
	HRD Processes such as talent management & Succession Planning	Sub-functional heads of HR, Corporate Planning Group	Talent Management, Succession Planning	ED (HR & HRD) identified this factor in his interview that HR Strategy formulation is based on HRD process inputs also.

Since both, the HRM Strategic Fit and HRM Intra-Functional Fit are interrelated to some extent a qualitative network associated with HRM Strategic Fit (vertical Fit) and Intra-functional Fit (Horizontal Fit) same is shown in Figure 4.4.3 (b) below:





Policies, Practices and Procedures. All these factors were found existing in the company during the course of the interview.

“The company and its way of working and culture are an important phenomenon, which develops over a period of time and endeavour is to have a efficient working environment and we in the marketing division work towards these things. our work culture comes out of the company’s working culture, and the company’s working culture’s basic elements are efficiency and effectiveness and that is what is the working culture of the marketing vertical is” - ED (Marketing)

“I feel that in GAIL it is required to make frequent communication and whenever we revisit the strategy document the reasons and outcomes should also be made known to employees”- ED (HR)

Thus it can be deduced that Organisational Factors do affect the Fit in the company.

With regard to the Individual factors, ED (BD) states “functional departments have given their inputs to the consultant and when it was time to look at the soft-skills that are required to set off, support the kind of physical activities which we are trying to undertake, then suddenly there is an interaction, because the starting point has to be the various areas in which we want to venture into and then what is the skill set and resources that are required to achieve those objectives and human capital is certainly a very vital resources which needs to be deployed to achieve the end objective.”

Hence, it can be concluded that the Individual Factors affecting the Fit exist in the Company.

“That, because GAIL is leveraging technology, it’s a technology savvy company, so we see that, persons are not virtually (I mean there is concept of virtual work force), it may not be that the person is always available, but the person is always available on mobile, during when they are travelling they are available and their job is being done, so we are giving those inputs, how other organization are functioning. It’s not that strictly come at some time and leave at other time; I mean this is there, but now it’s a concept of virtual workforce, how it can be improved in GAIL context.” -ED (E&P)

“HR function has undergone so many changes like effectively leveraging the information technology, conversion of so many processes instead of Hard Copy into the online mode, that ensures that employees

are comfortable at the same time those who are responsible for execution of those processes, they can also devote time for better activities instead of routine and mundane tasks that is there, so people can think, people come out with innovative ideas to ensure that there is an appropriate culture in which the scope is there for developing the people to inculcate a sense of leadership within the people, again it is the leadership pipeline, it is not that the leadership is only at the top.”- GM (HRD)

From the above quote, it can be inferred that technology as a factor is affecting the HR Fits in the company.

For the HR sub system factors like Policies, Practices and Procedures GM (HRD) stated “ we believe in acquiring the right kind of talent through rigorous process of selection .....it is not stopping us from recruiting people at E5, Middle level, senior level....as per the changing need of business” DGM (HRD) stated “ one of the elements is employee remuneration or reward and recognition, again lot of changes are required in the parameters.” Except for the above quote there was not much available data on this factor, so it can be concluded that though not clear but still the HR sub system factors do affect the Fit to some extent.

During the course of the analysis of the interview data, a new sub construct emerged under the construct Factors affecting fit. Top level HR managers have pointed out a gap in the entire process. They are of the opinion that, though all the business verticals are quite satisfied, with the concept of HR as strategic business partner, but at other business forums some organizational HR head were heard saying HR is not considered as business partner at the same time at other PSUs. How there can be strategic business fit when they are not involved in the process. So there are dozens of views. In GAIL if it is considered that all HR managers are strategic business partners, then no it is not, because they are not involved in the process, nor there is a reason to find to get them involved. At corporate level GAIL has various phases of HR. It even has HRD in promotion section, even in placement sections, recruitment and talent management in HR. Each of function has different roles for people who are involved in recruitment, talent management. These are the people who were involved and it is the right thing instead of involving people of administration job as they would not have contributed. Whereas the people in HRD, they have definitely team work. The entire cell in HRD has helped in formulating the strategy, so they are greatly important. But the for the work center HR person, is where that problem comes when the strategy document is not properly communicated and is not explained. This is an area where the company needs



to look upon because the concern with many of the OIC is to meet the concerned production targets as per the IMOUs with their directors. But they know in general what the strategy of the company is. There is year wise target to achieve, what is their direct role it is not much known. So here it is felt that GAIL also needs to make frequent communication and whenever it revisits the strategy document the reasons and outcomes should also be made known to employees.

The findings from the case data related to these sub-constructs are also shown in the Table 4.4.4 (b) below:

<b>Initial Conceptual Constructs</b>	<b>Sub Constructs</b>	<b>Categories from empirical data</b>	<b>Focused codes from empirical data</b>	<b>Observation on Data Analysis</b>
<i>Factors Affecting Fit</i>	Organizational Factors: Culture, Structure	Vertical Heads,	Culture, Structure	These factors do affect the fit. This was evident from the interviews of ED (HR) and ED (Marketing)
	Individual Factors: Leadership and skill set	-do-	Leadership, skill sets	These factors do effect. ED (BD) provided the inputs regarding this.
	Technology	-do-	Technology savvy	This is existing in the company as evident from the interview of ED (E&P)
	HR sub system factors: Policies, Practices and Procedures	-do-	HR policies	These are followed in the company as stated by GM (HRD) and DGM (HRD)
	Organizational Challenges with the Site HR Heads	Site HR Heads	Organizational Challenges	The ED (HR & HRD) pointed out this factor in his interview and elaborated the gap in this regard. As told by ED (HR & HRD), site HR

				heads are not involved in strategic HR policy formulation; They are mostly involved in administrative jobs; Frequency communication of strategy objectives to various stake holders; revisiting of strategy documents based on inputs from the stake holders, etc
	Capability Building	Various Functions,	Capability building	These factors do affect the fit. This was evident from the interviews CM (Training). Capability Building is the area that is training department is responsible. From time to time they hold the meeting together and take the initiatives on 'what are the functions' to be covered for the Capability Building. They conduct a regular training programs and Capability Building related programs

**Note:** However, during the course of interview with the vertical heads and corporate planning group, it was observed that there are certain gaps/inconsistencies between the expected functions and reality, as deliberated above. The interviews also indicated the opportunities of HR interventions with respect to provision of manpower on a time bound manner in line with business requirement and organizational agility.

Therefore, there is a scope for improvement. The enablers for the improvement are as:

**A. An Enhanced HR Organizational Structure:**

Standardization of process and policy across the organization is one of the tenets and often requires a significant review of existing capabilities. Standardized processes form the basis for efficient service delivery to all staff and the development of reliable and trusted interactions with the customer base.

B. An Efficient "Customer Service Oriented" Service Delivery Model:

The most fundamental change as part of improvement is the implementation of a revised service delivery model. This model lays the foundations for the changes in the way that HR relates to the business and how HR serves the wider departmental population on a more transactional basis.

C. Integrated HR Information Systems:

Information management systems for HR is a very significant step towards efficient customer service delivery model. The use of a smart knowledge and document management solution is central to the ability of HR staff to access data quickly and reliably and to make use of standardized, corporately held procedural documentation and advice.

#### **4.5 Data Triangulation**

Case study research design standards loan themselves to including various strategies that advance data believability or "truth value." Triangulation of data sources, data sorts or researchers is a primary strategy that can be utilized and would support the standard in case study research that the phenomena be seen and explored from different points of view. The collection and comparison of this data enhances data quality based on the standards of idea convergence and the confirmation of discoveries (Knafl & Breitmayer, 1989).

There are four relevant tests relevant in evaluating quality of any research study: Construct Validity, Internal Validity, External Validity, and Reliability (Yin, 2003) and are discussed below.

##### **4.5.1 Construct Validity**

Construct validity refers to establishing correct measures for the concepts being studied (Yin, 2003). This entails that the selected measures (Concepts) are measured correctly. The potential problems of construct validity can be addressed by data triangulation, when evidence is collected from multiple sources "but aimed at corroborating the same fact or phenomenon" (Yin, 2003), and not "when you have multiple sources that nevertheless address different factors" (Yin, 2003). Gathering evidence from a variety of sources essentially provides "multiple measures of the same phenomenon" (Yin, 2003) and ensures "stronger substantiation of constructs and hypotheses" (Eisenhardt, 1989).

To address construct validity, triangulation, a technique of combining different sources of evidence in a single study (Rossman and Wilson, 1985) was used. This combination of different sources is one of the major strengths of the case study approach (Yin, 2003). This case study includes various sources for collecting relevant data like interviews, documents, company's website, intranet, observations and artifacts. The interviews as well as observations made in the field were transcribed and used in the data analysis, which enhanced the construct validity by providing multiple perspectives of the phenomena. An effort was also made to establish and maintain a chain of evidence, which would allow an external observer to follow the derivation of evidence from initial research questions to ultimate case study conclusions.

The case study reports were reviewed by the key informants as advocated by Yin (2003). Participants' feedback was incorporated in the final case reports. Further, during data analysis, 2 level of analysis were undertaken, conceptual and detailed. This analysis helped increasing the construct validity of the research by triangulation of perspectives on the same data set (theory triangulation) (Patton, 1990).

#### **4.5.2 Internal Validity**

Internal Validity implies “establishing a casual relationship, whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships” (Yin, 2003). Two problems associated with internal validity are (1) making interferences (as case study involves inferences, every time event cannot be directly observed), and (2) spurious effects when there are other determinative factors than those identified in the research model. In this research a number of tactics were used to address these problems and improve internal validity. First, theory triangulation, which implies triangulating perspectives on the same data set (Patton, 1990) was applied. During with-in case analysis the same data set was analyzed from difference perspectives such as conceptual and detailed analysis levels. Second, key participants were requested to review and comment on case reports, and their comments were incorporated in the final case reports. To ensure construct validity these two tactics were focused on the understanding and interpretation of the concepts studies, while for internal validity they were focused on the understanding and interpretation of the processes that can be represented as casual relationships between concepts: (a ‘cause’) leads to another concept (an ‘effect’).

### **4.5.3 External Validity**

External validity implies “establishing the domain to which a study’s finding can be generalized” (Yin, 2003). Case study relies on analytical generalization (Eisenhardt, 1989, Yin, 2003), not statistical generalization as with experimental hypothesis-testing research. Once the replication is made, the results may be accepted even though further replications have not been performed (Yin, 2003).

### **4.5.4 Reliability**

A reliability test aims to minimize the errors and biases in the study. It refers to “demonstrating that the operations of a study, such as data collection procedures can be repeated, with the same result” (Yin, 2003). This implies that if another researcher follows the same procedures as applied by a previous researcher for conducting the same (and not another) case study, he/she will arrive at the same findings and conclusions (Yin, 2003). In this research a numbers of tactics were used to ensure consistency in applying procedures for data collection and analysis. First, the **case study protocol** was used to guide the research process. The protocol is a major tactic in increasing the reliability of case study research and is intended to guide the investigator in carrying out the case study (Yin, 2003). The protocol included instrument (i.e., the interview questions) as well as procedures and general rules that should be followed. This ensured consistency in the areas covered within cases and across cases. Second, to reduce the likelihood of forgetting or misunderstanding the data, and to allow independent data analysis by other researchers, interviews were recorded and transcribed. Third, use of Atlas-Ti software allowed systematic and consistent analysis of qualitative data (Weitzman, 2000) and increased the reliability of research because the procedures can be repeated (Yin, 2003). Fourth, the filed notes taken by the researcher were also transcribed for future reference. The Case Study Protocol is appended in Appendix II. The results of within case analysis are displayed in the form of “Qualitative Associative Networks”, process maps, and conceptually clustered matrix (Miles and Huberman, 1994). Associative networks have nodes linked to each other by association and allows for fuzzy, intuitive and subconscious relations between concepts to be presented visually. These characteristic made these suitable to model HR strategies and HR practices of a large gas utility company visually. In the case analysis of the study, data has been analyzed in order to identify the HR strategy formulation practices of the gas utility company.

The theoretical framework of this study consists of a model of Initial Conceptual Constructs such as Strategic Human Resource, Top Management in HR issues, information sharing, strategy formulation,

HR gaps, horizontal and vertical fit, practice of HR strategy in different business verticals etc. This framework will be used as a template for comparing and generalizing the empirical results of the above case study. The relevant issues concerning formulation of HR strategies & practices relate to Research Questions have been formulated as propositions and they are as given under:-

*Proposition 1a: The Formulation of HR strategy in a large Gas Utility Company will be done more effectively if the needs of the present business activities and that of the future business ventures are mapped out properly and considered while formulating the strategy.*

*Proposition 1b: The Formulation of HR strategy in a large Gas Utility Company will be enhanced if robust mechanisms are adopted for HR to keep pace with the changing environment.*

*Proposition 2a: Horizontal fit will be enhanced if the HR policy of a firm places more emphasis on the balance of a variety of HR practices.*

*Proposition 2b: Horizontal fit will be enhanced if more options on HR activities are available for a firm.*

*Proposition 2c: Horizontal fit will be enhanced if more investment (larger budget) is provided for HRM activities.*

*Proposition 3a: Both horizontal fit and vertical fit will be enhanced if the capability of HR Managers is high so as to understand and design an internally consistent HR system congruent with the firm's strategy.*

*Proposition 3b: Both horizontal fit and vertical fit will be enhanced if top Managers are capable and supportive of a HR system that is internally consistent and congruent with a firm's strategy*

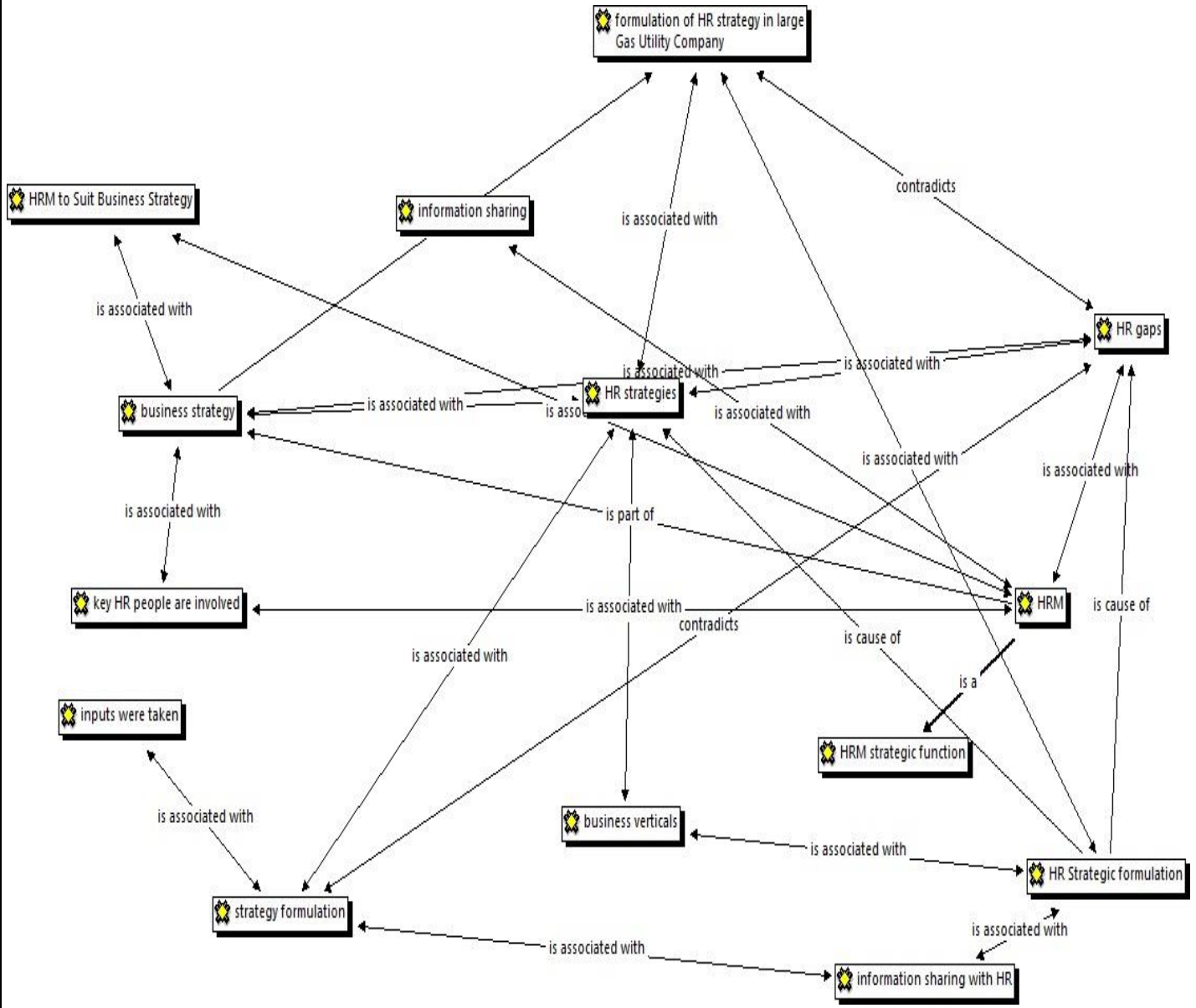
*Proposition 3c: Both horizontal fit and vertical fit will be enhanced if employees possess a high level of knowledge and skill.*

*Proposition 4a: Vertical fit is influenced by the nature of strategy a firm adopts; specifically, the less uncertain and clearer of the strategic goals, the vertical fit will be better achieved.*

*Proposition 4b: Vertical fit is influenced by the value and culture system of an organization. Specifically, vertical fit will be better achieved with values and culture system promoting the design of a strategy compatible HR practices and a timely adjustment of HR practices following the strategic change.*



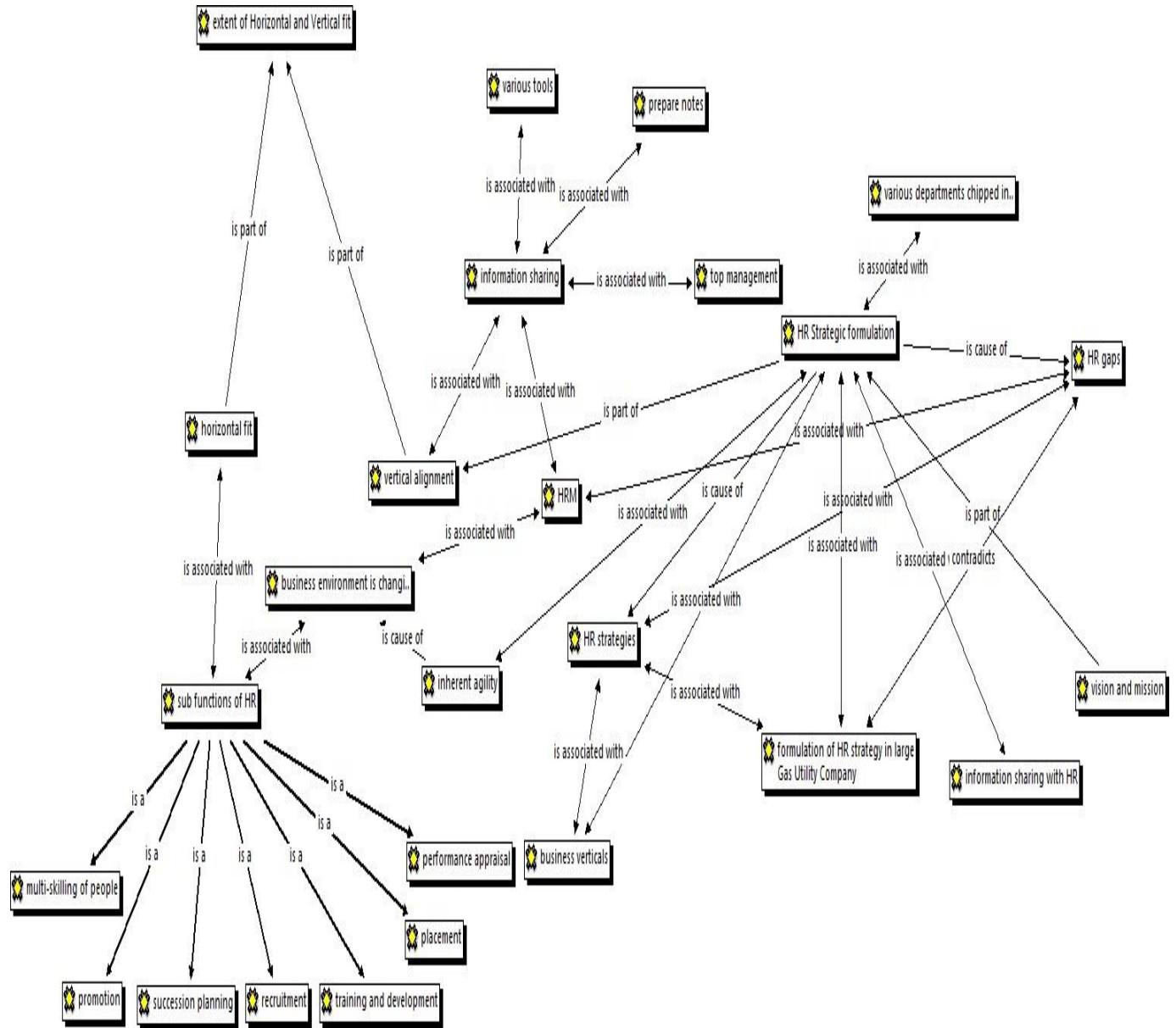
# Formulation of HR strategy in a large Gas utility company







# Horizontal and Vertical Fit





#### **4.5.6 Findings Arisen Out Of Case Study In Relation To Existing Literature**

As discussed in the literature review chapter section 2.5, earlier literature on theories, practices and models of SHRM has identified that the theoretical implication and challenge lies in institutionalizing the strategic roles in the working processes of the organization in which the managers are working. HR strategic interventions should be given more visibility and constant efforts must be made within the organization to benchmark against the best practices or better still to set benchmarks if not available. Therefore there is a practical need for continuous environmental scanning, both internal and external, to facilitate this process. This research study could find evidence for this in the interviews given by the Corporate Planning Group. They had stated that they start the process of strategy formulation with environment scanning i.e. the external business environment, what kind of opportunities it poses, what are the challenges which the business is facing etc.

Further they also stated that from the very beginning HR inputs are taken along with business strategy inputs.” Further the GM (HRD) stated “Various stakeholders were consulted, inputs were taken, lot of manthan was there, so many meetings were held. That’s how GAIL had come up with the Strategy 2020.” Thus as stated in the earlier literature, HR deliverables become crucial to the firm, and the role of HR metamorphoses to line managers, with practical implications for HRIS, emerging as an enabler of the HR function, which would lead to better efficiency of the HR role and free HR managers for strategic roles.

Earlier literature on Process of Formulation of Business Strategy and HR Strategy as discussed in chapter 2 has identified sub-constructs such as environmental scanning, business vertical inputs, influence of Business strategy on HRM activities and inherent agility of Business strategy. There is a correlation between performance and how the workers are managed. Organization vision and values will help in formulation of organization’s strategy and specific goals. ‘Best Practices’ such as incentives, performance management and extensive training are as important for developing competitive advantage as the strategy, structure, technology and market share. This makes it very important that HR in a company should be aligned with the overall business strategy or business focus of the company. The deliverables of HR are Performance, Capacity Building, Problem Solving, Consulting, Organization Change and Development. Strategic HR requires integration of HR with strategy formulation and implementation. This entails horizontal integration among HR functions and vertical integration with Business Strategy. The strategy formulation process is influenced by a number of external and internal

factors. Competitive strategy is influenced by economic conditions, industry structure, competitive advantage, product/market scope and the distinct competence. The labour market, skills and values, economic conditions and the culture at large influence the human resource strategy formulation. From the data analysis, there is evidence of all these construct do contribute to the process of formulation in strategy, both Corporate and HR. From the data analysis and the case study no clear evidences could be collected related to any kind of inconsistency in the formulation of Business Strategy, except for a few gap in communication between various functions, HR and Corporate Planning as pointed out in the interview of Corporate Planning Group and Business Development team.

Earlier literature on factors influencing affecting fit has identified various factors enabling/detering influence on the success of SHRM. Enablers/deterrents have been classified under external and internal, personal and other influencing factors. From the data analysis there is evidence that all these factors do contribute to the success of SHRM. These factors were dealt in various statements given by the interviewee during the interviews of ED (HR), ED (BD), DGM (HR & HRD). From the earlier literature it is found that the HR function factors are specific factors that influence the compatibility of a variety of HR practices themselves, while firm level factors are analyzed as major determinants for matching HR activities with organizational strategy. Earlier literature also state that the Organizational Factors like Culture, Structure etc. do influence the fit, as can be inferred from the interviews of ED (HR) and ED (Marketing). Further, the individual Factors also known as Personnel factors like Leadership and Skill set, which embrace the capabilities of both employees and Managers, including HR Manager and other top Managers, are identified as common determinants for both horizontal fit and vertical fit. This was derived from the interview of ED (BD). Technology as a factor influencing fit was discussed in the interview of ED (E&P). The HR sub system factors like Policies and Procedures influence the various fits as stated by GM (HRD) and DGM (HRD). It is suggested that other factors, however, especially some firm level factors, are pertinent for firms seeking vertical fit. Values and culture of a firm impact the vertical fit. Organizational culture and values shape the HRM practices. From this study, two new factors emerged out, which influence the fit, which are Organizational Challenges with the Site HR Heads and Capability building. The top HR managers have confirmed in their interviews that these factors do influence the fit. With regard to the Organizational challenge with site HR Heads ED (HR & HRD) has stated that site HR heads are not involved in strategic HR policy formulation; They are mostly involved in administrative jobs; Frequency communication of strategy objectives to various stake holders; revisiting of strategy documents based on inputs from the stake holders, etc. On capability

building, CM (Training) has rightly pointed out that Capability Building is the area that is training department is responsible. From time to time meetings are held and initiatives are taken to cover the functions for capability building. Regular training programs are also conducted.

Earlier literature on Strategic Human Resource Management in India as discussed in section 2.8 has identified that the studies in the Indian context have found that alignment of HR practices with business strategy and extent of integration of HR practices are related to firm performance and the Companies following SHRM practices do have a cost advantage due to reduction in employee absenteeism and turnover rates. Also, the firms engaged in SHRM practices lay greater emphasis on the development of their employees into a competent workforce which helps to produce a competitive advantage. The general trend in Indian industry, due to the liberalization of the Indian economy, is encouraging for the strategic human resource management practices in general. This change from a regulated environment to a free market environment has direct implications for SHRM practices in India. As per interview data analysis, the integration of HR practices with the other vertical functions of the company and also the integration of various HR and HRD functions to achieve the organizational goal is very well followed. The GM (HRD) and DGM (HRD) have thrown light on this in their interview.

This case study could find evidences for “HRD Processes such as talent management & Succession Planning” as a new sub-construct to facilitate the intra-functional fit as each of function has different roles for people who are involved in recruitment, talent management and these are the people who were involved and it is the right thing to be done instead of involving people of administration job as they would not have contributed. Thus the HRD Processes such as talent management, Succession Planning etc help in achieving the HRM Intra-Functional Fit.

## 4.6 Summary of Research Objectives & Research Questions

### 4.6.1 Summary of Research Objectives

S. No.	Category	Details	Result
1	RO 1	To understand and describe the existing HR strategy formulation and practices in a large gas utility company	<p>The understanding and description of existing HR strategy formulation and practices in a large gas utility company is linked with the First Initial Conceptual Construct i.e. Process of Formulation of Business Strategy and HR strategy , and the corresponding sub constructs and the answer provided by the key managers.</p> <p>This has been identified by Corporate Planning Group and ED (HR)</p>
2	RO 2	To study the extent of vertical fit between the HR strategy and Business Strategy	<p>To study the extent of vertical fit between the HR strategy and Business Strategy is linked with the third Initial Conceptual Construct i.e. HRM Strategic Fit, and the corresponding sub constructs and the answer provided by the key managers.</p> <p>This has been identified by Corporate Planning Group, heads of various business verticals and ED (HR)</p>

3	RO 3	To study the extent of Horizontal Fit among the various sub-functions of HR	<p>To study the extent of Horizontal Fit among the various sub-functions of HR is linked with the HRM-Intra Functional Fit, and the corresponding sub constructs and the answer provided by the key managers.</p> <p>This has been identified by GM (HRD), DGM (HRD) and CM (Training)</p>
4	RO 4	To identify factors facilitating or Hindering the strategic fit (both vertical and Horizontal)	<p>To identify factors facilitating or Hindering the strategic fit (both vertical and Horizontal) is linked with the Factors affecting fit, and the corresponding sub constructs and the answer provided by the key managers.</p> <p>This has been identified by heads of various business verticals, corporate planning group, ED (HR) and other key members.</p>



#### 4.6.2 Summary of Research Questions (RQ):

S. No.	Category	Details	Result
1	Central Research Question (CRQ)	How a large Gas Utility Company in India formulate and practice its HR strategy in alignment with business strategy?	<p>Central Research Question i.e. How a large Gas Utility Company in India formulate and practice its HR strategy in alignment with business strategy, is linked with the Initial Conceptual Construct i.e. <i>Process of Formulation of Business Strategy and HR Strategy</i> and its sub constructs. There are scanty mechanisms for environment scanning and intake of inputs from business verticals as also from HR during the process of formulation of HR Business Strategy. Though, it is acknowledged that HRM activities influence the business strategies but the process does not provide that confidence.</p> <p>There are various models available but adoption and implementation is not categorically addressed.</p>
2	Additional RQ 1	What are the extents of Vertical fit between Business Strategy and HR Strategy and also the extent of Horizontal Fit among various sub functions of HR?	<p>Additional Research Question 1 on the extents of Vertical fit between Business Strategy and HR Strategy and also the extent of Horizontal Fit among various sub functions of HR is linked with Initial Conceptual Constructs that are <i>HRM Strategic Fit, HRM- Intra-Functional Fit</i> and their sub constructs. The answer provided by the key managers somewhat establishes that</p>

			<p>sub constructs relating to “HRM strategies designed to suit business strategy, HR activities consistent with organizational mission, HR inputs considered integral with organization vision”. However, there is no established process and methodology for top management to take interest and trained in HR issues. Further, there is an adhocism in sharing of information between HR and top management. It is also emerged that there is hardly any mechanism to establish for HR sub area mangers work in cooperation with an integrated approach. This has been identified from interview of Corporate Planning and HR Group.</p>
3	Additional RQ 2	<p>What are the factors leading to inconsistency or congruence between HR strategy &amp; Business Strategy?</p>	<p>Additional Research Question 2 regarding the factors leading to inconsistency or congruence between HR strategy &amp; Business Strategy is linked with Initial Conceptual Construct i.e. <i>Factors Affecting Fit</i> and its sub constructs. It has emerged during the interview that the organizational factors (culture, structure) does not provide any robust mechanism. There are also issues on individual factors such as leadership and skill sets to meet the rapid growth and business diversification of the Company. This has been stated by ED (BD), ED (E&amp;P)/(PD)</p>

**Chapter 5**

**Conclusions**

**& Discussions**

This section summarizes the findings and results of this research, and discusses the contribution of this study to theory and management practice. First, the conceptual framework is revisited and all-encompassing associative networks are presented for HR strategies and HR practices for planning & execution. Next, emergent categories of activities are described and contributions to theory and practice are discussed. This section concludes with a discussion on the limitations of this research and suggestions for future research.

**5.1 Revisiting Theoretical Framework**

S. No.	Category	Details	Result
1	Central Research Question (CRQ)	How a large Gas Utility Company in India formulate and practice its HR strategy in alignment with business strategy?	<p>Central Research Question i.e. How a large Gas Utility Company in India formulate and practice its HR strategy in alignment with business strategy, is linked with the Initial Conceptual Construct i.e. <i>Process of Formulation of Business Strategy and HR Strategy</i> and its sub constructs. There are scanty mechanisms for environment scanning and intake of inputs from business verticals as also from HR during the process of formulation of HR Business Strategy. Though, it is acknowledged that HRM activities influence the business strategies but the process does not provide that confidence.</p> <p>There are various models available but adoption and implementation is not categorically addressed.</p>

2	Additional RQ 1	What are the extents of Vertical fit between Business Strategy and HR Strategy and also the extent of Horizontal Fit among various sub functions of HR?	Additional Research Question 1 on the extents of Vertical fit between Business Strategy and HR Strategy and also the extent of Horizontal Fit among various sub functions of HR is linked with Initial Conceptual Constructs that are <i>HRM Strategic Fit, HRM- Intra-Functional Fit</i> and their sub constructs. The answer provided by the key managers somewhat establishes that sub constructs relating to “HRM strategies designed to suit business strategy, HR activities consistent with organizational mission, HR inputs considered integral with organization vision”. However, there is no established process and methodology for top management to take interest and trained in HR issues. Further, there is an adhocism in sharing of information between HR and top management. It is also emerged that there is hardly any mechanism to establish for HR sub area managers work in cooperation with an integrated approach. This has been identified from interview of Corporate Planning and HR Group.
3	Additional RQ 2	What are the factors leading to inconsistency or congruence between HR strategy & Business Strategy?	Additional Research Question 2 regarding the factors leading to inconsistency or congruence between HR strategy & Business Strategy is linked with Initial Conceptual Construct i.e. <i>Factors Affecting Fit</i> and its sub constructs. It has emerged during the interview that the organizational factors

(culture, structure) does not provide any robust mechanism. There are also issues on individual factors such as leadership and skill sets to meet the rapid growth and business diversification of the Company. This has been stated by ED (BD), ED (E&P)/(PD)

Chapter 2 describes the theoretical framework developed for HR strategy formulation and implementation processes (Section 2.1 & 2.2). The detailed initial conceptual constructs identified from literatures and sub-constructs developed which forms the basis for HR strategies formulation and implementation into HR practices are shown in Section 2.6

<b>Initial Conceptual Constructs in Literature Review</b>	<b>Sub Constructs in Literature Review</b>	<b>Categories from study</b>	<b>Sub-categories emerged from this study</b>
<i>Process of Formulation of Business Strategy and HR strategy</i>	Environmental Scan to Identify opportunities and challenges for formulating business strategy.	Corporate planning and Vertical Heads	Environment Scanning
	Inputs from business verticals facilitate formulation of business strategy	-do-	Inputs were taken

	Business Strategy influence HRM activities	-do-	Business strategy
	The inherent agility of Business Strategy helps in HR strategy formulation	-do-	Inherent Agility
<i>HRM strategic fit</i>	HRM activities design to suit business strategy	Corporate planning and Vertical Heads	HRM to suit business strategy.
	HR activities consistent with organization vision	-do-	Vision and mission
	HR inputs considered integral/consistent to business strategy/organizational visions.	-do-	HR inputs integral

	Top management take interest and trained in HR issues	-do-	Top management in HR issues
<b><i>HRM- intra-functional fit</i></b>	HR activities linked to long term HR vision	Sub-functional heads of HR, Corporate Planning Group	Long term HR vision
	HR sub-area managers work in co-operation	-do-	<i>Scope for improvement</i>
	Information is shared among various sub functions of HR	-do-	<i>Scope for improvement</i>
	HRD Processes such as talent management & Succession Planning	Sub-functional heads of HR, Corporate Planning Group	Talent Management, Succession Planning

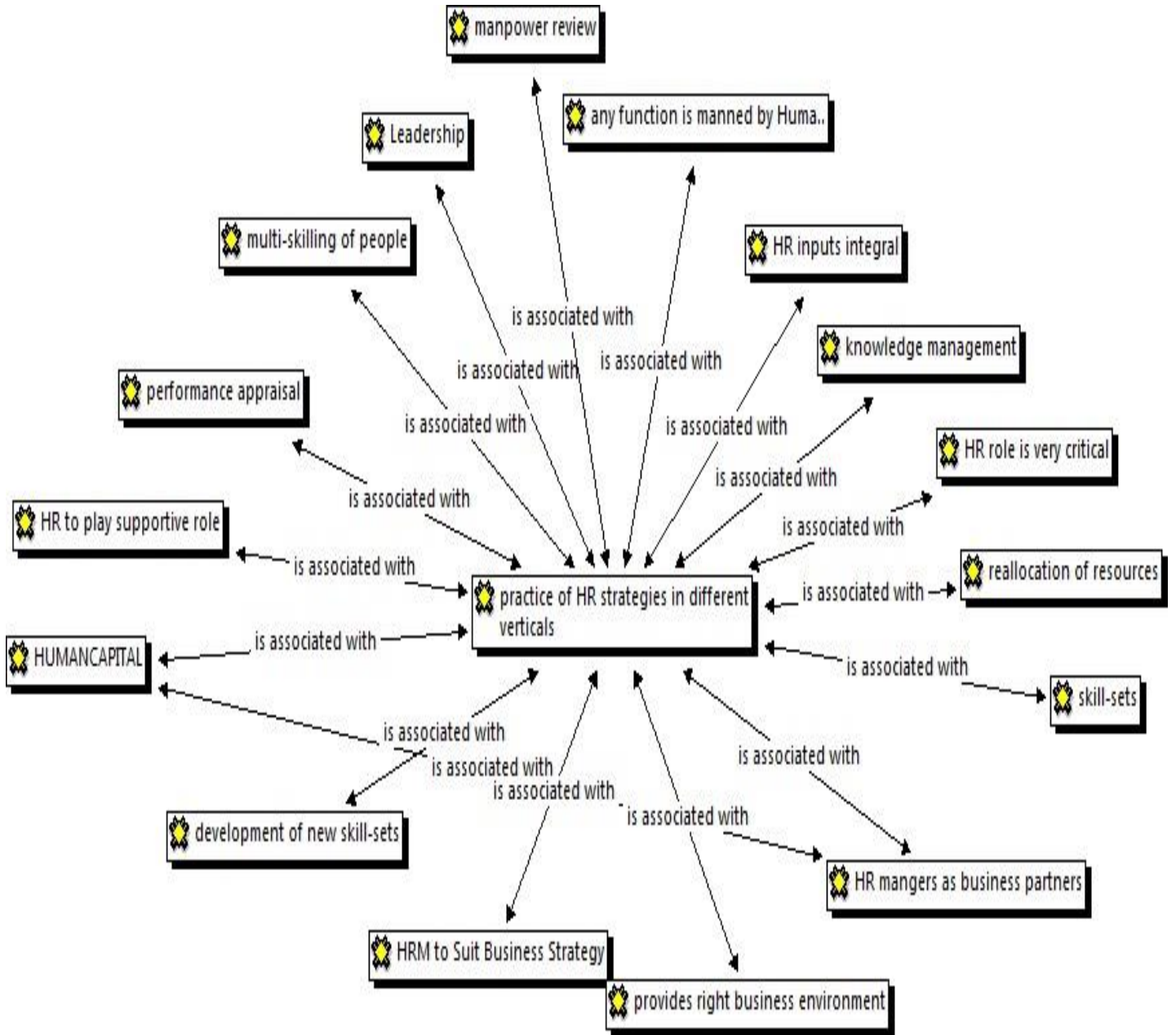


<i>Factors Affecting fit</i>	Organizational Factors: Culture, Structure	Vertical Heads,	Culture, Structure
	Individual Factors: Leadership and skill set	-do-	Leadership, skill sets
	Technology	-do-	Technology savvy
	HR sub system factors: Policies, Practices and Procedures	-do-	HR policies
	Organizational Challenges with the Site HR Heads	Site HR Heads	Organizational Challenges

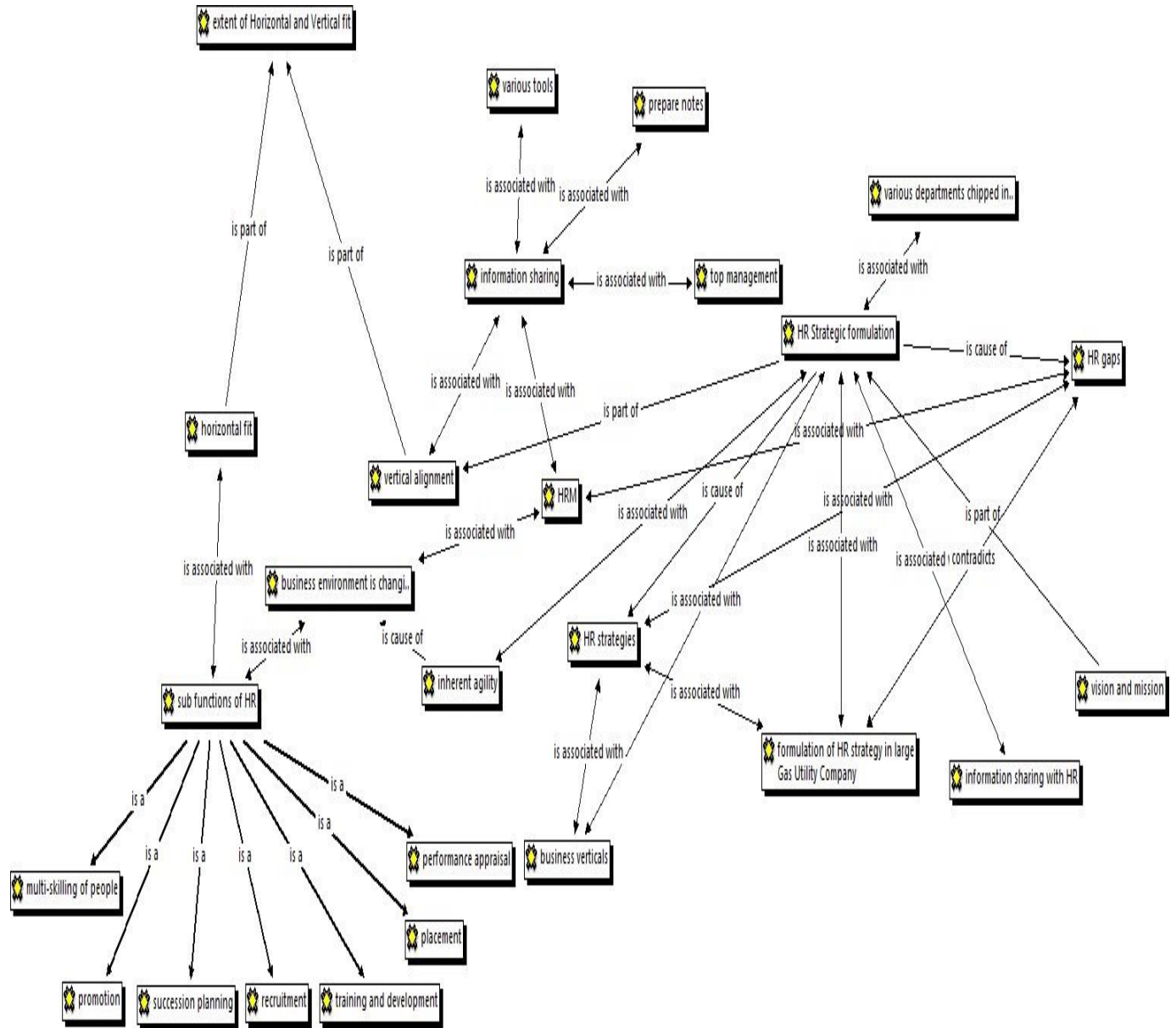




## Practice of HR in different business verticals



# Horizontal and Vertical Fit







The existence of HRM Strategic Fit has been explained in Chapter 4 under 4.4.2. From the data collected in interviews it is evident that sub-constructs such as designing of HRM activities to suit business strategy, Consistency of HR activities with organization vision, HR inputs integral to business strategy/organizational visions, interest of Top management in HR issues, sharing of Information between HR and top management somewhat exists in the company.

As dealt under 4.4.3 in Chapter 4, Horizontal fit refers to the congruence among the various HRM practices i.e. HRM Intra-Functional Fit. The HRM Intra-functional fit is existing in the company to some extent. All the sub-constructs related to HRM Intra-functional fit identified through literature reviews have been emerged out from our case study and a new category has emerged from the interview i.e. the data which is collected from top HR managers of the large gas utility company in India.

As explained under 4.4.4 in Chapter 4, various factors such as Organizational Factors like Culture, Structure, Individual Factors like Leadership and skill set, Technological factors and HR sub system factors such as Policies, Practices and Procedures are by and large existing in the company and do influence the strategic fit in the company.

### **5.1.1 Factors Contributing to HR strategies formulation and implementation**

Based on the detailed literature review (Chapter 2), we could identify the conceptual constructs which forms the basis for HR strategies formulation and implementation of such selected strategies into HR practices. There are four conceptual constructs for this research: Process of Formulation of Business Strategy and HR strategy, HRM Strategy Fit, HRM – Intra-functional Fit, and Factors Affecting Fit. Each one of these constructs can be further divided into its sub-constructs and/or the attributes of interest as given under:-

1. Process of Formulation of Business Strategy and HR strategy:
  - 1.1. Environmental Scan to Identify opportunities and challenges for formulating business strategy.
  - 1.2. Inputs from business verticals facilitate formulation of Business strategy
  - 1.3. Business Strategy influence HRM activities
  - 1.4. The inherent agility of Business Strategy helps in HR strategy formulation

2. HRM Strategy Fit (HSF) – Vertical Fit
  - 2.1. HRM activities designed to suit business strategy
  - 2.2. HR activities consistent with organizational vision
  - 2.3. HR inputs considered integral/consistent to business strategy/organizational visions.
  - 2.4. Top management take interest and trained in HR issues.
  - 2.5. Information is shared between HR and top management.
3. HRM – Intra-functional Fit ( HIF) – Horizontal Fit
  - 3.1. HR strategy clearly spelled out
  - 3.2. HR activities linked to long term HR vision.
  - 3.3. HR sub-area managers work in co-operation.
  - 3.4. HR activities internally consistent.
  - 3.5. Information is shared among various sub functions of HR.
4. Factors Affecting FIT
  - 4.1. Organizational Factors: Culture, Structure
  - 4.2. Individual Factors: Leadership and Skill set
  - 4.3. Technology
  - 4.4. HR sub system factors: Policies, Practices and Procedures

Based on the findings it is evident that GAIL as gas utility company during its phenomenal growth from inception till date i.e, the journey from the Scheduled Company to Navratna and from Navratna Company to a Maharatna Company has taken considerable HR & HRD initiatives to keep HR fit to various business scenario as emerged. A close look further reveals that while many initiatives were/are under way to position HR as a strategic business partner but left/ leaving much scope for improvement through systematic adjustment of strategic initiatives in HR/HRD front. If we make a close scrutiny of various models of SHRM practised across the corporate world; matching model is considered more suitable for GAIL, since GAIL is no more an emerging or a start-up company but it has already travelled a long way to establish its position in oil and gas sectors and already conferred as “Maharatna” amongst PSUs. Categories emerged out from this study are Corporate planning, Vertical heads and sub-functional heads of HR. Focused codes emerged out from this study are HRM activities designed to suit business strategy, HR inputs integral, Top management in HR issues, information sharing, Long term HR Vision and Scope for improvement. Categories/focused codes emerged out from this study are matching with initial conceptual constructs and sub-constructs from literature review.



### **5.1.2 CRQ Findings**

*How a large Gas Utility Company in India formulates and practice its HR strategy in alignment with Business Strategy?*

As discussed in the previous chapter under 4.5.6, the earlier literature on Process of Formulation of Business Strategy and HR Strategy had identified sub-constructs such as environmental scanning, business vertical inputs, influence of Business strategy on HRM activities and inherent agility of Business strategy. It was identified that there is a correlation between performance and how the workers are managed. Organization vision and values help in formulation of organization's strategy and specific goals. 'Best Practices' such as incentives, performance management and extensive training are as important for developing competitive advantage as the strategy, structure, technology and market share. This makes it very important that HR in a company should be aligned with the overall business strategy or business focus of the company. The strategy formulation process is influenced by a number of external and internal factors.

Gas utility company is formulating its HR Strategy in alignment with Business Strategy based on the following:

- HR inputs are integral part of Business Strategy;
- HR strategy cannot be alienated with the Business Strategy;
- Involvement of Key HR Personnel in Business Strategy formulation during initial stage itself;
- Involvement & interaction between the top management & HRM team;
- Team participation & discussion among HR vertical and business vertical team members.
- Corporate Planning Group (CPG) is preparing Business Strategy for the company having taken inputs from key members of business verticals and also HR. CPG provides guidelines and targets to all the business verticals of the company to implement strategy initiatives.
- Strategy initiatives of HR strategy are shared among all the business verticals through company's intranet by HR group.
- Regular meetings are being conducted to review the progress of implementation strategy initiatives. The same is being centrally monitored by CPG with the intervention of top management

The findings can be corroborated from the Primary data as obtained during the course of interviews to the process owners of HR, HRD and Business Verticals. From the data analysis, there is evidence of all these construct do contribute to the process of formulation in strategy, both Corporate and HR. From the data analysis and the case study no clear evidences could be collected related to any kind of inconsistency in the formulation of Business Strategy, except for a few gap in communication between various functions, HR and Corporate Planning as pointed out in the interview of Corporate Planning Group and Business Development team.

Basically Business Strategy is consolidation of business strategy. So strategy, means various strategic initiatives. For each initiative, what kind of HR initiative is required is found out, like skill development needs, recruitment needs. So for every business initiative, what should be the corresponding HR initiative needs to be looked into and that is where the alignment comes.

To formulate the HR Strategy in consonance with the business strategy, there are two parts. One is that formulating each business strategy and then consolidating it. When business strategy are being formulated, parallely works is also started on the HR strategy, which comes out only after the consolidation of Business Strategy. Finalisation of the strategies are done at the corporate level.

Because of the vision and mission of the company the strategies are formulated and also latter on other business verticals are made accordingly. So, definitely the HR strategy formulated in this company is in sync with the vision and mission of the company. further HR is the central to our entire organization, generally, we don't have separate HR function for each business . So, HR strategies taking care of each business verticals, but more or less HR strategies are practiced in centralized manner. So there is a requirement in particular business that is made by HR but it is not done individually for that business rather it is done in comprehensive and consolidated manner or in a centralized manner.

The development of the Business strategy is not done in isolation. From the very beginning, HR inputs are taken along with the business strategy inputs. Whenever there is a business strategy devised, what are the HR interventions required are found out, to make sure that the Business strategy formulated works and is implemented.

So with each business strategy, a HR intervention is identified which is then taken care of by HR people. HR intervention, means the kind of skills that are required, the training needs that are essential to meet these strategies and the recruitment requirements that would be there. So the whole thing is tried to be mapped. It is tried that the business requirement, the HR interventions are aligned with each other.

The HR strategy cannot be alienated with the Business Strategy. It is an integral part. All through the process, HR is involved and where there are gaps, the step that is followed is execution.

GAIL is planning to devise business strategies in sync with certain areas where it needs to build up capacity in the new fields like international sourcing which was not that important function but now since GAIL is in LNG business, shipping business so it is felt that GAIL is required to build the capacity as well as capability in international sourcing, international M&A, shell gas and power business. These are areas which GAIL have focused and wherever there is need to increase the capacity same is to be supported through recruitment for creating right fit for such job profiles”.

The inherent agility of Business Strategy helps in HR strategy formulation. If we look at business strategy, the business environment is changing so fast, that the strategy has to be dynamic in nature, so it is made sure that the strategy is dynamic in nature. Periodic reviews for the strategy is conducted , to look into the implementation hurdles and also look at some of the external factors which may force the company to put some strategic initiatives on board.

Further in a changing environment, HR should also keep on changing. To provide this, it is checked that whether HR is aligned to the requirement of the company or not. But once the requirement changes, then the required inputs on how to adjust to those changes, are given to HR by the top management and heads of business verticals. This is the area, where HR needs to work upon so that the changes are adapted in a timely manner, so that the opportunities are properly harnessed to the benefit of the Company. In its current state, HR is slow towards adapting the changes in the business environment. The technology in the Oil and Gas business is changing very fast and so is the business needs. The market forces are effecting the profitability of the business at a global level, and if the people of a company are not ready to face the fast developing market, the company may lag behind. Thus HR needs to modify itself to the trend of the day and keep up the dynamic environment of the business environment, so that it can properly align with the Business Strategy.

### **5.1.3 ARQ 1 Findings**

*What are the extents of Vertical fit between Business Strategy and HR Strategy and also the extent of Horizontal Fit among various sub functions of HR?*

- Vertical fit in the gas utility company is being managed by corporate goal setting; cascading down for setting goal for executives through IMOU in line with MOU, and regular review by top management.
- Horizontal fit in the gas utility company is being managed by the policy of right people at right place. The factors contributing are recruitment policy, T&D policy, placement/transfer policy, and employee oriented policies

Referring to the earlier discussions under section 2.8 of Chapter 2 and section 4.5.6 of Chapter 4 it can be concluded that the earlier literature on Strategic Human Resource Management in India as discussed in section 2.8 has identified that the studies in the Indian context have found that alignment of HR practices with business strategy and extent of integration of HR practices are related to firm performance and the Companies following SHRM practices do have a cost advantage due to reduction in employee absenteeism and turnover rates. Further, the firms engaged in SHRM practices lay greater emphasis on the development of their employees into a competent workforce which helps to produce a competitive advantage.

The primary data also supports the contentions as under:

HR Strategy should be treated as an integral part of each business. It should not be looked at only from corporate level. Generally, HR strategy is developed when we develop the entire Business Strategy. But, if each business would work hand in hand with HR then there would be proper alignment between both otherwise it lacks. In GAIL, there is gap between these two elements and these gaps can be seen or realized from the implementation part. Sometimes this gap also helps us to take corrective actions against it.

The overall business strategy of the company like GAIL, is based on its vision, mission and the objectives which have been set by the government for it. In consonance with it the long term strategies of the company is formulated and that is further developed into strategy of each verticals and corporate objectives.

The HR strategy is directly in sync with the organizational strategy, so in GAIL, there is an approved HR strategy with in-built elements on capacity building, capability building, and knowledge management, these are three core elements which are a part of the HR strategy and now which are coming to the sub-functions within HR group. Human resources are required to be inducted at a regular level so that there is no short fall of requisite manpower. Further Capability building should be taken care by the training arm, like by GTI in GAIL, where the skill management, future skills, and skill development are polished. So, there is requirement of new skills as a major focus for the overall growth of the organization. Also the organization should see for knowledge management and the capturing knowledge, suitably keeping motivated employees, encourage them to come out and share their experiences that can be utilized for the overall growth of the organization.

As per interview data analysis, the integration of HR practices with the other vertical functions of the company and also the integration of various HR and HRD functions to achieve the organizational goal is very well followed. The GM (HRD) and DGM (HRD) have thrown light on this in their interview.

Evidence was also found in the analysis under Chapter 4 for “HRD Processes such as talent management & Succession Planning” as a new sub-construct to facilitate the intra-functional fit as each of function has different roles for people who are involved in recruitment, talent management and these are the people who were involved and it is the right thing to be done instead of involving people of administration job as they would not have contributed. Thus the HRD Processes such as talent management, Succession Planning etc help in achieving the HRM Intra-Functional Fit.

#### **5.1.4 ARQ 2 Findings**

*What are the factors leading to inconsistency or congruence between HR strategy & Business Strategy?*

- IMOU is signed with all ED/GMs. These IMOUs are aligned with the MOU of the gas utility company.
- The factors contributing to alignment between HR & Business strategy are recruitment done generally at induction level, roles of employees are well defined, career progression policy is existing in the company. However, the requirement of skilled manpower at short notice brings huge challenge for HRD to organise.

As discussed under Section 4.5.6, the earlier literature on factors influencing affecting fit has identified various factors enabling/deterring influence on the success of SHRM. Enablers/deterrents have been classified under external and internal, personal and other influencing factors

Strategy Document which also includes HR strategy needs to be discussed with all stake holders in order to understand & practice the strategy implementation in all business verticals. This factor causes some inconsistency.

Going by the information as obtained from the primary source i.e. through interviews, there are a number of factors which lead to inconsistency or congruence between HR strategy and Business Strategy. They are broadly classified into (1) Organizational Factors, which are Culture, Structure etc. (2) Individual Factors like Leadership and skill set, (3) Technology, (4) HR sub system factors: Policies, Practices and Procedures etc. From the data analysis done in Chapter 4, there is evidence that all these factors do contribute to the success of SHRM. These factors were dealt in various statements given by the interviewee during the interviews of ED (HR), ED (BD), DGM (HR & HRD).

From the earlier literature it is found that the HR function factors are specific factors that influence the compatibility of a variety of HR practices themselves, while firm level factors are analyzed as major determinants for matching HR activities with organizational strategy. In GAIL, though there is a satisfaction that HR is aligned to the needs of the business strategy and the strategy of various business verticals, but at various levels all these factors do influence the alignment of Business Strategy and HR Strategy.

Earlier literature also state that the Organizational Factors like Culture, Structure etc. do influence the fit, as can be inferred from the interviews of ED (HR) and ED (Marketing). The company and its way of working and culture are an important phenomenon, which develops over a period of time and endeavour is to have a efficient working environment and we in the marketing division work towards these things. The work culture of the employees comes out of the company's working culture, and the company's working culture's basic elements are efficiency and effectiveness.

Further, the individual Factors also known as Personnel factors like Leadership and Skill set, which embrace the capabilities of both employees and Managers, including HR Manager and other top Managers, are identified as common determinants for both horizontal fit and vertical fit. This was

derived from the interview of ED (BD). In GAIL, people come out with innovative ideas to ensure that there is an appropriate culture in which the scope is there for developing the people to inculcate a sense of leadership within the people, again it is the leadership pipeline, it is not that the leadership is only at the top. Leadership is in a continuum. So leadership is there.

There is a structured process followed for identifying the requisite skills or the gaps or the development areas where the strengthening has to be done for which the programs have to be designed. The entire process of training need identification or gap identification is linked to the performance identification system where the areas of strength and development rather than seeing it as weakness are identified by taking the inputs from the top management, starting from the top management to the reporting officer, the reviewing officer then the accepting officers. Then they are analyzed to a steering committee on training which deliberates the various inputs received or the areas identified and based on which the annual training calendar or the plans for the individuals are rolled out keeping in view their individual development needs, their unit level development needs and the overall organizational needs in terms of developing the new skill sets in the employees. Parallely also in the recent years what the company has taken up, is the senior management development centers, where senior executives are taken through a structured assessment center exercise where their areas of development are identified on behavioral competencies required and based on which the structural individual development plans are chalked out and they are being provided to the concerned executives.

As an organisation the requirements and need of manpower skill sets, training etc are dynamic in nature within overall objective of whatever the strategy of the company is. So depending on what changes are happening in the external environment, what skill set is required, what training is required, what kind of expertise is required will depend. For e.g. GAIL has opened offices in Singapore and in US, so it needs manpower with international exposure and training of the people in particular skill sets like trading and hedging etc. So these are things which are informed to the top management and also taken up with the HR department in order to make available those resources. In terms of the technology as a factor influencing the fit, it can be stated that GAIL is technology savvy company and GAIL is leveraging technology, so it is seen that, employees are working virtually, it may not be that the employee is always available in person, but he is always available on mobile, internet etc. Even if they are travelling, they are available and the job is being done. Further, to achieve the alignment of HR strategy with business strategy, HR function has undergone so many changes like effectively leveraging the information technology, conversion of so many processes instead of Hard Copy into the online mode, that ensures

that employees are comfortable at the same time and those who are responsible for execution of those processes they can also devote time for better activities instead of routine and mundane tasks that is there, so people can think, people come out with innovative ideas to ensure that there is an appropriate culture in which the scope is there for developing the people

In GAIL, it has been identified that, it is required to make frequent communication between the various verticals and functions, especially with the HR function. Further, whenever, the strategy document is revisited, the reasons and outcomes should also be made known to employees. The inconsistency, comes out of lack of communication and coordination between the vertical, for e.g. marketing and the HR group, while the vertical may be involved in implementing its strategy and since that also is a dynamic process in changing its strategy from time to time, the same if it is not conveyed to the HR, the HR strategy will not be in alignment with the strategy of the vertical itself. So there is a need for greater cooperation and coordination and every time some dynamic change happens that needs to be equally conveyed to the HR group so that both the strategies are in congruence with each other.

Technology as a factor influencing fit was discussed in the interview of ED (E&P). The HR sub system factors like Policies and Procedures influence the various fits as stated by GM (HRD) and DGM (HRD). It is suggested that other factors, however, especially some firm level factors, are pertinent for firms seeking vertical fit. Values and culture of a firm impact the vertical fit. Organizational culture and values shape the HRM practices

From this study, two new factors emerged out, which influence the fit, which are Organizational Challenges with the Site HR Heads and Capability building. The top HR managers have confirmed in their interviews that these factors do influence the fit. With regard to the Organizational challenge with site HR Heads ED (HR & HRD) has stated that site HR heads are not involved in strategic HR policy formulation; They are mostly involved in administrative jobs; Frequency communication of strategy objectives to various stake holders; revisiting of strategy documents based on inputs from the stake holders, etc. On capability building, CM (Training) has rightly pointed out that Capability Building is the area for which the training department is responsible. From time to time meetings are held and initiatives are taken to cover the functions for capability building. Regular training programs are also conducted.



## **5.2 Conclusion and Discussions**

Having validated the Initial Conceptual Constructs through Interviews under Case Study Protocol method so as to meet the research objective and research questions, the following discussions in line with the findings have emerged based on the inputs taken from the business process owners and HR. The section also discusses the significance of the findings of this research and contributions to theory:

### 1. **An Enhanced HR Organizational Structure:**

Standardization of process and policy across the organization is one of the tenets and often requires a significant review of existing capabilities. Standardized processes form the basis for efficient service delivery to all staff and the development of reliable and trusted interactions with the customer base. Consolidating and Developing existing Core Competencies further such as Contract management, project management, etc. so as to realize and leverage the current potential of the company – The evolved business scenario calls for consolidating and refining the existing core competencies so as to realize and leverage the current potential of the company. Special thrust is required to be given to competencies such as Project Management, Contract Management, Regulatory Management, E&P, Risk Management, Market Intelligence gathering and forecasting, Scenario Planning, etc. The firm may further train and develop the existing personnel performing relevant roles in order to develop a cutting edge in such areas. Further, it is also required to develop a succession model wherein identified potential individuals are groomed for future in the above areas. Comprehensive reward and recognition scheme (formal and informal) for recognizing the efforts of employees, e.g. Best Employee Award, High Performing Team Award, Best Young Executive, etc. can be introduced for inspiring the employees. The firm can explore the option of providing **Employee Stock Option Plans (ESOPs)** so that the employees get a sense of real ownership for the success or failure of the company. The organization may explore for introduction of flexible working hours to provide more flexibility to the employees and work from home facilities for employees subject to special circumstances such as in case of women employees being in family way, employees recovering from sickness, etc. Policy can be developed for hiring the specialized and expert services, (such as in the area of E&P) to supplement internal capabilities. Mechanism for tie ups with world renowned Research & Development Institutes and Technology Institutes may be put in place so as to develop firm's own R&D capabilities. Incorporating diversity practices in a workplace can include recruiting from diverse talent pools to make the company open to employees from various backgrounds.

Diversity may be infused into advertising practices to ensure products and services are targeted to all consumers who represent the target market, whether through print, online, television or radio.

- Framing policies and creating a work environment suited to needs of diverse workforce.
- Create a visual of the team by keeping data on ethnicity and gender.
- Network with diverse professional associations and organizations.
- Set diversity expectations with recruiters.
- By developing Integrated Information sharing with respect to Organizational plans/strategies/communications with the employees on a dynamic and continuous basis. Further, effort is to be made for ensuring stronger coordination amongst various business verticals
- Evaluation and reward
- Create Collaborative Working Culture:

Make move to break the internal silos created in the organization by moving talent around (through rotations and international assignments), creating special cross functional groups and by creating formal networks to foster the relationship that promotes sharing of knowledge across departments and locations

2. An Efficient "Customer Oriented" Service Delivery Model:

The most fundamental change as part of improvement is the implementation of a revised service delivery model. This model lays the foundations for the changes in the way that HR relates to the business and how HR serves the wider departmental population on a more transactional basis. In alignment with the goals set out as per Strategy 2020 exercise, the firm is required to periodically review the business plans and identify the growth targets, which will form the basis of the projected talent requirement in future. The identified business plan and growth targets is to be utilized in defining the talent requirement in terms of exact numbers with further level-wise delineation at entry level, middle level and senior level. Next step is going to be the identification of talent pools for meeting the above requirement:

- a) Targeting premier technology & management institutes as well as institutes offering specifically oil & gas courses.

- b) Experienced Talent pool available in the market for middle & senior level positions, especially for E&P business – strategy to be mix of direct recruitment as well as through reputed executive search firms.
- c) Considering expats on terms basis for certain specialized roles

Though the firm has a well-defined recruitment policy, certain suggested improvements can be as under:

- It should try to increase the ‘Employee Value Proposition’ so as to become recruiter of choice especially for “Generation Y” talent pool through aggressive Employer Branding Exercises, such as:
  - a) Visiting identified campuses regularly.
  - b) Dedicated communication campaign highlighting the GAIL brand and the career options available to college freshers.
  - c) Increasing the interface with academic institutions in order to make the prospective hires interested in GAIL by sponsoring “Chairs” in leading technical institutes.
- It should adopt a right mix of campus selection, open recruitment and lateral selection.
- The firm may revisit the existing recruitment process and consider following suggested changes:
  - a) Making the selection process a Competency Based One in order to increase the probability of hiring candidates who can fit into the identified job roles.
  - b) Increasing the use of psychometric tools and other scientifically validated techniques in selections including online assessments.
  - c) Introduction of Assessment Centers for hiring employees with experience.
  - d) Engagement of Head Hunters for experienced executives having specialized skills for senior positions
  - e) Competitive remuneration especially for hiring experienced people having specialized skills in the areas of E&P, LNG sourcing, etc.
  - f) In order to retain quality talent at all levels, the firm may consider providing faster career progression to deserving incumbents which is a limiting factor as of now. However, due care is to be taken for maintaining the internal equity.

3. Integrated HR Information Systems:

Information management systems for HR is a very significant step towards efficient customer service delivery model. The use of a smart knowledge and document management solution is central to the ability of HR staff to access data quickly and reliably and to make use of standardized, corporately held procedural documentation and advice. The firm has implemented a revised Performance Management System (PMS) having the elements of KRAs/KPIs and competencies –functional, cross-functional, & behavioural. However, the PMS needs to be made further robust by defining objective KRAs/KPIs for each individual. The goals & targets should necessarily flow from overall business goals for each year. Also the goals should have enough stretch so that the employees take it as a challenge and leverage their full potential in achieving the same. This will help the firm in moving towards a complete performance oriented culture. The process of Mid-year review has to be made more structured. Due seriousness and importance need to be given to the process also, so that it becomes a facilitator in mid-course correction and resolving all the problems being encountered in achieving the set goals and targets. Another aspect of PMS which requires attention is the performance counseling at the year-end performance review. An objective, issue-based and focused counseling can go a long way in improving the individual performances.

4. The technology in the Oil and Gas business is changing very fast and so is the business needs. The market forces are affecting the profitability of the business at a global level, and if the people in the company are not ready to face the fast developing market, the company may lag behind. Thus HR needs to modify itself to the trend of the day and keep up the dynamic environment of the business environment, so that it can properly align with the Business Strategy. Acquiring and developing new business related Competencies such as in E&P, M&A, LNG, etc. – As the organization expands into new & diversified areas, it becomes imperative to acquire new skill sets and competencies especially in the areas of Mergers & Acquisitions, LNG sourcing, International Trading, Shale Gas, Managing Shipping Business, etc. as the same are not available in-house at present. In order to achieve this goal, the organization has two options: either to hire right kind of people having desired competencies or to develop its own talent pool in the new areas. However, it will be appropriate for GAIL to have an optimum talent mix of existing people and fresh hires so that the operations continue seamlessly.

Existing Business related Competencies	New Business related Competencies
Project Management	LNG Sourcing
Contract Management	Shale Gas
Marketing related competencies like segmentation, market intelligence, customer sensitivity etc	International Trading
Regulatory Management	Mergers & Acquisition
Risk Management	International Operations
Exploration & Production	Shipping

5. The HR strategy is directly in sync with the organizational strategy, so in GAIL, there is an approved HR strategy with in-built elements on capacity building, capability building, and knowledge management, these are three core elements which are a part of the HR strategy and now which are coming to the sub-functions within HR group. Competent People are required to be inducted at a regular level so that there is no short fall of requisite manpower. Further Capability building should be taken care by the training arm, like by GTI in GAIL, where the skill management, future skills, and skill development are also polished. So, there is requirement of new skills as a major focus for the overall growth of the organization. Also, the organization should see for knowledge management and the capturing knowledge suitably, keeping employees motivated and encourage them to come out and share their experiences that can be utilized for the overall growth of the organization. On the basis of strategic goals and brainstorming by all the process owners the key skill gaps are to be identified especially in the areas of Gas Sourcing, Shale Gas, Project Management including project finance, Techno-Commercial skills, Pipelines Integrity Management, Health Safety & Environment, Risk Management including hedging, E&P, etc. This will enable the firm to develop competency based training need assessment process, which isn't existing at present.

- ❖ The present role holders are required to be assessed in terms of the skill gaps by their concerned Reporting/Reviewing Officers.
- ❖ The Training institute (GTI) is required to develop customized training programmes on the identified areas so as to bridge the identified gaps. Necessary inputs may be taken from the functional heads so as to make the programmes enriching and meaningful.
- ❖ Training programmes also need to give adequate focus on general management & leadership capabilities. The firm can even consider sponsoring certain key middle and senior level executives for advanced management programs at reputed foreign universities.
- ❖ Focused Talent Development Initiatives to be undertaken for developing executives at different levels and prepare them for assuming positions of higher responsibilities in middle & senior management levels. Also, differentiate performance and potential levels to identify High Potentials in Junior, Middle and Senior Levels and develop them for challenging and critical roles/assignments.
- ❖ Another key area to focus is Succession management. Though the company has a Leadership Development Programme, a structured framework for identifying and grooming the successors for various critical roles at senior levels is still to be put in place. Considering significant retirements in coming years and evolving business challenges there is an imperative need to bring in a structured succession planning framework. A suggested approach for the same can be as under:
  - a) Identification of critical roles and leadership positions across all businesses at different levels.
  - b) Identification of the potential incumbents through Assessment/Development Centers.
  - c) Assessment of the potential incumbents for identifying development gaps.
  - d) Designing of individual development plans which can be a mix of customized trainings, special assignments, coaching, cross-functional assignments, etc.

As the organization is expanding, it can now plan to put in place a career progression model which can project career opportunities available to an individual employee. This can help in raising the intrinsic motivation levels of the employees including the new recruits. On the basis of developmental gaps identified, development programmes can be developed which will enable employees to make possible career moves and to take up challenging roles and assignments. The firm can develop and implement a structured job rotation framework. The career progression model coupled with the job rotation framework can provide horizontal and vertical enrichment to the workforce. This will be a very useful motivational tool for the employees. Structured

programs for transferring knowledge from experienced employees to new employees may be introduced in the company. The organization can introduce “Mentoring” for middle level executives in order to develop specialized skills. The organization can develop a system of capturing skill repository” of all the employees, which can be utilized for putting Right Person in the Right Job.

6. In GAIL, it has been identified that, it is required to make frequent communication between the various verticals and functions, especially with the HR function. Further, whenever, the strategy document is revisited, the reasons and outcomes should also be made known to employees.
7. The inconsistency, comes out of lack of communication and coordination between the vertical, for e.g. marketing and the HR group, while the vertical may be involved in implementing its strategy and since that also is a dynamic process in changing its strategy from time to time, the same if it is not conveyed to the HR, the HR strategy will not be in alignment with the strategy of the vertical itself. So there is a need for greater cooperation and coordination, and every time some dynamic change happens that needs to be equally conveyed to the HR group, so that both the strategies are in congruence with each other.

The **significance of the findings** of this research and contributions to theory, methodology and practice are very important. Over past few years, there has been a need to understand the holistic view of HR management of a large gas utility company in the gas industry. Especially, in an Indian environment this kind of study will contribute much to the industry. Therefore, this research fills the gap by developing the multi-level framework for HR strategies development & HR practices. For a gas utility company in the Indian gas industry to manage HR activities more efficiently & effectively, Indian Gas utility company has taken for this study needs to focus in the following:-

1. Company’s HR strategy is to be assessed with the above identified constructs and baseline to be set.
2. To understand the existing HR strategy formulation & practices in a large Gas Utility Services Company in India
3. To study the vertical fit between HR strategy and Business strategy.
4. To study the Horizontal fit among the various sub functions of HR

5. To study the factors facilitating the strategic fit (both Vertical and Horizontal)
6. To develop a process frame work for Strategic Management of Human Resources in the organization

### **5.3 Practical contribution of the Research Study**

This study would help the HR Managers to benchmark the HR practices in their organization and teams to understand the HR strategies leading to development. Further, this research found evidence to formalize & improve the HR strategy adapted since importance attached to industry/operation specific HR strategies

### **5.4 Limitations of the study**

The conclusions offered in this research are based on an in-depth study of an organization GAIL (India) Limited, by applying a qualitative interpretive approach that is often considered as subjective and having limited generalizability (Klein and Myers, 1999). The factors developed are based to a large extent on the perception of interviewees, which may be subjective. To compensate for this subjective source of data, evidence was also collected from internal and external documentation and observations in the case studies, as suggested by Yin (2003) and Eisenhardt (1989), which are considered to be more objective sources.

However, no research endeavor is final and there are limitations too. In the following section, limits of this research are captured:

- The research is a descriptive co-relational study to relate to an answer on the issue at hand. The objective of the study for the research is for delineating the important variables associated with the problem rather than establishing direct cause and effect relationship as being done in Causal Study. The scope of the research demanded more emphasis for quantitative approach instead of validating the proposition on qualitative grounds.
- Case studies were primarily based on data collected through questionnaires and interviews of members of the HR/ top management. Their biases and perceptions might have affected their discourse of the actual experience of growth and success. While an attempt to verify facts from secondary sources and a sample of cross section of employees were made, still there is scope for thorough verification.



- It was observed in the organizations that the top management was reluctant in sharing some data. Some information therefore may not have been shared with the researcher during the course of the study.
- The study focused on the strategy adopted by the top management and not on how it was perceived by other stakeholders. It was assumed that a growth of the organization was an indicator of successful strategy. Further study may include views of other stakeholders too.
- Given more time, a validated questionnaire on various dimensions relating to HR/(HRD) and EVA as a tool to measure the performance of the individual and organization could have been developed and administered to add more rigor to the study.
- The conclusions and recommendations of this study are not meant for generalizations. These are suggestive and not prescriptive.

### **5.5 Direction for future research**

The results of this research provide an insight into the HR strategy formulation and practices of a gas utility company in the gas industry. A number of topics can be suggested for a future research.

- Further studies can design and conduct surveys across gas industry and other industries to test the propositions developed in this research.
- Further studies can explore other countries / other industries / other types of business verticals
- Further studies can develop Quantitative Associative Networks, which might further enhance the understanding of HR strategies & practices

This study focused on the strategy adopted by the top management and not on how it was perceived by other stakeholders. A study that includes views of other stakeholders could provide better understanding of the topic.

- While organizational cultures in various organizations, especially as diverse as India, cannot be called homogenous, yet one could expect variation in organizational culture adopted in different countries. Thus, other studies based on the same design but carried out in other countries could uncover several findings based on same or different interpretation.

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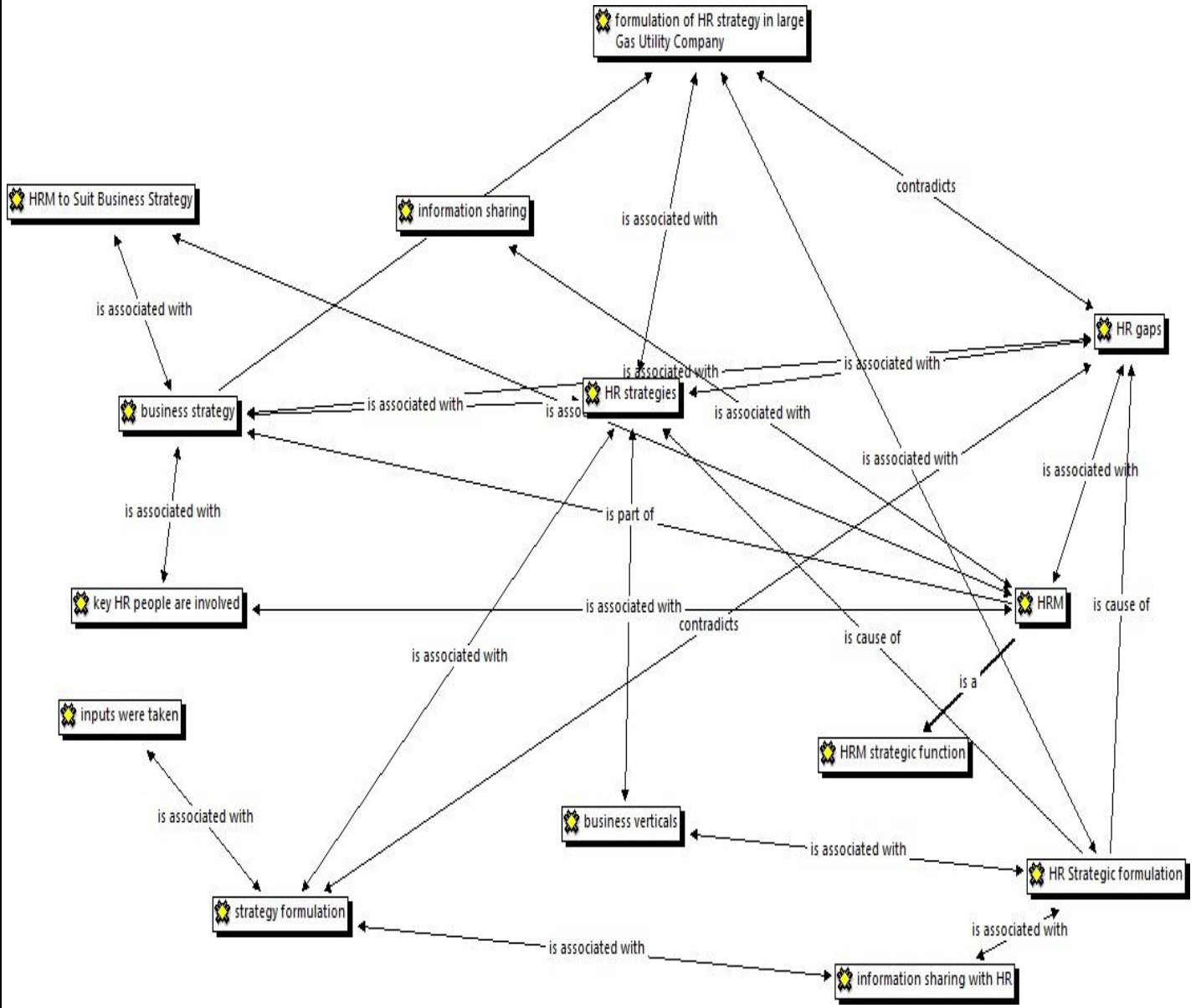
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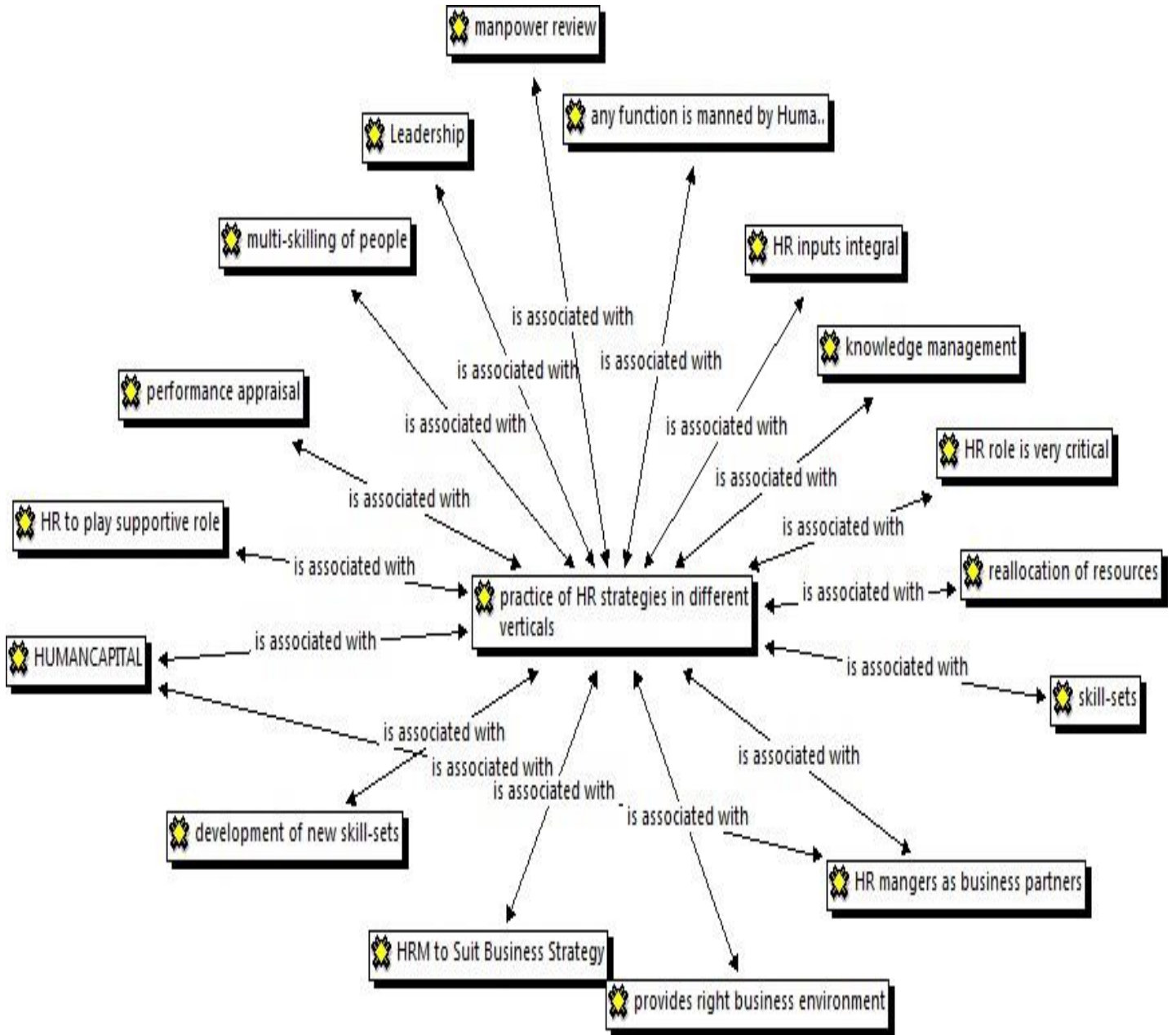




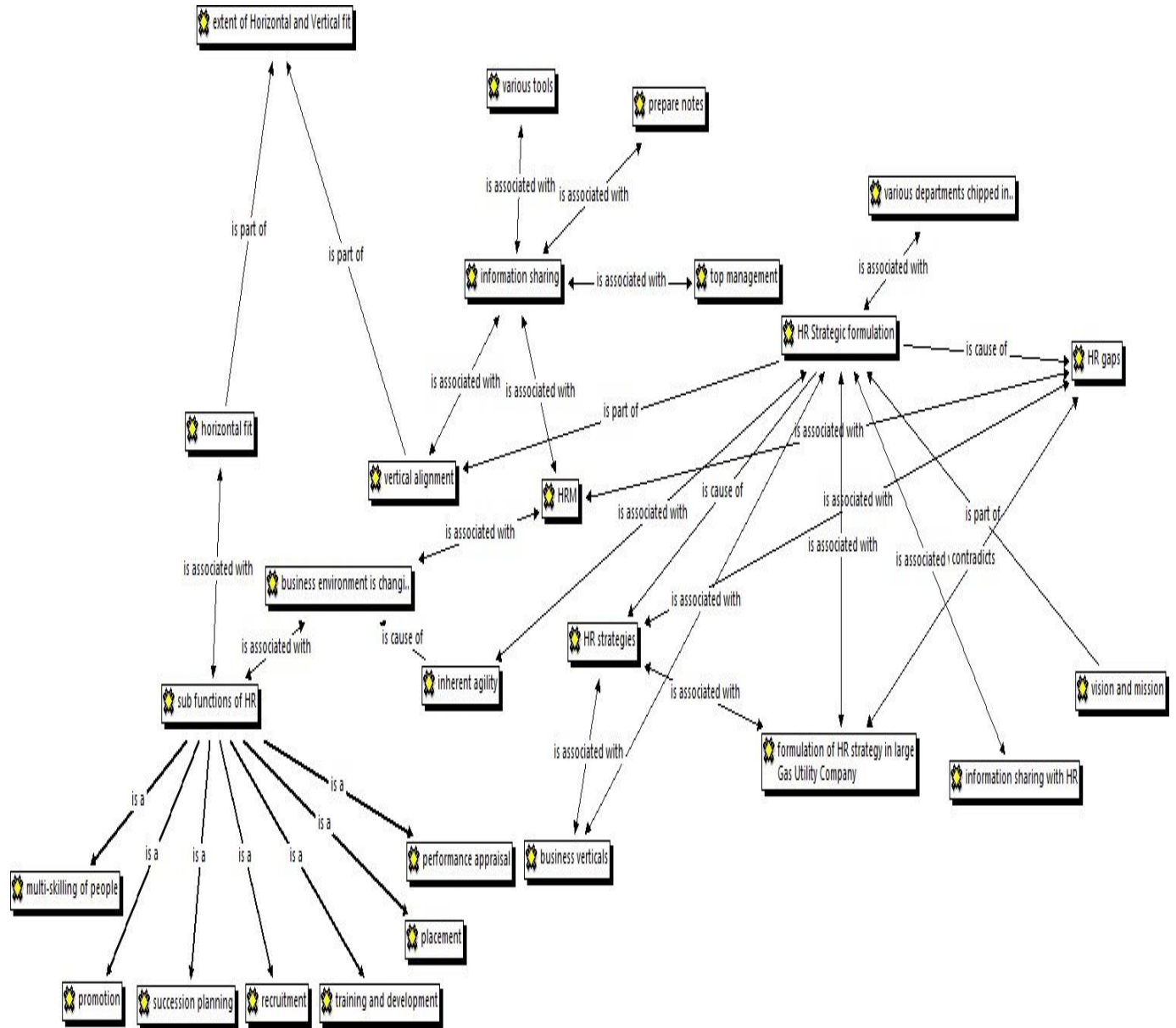
# Formulation of HR strategy in a large Gas utility company



## Practice of HR in different business verticals



# Horizontal and Vertical Fit





## **Appendix II: Case Study Protocol**

### **A. Introduction to the case study and purpose of protocol**

#### **A1. Background**

Human Resource Management process is continuous in a gas utility company and any change in HR policies and processes cause a huge impact. Although Organization follows various HR strategies, the cost and impact of HR policies and processes was found to be huge in the organization. Therefore, this case study protocol has been prepared to study on this problem i.e., How the HR Managers in a large gas utility company in India formulate the HR strategies for their gas transportation/processing operations and how they practice these formulated HR strategies to maintain motivated employees & operate the process/plant continuously without interruption?

To conduct the above case study, GAIL (India) Limited has been chosen to conduct the study. Approval of conducting this study has also been obtained from the organization.

#### **A2. Purpose of Case Study Protocol**

A case study protocol is a document that contains the questionnaire (instrument) for data collection as well as the procedures and general rules to be followed in using the protocol. This purpose of this Case Study Protocol is using case study as research strategy to understand:

How the gas utility company (GAIL India Limited) is planning and executing its HR strategy & practices to ensure its alignment with overall company's business strategy?

### **B. Data Collection Procedures**

#### **B1. Names of sites to be visited, including contact persons**

For the above case study, data collection will be done from the employees of GAIL (India) Limited. The proposed list of employees who will be contacted for interview along with the location & contact details is also prepared.

## **B2. Data Collection Plan**

Data Collection from the employees of GAIL (India) Limited will be done in the calendar year 2014. The data collection will be done by semi-structured interview with an individual employee using the Case Study Protocol.

Description	Period
Interviews for Case Study	May 2014 – July 2014

## **B3. Expected preparation prior to data collection**

3. Intimate the employee regarding interview schedule & get his permission well in time
4. Prepare with interview tool kit such as questionnaire, interview recording format, audio recorder if required etc.

## **C. Case Interview Guide**

This document serves as guideline specifying the type of questions in conducting interview for this case study “How the Managers in large Gas Utility Services Company in India formulate the HR strategy for various Business Verticals and how they practice these formulated strategies?”. The relevant initial conceptual constructs identified from the literature review related to this case study research are mentioned in the attached Annexure –C. These constructs will be used for validation purpose during interview. Documentary evidences will be identified during interview & the same will be recorded.

### **C1. Description of the Case Study entity**

#### *C1.1 General*

7. Company: GAIL (India) Limited
8. Name:
9. Designation:
10. Location:
11. Experience:
12. Date:

## **C2. Planning & Execution of HR Strategy & Practices**

This section of interview will cover the primary research question of this case study which deals with the planning & execution of HR strategy and practices of GAIL (India) Limited.

C1.2 Responsibilities and their roles relevant to HR strategy formulation at GAIL

C2 Formulation, Selection, Planning and execution of HR Strategies and practices:

This section of interview will cover the primary research question of this case study which deals with planning & execution of HR strategy and practices in GAIL (India) Ltd.

*C2.1 How a large Gas Utility Services Company in India formulate its HR strategy for different Business Verticals?*

*C2.2 How these strategies are practiced in different Business Verticals?*

*C2.3 What are the extents of Horizontal & Vertical fit in different Business Verticals?*

*C2.4 What are the factors leading to inconsistency or congruence between HR strategy & Business Strategy of different Business Verticals?*

### **1. Corporate Planning Group:**

1. How Business strategy is formulated in your company?
2. How do you describe the role of H.R influencing and formulating the Business strategy?
3. H.R happens to be integral part of formulating the Business Strategy and you take the input also, what is your feeling about the inherent agility of the Business Strategy that helps in HR Strategic formulation?
4. How is the interaction being done in between top management and HRM in the organization and what kind of information do you share?
5. How the HR strategy is formulated in alignment with the Business strategy?
6. Do you feel that the HR strategy formulated in this company is very much in sync with the vision and mission of the company?
7. How HR strategies are practiced in different business verticals of this company?



8. What is the impact of diversification of business in your company on the strategic planning process?
9. Do you feel there is a gap between business strategy you formulate and HR strategy in its vertical alignment?

## **2. Business Vertical Head:**

### **A. ED (E&P)**

1. How do you feel that the Business strategy is formulated in alignment with your business vertical in the company?
2. How do you feel, I am talking about your honest feeling about HR and how far it is in sync with mission and vision of the company?
3. Business is a dynamic in nature; it keeps changing so how do you relate yourself with the change environment with the Business Strategy?
4. What kind of information you share with the HRM (Human Resource Group) or with the top management?
5. Tell me your understanding about HR strategies, whether it is aligned with the business strategy, if so, and secondly how it is aligned with your business vertical? So there are two things, HR and its alignment with the business strategy and HR in alignment with your business vertical.
6. But you tell me, (it's a very consequential question) that how HR strategies are practiced in your business vertical, how this functions for your business vertical? Are you satisfied?
7. Business situation is dynamic, so whenever you decide for a diversification or expanding your horizon, as you said that to overseas operations, how does it impact the HR strategy planning process in particular?
8. What are the factors you feel that leads to inconsistency? Or the factors which bring congruence in the HR strategy planning process?
9. How do you manage the issues related to HR in your vertical?
10. How do you envisage the effects of organizational consequences, the risks, the benefits on the HR planning process in your business verticals?
11. What would be your inputs on such issues even for the project development group? Is it the same?

## **B. ED (BD)**

1. How Business strategy is formulated in alignment with business vertical of your company?
2. Whenever you develop strategy for your department, be it for globalization, be it for diversification, be for that matter M&A, do you associate HR as a part and parcel of preparing strategy?
3. What is your feeling, I mean, HR strategy that HR formulates, is in sync with the vision and mission of the company?
4. So you say that you share information with HRM and top management about the requirement and for implementation of the strategy that you have already formulated for your vertical?
5. You need to bring LNG and for which you need to have shipping line also, so do you feel that those requirement have been duly mapped by HR vertically, keeping in view the Business strategy in mind?
6. What is your feeling that HR strategies that are practiced in your business vertical and for other business verticals as well are good enough for organization to remain satisfied or something more is required to be done?
7. So it is very clear that the impact of diversification is influencing the HR strategic planning process and to what extent do you feel it's correct?
8. Tell me about factors which you envisage that leads to inconsistency or congruence in the HR strategic planning process?
9. How do you manage the issues related to HR to your business vertical, because your business has to go on?
10. HR also involves or needs implementation of the strategic process like recruitment strategy, training and development strategy, are you associated remotely or grossly associated?
11. Tell me how do you envisage the effect of your organizational consequences, risks, benefits and impact (including company culture) on HR planning process in your business vertical?

### **C. ED (Marketing)**

1. That as vertical head and heading the marketing division how do you feel that the Business strategy is formulated in alignment with your business vertical in the company?
2. What is your feeling about HR i.e. how far it is in sync with the mission and vision, as you mentioned, of the company?
3. What are the inputs you consider you should provide to the corporate planning group for formulation of Business Strategy keeping in view the interest of the business verticals?
4. What kind of information do you share with HRM and top management?
5. What is your understanding that the HR strategies are duly aligned with the Business strategy firstly, and secondly how it is aligned vertically with your business vertical?
6. HR strategies are practiced in different verticals of the organization, how it is functioning for your vertical?
7. Business situation is dynamic and so whenever you decide for diversification how does it impact the HR strategic planning process?
8. What are the factors you feel that lead to inconsistency or bring congruence, either way, in the HR strategic planning process?
9. How do you manage the issues related to HR in your business vertical?
10. How do you envisage the effects of your organizational consequences, the risks, benefits and impacts on the HR planning process in your business verticals?
11. Your work culture does it any way impact the HR in the strategic planning process?

### **3. HR Head:**

#### **A. ED (HR&HRD)**

1. How do you engage in formulating the Business Strategy because you are the head of HR and HRD?
2. Do you really feel that the HR's Managers working in this company are viewed as business partners and involved in strategy initiatives?
3. So corporate HR was grossly involved? What are the HR inputs you considers as integral or consisting to Business Strategy or your organizational vision?
4. How HR strategies formulated in alignment to the Business Strategy in your company and how do you envisage the strategic management influence in your HRM activities?

5. What are the extents that are the strategic fit be it horizontal or vertical in different business vertical of your organization and what are the factors facilitating or hindering such a fit?
6. The various sub-functions how do you align them so as to cater the requirement of posting as in putting right people at right place? How various sub-functions are aligned so to make sure right people at right place?
7. How this HR strategy is implemented across the work centers across the business verticals?
8. HR is reasonably involved for purpose of strategy formulation in business and also HR is practiced in various business verticals be it project, be it marketing, be it E&P with reasonable satisfactions of the concerned head of the business verticals?

**B. GM (HRD)**

1. Do you feel that the corporate HR strategy that you have created for the company is aligned with the business strategy formulated in the 2020 document adequately or not?
2. For each sub-function you create a strategy for yourself for implementation. How do you go about it and how do you align them as they are all inter-related functions?
3. How do you link the different HR activities to long term vision of the company?
4. can you describe how HR Managers in this company can be taken as business partners or how they are involved in HR strategy formulation, because that will in return help in formulating the business strategy?
5. To what extent do you feel that the corporate HR strategy-a strategic fit between the Corporate HR strategy & Business strategy and similarly, the horizontal fit amongst the various sub functions of the HR including HRD?
6. What are the factors you feel that facilitates this kind of strategic fit or there are factors which hinder in the progress of the strategic fit?
7. Given a choice to you what are the measures you would like to put in place to improve this process of formulating the HR strategy in the existing framework of business?
8. How often you involve line Managers in such decision making process?
9. How do you develop the requisite skill sets for various job positions in your company?
10. How do you manage to bring about co-operation among various Managers of HR?

### **C. GM (HR)**

1. What is your feeling that HR is properly aligned with Business strategy?
2. So, how do you decide to align your sub-functions of HR with the comprehensive HR strategy?
3. How do you formulate it for various sub-functions? How do you go about it?
4. So in a way I would like to know how do you link the HR activities to long term HR vision?
5. How the HR Managers in your company can be taken as the business partners and be involved in HR strategy formulation, which also in turn supporting in formulating the Business strategy?
6. What are the strategies you have developed to develop the HR in the framework in your company?
7. Can you describe how your department contributes in the diversification of business of company on the strategic planning process?
8. To what extent do you feel that the strategic fit with business verticals and also there is friction among various sub-function of HR department not limited to your function but other HR and HRD, what is your opinion ?
9. Can you give few factors which facilitate or factors which is hindering such a fit?
10. But can you describe the few factors which is hindering the process because you know that the short fall of your expectation?
11. How do you manage to bring about operation among various sub area Managers of HR?
12. Do you think that HR is meeting the expectations of various business verticals? Or there is scope for improvement?

#### **D. CM (Trg.)**

1. How do you find that the functions of this training department are duly aligned with the HR strategic objective as said by the Corporate Office in alignment with the Business strategy of the company?
2. So, how do you identify? I would like to know the process of identification of the training needs for the training department?
3. Do you feel that your focused program is in sync with the developmental requirements as have been identified in the performance appraisal system?
4. So, is this more of a Managerial kind of Programme?
5. So, how do you implement those developmental needs?
6. How do you ensure that at the end of the program the purpose for which this was designed, organized or conducted is reasonably achieved?
7. training happens to be an integral part of HR functions, it cannot be treated in isolation and how do you find the alignment of training function with other sub-functions of HR like recruitment, promotion etc. as the objective happens to be making voice?

## Appendix III: List of Open Codes

“pay/packages”

a collective effort,

a consultant was engaged

able to meet their requirement..

acquiring the knowledge know h..

acquiring the right kind of ta..

actions will also be driven

adequate resources in terms of..

administration

advisor from the Industry

aligned to our requirement,

alignment

alignment with the overall str..

all organs are equally importa..

all through the process HR is ..

all vertical heads get involve..

an extra effort to learn the t..

analyze the complete value cha..

annual basis we interact with ..

annual T&D exercise

any function is manned by Huma..

areas where there are the weak..

ascertain the requirements for..

aspire high

assign them the target date fo..

assistance from HR

at specific functions

at times it takes longer time ..

atisfied with the HR practices..

atmosphere of openness

biggest asset that any manager..

bit of lag

board level

both are integral parts

break down activities into sma..  
bridge that gap very quickly  
brought out before the HR depa..  
building relationship  
business aspirations  
business development we have 3..  
business environment is changi..  
business heads and business re..  
business needs  
business partner  
business strategy  
business strategy of GAIL, Str..  
business strategy of the compa..  
business verticals  
can't engage people from overs..  
can't recruit people at a seni..  
capability building  
capacity building  
central to our entire organiza..  
challenges as a commercial ent..  
challenges which the business ..  
changes are happening in the e..  
ciency and effectiveness  
collaboration  
communication  
company's working culture  
comprehensive and consolidated..  
conceptual things are within t..  
considered a set of parameter  
consistent with the resources  
consolidation of business stra..  
constraints within which we wo..  
continuously review  
contract-engagement overseas  
core area of the HR activities..  
Corp HR Strategy  
Business strategy



corporate level  
Business Strategy  
course correction or addition ..  
cross functional groups  
culture of sharing and caring  
Department Heads  
deploy various tools  
detriment of the interest of t..  
developing the skill in that s..  
development of new skill-sets  
different developmental traits..  
different kind of manpower req..  
difficult to hire such man pow..  
direct competition  
Diversification  
don't have the right kind of p..  
Drafting the corporate busines..  
driven by top  
dynamic  
each business  
each vertical to be in regular..  
element of HR in every individ..  
employee remuneration  
employees  
energy deficit  
entering into areas  
environment is dynamic.  
environment scanning  
envisage the vision of the str..  
equal involvement of the peopl..  
equipment based on whatever b..  
establishment  
everybody is HR  
evolved as performing and prog..  
evolved out of the overall org..  
executing the things in a spee..  
execution

**Executive Directors**

existing skill sets

expected output.

expertise on these global leve..

external business environment

external consultants/ experts ..

external factors

external opportunities

external programs

extreme efficient in what we a..

fall upon

feedback and inputs

final objective of drawing up ..

Final question

finance, HR and other things

footprints globally

formal and informal level

formulated certain strategy

formulating each business stra..

formulation of HR strategy in large Gas Utility Company

formulation of strategies

free exchange of knowledge and..

functional departments have gi..

future skills

GAIL lays a lot of stress on t..

gap

Gap identification

gap in the HR strategy

get people on deputation

getting all kind of supports.

getting mingled with their cul..

getting somebody hands on pers..

giving a preference to their e..

globalization

groom our people.

groom them within the organisa..

growth will solely depend on

**H.R**

**hand over to HR,**

**handled by wrong people**

**has not been traditionally inv..**

**have to align our actions and ..**

**hey refine it and finally impl..**

**high and demanding**

**hire consultant**

**hiring through contracts**

**how people are getting and acc..**

**how to handle the contractual ..**

**how to make use of the best us..**

**HR function is an integrated f..**

**HR functions include everythin..**

**HR gaps**

**HR has pro-active role**

**HR initiative**

**HR inputs along with business ..**

**HR inputs integral**

**HR interventions**

**HR is receptive to our needs**

**HR managers as business partners**

**HR people**

**HR role is very critical**

**HR specific targets**

**HR Strategic formulation**

**HR strategies**

**HR strategy and business strat..**

**HR strategy has to be in align..**

**HR thing**

**HR to play supportive role**

**HRM**

**HRM strategic function**

**HRM to Suit Business Strategy**

**huge impact on the organizatio..**

**Human Beings who drive the gro..**

**human capital is certainly a v..**

human input is first and forem..  
human resources that are requi..  
**HUMANCAPITAL**  
identify the file retention sy..  
if somebody doesn't have backg..  
if there is a gap  
if they are informed well in t..  
imbalance of the levels  
imparting some skills  
implementation  
implementation hurdles  
in-built elements  
in-house knowledge deficit,  
inbuilt navigational plan  
inconsistency  
inducting people from the indu..  
influencing and formulating  
information sharing  
information sharing with HR  
inherent agility  
inputs were taken  
integral part  
integral part of the overall s..  
integrated HR  
interaction  
internal strength  
intricacies of the business  
involvement and interaction  
issue of succession planning  
It is an integral part  
it is the investment  
its aligned  
job profile is required to be ..  
key HR people are involved  
kind of skills  
knowledge management  
lack of communication and coor..

## **Leadership**

**leading company with global fo..**

**line managers**

**listening to people, understand..**

**Long term HR vision**

**long term strategy of the comp..**

**long term vision of the compan..**

**longer time for HR to deliver**

**lot of changes are required**

**maintenance**

**man powers**

**manned by our regular manpower..**

**manpower review**

**marketing**

**marketing vertical is in conso..**

**marvelous job as far as implem..**

**meeting the expectations**

**merger and acquisition**

**mission, vision and the object..**

**modify our strategy**

**MoU targets**

**multi-disciplinary team with d..**

**multi-skilling of people**

**mutual trust**

**mutually support each other**

**natural integration**

**needs to be perfect.**

**new business areas**

**new business or opportunities ..**

**new changes (like change of go..**

**new diversification**

**new initiatives**

**new requirements of the skill ..**

**new skills**

**non-implementable from the sta..**

**not having a good human capita..**

**not limited to natural gas**

not much having been discussio..  
not restrict ourselves recruit..  
objectives of the organisation..  
officer in charges  
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## **Appendix IV: Transcript of Interviews**

### **Interview with Corporate Planning Group**

Mr Ashu Singhal, DGM (CP)

Ms Sandeepa Trakroo, CM (CP)

Good Morning Sandeepa Good Morning Ashu,

Good Morning

You hold very responsible position in CP group, as you understand that I am pursuing a PHD programme from UPES and I am working on the Corp HR Strategy, I have got certain questions and these are not pointed but descriptive. It is kind of exploratory reply I would expect from you, and you should come up with factual position. As you understand that GAIL is facing certain challenges as a commercial entity, because our country is a energy deficit country and gail is trying to meet the NG deficit through indigenous as well as from overseas, pursuing several projects, and as you understand for such efforts we need to have the right kind of people with requisite knowledge, skill and attitude, to meet the challenges.

1. So my first query would be, how Business strategy is formulated in your company.

#### **Sandeepa:**

So as far as strategy is concerned, what we start with is the environment scanning, i.e the external business environment, what kind of opportunity it poses, what are the challenges which the business is facing, we also look at the internal strength and weakness in the organisation and we can also look for resources like power, finance, HR and other things. We tried to map out the whole thing with external opportunities, the challenges, the internal strengths & weaknesses and then we tried to for each businesses we involve the business heads and business representatives and then we tried to work out strategy for opportunities, strategies for diversification, expansion with each of these businesses heads we come to top management and

top managements deliberates on strategy on each businesses' this strategy integrates the whole of strategy of each business strategy which means that we tried to do portfolio optimization, we may have n-numbers of opportunities but we can't follow them so what we can do, we tried to see what is the resource limitation and accordingly we tried to optimise the portfolio. The fourth thing is then taken to board in strategic need ,they deliberate on whole thing then they finalise it.

**Ashu:**

This we can also take or engage it sometimes external consultants/ experts in this fields and they can have expertise on these global level so they also give valuable inputs as to frame our strategy.

2. How do you describe the role of H.R influencing and formulating the Business strategy?

**Sandeepa:**

As we develop this Business strategy, we do not do it in isolation. From the vru beginning we take HR inputs along with business strategy inputs. Whenever there is a business strategy devised, we try to find out what are the HR interventions required to make sure that this strategy works, to make sure strategy is implemented. So with each business strategy, a HR intervention is identified which is then taken care of by HR people. When we talk about HR intervention, it means the kind of skills that are required, the training needs that are essential to meet these strategies and the recruitment requirements that would be there. So we try to map the whole thing. The business requirement, the HR interventions and therefore we make sure that both of them are aligned with each other.

**Ashu:**

It is an integral part. The HR strategy cannot be alienated with the Business Strategy. So it is an integral part, all through the process HR is involved and where there are gaps, the second step will be the execution. Wherever the gaps are identified in the new business areas, in case whatever comes-up and the existing skill sets available, so that needs to be braced, that will come in the implementation not in the strategic formulation.

**Sandeepa:**

In fact in the formulation phase itself we see that certain things are not possible without some HR interventions, so at that point itself we work out what are those HR intervention.

**Ashu:**

And any company primarily is HR thing. Without Human Resource the strategy on paper will not work, as to be implemented through the/ for the total environment of the Human Resource.

3. Now the point is that as we like to say that you know, H.R happens to be integral part of formulating the Business Strategy and you take the input also, what is your feeling about the inherent agility of the Business Strategy that helps in HR Strategic formulation?

**Sandeepa:**

If we look at business strategy the business environment is changing so fast, that the strategy has to be dynamic in nature, so in our case we make sure that the strategy is dynamic in nature, we conduct periodic reviews for our strategy, we look at what are the implementation hurdles, we also look at some of the external factors which may force us to put some strategic initiatives on board.

Parallely we also look at those HR intervention which go hand in hand with strategic initiatives and we make sure that those are formulated in a manner that whenever there is a change in the business strategy, our HR interventions and initiatives are also changed to that extent. Sometimes there is a lag between the two, but in due course of time it is taken care of.

4. How is the interaction being done in between top management and HRM in the organisation and what kind of information do you share?

**Ashu:**

It's both at formal and informal level, done at structured and also during the non-structured meetings and gatherings. We deploy various tools to get the involvement and interaction between the top management and HRM. Survey, site visits, video conferencing, meetings with the Unions

and associations for taking their feedback and inputs into the formation of the strategy wherever it is needed.

**Sandeepa:**

And whenever top management is discussing about the business strategies, the key HR people are involved in those discussions so that they remain in sync with what is the business requirement and accordingly they take care of those HR requirement also.

**Ashu:**

We should not come up with a strategy which is non-implementable from the staff. It cannot be very optimistic. It should be realistic. It has to be consistent with the resources available and the resources which can be achieved, hired and attained.

5. How the HR strategy is formulated in alignment with the Business strategy?

**Sandeepa:**

Sir, as I said, basically Business Strategy is consolidation of business strategy. So when we say strategy, those are various strategic initiatives. For each initiative, we try to identify what kind of HR initiative is required? As said earlier, skill development needs, recruitment needs. So for every business initiative, we see what should be the corresponding HR initiative and that is where the alignment comes.

**S.B Mitra:**

You mean to say that the HR strategy is formulated after the consolidation of business strategies?

**Sandeepa:**

There are two parts to it. One is that we are formulating each business strategy and then we are consolidating it. When we are formulating each business strategy, parallelly we also start working on the HR strategy comes out only after the consolidation of Business Strategy comes out. So finalisation is done at the corporate level.

**Ashu:**

First the business needs are identified, then the needs of the HR gaps are needed to be identified.

6. Very simple question that do you feel that the HR strategy formulated in this company is very much in sync with the vision and mission of the company?

**Sandeepa:**

Sometimes when we look at new areas of business we get into new diversification then initially there may be a gap in the HR strategy but eventually it is made.

**Ashu :**

Definitely yes. Because of the vision and mission of the company the strategies are formulated and also latter on other business verticals are made accordingly. So, definitely the HR strategy formulated in this company is in sync with the vision and mission of the company.

**S.B Mitra:**

What would be your suggestions for vertical alignment between HR strategy and Business Strategy?

**Sandeepa :**

I feel that HR strategy should be treated as an integral part of each business. It should not be looked at only from the corporate level. Generally, what we tried to do is that we develop HR strategy when we consolidated the entire Business Strategy. At times we do involve them when business strategy is developed. But may be little more working together hand in hand in each business and HR then, there would be proper alignment between both of these otherwise it lacks sometimes.

**Ashu :**

But business strategy will be more prominent as a whole as once you decide it , HR should fill it ,although it lacked its involvement right from the beginning ,then also HR should aspire high to meet the business initiatives.

7. How HR strategies are practiced in different business verticals of this company?

**Sandeepa :**

HR is the central to our entire organization, generally, we don't have separate HR function for each business . So, HR strategies taking care of each business verticals, but more or less HR strategies are practiced in centralized manner. So there is a requirement in particular business that is made by HR but it is not done individually for that business rather it is done in comprehensive and consolidated manner or in a centralized manner.

**Ashu:**

For further verticals wherever it is required it always makes.

8. The requirements of business verticals are completely mapped in the corporate HR strategy.

**Sandeepa :**

It is done by HR people by taking inputs from each business vertical about their requirements .

**Ashu:**

This is how Business Strategy is made otherwise it will fall upon ,unless it takes care of each business vertical .

9. What is the impact of diversification of business in your company on the strategic planning process?

**Sandeepa:**

Diversification means development of new skill-sets, it also means the reallocation of resources. If you are getting into new business you have to see how you would reallocate your resources . so to that extent we tried to relocate the strategy at times , review what are the changes required .For example, if our resources are limiting new business then we have to opt out that which one is not so important , we basically optimize the portfolio, we see what is more rewarding and then finally take the decision.

**Ashu:**

So ,we do amendments also if diversification needs or any other new business area which we are planning to enter.

S.B Mitra:

That in other words you have an inbuilt navigational plan whenever situation requires?

**Ashu :**

Not very often, it can't be done very frequently, if substantially important happens then only we do it.

**Sandeepa:**

Normally we do this review in 6 to 8 months time that is enough good time also.

**Ashu:**

Through this we can analyze where we have reached and where we have to go. Sometimes new changes (like change of government and accordingly changed rules) have come up and do not envisage the vision of the strategy ,so that doesn't mean that we won't be covering that issues in the case the business need. So, as new business or opportunities arises, we also modify our strategy as necessary.

**Sandeepa:**

These strategies should be dynamic and static.

10. Do you feel there is a gap between business strategy you formulate and HR strategy in its vertical alignment?

**Sandeepa :**

I see there is sometimes only a time gap between these two. But if there is some major gap ,it shows in your implementation and then it can't be perfect and it will be delayed.



So eventually everything is in sync but, sometimes in some cases there is definitely a gap and it shows also and that's how we take corrective actions.

**Ashu:**

Definitely being in PSU its sometime "pay/packages" affects. So, if you have needs or skill sets so high and demanding then packages need to be very high , then, it's very difficult to hire such man powers in GAIL and retain them into company and giving them output required for implementation . Therefore, may be sometimes you need to reallocate your HR strategy whether we are able to meet business aspirations or we need to align our business strategy and HR strategy. So both of these needs to be perfect.

**Sandeepa;**

Sometimes we also comes in new business area where initially it's very difficult to ascertain the requirements for HR strategy ,but as we proceed the gap can be filled by the HR strategies otherwise it'll fall upon.

## Interview with Business development Head

**S.B MITRA:**

How Business strategy is formulated in alignment with business vertical of your company?

**Mr. Sanjib Datta:**

Drafting the Business strategy is a sort of periodical exercise. I have been involved in the last edition of the Business strategy which was drawn to provide a direction to the company to formulate its strategy till 2020, and I was associated with it, and after the Business Strategy was drawn-up there have been periodical reviews and we have gone through and tried to do course correction or addition subtraction or change or revise the goal settings, that has been a periodical exercise which I think we had conducted on a half-yearly basis. Now when the company had decided to draw-up its strategy 2020 plan, a consultant was engaged and we were also engaged with the consultant to visit our respective areas of functioning. In case of business development we have 3 verticals; one is related to globalization, where we look at business opportunities abroad. The second is diversification, where we are trying to get into new areas of business, which has not been traditionally involved by GAIL in these areas, because we could spot an opportunity in these areas or maybe we have found that some of the initiatives which we have taken already forcing us to look at these areas. So it becomes a natural integration. When we go from usual areas, where we have been traditionally doing business like LNG purchase and LNG shipping is a related business to LNG purchase, so very naturally we thought that we can diversify into areas of LNG shipping and because we have been doing LNG procurement for quite some time now. So that kind of opportunity comes in our way. Another e.g. could be getting into renewable energy. We are essentially an energy company; so far we have not been, till few years back, looking at renewable. But once we found that there are Govt. of India policies that came out with regard to solar power projects and different states came out with policies with regard to wind power installation, installation of wind farms, we did look at those areas and diversified because again we thought that it is natural areas for GAIL to get into.

3<sup>rd</sup> vertical is merger and acquisition. So far GAIL has been traditionally building its own plant from scratch but then we thought that there is a need to look at, very seriously, M&A opportunities to hasten the pace to achieve our top line and bottom line goal.

So these are the 3 verticals. SO in all these 3 verticals we had to interact with the consultant and come out with specific plans, because the final objective of drawing up the strategy document was to project a revenue that GAIL targets to achieve by 2020 and also net profit. So what was the target that was set to achieve, a revenue of Rs. 1,30,000 crore by 2020 and a net profit of Rs. 10,000 crore. So that was the target, and the various departments chipped in and all of us tried to work out, conceded projects in our respective areas of functioning so that both the top line and the bottom line numbers are supported.

So this is how we get involved with the formulation of the company strategy document and contributed to it.

**S.B MITRA:**

So you mean to say that whatever functions of this departments are concerned, those are truly mapped in the strategy document.

**Mr. Sanjib Datta:**

Yes, but here there is an ongoing process, so every 6 months we revisit the document and there are changes, addition, alteration and so the numbers may get changed but never the less we keep track of what we are doing and whatever road map we have laid for ourselves. We try to understand how much we have progressed and the road.

**S.B MITRA:**

Whenever you develop strategy for your department, be it for globalization, be it for diversification, be for that matter M&A, do you associate HR as a part and parcel of preparing strategy?

**Mr. Sanjib Datta:**

When the strategy document was getting written, I think, there was a multi-disciplinary team with due representation of HR in the team. So when all the functional departments have given their inputs to the consultant and when it was time to look at the soft-skills that are required to set off, support the kind of physical activities which we are trying to undertake, then suddenly there is an interaction, because the starting point has to be the various areas in which we want to venture into and then what is the skill set and resources that are required to achieve those objectives and human capital is certainly a very vital resources which needs to be deployed to achieve the end objective.

**S.B MITRA:**

What is your feeling, I mean, HR strategy that HR formulates, is in sync with the vision and mission of the company?

**Mr. Sanjib Datta:**

See, it has to happen in that manner because if you want to do a job very professionally, and now that we are no more a monopoly and the business environment is extremely challenging and competitive, so not having a good human capital will only function to the detriment of the interest of the company. So until and unless we people who are handling a job understands what are the intricacies of the business in which it is involved, we will be sort of out-manoeuvred by the competition. Where, and especially, if it is from the private sector, so they can chose people. As a PSU we have restriction in recruiting people. In many PSUs you can't recruit people at a senior level, at the middle management level. You recruit everybody at the junior level and try to groom them within the organisation.

So these things take time, whereas private sector would have the advantage of getting somebody hands on person from the market and just straightaway deploy him. So there are constraints within which we work, but for GAIL, I can say that GAIL lays a lot of stress on training the people whom they have recruited. May be they are recruited with some job profile in mind later on if that job profile is required to be changed. The company is actually aware of, is conscious of imparting some skills to that person, sp that he can be productive and can handle his new assignment.

**S.B MITRA:**

So you say that you share information with HRM and top management about the requirement and for implementation of the strategy that you have already formulated for your vertical?

**Mr. Sanjib Datta:**

Yes, and we also try to prepare notes, what kind of skill sets we are looking for in the person who will be deployed to look at specific functions. So that kind of note also we hand over to HR, and based on that they start working on that and they refine it and finally implement it or incorporate it in the recruitment strategy or training strategy.

**S.B MITRA:**

So let me put it very straight, that India is a energy deficit country, so you have tied up many business opportunities overseas with an object that those molecules to flow to India. You need to bring LNG and for which you need to have shipping line also, so do you feel that those requirement have been duly mapped by HR vertically, keeping in view the Business strategy in mind?

**Mr. Sanjib Datta:**

Yes, specifically in respect of shipping HR has been trying to recruit people from the industry. They have approached Shipping Corporation of India which has been in this area for years now. So they were trying to get people on deputation from SCI to GAIL, and they are also in the process of advertising for recruiting the post of an advisor from the Industry. So they are doing their best and also they have been looking at training course through which our own people can be trained to handle this job. So they are acutely aware, but at times it happens that, shipping industry is such that (that too LNG shipping) you don't get many people in the country with the requisite expertise in the specific area where we want to venture into. So the next option what we also do is to hire consultant. So if there is a gap whenever we are entering into a new area, apart from trying to impart skill to our own and also to recruit people from the industry and also to get people from (on deputation) from other Public Sector Undertaking, what we also do very consciously is to rely on consultants. We engage top notch consultants and whatever skills that our own people lack to bring into the job since there is a deficit, especially when we are venturing into a new area for the first time, we induct consultants, we take their help, and in that process apart from training people, interacting with the consultant is also in a way like on the job training. So people having interacted with the consultant, a legal consultant, a commercial consultant, a technical consultant, in that respective area also start developing the skill in that specified area, so that also helps to groom our people.

**S.B MITRA:**

So it gives an impression that, the resources you look for in your business vertical, those are very scarce resource, very critical to your operations and HR is trying its best to locate those resources, but those are not available in abundance so you have a fall back options and you are trying to implement it in associating the HR.

What is your feeling that HR strategies that are practiced in your business vertical and for other business verticals as well are good enough for organization to remain satisfied or something more is required to be done?

**Mr. Sanjib Datta:**

See, now we are entering into areas where we are in direct competition with the other people, we have to be extremely efficient in what we are doing so there is no time to waste so, what I think is extremely important for HR is to start inducting people from the industry in whatever level is required to be done, we must not restrict ourselves recruiting people only at induction level, if a job demands people at a level of GM and if you spot a person, he should be recruited.

Secondly, we are also enhancing our footprints globally and in the global context firstly we can't engage people from overseas and secondly even if there is some flexibility under which we form subsidiary abroad and through them try to recruit people, the kind of monetary benefits which we'll offer to them will not satisfy the people in those countries. So, HR must very seriously look at introducing or hiring through contracts in employment or contract-engagement overseas. This is something which must be done very quickly so that we aren't devoid of having a professional help. Hence, when we have already entered into new business areas and we know that we have to make strides in order to protect our business interest in that area.

**S.B Mitra :**

So it is very clear that the impact of diversification is influencing the HR strategic planning process and to what extent do you feel it's correct?

**Mr. Sanjib Datta:**

We expect HR to play a supportive role because whenever we want to enter into a new area, there will be a certain in-house knowledge deficit, so it's very important for HR to play or bridge that gap very quickly, in the shortest possible time and to get the best possible people through contract arrangement or regular recruitment or through on advice recruitment or through advisory service. Consultants we do independent of HR, but nevertheless it is extremely important because the whole game plan which we have with regard to entering into the business venture may go wrong if the job is handled by wrong people with not right qualification and these are high stakes and chance of failure or implication of failure in business is going to be huge.

**S.B MITRA:**

Tell me about factors which you envisage that leads to inconsistency or congruence in the HR strategic planning process?

**Mr. Sanjib Datta:**

I think HR is receptive to our needs but may be while actually ,with all good intention, to draw out or result or recruit the resources or arrange the resources that are requested by the intending department, there is usually our complain is that it takes longer time than what it is expected for HR to deliver.

We don't doubt the intention of HR but at times it takes longer time than required.

**S.B MITRA:**

So this time factor defeats the objective of business.

How do you manage the issues related to HR to your business vertical, because your business has to go on?

**Mr. Sanjib Datta:**

In **BD** department, generally people are sort of handpicked, only good performers are posted in the department. So, even if somebody doesn't have background related or hasn't direct experience relevant to that field, he makes an extra effort to learn the tricks of the trade and that's how we have been doing and when this department was formed with only internal people, people from various department were picked up and then put on the job. They worked very hard to understand the environment of the area we are venturing into, and, same is the case for LNG shipping, we have not been remotely associated with shipping but people have gone through literatures. We do subscribe and GAIL spends lot of money on subscription of industry-journals and that credit should be given to HR because again that is very enabling kind of tool which HR makes available to various business department and it is then for the department to make use of that and with the most of it. But in nutshell we, irrespective of what help HR is trying to organize for us, we ourselves try to tighten our belt and start going about the job that helps us.

**S.B MITRA:**

HR also involves or needs implementation of the strategic process like recruitment strategy, training and development strategy, are you associated remotely or grossly associated?

**Mr. Sanjib Datta:**

Whenever HR provides to train people from my department, they consult us. In any case, we as part of annual T&D exercise, all of us do feel what kind of training needs or assessment. So HR then discusses this with us and tries to organize those training. Whenever, there is recruitment they involve us as the member of interview committee. So, in that way we are involved with them what they do.

**S.B MITRA:**

Great! At the last stage of discussion, tell me how do you envisage the effect of your organizational consequences, risks, benefits and impact (including company culture) on HR planning process in your business vertical?

**Mr. Sanjib Datta:**

The time has come that whatever business we do or areas that GAIL is doing, our growth will solely depend on, if I may infer as, HUMAN CAPITAL. It is GAIL, irrespective of the money we have sort of IT enabled we are, in spite of all other resources finally it is the person who has to drive everything and if that person is not competent or if he doesn't understand his job, all these resources will have no meaning. So, it is extremely important for HR to ensure that there is no deficit in HUMAN CAPITAL and we get that best human resources available and then it is for departments to make use of that resources and deliver and align with the vision of the business.

**S.B MITRA:**

Well, Mr. Dutta it's nice to hear that you consider HR amongst the various resources happens to be the critical and costliest resource as well.

Thank you so much.

Before we end I would like to have the benefit of the presence of young engineer Dinesh, here working for this vertical for about 5 to 6 years and is associated with various overseas projects. So I would like to have your experience, understanding of the implementation of business strategy. How HR is helping you?



**Mr. Dinesh:**

I totally agree with what Mr. Dutta has said during the formulation of Business Strategy of GAIL, there was multi-disciplinary group in which people from business development group were involved and there people from HR department also. So while formulating that strategy our inputs were taken, inputs of departments were taken. So by being part of group HR people also got to know what is the requirement of each and every department, and not only that, on annual basis we interact with HR people and tell them what is our requirement based on whatever business initiatives we are taking or plan to take, in future and based on that we keep on giving our inputs to the HR so that they are ready well in advance before those initiatives happen, they are ready with their plans, they have their thinking in place to meet those business targets.

**S.B MITRA:**

So HR performs proactive role?

**Mr. Dinesh:**

Yes, they are playing quite proactive role. The only thing is that apart from the issues which were discussed here, if they can also work for providing right business environment which probably the other companies in the private sector companies, MNC sector provide, if those new policies could also come in here that will provide us an extra help which is very much required in today's environment.

**S.B MITRA:**

Such wish list do you provide to HR? Such inputs do travel from your business verticals to either to corporate planning group or HR?

**Mr. Dinesh:**

Unfortunately this is one area on which there is not much discussion between HR and business groups. We don't know probably HR on its own working on those areas but we don't have any knowledge about that, but inherently when we discuss with other departments and internal business groups also we feel that there is certain initiatives which could be taken by HR which could be in line with the kind of policies we have in other companies, things like flexi-working hours or work from home or few other initiatives. If those things can also come up in our company that would definitely help to enhance the performance of the employees.

## **Interview of Mr. Rajiv Mathur, ED (Mktg.)**

It is pleasure to talk to you on a topic i.e. corporate human resource strategy. Sir, as I told you, it is a research project I am pursuing on Corporate Human Resource Strategy management and I am not going to ask you a very pointed question, you are at liberty to reply in a descriptive manner, it is exploratory kind of research work.

### **1. S.B Mitra**

I just wanted to know, that as vertical head and heading the marketing division how do you feel that the Business strategy is formulated in alignment with your business vertical in the company?

#### **Mr. Mathur:**

See the overall business strategy of the company is based on its mission, vision and the objectives which have been set by the Government for it. In consonance with it, the long term strategy of the company is formulated. Company's strategy is then devolved into the strategy of each vertical and conversely you work back to arrive at what the corporate objectives are. You know, you try to achieve that by developing the own strategy of the vertical. Now in our particular case, the company has a vision of being a Rs. 130000 Crore company by the year 2020. There is a net profit of say, Rs. 10,000 Crore. So the strategy of the marketing vertical is in consonance with achieving these two particular set objectives of the organisation and all the activities and plans of the vertical are converging towards achieving these objectives.

### **2. S.B Mitra:**

What is your feeling about HR i.e. how far it is in sync with the mission and vision, as you mentioned, of the company?

#### **Mr. Mathur:**

See, the HR has to be an integral part of the overall strategy of the company. It has to ensure that whatever the corporate objectives are, whatever the Business Strategy is, the adequate resources in terms of manpower, expertise, experience etc. is available for each of the verticals to be able to deliver its expected output.

**S.B Mitra:**

What are the inputs you consider you should provide to the corporate planning group for formulation of Business Strategy keeping in view the interest of the business verticals?

**Mr. Mathur:**

Keeping in view the requirements of the business vertical we will define what the overall requirements of the business vertical are and in order to achieve them, what are the human resources that are required and the various levels in which you require the expertise of people or the skill set to be developed in order to achieve the aspirations of that vertical. So for that adequate training and then the recruitment and deployment, all these things come hand in hand with the strategy of the vertical, which need to be provided to the HR so that these become available to the particular vertical in order to achieve the goals.

**3. S.B Mitra:**

What kind of information do you share with HRM and top management?

**Mr. Mathur:**

See, as an organisation the requirements and need of manpower skill sets, training etc are dynamic in nature within overall objective of whatever the strategy of the company is. So depending on what changes are happening in the external environment, what skill set is required, what training is required, what kind of expertise is required will depend. For e.g. we have opened offices in Singapore and in US so we need manpower with international exposure and training of the people in particular skill sets like trading and hedging etc. So these are things which we inform the top management and also take up with the HR department in order to make available those resources for us to be able to carry out our activity.

**4. S.B Mitra**

Now sir what is your understanding that the HR strategies are duly aligned with the Business strategy firstly, and secondly how it is aligned vertically with your business vertical?

**Mr. Mathur:**

See the HR strategies, as I said evolved out of the overall organisation strategy and to that extent if the objectives of the organisation strategy and the strategy of each vertical are clearly brought out before the HR department they would ensure that their strategies are equally in alignment with the overall strategy of the organisation.

**S.B Mitra:**

How about the business verticals?

**Mr. Mathur:**

Similarly for the business vertical, you see business is dynamic, changing and requirements of each vertical keep on changing from time to time. To the extent the requirements change in terms of human resources, their training development etc. if they are informed well in time to the HRD then the HRD strategy also becomes in sync, in alignment with the business strategy of the vertical. So it is objective of each vertical to be in regular touch with the HRD group to ensure that whatever its needs are, are informed well in time so that the strategies of the vertical and the HRD are in consonance with each other.

**S.B Mitra:**

Is it fairly aligned?

**Mr. Mathur:**

There is bit of lag between these two, you know, while the verticals keep on making their strategy and changing them from time to time, the information sharing with HR has a bit of lag which probably can be fine tuned further.

5. **S.B Mitra:**

HR strategies are practiced in different verticals of the organisation, how it is functioning for your vertical?

**Mr. Mathur:**

We are quite satisfied with the HR strategies as far as our department is concerned. As I said our manpower requirements, their training development needs etc., skill sets, they are identified and informed to the HR group so that adequate training, manpower, skill set is provided in time for them to be utilized.

**6. S.B Mitra:**

Sir, as you rightly said that business situation is dynamic and so whenever you decide for diversification how does it impact the HR strategic planning process?

**Mr. Mathur:**

See diversification is, I would say, a way of life because for any company to grow, expand, develop it keeps on looking at newer pastures and newer opportunities. As far as marketing is concerned we have looked at opportunities in trading, hedging and you know, business overseas in the recent past, and to that extent the so called diversification in this vertical has also led to new requirements of the skill set and manpower to be trained and to be available for these kind of activities to be undertaken satisfactorily.

**7. S.B Mitra:**

What are the factors you feel that lead to inconsistency or bring congruence, either way, in the HR strategic planning process?

**Mr. Mathur:**

See, the inconsistency as I say, comes out of lack of communication and coordination between the vertical, for e.g. marketing and the HR group, while the vertical may be involved in implementing its strategy and since that also is a dynamic process in changing its strategy from time to time, the same if it is not conveyed to the HR, the HR strategy will not be in alignment with the strategy of the vertical itself. So there is a need for greater cooperation coordination and every time some dynamic change happens that needs to be equally conveyed to the HR group so that both the strategies are in congruence with each other.

**8. S.B Mitra:**

How do you manage the issues related to HR in your business vertical?

**Mr. Mathur:**

Well, while I am not a specialist HR manager, but there is an element of HR in every individual. Managing people is one of the biggest asset that any manager can have and since one has to manage the managers across India in the marketing vertical I go by the set principles of managing Human Resources through the time tested policies of listening to people, understanding them and trying to motivate them in order to perform and at the same time have a policy of carrot and stick for them to deliver the objectives and goals of the marketing.

**9. S.B Mitra:**

How do you envisage the effects of your organisational consequences, the risks, benefits and impacts on the HR planning process in your business verticals?

**Mr. Mathur:**

The company and its way of working and culture are an important phenomenon, which develops over a period of time and endeavour is to have a efficient working environment, efficient and effective working environment and we in the marketing division work towards these things.

Can you rephrase your question again?

**S.B Mitra:**

In fact the, your work culture does it any way impact the HR in the strategic planning process?

**Mr. Mathur:**

See, as I said, our work culture comes out of the company's working culture, and the company's working culture's basic elements are efficiency and effectiveness and that is what is the working culture of the marketing vertical is, which can be translated into the number of manpower, the requirement of the manpower, the training of manpower, the development of manpower and that in turn gets related to the HR strategy in terms of whatever needs of the business vertical are.

**S.B Mitra:**

Thank you so much sir!

## **Interview of Mr. Gajendra Singh, ED (E&P and PD)**

### **SB Mitra:**

I will tell you very briefly, that I am pursuing a project on Strategic Human Resource Management with UPES and I just wanted to find out how the corporate plan on strategy is formulated and how the contributions of the vertical head like E&P is aligned to that corporate planning (strategy group) and secondly how HR contributes and how HR aligns vertically with the Business Strategy and finally whether the activities of HR, the sub-functions of HR are duly aligned to meet that organizational strategy?

### **SB Mitra:**

Just to begin with, as the vertical head and heading the E&P division now, how do you feel that the Business strategy is formulated in alignment with your business vertical in the company?

### **MR. GAJENDRA SINGH:**

Well Mr. Mitra, as far as formulation of strategies is there. Like in all other organizations it is the same in GAIL also that it requires to analyze the complete value chain of your business as well as we have to carry out the SWOT analysis. Subsequent to that, then we finalize that what is going to be our strategy for our future. What we did in the strategy document in GAIL 2020, after analyzing the whole value chain. When we analyze the whole carbon value chain as particularly we are dealing with hydro-carbon business we find out that there are areas where there are the weak points and there are the areas they are the potential growth areas and once we carry out these exercise automatically all vertical heads get involved into these exercise. Similarly once we carry out this exercise what we found that in GAIL business, the total GAIL business can be categorized into, one is service and another is manufacturing rather we can say upstream and petrochemical business come in extraction and manufacturing , whether LNG, shipping, pipeline, transportation, trading all these are the services. And services what we see that in services, particularly is a regulated business or it is a long term contract where the margin is very fixed and it's a secured business but you cannot do a much business into that area. Whereas those other areas which are open like upstream and the petrochemical business we could find out that there are potential growths for the company, according in the vision document 2020 it has been decided

that GAIL aspire for a major Hydrocarbon major, with a significant presence in the upstream, midstream and downstream.

**SB Mitra:**

Those have been duly captured?

**MR. GAJENDRA SINGH:**

Yes, those have been duly captured and all the vertical heads are involved in that. Because Hydrocarbon what E&P had, I am working in upstream so definitely my involvement was there in that.

**SB Mitra:**

Right, very correctly you said that you know the business aspirations of your vertical have been duly taken care of in the strategy document. Now tell me how do you feel, I am talking about your honest feeling about HR and how far it is in sync with mission and vision of the company?

**MR. GAJENDRA SINGH:**

Well as far as the HR vertical is there you see GAIL has evolved as performing and progressing organization. And the main strength, the focus area is basically giving a preference to their employees. We are a lean and thin organization but having an optimum utilization of our manpower. So there what I see, HR role is very critical for giving them a training. First recruiting the right kind of persons from different institutes from different backgrounds for different discipline in GAIL, same way their contributions towards training to them, giving them different kind of training, different kind of roles, I see the HR is completely involved.

**S.B Mitra:**

Are they reasonably meeting the expectations?

**MR. GAJENDRA SINGH:**

Yes, I could say that, yes they are meeting the expectations but if you see that here in case reference you talk of HR function is an integrated function, whereas the line managers are always supported by the support managers., once it is a recruitment, once it is a promotion, once it is a



transfer, or any other HR related activities, line managers are always there supported by Corporate HR. So they are fully involved in that.

**SB Mitra:**

As you said that, your business interest for your vertical have been taken care of in the strategy document, but the business is a dynamic in nature, it keeps changing so how do you relate yourself with the change environment with the Business Strategy?

**MR. GAJENDRA SINGH:**

Like if you see that now GAIL has participated and now GAIL has presence globally and now our role is not only limited to domestic , now we are equally participating outside India also. So giving that type of training and bringing that people, because there are cultural differences, knowledge difference there GAIL's HR role is critical as far as still I see there are some challenges, what it is coming up like in our organizations where definitely we have to work out and we have to see that putting our persons, giving a posting outside India like US office, Singapore Office, so we have to see whether are able to meet their requirement, are they satisfied there also or not, are they getting mingled with their culture, so that way lot many things are there which needs to be improved.

**SB Mitra:**

Secondly you tell me what kind of information you share with the HRM (Human Resource Group) or with the top management?

**MR. GAJENDRA SINGH:**

Like in time to time in different meetings we keep on sharing various information to our management and to HR, like one is that currently we are seeing that we are the lean and thin organization but contractual manpower is increasing, so how to handle the contractual manpower and because contractual manpower, may be they are the qualified persons as compared to GAIL's own employees, how to make use of the best use of those man powers, with regard to that yes we are giving inputs to HR. With regard to, now we are seeing that women employees are now increasing, demography has changed, so now we are seeing that how people are getting and accepting the role of women employees and they are getting an equal opportunity progressing in

GAIL that is we share with them. Thirdly, we see that, because GAIL is leveraging technology, it's a technology savvy company, so we see that, persons are not virtually (I mean there is concept of virtual work force), it may not be that the person is always available, but the person is always available on mobile, during when they are travelling they are available and their job is being done, so we are giving those inputs, how other organization are functioning. It's not that strictly come at some time and leave at other time; I mean this is there, but now it's a concept of virtual workforce, how it can be improved in GAIL context.

**SB Mitra:**

You tell me your understanding about HR strategies, whether it is aligned with the business strategy, if so, and secondly how it is aligned with your business vertical? So there are two things, HR and its alignment with the business strategy and HR in alignment with your business vertical.

**MR. GAJENDRA SINGH:**

As far what I see it like, the business is quite dynamic and once we see those types of things and particularly my vertical if you see that E&P, GAIL is new in E&P. So lot many things are there, where we need to have all the time the HR help may be for the labor. Because we are deploying the labors at sites when we are going for drilling and other things. So there are lot many requirements where we require to have the integrated HR with us or if HR guys are there with the E&P department may be it would be helpful. But what we are seeing is that yes now we have shifted to the new office all HR is common so we are seeing that the requirement is being met currently but we have to look forward, in days to come if we have that.

**SB Mitra:**

In short, HR and its alignment with business strategy, is it properly aligned or there is a gap? Secondly HR in alignment with your vertical?

**MR. GAJENDRA SINGH:**

HR, as far as, I mentioned that in a changing environment, it should also keep on changing. So we see that it is aligned to our requirement, but once the requirement changes then we give the required inputs to HR, how to adjust to those changes, so that's what we require that HR also needs to change at few areas.

**SB Mitra:**

But you tell me, (it's a very consequential question) that how HR strategies are practiced in your business vertical, how this functions for your business vertical? Are you satisfied?

**MR. GAJENDRA SINGH:**

Yes, I am satisfied with the HR practices and because normally HR did a marvelous job as far as implementing the HRM and this HR module. Lot many service related issue is now online, so this human interface is very less, but whenever we require some assistance from HR we immediately get it in the legal matter or as far as policy matters we keep on getting.

**SB Mitra:**

As we rightly say that business situation is dynamic, so whenever you decide for a diversification or expanding your horizon, as you said that to overseas operations, how does it impact the HR strategy planning process in particular?

**MR. GAJENDRA SINGH:**

What I could see, it may be my personal opinion, HR currently is working like a traditional HR so there we need to improve upon, suppose there is a requirement, a person is staying in outside country, their kids are studying there, there is a requirement, the house requirement is different. There is a different kind of culture so I see that HR should adopt some policy which are there in other organisation which have global presence, how they manage, so the HR team should go some times to the hydrocarbon company who have global presence and see how they manage, how they take care of those things, so I think it would be better to improve upon.

**SB Mitra:**

So what are the factors you feel that leads to inconsistency? Or the factors which bring congruence in the HR strategy planning process.

**MR. GAJENDRA SINGH:**

More or less its aligned to that, because GAIL is a small organization and it's a new organization, so whenever the vertical heads say something, they listen, they care and they give all type of support whatever it is.

**SB Mitra:**

Communication is almost complete. So there is a reasonable satisfaction.

**MR. GAJENDRA SINGH:**

Very right

**SB Mitra:**

How do you manage the issues related to HR in your vertical?

**MR. GAJENDRA SINGH:**

Like in current role of mine, because I am heading E&P as well as Project Development, as far as E&P is there, it's a new vertical and new business for the GAIL, so I see there are the different kind of manpower requirement, it's not engineers, we were requiring geologists, we were requiring advisors, so whenever we put a proposal I have never seen that it has been turned down or it has not been accepted. So whatever is our requirement, because we have to develop a new skill as far as upstream is there, and whatever we are putting and whatever our requirement is there it is being met. I mean they are going ahead with deploying the advisors, so we have deployed advisors and with their help now we are seeing what kind of manpower, if we have to be strong enough. Accordingly, we have deployed our four engineers in US and they are working excellent. So that way what kind of persons is required, it may be a geologist, geophysicist because earlier it was not there in GAIL, so we are getting all kind of supports.

**SB Mitra:**

How do you envisage the effects of organizational consequences, the risks, the benefits on the HR planning process in your business verticals?

**MR. GAJENDRA SINGH:**

As far as my vertical is there, yes it does matter, because if I don't get a correct kind of manpower, the type of manpower I would require, if they don't give the type of advisor the type of advisor I would require, yes it would matter. If you don't have the right kind of persons, because E&P is a very risky business, if I don't get a right kind of inputs from the advisors, from the man powers, definitely it would be a huge impact on the organization.

**SB Mitra**

Thank you very much sir, but being the person who has headed various departments, you have headed O&M, you have headed the Business Information group, presently you are heading not only E&P but also you are holding the concurrent charge of the Project Development group. What would be your inputs on such issues even for the project development group? Is it the same?

**MR. GAJENDRA SINGH:**

Project development, what I could see that because I got the charge a couple of months back I could see that it was working in isolation and they were always complaining the kind of person they are having they are not getting the right kind of persons. So we could see that how the team could be built up, how we could see that it is done with the help of HR, so this time during DPC/APE we could bring some good persons there and we could see that this group is working as a team. So I have seen there are changes in this.

**SB Mitra**

So you could meet the requirement of manpower to take these activities of PD group forward.

**MR. GAJENDRA SINGH:**

Very right

**SB Mitra**

Thank you so much Sir.

## Interview of Mr. Amit Ray, ED (HR &HRD)

**SB MITRA:**

Good evening sir!

**Mr. Amit:**

Very good evening sir!

**SB MITRA:**

As I have mentioned to you that I'm pursuing my research project with University of Petroleum and Energy Studies, it's a sector specific university. My project is on Strategic Human Resource Management and as you understand that it has something to do with the Business Strategy and HR has meaningful role to play.

So I'll be seeking your support and I'm not making any pointed question as such and you are at liberty to reply in descriptive manner. It is exploratory kind of research.

So my first question to you is that, how do you engage in formulating the Business Strategy because you are the head of HR and HRD?

**Mr. Amit:**

Yes, Mr.Mitra! This is very relevant question. So, I would tell you in perspective of GAIL.

Like couple of years ago we have formalized Business Strategy 2020. Now, as rightly said, HR is the integral part in formulating such policies. HR particularly here I mean corporate HR because these are the things done at the corporate level so nothing much is contributed by HR at different work centre, they come into implementation stage. Now, here also, what has happened is that small group of various Business Process Owners was formed in Corporate Office where I was an active member. In this process we have explored various opportunities, as our strategy was for 2020, that what GAIL needs to aspire in year 2020 and I must say that we consulted to a consultant who had come with their inputs wherever they worked on such strategic document. So after few rounds of deliberations and there after it was presented to top management and during deliberations looking at the business strategies I from HR suggested what

strategies you need to align to achieve the business objective of the company. Now, throughout the deliberations, as there was aim to become one lakh twenty thousand Crore company in 2020 and to enhance our profit after that to ten thousand Crore. Now, while having substantial growth, it was one of the few areas where we were like to enhance production of polymer. In that direction we decided that we will upgrade the plant of petrochemicals products to make it more and also for OPAL and BPCL, so it was seen that the marketing volume was going to have 5 times more than the present one. Now, there is a need that, are we competent enough, do we have capability as well as the capacity to bring that amount of business. So, we have seen from HR perspective and looking at strategic goal year wise, how to augment the existing strength for the operation, maintenance at present, as well as the marketing. So, this was one of such strategy came out. It was also felt that in certain business areas, we need to enhance the capability of the existing people, such areas were identified. So, along with the business strategy and HR strategy it was put before the board and after their approval that was brought in place and as I told you it does not take place overnight, we have to bring this people. Some people are like strategies are re-visited. Now there is a need to have any expertise on shipping so we are in constant touch so this strategy is revisited from time to time and depending on company's requirement we place people.

**S.B.MITRA:**

Great! It seems that your inputs have been duly captured with strategic document formulated by GAIL. Do you really feel that the HR's managers working in this company are viewed as business partners and involved in strategy initiatives?

**Mr. Amit :**

Well! Mr. Mitra HR managers are to be necessarily considered as a strategic business partners. Although the HR strategies of the business are formulated at Corporate Offices but they are implemented at work centre level and they can't be taken aside while implementing the strategies. Though I told you that in strategy formulation case as it happened in GAIL, there were not much of inputs to sort from the HR heads at different work centers. They don't have the recruitment done level nor for the capability building they are having, are the centralized function of HR corporate.

**S.B.MITRA:**

So corporate HR was grossly involved? What are the HR inputs you considers as integral or consisting to Business Strategy or your organizational vision?

**Mr. Amit:**

Three things come to my mind, one is to understand and assess the maturity of the current HR process. Two what are the key challenges to different HR process and systems and third most important is SWOT analysis of the existing practices. So I feel these are the integral constituents.

**S.B.MITRA:**

How HR strategies formulated in alignment to the Business Strategy in your company and how do you envisage the strategic management influence in your HRM activities?

**Mr. Amit:**

As long as HR strategy is in alignment with Business Strategy as I told you that everything flows from the strategy of the business, now to achieve the business goals for 2020 we have identified what are the areas where HR needs to align its strategy we found that talent development was one such crucial thing. In the next three years we are going to lose 30% of our Top Management Executives. There was an imperative need to look into Succession Planning and for that what we have done is we are now into the process of succession of planning, we have identified key critical positions we find that there are 50 to 60 in numbers. Now we are also in process of identifying successors so that there are two or three successors for each role, they are prepared so that in next three years when we lose these seniors level people by way of super-annuation, we have set of people to takeover. Number two we found that the talent development which is one of the most important thing and as you know that accretion rate in GAIL is less than 1% but we have noticed the accretion in E2& E3 that is senior engineer and deputy engineer as high as 6 to 7% . So we have found that this is the group who have gen-Y, they have to be engaged and retained. For that we have subtly made and supplied agenda for young talent development so that efforts would be made to as much as you can retain the young talent who are going to take the critical positions in the years to come.

**S.B.MITRA:**

What are the extents that are the strategic fit be it horizontal or vertical in different business vertical of your organization and what are the factors facilitating or hindering such a fit?



**Mr. Amit:**

Like strategic fit whether horizontal or vertical I would like to say that all the leadership positions like we as a PSU have to sign MOU with Government. Based on that internal MOU is done with all business process owners and functional heads, which is subsequently cascaded down to the lower levels so that to ensure the corporate objectives are met by various roles, who are not only at ED or GM cadres but thereafter. This forms part for goal setting executives. Now in new performance system we have performance planning exercise which is carried out at the beginning of each year. So that time it is ensured that all the roles we have identified they align to the MOU of the company which is made into IMOU and subsequently cascaded down, so it is what from HR we see that there is a horizontal as well as a vertical fit.

**SB Mitra:**

Vertical I understood but even the horizontal, the various sub-functions how do you align them so as to cater the requirement of posting as in putting right people at right place? How various sub-functions are aligned so to make sure right people at right place?

**Mr. Amit**

Like recruitment to have right person at right place. In our company we normally recruit people at induction level that is the executive trainee which is also called as Senior Engineer. Now we have job specification for each role, what is expected from them. 1/3<sup>rd</sup> recruitment is done on campus and 2/3<sup>rd</sup> from all over India by advertisement. Now whenever we recruit people either on campus or through all India recruitment we see what is that position for which we are going to hire, what are the specification, what are the competencies expected form the candidates for that role, whether functional or behavioral competency? Next thing comes about the placement for career progression. We have got a defined career progression policy up to certain level. It is percentage based promotion, there after vacancy based. Now we have separate dimensions with distinguished marks which are well notified to the employees who are all aware of and after four years the eligible candidates, their assessment is available by departmental promotional committee and we make sure that right persons are rewarded through their career progression.

**SB Mitra:**

Similarly when there is a gap in the competency so you also go for the proper tailor made.....

**Mr. Amit**

Right, whenever there is a competency gap we have a process to assess the gap. One is The Performance Management System itself. There are each role and against each role there is behavioral and functional competency. At the end of the year each appraisal is assessed not only reporting authority but also by reviewing authority on each of these behavioral as well as functional competencies. And at the end of the year we just capture which are the competency where the proficiency level is relatively low and those competencies are captured, we send it to the training department which designs a training program with intent that these training executives would overcome that competencies and improve upon by those additional training they get.

**SB Mitra:**

Can you tell me in brief how this HR strategy is implemented across the work centers across the business verticals?

**Mr. Amit:**

When we devise Business Strategies we have identified certain areas where we need to build up our capacity as well as capability in the new fields like international sourcing which was not that important function but now since we are in LNG business, shipping business. So we felt that there is a need to build the capacity as well as capability in international sourcing, international merger and acquisition, shell gas and power business. These are areas which we have focused and wherever there is need to increase the capacity we are into recruitment by fitting those job profile requires such type of canvas we have been recruiting few in number and to great extent the people already are working in this section, they are exposed to different training activities so that the capabilities in the existing field is enhanced and this is a continuous process and it's not that we give one training in M&A, but it is a continuous process. These are also given an opportunity to be part of the diligence team so that they gain exposure when they are in field. It is a constant endeavor of HR to impart training on the capability which are required in these verticals.

**SB Mitra:**

Just to conclude what is your feeling , that HR is reasonably involved for purpose of strategy formulation in business and also HR is practiced in various business verticals be it project, be it marketing, be it E&P with reasonable satisfactions of the concerned head of the business verticals?

**Mr. Amit:**

First thing I would say is that yes, HR is very much integral part of strategy formulation and that is how HR strategy is aligned with the business strategy where corporate HR has a immense role to play and that's how we have properly involved in that process. As far as you other question do you expect to meet the expectations of the business owners, well I would like to give an example of E&P, in spite of best of efforts we recruit people through campus recruitment who go to Indian School of Mines, we also recruit people at middle level, but it is with our experience since we do not have much of E&P business so far in GAIL these people they leave GAIL after gaining few years of experience. So here there is a shot fall of desired level than what we have. Number two, for E&P making one of our foreign deal with Carizo we are required to send our E&P personnel. Today there are four people who are seconded for that. After 3 years they are to be brought back and send another set of people. Now we find that the present strength what we have at time when we interact with the E&P head, he feels that it need to further strengthened then the way it is. But these are the difficulties we face, if you talk about the other business verticals, yes we have been meeting fully their expectations not only in terms of capacity building but also capability building. So from HR I feel that yes, all the business verticals are quiet satisfied, but one thing I will say that, you initial question whether HR really is considered as strategic business partner? I have been hearing this at other business forums where I hear that some organizational HR head saying HR is not considered as business partner at the same time at other PSUs what I hear is that how there can be strategic business fit when they are not involved in the process. So there are dozens of views. In GAIL as I tell you if you say that all HR managers are strategic business partners, then no it is not, because they are not involved in the process, nor there is a reason I find to get them involved.

**SB Mitra:**

How at the corporate level?

**Mr. Amit:**

Yes, corporate level we have various phases of HR. we have HRD even in promotion section, one is placement sections, one is recruitment and one talent management in HR we have got establishment administration, and then we have got policies, industrial relation. Each of function has different roles people who are involved in recruitment, talent management. These are the people who were involved and I think it is right thing instead of involving people of administration job as they would not have contributed. Whereas the people in HRD, they have definitely team work. The entire cell in HRD has

helped in formulating the strategy, so they are greatly important. But the work center HR person, here I would say that problem comes when your strategy document is not properly communicated, it is not explained. I think there is an area where we need to look upon because when I interact with many of the OIC, their concern is to meet the concerned production targets as per the IMOU's with their directors. But they know in general what the strategy of the company is. There is year wise target to achieve, what is their direct role it is not much known. So here I feel that in GAIL also needs to make frequent communication and whenever we revisit the strategy document the reasons and outcomes should also be made known to employees.

**SB Mitra:**

Thank you sir!

## **Interview of Mr. DB Shastry, GM (HRD) and Mr. Ayush Gupta, DGM (HRD)**

### **SB Mitra:**

Shastry Sir, good evening.

As I explained to you I am pursuing a thesis project on strategic Human Resource Management and with that objective in mind we are here today. In fact my objective is to see how corporate HR strategy is vertically aligned with the Business strategy. You headed the training division earlier and Mr. Ayush Gupta, who is here, also has worked in training division earlier. Now both of you are working in the HRD division and Shastry Sir, you are now heading as head of HRD. I just wanted to have clarity, how the various sub-functions of HR are properly aligned as they are inter-related; but working for the same object to achieve the corporate HR strategy set out in line with the business strategy.

So, my first question to you, do you feel that the corporate HR strategy that you have created for the company is aligned with the business strategy formulated in the 2020 document adequately or not?

### **Mr. Shastry:**

Thank you very much Mitra Ji! for giving me this opportunity to interact with you, as you said alignment of HR strategy with business strategy, so my one-liner answer to begin with is that both are integral parts, because any organization is just like human being and all organs are equally important and so is the case with the organization and particularly it is the Human Beings who drive the growth of the organization. So to my mind it is difficult to imagine even that HR strategy and business strategy can be different. Both have to be in synchronization with each other, without that it is meaningless to talk of business strategy.

Secondly, it is being debated from time to time whether HR is in isolation or other wings like line function is different. No, my response to that is everybody is HR, be it Contract & Procurement, be it Marketing, be it Company Secretariat, any function is manned by Human beings only and our business operation run through human beings only. That means it is solely dependent on the interaction of human beings together. So everybody is HR, if somebody thinks that somebody is in production and has nothing to do with HR, to my mind it is a misconception. So line functions and HR functions are integral and all functions go hand in hand. Now coming to business strategy of GAIL, Strategy 2020, and the first and foremost thing - who has formulated the strategy? It is a collective effort, the Board of Directors, the

stakeholders, the employees etc. So, the human input is first and foremost. It is some human being to whose mind certain thought has occurred, that leader at the top has shared the vision with the team members, the board members and the employees at large and that is how this was rolled out. Various stakeholders were consulted, inputs were taken, lot of *manthan* was there, so many meetings were held. That's how GAIL had come up with the Strategy 2020.

So, now for making our strategy a reality and strategy is dynamic, today we might have considered a set of parameters, keeping in view those factors we have formulated certain strategy, but environment is dynamic. Today we are seeing that there is a war in Iraq and the oil prices are going up and so on and few months ago we never knew it. So things are changing very fast and accordingly we have to align our actions and strategy. And the HR functions include everything, talent acquisition, talent development, talent deployment, right person for the right job. And again the oil and gas sector globally is facing the problem of retirement of so many people, senior people are going out, so the issue of succession planning, it is again an important parameter in relation to business growth and HR strategy. Then on boarding of new comers, when recruitment takes place the specification of the job for which the position is advertised.

**SB Mitra:**

Yes, I understand. According to you the inputs of the HR have been duly captured in the strategy document. Now I am coming back to functions of various sub-functions of the HRD as you have been mentioning, recruitment, performance appraisal, training and development, placement (right people at the right place), then promotion, succession planning, so on. And for each sub-function you create a strategy for yourself for implementation. How do you go about it and how do you align them as they are all inter-related functions?

**Mr. Shastry:**

Strategy has many elements. Simplistically speaking the traditional notion of HR that it relates to recruitment, then posting the people in the places where they are required and then training them as a matter of routine/ritual and moreover traditionally HR has been considered as a cost to the company, but now the world is realizing that it is not the cost, it is the investment. So from that angle, our company is a progressive one and that is why our decisions are driven by this philosophy. So, we believe in acquiring the right kind of talent, through rigorous process of selection. Then again, the on boarding of new comers

through a structured orientation process, then after a process of whole one year, then based on assessment of the strengths of each person, I would not like to say the weakness because those are the areas of development and each one has those areas. Considering all these factors, based on the assessment of new comers the right fit is found according to the requirement of business that is number one. Then again we have to continuously review, because the philosophy keeps changing as per the business environment. There was one time when we started with a small project, a small group of people was there to man the company but later on the philosophy came that the critical jobs, the specialized jobs should be manned by our regular manpower and for routine and repetitive type of jobs we may go for outsourcing. But again after a gap of so many years there was practically no recruitment in GAIL for several years. Then again a need was felt looking into the scenario of mass retirements and all and also the imbalance of the levels like at E4 and E5 level, there is a bulge in our organization and lower levels E2, E3 it is less and then again at top also it is heavier then what it should be. So that's why 2009 onwards recruitment was started, fresh blood was inducted into the organization, but that is not stopping us from recruiting the people at appropriate levels like E5 is the induction level., middle level, senior-middle level where we can induct people and there has been instances in which people have been recruited in the company at non-induction level as per the changing needs of the business. So that is how it keeps changing and again multi-skilling of people, rotation of people from one function to the other. You are my friend and you know I have been rotated to several functions. Construction to commissioning to operations to corporate office to training to again to project management to operations and so on. So, that gives a variety of exposure and you get a feel of the business. Anybody thinking of taking the business ahead and trying to ensure the growth of the company should get a feel of the business. If I talk of business development or business growth I must first know what my business is and then I have to think of new avenues of business. I have to not only strengthen myself in the existing areas of business, but also I have to look for opportunities and that is why the vision statement of GAIL was revisited and the concept of globalization came up, issue of various stakeholders came up, environmental sustainability and diversification of business, backward integration, forward integration. That's why we went to E&P and also we are trying to go for forward integration into downstream areas of business and also globalization in the countries like US and Singapore we have opened our offices for different purposes.

**SB Mitra:**

So while recruiting you take into account the requirement of the business?

**Mr. Shastry:**

Yes, and developing the people according to the changing needs of the business.

**SB Mitra:**

So as a corollary to your answer, how do you link the different HR activities to long term vision of the company?

**Mr. Shastry:**

Definitely, long term vision of the company as we know, our vision is to be the leading company with global focus in natural gas and beyond, because now we are not limited to natural gas. So, therefore, the HR strategy has to be in alignment. In fact, when I share my thoughts at various fora I always say that unless this thing is engrained in our mind. Vision I don't think that anybody will remember verbatim, but if conceptual things are within the mind then our actions will also be driven so sharing of vision with all stake holders, employees in particular and other stakeholders in general that is their vision mission, that drives the actions of the people and also ensures alignment of HR strategy with business strategy and its is in this context that our HR function has undergone so many changes like effectively leveraging the information technology, conversion of so many processes instead of Hard Copy into the online mode, that ensures that employees are comfortable at the same time those who are responsible for execution of those processes, they can also devote time for better activities instead of routine and mundane tasks that is there, so people can think, people come out with innovative ideas to ensure that there is an appropriate culture in which the scope is there for developing the people to inculcate a sense of leadership within the people, again it is the leadership pipeline, it is not that the leadership is only at the top. Leadership is in a continuum. So leadership is there, then executing the things in a speedy and accurate manner. Accuracy and speed both are important, again this is an important part of not only project management but HR strategy, how to develop and train our people so that his ultimate objective of speed of execution and accuracy of tasks within the given time frame is achieved. Then second element is employee remuneration or reward and recognition, again lot of changes are required in this parameter and GAIL has come out with many innovative ideas like GAIL women Employee Award to recognize the efforts of the women employees and so many other activities like GAIL singing Idol was there, then we have inter-regional sports meet, so there is no arena of Human Activities which is untouched and this is definitely to



my mind a very distinguishing factor for GAIL. And these are all sub-elements of the Business Strategy, because unless strategy is there all these actions will not be visible.

**SB Mitra:**

Thank you Shastry Sir, in fact it was quite educative also, and what Shastry sir said I am taking a cue from there only, Ayush you being the second in command, you earlier also worked in the training department, now you are working in the HRD, can you describe how HR managers in this company can be taken as business partners or how they are involved in HR strategy formulation, because that will in return help in formulating the business strategy?

**Mr. Ayush:**

Continuing basically what Mr. Shastry was saying the core HR strategy or HRD strategy is offshoot of the overall organizational strategy i.e. the strategy 2020 as of now wherein HR strategy is the part of overall strategy of the company? Like when we say that the organization has to expand into new areas of business, so for new areas of business apart from acquiring the knowledge know how and technique for entering into that business area another core area is the capability and capacity building of Human Resources who will be required to run those business, like now we are talking of entering into shipping business, so for which the parallel process is going on in terms of tendering and entering into MoU with other organizations like Shipping Corporation and those things, for getting the knowhow of doing that business but at the same time, HRD is also working in sync with those departments to identify what will be the key positions or the manpower required, with what amount of qualifications, what traits, what experience level, so that by time that business is going to get in place we have the requisite people with required qualifications and experience in place and possibly in advance so that the business objectives can be met and the projects and the things do not get delayed because of the lack of required skills or the manpower, so that is where the role of HR managers or HRD managers involved in recruitment or placement of people comes into picture and they are acting as a true business partner in achieving the objectives of the organization.

**SB Mitra:**

Good, in a way you say that the HRD contribute significantly in diversification of business of the company?

**Mr. Ayush:**

Yes, the diversification practically, as I quoted the example cannot be successful unless we have the required Human Resources with their skills and knowledge in place and that is where the training has to contribute, one is acquiring skills from outside and other is developing our own talent pool to take on higher responsibilities and new positions for diversification and growth.

**SB Mitra:**

My Second question is, to what extent do you feel that the corporate HR strategy-a strategic fit between the Corporate HR strategy & Business strategy and similarly, the horizontal fit amongst the various sub functions of the HR including HRD?

**Mr. Ayush:**

Basically overall the HR strategy is directly in sync with the organizational strategy and that has been taken care of at the board level while formulating the and getting the strategy document approved, so as I said HR strategy is part of the overall strategy. So we have an approved HR strategy with in-built elements on capacity building, capability building, knowledge management, so these are some of the three core elements which are a part of the HR strategy and now coming to the sub-functions within HR group, how they are being integrated, like for capacity building there are recruitment action plans being drawn that going forward the company has to have a certain percentage of growth, so aligned with that how much manpower, Human resources are required to be inducted at a regular level so that we don't fall short of the requisite man-power, as long as taking into care the out-flow of the people because of super annuation or moving to other jobs, so keeping all those factors in mind there is a planned action to take care of the Human Resource requirement. Second part is capability building, that is being taken care by the training arm i.e. GTI where the skill management, skill development , future skills that may be needed, new skills that may be needed to operate or to enter into those business areas is taken care of as well as not losing the focus on strengthening the existing business areas because existing business area is also a core because of which the bread and butter is being earned today. So there also what are the new skills or the strengthening of or sharpening of those skills is required that is also a major focus as part of the strategy document only.

Third is going for new initiatives, what are to be required for knowledge management and capturing the knowledge, suitably keeping the employees motivated, encourage them to come out and share their

experiences, document those experiences so that going forward they can be utilized for the overall growth of the organization.

**SB Mitra:**

Very briefly I would like to know what are the factors you feel that facilitates this kind of strategic fit or there are factors which hinder in the progress of the strategic fit?

**Mr. Ayush:**

Factors facilitating the overall fit is the basically a very close knit groups being formed and equal involvement of the people while formulating the strategy, it's not that somebody from outside comes and gives you a strategy document to implement, people who are involved in the process, who are part of the company and the sub-functions and functions, they have been part of formulating that strategy before that has been approved by the board, so that has been a way that they own that strategy document, it's not that it has come from outside or it has been forced upon the people, so the strength of the facilitation comes from the ownership of the vision or the documents or the plans or the procedures so that is the biggest facilitating factor and that is also discussed and communicated at various levels, it is not being kept as a secret document or sacred document which I at a working level cannot have access, so that is being shared and communicated. So that is something which is facilitating. In terms of hindering if I look at the biggest factor or one major factor is the uncertainty in the business scenario. So many uncertainty is coming, say like the issue on pricing is there, issue on sourcing is there, so when people at a working level have some uncertainty to deal with, they are not clear whether If going forward from five years from now I am talking as per the plan I may need 100, 200 or 500 people but because of those uncertainties whether I will be actually when it comes to the time I will be recruiting those persons or not. So business scenario is totally uncertain. So those things do affect the strategic fit.

**SB Mitra:**

Sir I just wanted to make a simple question from Mr. Ayush that given a choice to you what are the measures you would like to put in place to improve this process of formulating the HR strategy in the existing framework of business?

**Mr. Shastry:**

It's a very interesting apparently simple but the most difficult question. And to my mind it has to be a participative process. Though it is driven by top but involvement of all concerned stakeholders is must and that requires atmosphere of openness, collaboration and mutual trust because as Ayush was telling and sharing this type of open dialogue, open communication is important in order to formulate a robust strategy. There should be communication at all levels, it should not remain confined to certain pockets and then the synergy of actions-people might have great ideas in isolated pockets but unless those ideas are integrated and given a concrete shape we can't expect a robust strategy in any organization. So these are the important elements in regard to formulation of a robust strategy and encouragement to innovation and creativity because if we keep on churning around the same pool we won't get something good, it is just like the SAMUDRA MANTHAN. If the large quantity of water is subjected to churning so variety of rivers are joining the ocean so there is variety of sources of water, similarly in a big pool of organization there are people from diverse background. Diversity of education, diversity in terms of geographical areas etc. and diversity of experience (people bring experience) now there are people who are within the organization, they are grown within the organization; there are people who come to our organization from other organization so they also bring variety of experience. So when all such ideas are shared openly without any bias and then that kind of deliberations and discussions are done with ultimate objective of organizations growth and then something very beautiful will come out in the form of HR robust strategy.

**SB Mitra:**

Interesting...and as you have already explained earning great detail about the strategies formulating for recruitment, training and development, induction, performance appraisal but how often you involve line managers in such decision making process?

**Mr. Shastry:**

Yes there has always been effort within GAIL to involve the line managers in all such crucial decisions and that is why u know there is a term called OIC in our company officer in charges and the HR in charges, so whenever any u know any major decision is required to be taken they are duly consulted the officer in charges who are running the different work, their inputs. There is TMT(top management team) of which all the heads of department and ED's are integral part and wherever needed u know smaller groups are created for specific activities like standard manning, manpower review and for any decision

may be with regard to land acquisition any matter which management feels that it should be given due importance special task forces are created and cross functional groups are there so that so that use of all concerned are captured so in my opinion line managers are defiantly involved in the process of formulation of strategy.

**SB Mitra:**

Thank you so much, now Ayush one question because you are in the background interim department. How do you develop the requisite skill sets for various job positions in your company?

**Mr.Ayush:**

There is a structured process followed for identifying the requisite skills or the gaps or the development areas where the strengthening has to be done for which the programs have to be designed. The entire process of training need identification or gap identification is linked to the performance identification system where the areas of strength and development whether than seeing it as weakness are identified by taking the inputs from the top management, starting from the top management to the reporting officer, the reviewing officer then the accepting officers. Then they are analyzed to a steering committee on training which deliberates the various inputs received or the areas identified and based on which the annual training calendar or the plans for the individuals are rolled out keeping in view their individual development needs, their unit level development needs and the overall organizational needs in terms of developing the new skill sets in our people. Parallely also in the recent years what we have taken up is the senior management development centers, where senior executives are taken through a structured assessment center exercise where their areas of development are identified on behavioral competencies required and based on which the structural individual development plans are chalked out and they are being provided to the concerned executives.

**SB Mitra:**

Yes Ayush...

**Mr.Shastry:**

Now if you permit I would like to add to what he has already said.

**SB Mitra:**

Yes sir, definitely sir

**Mr. Shastry:**

Apart from capturing the training needs of the employees through performance management system and all the company is u know very broad minded. The areas which we have not even thought of like in 2003, 04, 05 a group of engineers was sent to Japan for training in LNG related business. That time GAIL has not stepped in the LNG business but perhaps our leaders were so much visionary that they could foresee the future and got the people trained in that aspect and that aspect is coming handy to the company today. Similarly today with changing time so many needs are emerging. So training calendar is the best document it is the guiding factor for all of us but as and when any business need arises people are nominated to external programs or programs are organized within the organization to equip the people with the required knowledge and skill as may be apt in line with the growth strategy of the business.

**SB Mitra:**

Great, last question to you Shastry sir. There are managers working under you various sub functions and how do you manage to bring about co-operation among various managers of HR?

**Mr. Shastry:**

Again in simple words it has to be a culture of sharing and caring. Each individual has certain strengths, there are many areas of development but there is definitely something to learn from somebody and each one working in his or her domain acquires certain level of expertise by way of doing the thing. So, free exchange of knowledge and experience is a must. Open culture, sharing and caring. Like Mr. Ayush was mentioning that in our company, in GAIL TRAINING INSTITUTE small efforts though seemingly small but to my mind those are very major impact creating moment like knowledge sharing seminar we started that thing in early as in 1999 it started with a limited idea of sharing the experiences on the single platform with the basic idea to exchange the experiences like some problem has come at a particular work centre of which the other work centre are not aware whereas the configuration of the plant and equipment is almost the same, so if someone has encountered some problem at some point of time, if it is not shared then the other one will end up in reinventing the wheel so whereas that kind of experience is available and someone has already broken his or her head for solving that problem why not that experience should come handy to the others benefiting that particular work centre and also the company as a whole and in that process people develop also and who knows suppose if I am there, I have solved some problem, I have struggled but that may not be the optimum solution. May be my friend like

Mr.Mitra when I share my experience with him, he may say ooh you tried this method but perhaps had you tried this way, it would have been still better, might be time saving might be economical so when there is free exchange of knowledge and experience then only this kind of conducive culture can be created and sub groups can be integrated so similarly in HR also whether it is employee service whether it is administration whether it is policy whether it is legal cell whether it is HRD whether it is training whether it is recruitment whether it is performance management all are important in themselves but as you rightly said integration of all these is more important because excellence in isolated pockets has no meaning, keeping in mind the ultimate objective of the organization when all efforts are concerted and pointed towards the common goal then only that strategy can be termed as a robust and a successful strategy.

**SB Mitra:**

Thank you Shastry sir, it was a great interview so far. You have really contributed significantly narrating the profile of GAIL and how does it work. Thank you Ayush thank you so much.

**Mr. Ayush:**

One more thing we probably missed out which we would like to add is when you talked of HR as a business partner in the organization, today if you look at the structure of HR and in the past also, people from HR, working in HR have moved to other business functions like heading the zonal offices being involved in the marketing activities and then they move back to HR. similarly people like me and Shastry ji having a technical background worked in the field in core areas of operation and maintenance are being inducted into HR so that shows the intermingling between different business functions as the organization and the openness to different inputs and involvement in different areas which truly shows the direction which the company follows or the vision the company has in terms of involving an inclusive growth involving all sections department in the strategy formulation and execution and planning.

**SB Mitra:**

Yes, I agree I mean to say that besides the functional specialisation company looking for more and more business managers in place. Thank You so much.

**Mr. Shastry:**

Thank you very much, thank you so much sir.

## **Interview of Mr. R.S Velmurugan, CM (training)**

### **SB Mitra:**

Good Morning Mr. Velmurugan. In fact, you are already aware that I am pursuing a research project on Strategic Human Resource Management and you are implementing various training programs as identified by the various departments.

### **Mr. Velmurgan:**

Yes sir,

### **SB Mitra:**

I would like to ask you a few questions, those are not very pointed questions but you know you can always answer them in a very descriptive way as well. So, my first question to you..How do you find that the functions of this training department are duly aligned with the HR strategic objective as said by the Corporate Office in alignment with the Business strategy of the company?

### **Mr.Velmurgan:**

Ok sir, let me answer this question. Strategic objectives of the company are aligned with the training objectives. In HR also, for example, we have a strategy 20-20 initiative. In this we have various functions of HR objectives like Talent Management, People Development and Capability Building and everything. Together as a HR - The whole function. We are responsible for those functions among these functions; Capability Building is the area that is training department is responsible. From time to time we hold the meeting together and we take the initiatives on 'what are the functions' to be covered for the Capability Building. We conduct a regular training programs and Capability Building related programs. So this is one aspect and similarly we have targets and for MoU targets also we have HR specific targets. Those targets again percolated down to the training department and training department also have such targets in MoU and those targets are again further down line to internal MoU targets. These internal MoU targets are totally aligned with the company objective of MoU targets.

### **SB Mitra:**

Great! So as I could make out the thrust of this training department happens to be the Capability Building. So, how do you identify? I would like to know the process of identification of the training needs for the training department?



**Mr. Velmurgan:**

Sir, in training department, earlier, normally what we used to do during the month of November and December we used to send the mail communication to all the HOD's of Corporate and the Work Centre In charges and we ask them in the schedule format what are their emerging training needs for the next financial year or calendar year, so we take those inputs from them, and after taking these inputs we combine all these inputs at GAIL TRAINING INSTITUTE to the specific training programs and once the compilation is done those training programs we upload to the intranet system through EPMS and our dedicated system. We collect information, what is the requirement of the individual executives for that selected programs. This time what we have done is we have divided these two programs one as the focused program to take care of the Capability Building because normally these training programs whatever selected in the system only is possible to allot to those people. But the situation here is we require some training programs very specific need. Suppose in Business Development, they need for LNG shipping, they need the training. So, this time we prepare the list of focused training program for the much focused group and we discuss those things with the individual head of the departments: with ED (marketing), ED (HRD) like this we discussed. This is the first time we prepared the list of executives we take the nomination of those executives and we'll send them to national or international training. That's the process we are following to take care of the Capability issue. We started adjusting focus programme concept.

**SB Mitra:**

But my only point of query from you is - Do you feel that your focused program is in sync with the developmental requirements as have been identified in the performance appraisal system?

**Mr. Velmurgan:**

No. This focus program we are doing outside the PMS system. So, PMS system we take the normal regular training, behavioral training, and routine functional training for example Finance is required for all the executives. That is one system. Apart from this, the focus program, we individually discuss with the concerned Directors and the concerned Head of Departments.

**SB Mitra:**

So, is this more of a managerial kind of Programme?

**Mr. Velmurugan:**

No it's more of their own specific requirement, their own job what they require, their own function. If somebody is taking care of LNG they are to be trained in LNG. It not like everybody may get opportunity as earlier. If we put it in the EPMS system seeing the LNG tag any random person would select LNG, so we have to train him. But this time we give option to person only working in relevant function, say gas turbine training for working in gas turbine. It's not like that everybody can select, this process we kept separately.

**SB Mitra:**

So, how do you implement those developmental needs?

**Mr. Velmurgan:**

These developmental needs depend on the batch size. Suppose if we get 20-25 participants then we organize upright customized programs through the reputed institutions of Indian or International agencies. In case there are only 4 people or 3 people we send them to program where it is conducted by the other external organizations within India or international forum.

**SB Mitra:**

But tell me one thing how do you ensure that at the end of the program the purpose for which this was designed, organized or conducted is reasonably achieved?

**Mr. Velmurgan:**

This one the very critical one, because many organizations are still trying to achieve what is the return of the investment of training, that's why this time we started the focused one, so the people who want only we give the training, that is identified by their boss. We need to see the results of that, this year whether this is to be useful or not. Earlier there was a complaint everybody is getting the same training or something, so this we need to see the results in future after implementing of this one. Anyway we have some systems; few programs we started were following up programs. On shale gas we conducted the program on basics and then as a follow up program we conducted the advanced shale gas, so that people once learn the shale gas, follow up comes then we conduct pre post assessment or something. So some initiatives done but yet to do more initiatives.

**SB Mitra:**

So there is scope for improvement?

**Mr.Velmurgan:**

Scope for improvement is there.

**SB Mitra:**

One thing you tell me, training happens to be an integral part of HR functions, it cannot be treated in isolation and how do you find the alignment of training function with other sub-functions of HR like recruitment, promotion etc. as the objective happens to be making availability of right kind of people at right place and at right point of time?

**Mr.Velmurgan:**

In training department we have two/three interactions, maximum with HRD functions. In HRD function one is the executive trainee orientation program. So HRD recruit the people and they inform to us and Time to time we have interlink adjustment. Time to do their training; how to do their training, when to place them, which area to be placed, that type of integration of HRD function is with training, one is executive training. Another one is talent management initiative, i.e. Senior Management Development Center or Assessment Center, whatever HRD under the assessment center or development center, they identify the developmental areas required and they send the people, inform the training department and training department conduct the developmental programs and we give the feedback to HRD. Thus many people we have trained. We give the yearly-learning program and all, and that feedback we give to HRD. It's with the HRD function we have alignment and rest of the HR functions we have the normal employee relations and payments.

**SB Mitra:**

My immediate query to you, is there any robust mechanism you have evolved for alignment of various sub-functions with training?

**Mr.Velmurgan:**

Robust alignment means it's a time to time communication we have. I think systems are there. We have SAP system. In sap system we put up training calendars

**SB Mitra:**

Periodical meetings, feedbacks those things do happen?

**Mr.Velmurgan:**

Yes, that is happening.

**SB Mitra:**

Training as often said, its credibility and its activities are mostly top driven and what is your assessment, how much importance is accorded by GAIL on training initiatives?

**Mr.Velmurgan:**

Training initiative we have top driven here. Example is ET orientation program. We give orientation training, then CMD comes here, Directors come here and they give importance to orientation program and even in few training programs Directors are coming and inaugurating the session, all these things are there. We give the importance. Only the improvement area is the training attendee's absence that means suppose we nominate 50 people the thing is only around 70% people attend the training and 30% absence is there. That absentee part we highlight to the top management and top management is also trying to implement it and still the constraints are available like some work exigency, some personal exigency for the people, some plant shut down is there, all these. Still we need to improve that area, that 30 % absence, that is not good for the training department, that we need more support from top management, we are doing it, we already highlighted to top managements, the Directors and they have assured that it will improve, some communication they are sending to HOD and OIC to improve. This absence of training is the area that needs a support.

**SB Mitra:**

You tell me I mean What Is the training budget of this company?

**Mr.Velmurgan:**

Training budget is around 15 crores.

**SB Mitra:**

Is there any bench marking available? For such strength of manpower you need to have.

**Mr.Velmurgan:**

Benchmark figure is there, presently I don't remember. I will inform you after seeing the figure.

**SB Mitra:**

Thank you so much!

## INTERVIEW OF MR. SHIBU GANGULY

**S.B.MITRA:**

Good morning Mr. Ganguly!

Well come to this interview. I have mentioned to you that I'm pursuing my thesis/ project on strategic Human resource management.

**Mr. Ganguly:** Great!

**S.B.MITRA:**

GAIL is a very progressive organization in natural gas sector. GAIL is having a very elaborate Business strategy. I have already spoken to the HR head with Mr. Amit Ray, Executive Director, head of HR & HRD and he has mentioned that HR is associated appropriately in formulating the Business strategy document. Now my just limited questions to you and that are not very pointed one, you can always reply them in descriptive way. This is exploratory kind of research.

My first question to you is that what is your feeling that HR is properly aligned with Business strategy?

**Mr. Ganguly:**

Yes, I really feel that HR is properly aligned with Business strategy because when you see the role of HR, it is visible that HR is to assist the Business strategy in different business forum of activities. The activities which is taken care by me in HR is establishment, one. The second is the administration and the third is the maintenance. So, if you see directly or indirectly these are all related to the Business strategy. Once you identify what the GAIL is going to take the directions where it has to go to the supporting facilities, supporting activities are taken care by HR.

**S.B.MITRA:**

Mr. Ganguly, you have been heading various sub functions of HR during the last one decade. You have also headed training department, presently, you are looking after administration, establishment, HR maintenance, you have also headed the site HR also, one of biggest work centers of GAIL. So, how do you decide to align your sub-functions of HR with the comprehensive HR strategy?

**Mr. Ganguly:**

Basically when you see what different components of HR is horizontally related to each other because the one component if you don't perform or excel other component is directly or indirectly affected. So, you have to manage the performance of each of the components of HR activities such that they mutually support each other and ultimately the objective of the corporation is achieved, so, the purpose and strength is given to identify the core area of the HR activities and see that they directly or indirectly related to each other and perform perfectly so that the objective of the company is achieved.

**S.B.MITRA:**

Thank you so much!

Then you must also take lot of care in formulating the strategy for each sub-function, you do it and how do you formulate it for various sub-functions? How do you go about it?

**Mr Ganguly:**

Right! What happened is that it starts from the organization's strategies. When you see organization's strategies like one of the area is to ensure the environment is conducive for the employees to perform their duty. So, when you know the objective of the company that is to provide a good and hygienic environment, so that they can perform their duty to the best of their abilities then it comes to our strategy as to how to cater the area where these facilities can be achieved. Like recently what we were taking for cleaning all the unwanted files available with us so, we identify step by step how to do that. The first step was to identify the file retention system and when you know it then we send letters to all departments to ensure that they have to identify files which are obsolete and which can be discarded and then we start procuring the manpower for removing the files from different places, identifying the equipment for scrapping the files and then ensuring that they are cleaned on the same day and go from the different floor and it is taken away out from the building. So this is the one example which I said that we are going to align with objective of the company. The strategy is to ensure that it is the safe and hygienic working environment. So, one component we have started taking care by giving them support for that.

**S.B.MITRA:**

So in a way I would like to know how do you link the HR activities to long term HR vision?

**Mr. Ganguly:**

Basically the long term vision gives us a direction to step by step break down into their small activities and ensure that the vision is achieved. So we break down activities into small tasks and assign them the target date for completing the tasks. Once all the tasks are completed we reach to the stage where final objective is met.

**S.B.MITRA:**

Good! Now I would like to take it little further, you describe me how the HR Managers in your company can be taken as the business partners and be involved in HR strategy formulation, which also in turn supporting in formulating the Business strategy?

**Mr.Ganguly:**

To do that what we have, various programs for developing the roles and responsibilities and the HRD has developed the concepts of KPA, KPI where they had laid down roles and responsibilities and targets assigned to them and we ensure that we give freedom of their role and perform and achieve the target independently.

**S.B.MITRA:**

Then, what are the strategies you have developed to develop the HR in the framework in your company?

**Mr.Ganguly:**

Basically they are the concept of sustained efforts where different developmental traits are defined and once they are identified they are exposed to different training programmes in reputed organization to ensure that the gap between their abilities and potentials is enriched by the institute so they can equip themselves for performing in a better way.

**S.B.MITRA:**

Can you describe how your department contributes in the diversification of business of company on the strategic planning process?

**Mr.Ganguly:**

Basically one of the role of my department is to ensure to provide the state- office equipment, facilities, features and the table chair then other supporting facilities whatever is required when the company is



diversifying from one field to another, ensure that the office complex is hired in right time and right place which is conducive for working of the people in right opportunities time. So we support them in various activities like establishing them with all equipments and gadgets which are required as infrastructure. We assist them to ensure, the salaries and all as how it will be paid in time depending on various norms available in various countries. So directly or indirectly we assist them in diversification of the company by providing them supports.

**S.B.MITRA:**

Now you are supporting various business verticals of company also to what extent do you feel that the strategic fit with business verticals and also there is friction among various sub-function of HR department not limited to your function but other HR and HRD, what is your opinion ?

**Mr. Ganguly:**

I felt it is very excellently linked to each other with horizontally and vertically. So we mutually depend on each other and take responsibility and jointly work as a team so that the ultimate objective of the company is achieved.

**S.B.MITRA:**

Can you give few factors which facilitate or factors which is hindering such a fit?

**Mr.Ganguly:**

Basically if you see, whatever examples I give is the identification of different training needs of an individuals, it is for the HRD who does it and we assist them in sending the people to the appropriate level and give them feedback that yes in my personal view also that these are the areas where it can be improved and so that he can go up in organization and work effectively. So the link is between HRD and one group. The second part is like giving support to all group members like giving them excellent food facilities by providing the best catering service available in the market so that the people can get their needs fulfilled whenever they are working off time or on time on Saturday there. So they get support from the administrative point of view which is required so that they can perform effectively. So directly or indirectly all are linked to one way or other so that the ultimate objective is fulfilled.

**S.B.MITRA:**

These are O.K. But can you describe the few factors which is hindering the process because you know that the short fall of your expectation?

**Mr.Ganguly:**

I don't remember any such factors right now, everything is aligned with expectation.

**S.B.MITRA:**

How do you manage to bring about operation among various sub area managers of HR?

**Mr. Ganguly:**

Basically it is all about your building relationship and once you have good relationship with your subordinates and co-group members, I'm sure that we get full support from them and it is a mutual thing ,we support them they support us whenever there is a problem and I don't find any difficulty in managing this.

**S.B.MITRA:**

Good! My last question to you, do you think that HR is meeting the expectations of various business verticals? Or there is scope for improvement?

**Mr. Ganguly:**

In my opinion in our company, because it's a very small company, HR is meeting its expectations but there is always scope for improvement and we do it in continuous way by identifying the areas of improvement by changing the strategies for achieving them, we keep getting feedback and support us and keep giving feedback in different business area whenever there is scope for improvement.

**S.B.MITRA:**

Thank you so much.

**Mr. Ganguly:**

Thank you so much sir.

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