

HR as a factor of Competitive Advantage

- In January, 2016, Jagadhatri Enterprises, one of the best organizations of its kind in Asia, dealing in pharmaceutical products was suffering from huge manpower shortage in terms of expertise.
- Apart from Exports, the company dealt in supplying syringes to all Government Hospitals which was indeed a huge market and was the lone player in the market.
- Despite a niche status, since last couple of years, the demand had slowed down. Fifteen thousand men were just incapable of solving the problem. The company was incurring a loss in tune of one crore per day.

- After a preliminary investigation, the company found that the Local Hospitals preferred buying the syringes of other companies from retailers because of their low price and high quality. The Company also found that the quality of raw materials supplied used by the all the companies operating in the industry was same, but the difference lied in the process of making the syringes.
- The Company had the latest technology in form of machines which were procured from Korea and installed but were never used.

- Apparently what seemed to be a manpower problem was turning out to be a far more complicated issue. To help fight the situation, in December 2015, the management decided to review the HR strategy.
- Though JE's HR practices were designed in such a way as to allow the company to attract and retain then best possible people. The management always made it a point to ensure that the company recruited only the best from amongst the large pool of potential employees, and this was done in a very scientific way.

- The company's management after several rounds of brainstorming found that it was not selection but the development aspect which was unattended and hence this problem.
- The employees developmental needs were never identified therefore there was no question of addressing them.
- The management then identified three parameters which played a primary role in company's manpower planning. These included improving organization's branding and image, revamping the selection process and introduction of Employee Development Programs.

- The management realized that the greatest and most profitable investment was to invest in employees, and took concrete steps to subject the employees to Developmental training. An employee database was created, development need analysis was carried out and schedule prepared to subject the employees to different developmental programs.
- Also, it was made mandatory for each employee to attend some development program, of their choice; at company's cost, every year for getting increment.

Critical Thinking Questions:

1. What do you think are the reasons for Jagadhatri Enterprises to fail?
2. Do you think this strategic intervention will work and why?
3. What are other steps that the Management should take to ensure profitability in future?

- **“Knowledge has to be improved, challenged and increased constantly or it vanishes.”**

- Peter Drucker

- The most essential resource of an organization is its human resources – the people who toil in the organization.
- People are critical for the effective operation of a company. Incessant challenges and competition define today's business environment and so the managers must recognize the potential of human resources, and then obtain, develop and retain these crucial resources.
- Human resource management is concerned with various activities designed to enhance the effectiveness of the organization.

- Today, HR departments are playing a strategic role in charting the course of their firms.
- Changes in the environment, such as escalating costs, changing demographics and limited skilled labor supply, rapid technological transformation and the need for innovative skills, have created a strategic need for a pool of expertise.
- These changes have led to the acknowledgment that human resources need careful attention and are vital to the success of any business and at the same time have to be constantly upgraded for Organizations to sustain in the changing environment.

- The Vision of Human Resource Management is to provide a ready made pool of experts as and when desired. Therefore HRM has now found a place in **corporate mission**.
- The HR function is strongly **committed to facilitating fulfillment of objectives of organization by fine tuning the line and staff Departments to work in tandem with each other**.
- The HRM function is committed to **strategic planning and managing organizational change**.
- The HRM function has to have the ability to diagnose problems well ahead of time and anticipate needs of human resources.

- In a study, Michael Hitt and his colleagues have identified *increasing globalization and the technological revolution* as two key causes that make for a new competitive landscape.
- In order to address these threats, they have suggested a number of actions like developing trainers' skills, effectively using new technology and building an organizational culture that foster development through learning and innovation.
- Changing workforce demographics, competing in a global economy, eliminating the skills gap, meeting the need for lifelong individual learning, and facilitating organizational learning are some challenges that the new era throws upon every enterprise. Along with challenges are diverse opportunities that can be tapped and grabbed if the organization is open to embrace the changes and has sound developmental strategies to support it.

- Getting a competitive edge over the rivals is not an easy task. If a company wants to gain sustainable competitive edge, five essentialities are mandatory-
- increased productivity
- improved quality
- innovation in the product
- an in depth knowledge of consumer needs
- Delivery of world class service

*And one factor that could provide all this is a sound information base and **human beings** are the drivers of the information juggernaut. As such, the prime focus of the management should be on effective and efficacious development and use of human resources.*

- A competitive advantage is a benefit over competitors gained by offering consumers greater value, **either by means of lower prices or by providing greater benefits and service that justifies higher prices.**
- Any advantage that an organization seeks to gain can only be gained through human resources as the employees of an organization are the sail which gives direction to the company. **The strength of linkage between competitive performance and human resources and the degree of integration between business strategy and role played by HR in accomplishing goal have made companies realize the importance of HRM as a strategic intervention for gaining competitive advantage.**

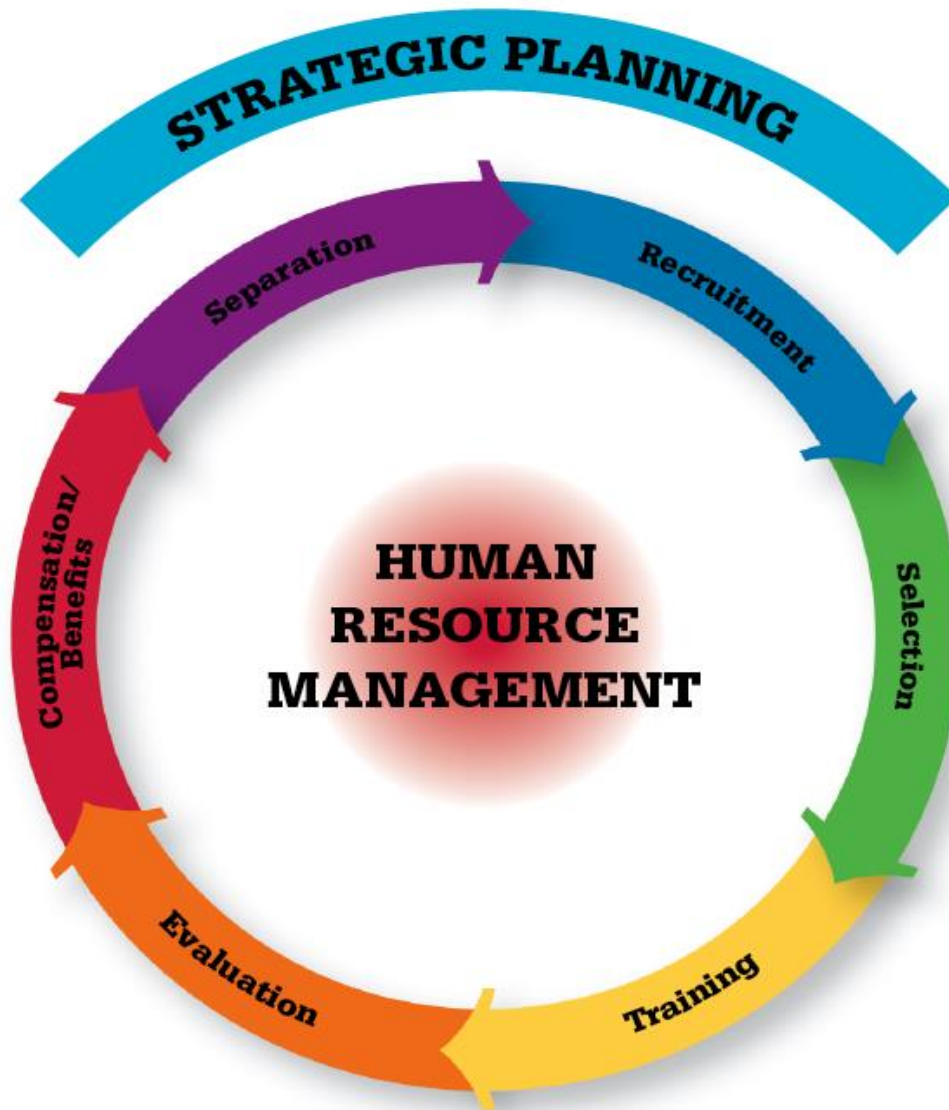
- “Strategy is the direction and scope of an organization over the long-term: which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder expectations”.

- Michael Porter recommended four "generic" business strategies that could be embraced in order to achieve competitive advantage.
- **Differentiation strategy** involves selecting one or more criteria used by buyers in a market - and then positioning the business uniquely to meet those criteria.
- This strategy is usually coupled with charging a premium price for the product and extra value-added features provided in the product for the consumer.
- Differentiation is about charging a premium price and about giving customers clear reasons to prefer the product over other, less differentiated products.
- This strategy can only be practiced if there is a pool of well developed HR, armed with knowledge to cater to the needs of this market segment. Also, differentiation in HR can only be translated in Product differentiation. HR has an important role to perform in this.

- The objective of **Cost Leadership strategy** is to become the lowest-cost producer in the industry. This is one strategy that most of the firms prefer to and it can only be possible if the achieved selling price can at least equal or near the average for the market, only then can the lowest-cost producer enjoy the best profits. This strategy gives economies of scale and is usually associated with large-scale businesses who offer "standard" products with relatively little differentiation.
- This implies that again HR has a vital role to play and minimizing defects etc can only be achieved by developed HR and dearth of it can prove to be fatal.

- Competitive Advantage in case when a company chooses to follow the **differentiation focus** strategy can only be possible with a pool of unique HR having unmatched capabilities.
- While implementing this strategy, a business aims to differentiate within just one or a small number of target market segments and special customer needs of the segment are catered to ensuring there needs and wants are fulfilled by the company's offerings.
- Therefore, it can be concluded that whatever be the strategy and goal of the business, operating in any industry, behind every success is the hand of developed human resources.

EXHIBIT 15.2 Human resource management



Challenges of HRM

Problem:

- HR is often unprepared to make strategic decisions
- Daunting perception problems

Solution:

- HR must gain respect and recognition for their role
- Focus on raising value of firm's human capital
- Senior management must recognize role of HR

Human Resource Management

Human Resource Management – maximizing the effectiveness of the workforce

- Recruiting world-class talent
- Promoting career development
- Boosting organizational effectiveness

Human Resource Management Challenges

- Layoffs and Outsourcing
- Wage Gap
- Older Workers
- Younger Workers
- Women Workers
- Work-Life Balance
- Lawsuits

Major factors affecting strategic HRM are

- Technological Advancement
- Demographics and Diversity
- Globalization

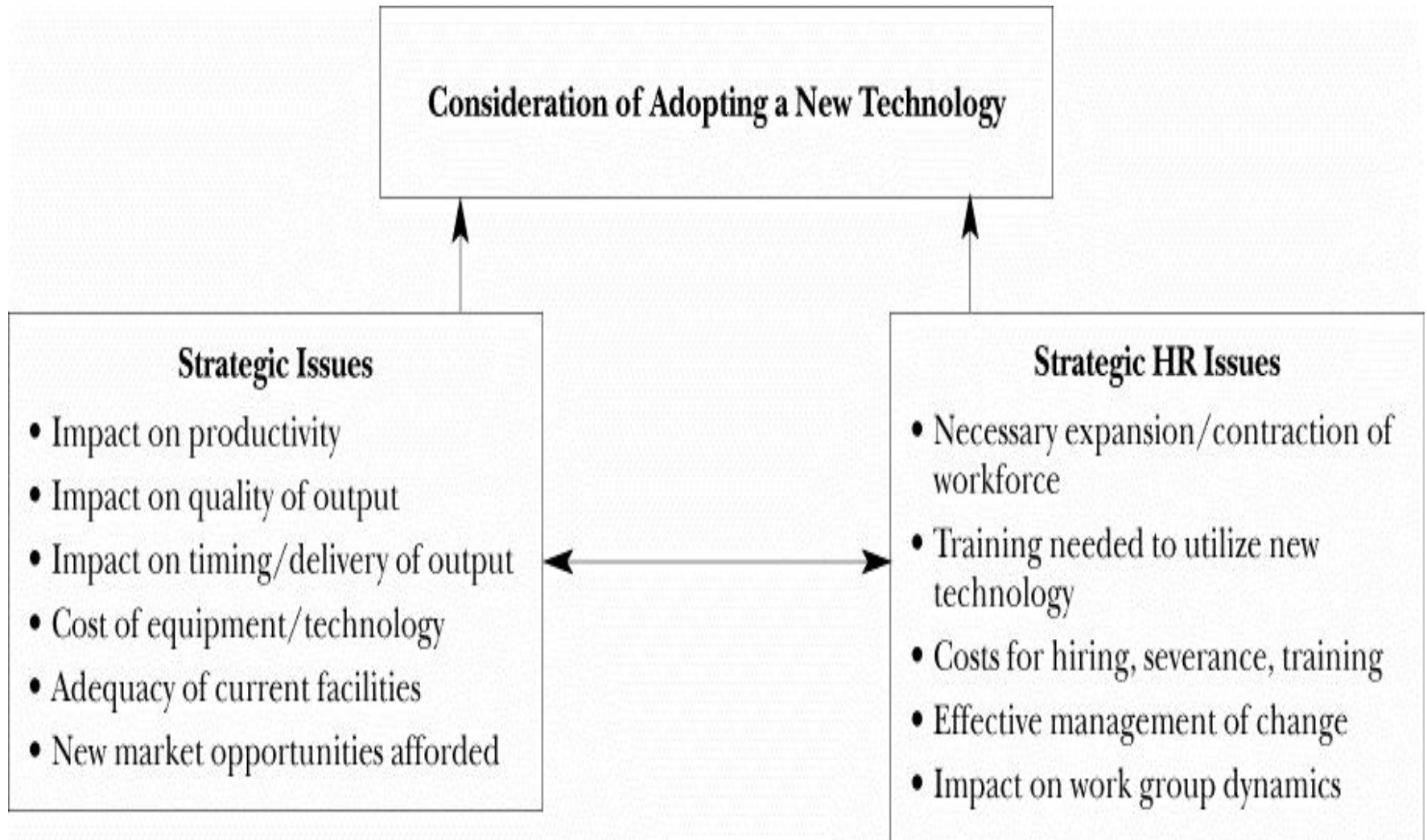
Impact of Technology

- Requires changes in skills and work habits of employees

- Elimination of some lower-level positions and layers of management

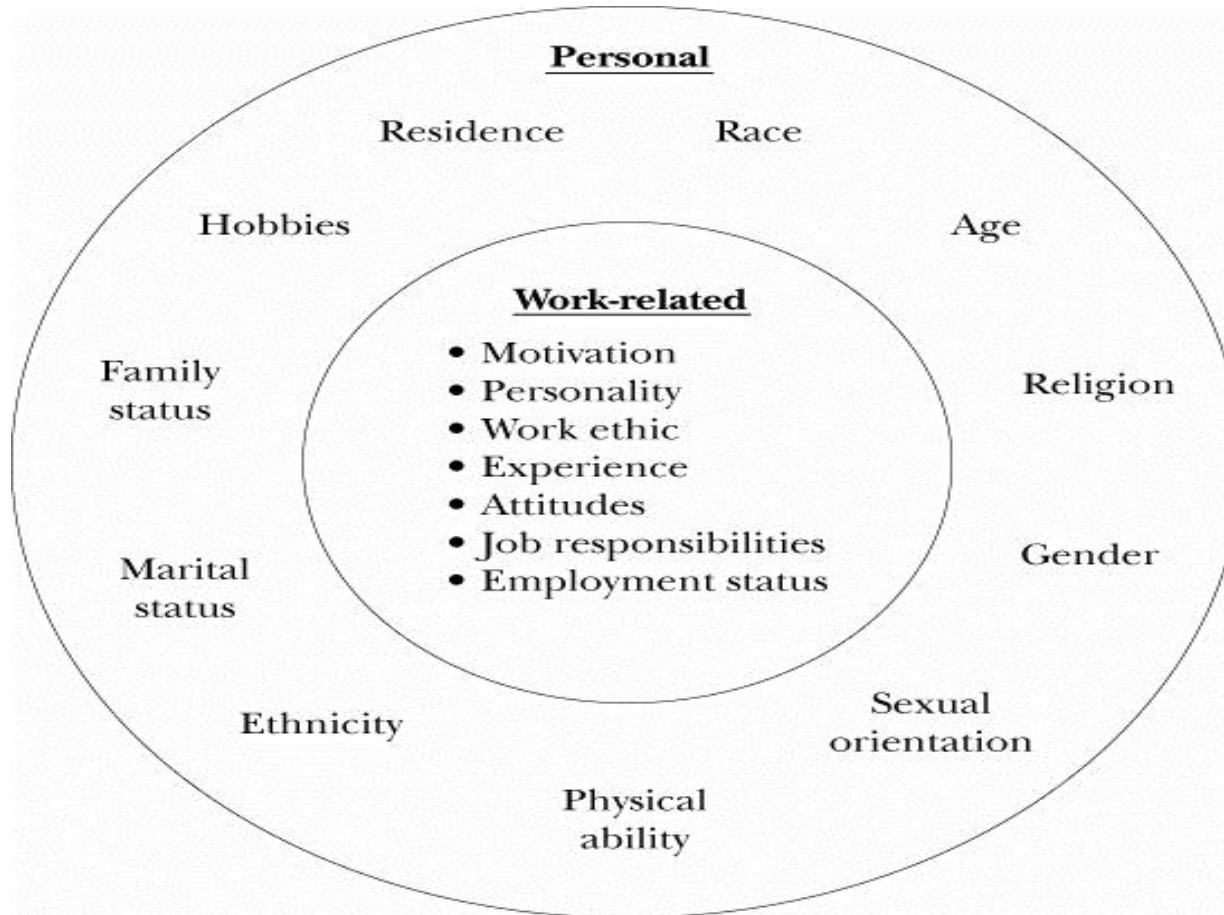
- Less hierarchy, more collaboration

ISSUES FOR INTEGRATING NEW TECHNOLOGIES



Source: Mello, J. A. Strategic Human Resource Management, 2011, P. 44.

INDIVIDUAL DIMENSIONS OF DIVERSITY



Source: Mello, J. A. Strategic Human Resource Management, 2011, P. 60.

MANAGING WORKPLACE DIVERSITY

- **Understanding & appreciating diversity**
 - **Critical to target ethnic & minority groups**
 - **Having diverse workforce in organization**
 - **Make ensure that hiring & promotion decisions are unbiased by person differences**
- **Diversity management programs or initiatives**
 - **Must be integrated with organization's mission & objectives**
 - **Identify diversity benefits to organization**
 - **Appropriate diversity programs contingent on organization, its people, mission & culture.**
 - **Decide which diversity aspects to include and which to exclude**

LPG Leads to:

- Opening up of economy to foreign competition
- Increased competition in terms of cost and product quality
- International Quality standards
- Challenges of Innovation, and creativity in technology and work practices
- Increased customer expectations
- Diversification and growth

Challenges

- Maintaining market share and mind share
- Increased Productivity to meet the ever increasing demands
- Improve and maintain skill set of Employees
- Cost reduction by improving efficiency
- Meeting International Quality Standards
- Venture in new markets

Strategic Intervention

Investment in:

- HRM
- Building indigenous Technology
- Improve and Maintain low cost-good quality
- Renew Organization Structure