

Entrepreneurship
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Lecture 50
Human Resources Strategy

Welcome to the NPTEL course on Entrepreneurship. So, taking off from where we stopped earlier, where we spoke about entrepreneurial culture and entrepreneurial thermodynamics, let us focus in this session on Human Resources Strategy. As you would recall, when I talked about business strategy, I talked about several operational strategies being key components of the overall business strategy of these, human resources strategy is definitely an important one.

As we all understand, it is all about people, we may have good design or we may not have good design but good ideas, but to be able to develop those design, to manufacture them and to market them we require people, and people are also required in a host of supportive services, so it is very appropriate for us as we come to the end of the course, we talk about the importance of human resources.

As I said also earlier, start-ups have got very unique advantage in managing their human resources because the teams are compact, people have a shared vision, they all have a shared passion, and they are multi-tasking in their approach leading to better job fulfillment. But at the same time, there are certain principles of human resources management or human resources strategy development that are observed by the established firms and they would be very good reckoners for start-up companies to look at how they should manage their human resources not only as start-ups, but as they ramp up in their growth phase.

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Human Resources Strategy

Human Resources Strategy of a firm is the set of activities comprising recruitment, induction, deployment, development, motivation and compensation of people in the organisation such that the organisation achieves its strategic and operational goals.

Human Resources Management (HRM) also involves design of organisation structure, roles, responsibilities and accountabilities for employees. To ensure equity, HRM is usually executed through a set of policies and procedures.

While as a function HRM has its unique identity and areas of operation, it also needs to be an integral part of management and leadership at all levels. In fact, HRM is the shared responsibility of the HRM specialist and the line or staff manager.

HRM practices vary across nations (for example, between USA and Japan or India and China), and also industries (for example, manufacturing or retail and infrastructure or service).



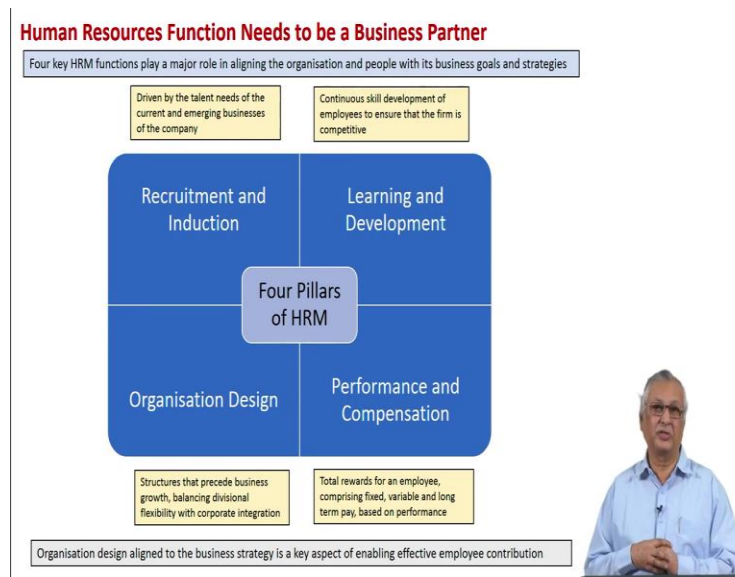
So, what is human resources strategy, Human Resource Strategy or HRM of a firm is a set of activities that comprises recruitment of people, induction of people, their deployment in certain job roles, and development, motivation of them, providing compensation for the people in the organization in such a manner that the organization achieves its strategic and operational goals. People are likely to be there as long as we require these strategies and objectives to be fulfilled in a very aligned manner and they are the essential part of the team.

Therefore, how we manage their aspirations, how we match the role and the talent, that is an important aspect of human resources management. But at the core is to design a good organization structure. We cannot take people and put them randomly and hope that the organization would deliver its goal. So, design of an organization structure is also an important aspect of human resources management and design of organization structure is verily linked to the overall business structure the company would like to follow. And the business structure itself is dependent on the business strategy which the company would need to do.

So, depending up on, you wish to be a geographically diversified organization or geographically centralized organization, you require a particular business structure and also a concomitant organization structure. While as a function, HRM has a unique identity and unique responsibility you can also understand that HRM is the responsibility of every line manager and every staff manager as well.

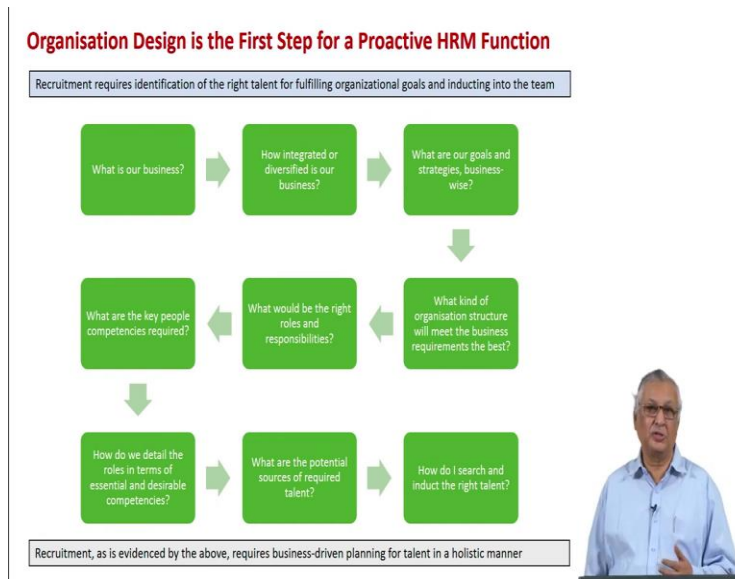
And importantly, HRM practices vary across nations. The HRM practices which are adopted in Japan are not the same as those in USA, and similar differences exist between India and China although we two are the Asian country. Similarly, the practices in infrastructure and service, they differ. So, because of this heterogeneity, there is all the more reason for us to have a standardized set of human resource management approaches which provide flexibility while ensuring the needed standardization. That is the crux of human resources management.

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Out of the several roles for human resources which we have discussed, I would like to take four major roles for discussion in this short session. One is recruitment and induction, second is learning and development, third is organization design, and fourth is performance and compensation not in any particular order because all of them are equally important.

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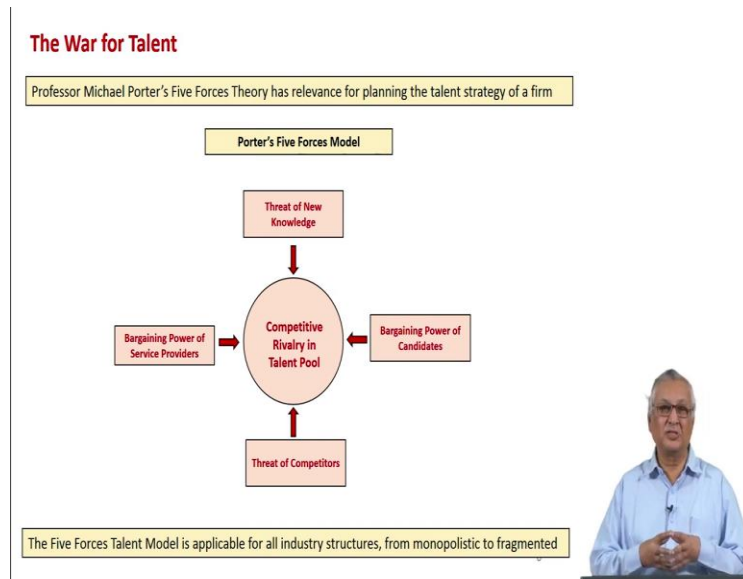


So, when you want to do organization design, you would need to ask yourself certain questions, and the workflow for organization design is typically as follows. One, what is our business? What are our boundaries and what are the products we are likely to function in? How integrated or how diversified is likely to be our business? What are the goals, strategies and other components of strategy business wise? And these three blocks are sufficient to tell us, that human resource manager cannot be an independent functional manager, he needs to be a business partner.

Similarly, the top leadership of the company would need to take the human resources manager or the chief of human resource management as part of their leadership team. Then comes the other three question. What kind of organization structure would match the business structure we have in mind? And what would be the right roles and responsibilities, what are the key people competencies required?

And at that point of time we come into the actual people part. How do we really induct them, how do we define the roles, how do we define the competencies, and where should the talents pools be, where should be the sources of talent for our company and how do I search and induct the right talent? So, as you see from this chart, recruitment is a business-driven planning tool, is business driven planning approach rather than a kind of just functional activity performed in a routine manner.

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And there is war for talent, as I said in another context, we have Michael Porter's theory of five forces, which gets applied to overall corporate strategy and of course it requires certain modifications too. But when we look at the five forces theory in terms of talent, you can see this panning out like this. We always have the threat of new knowledge; we experience this in the software field. For example, people who have got newer skills threaten the people with old skills, which also means that the candidates have got greater bargaining power at their hands.

Then we have got bargaining power of service providers who arrange this talent and we also have threat of competitors; the competitors could be global corporations which are already having those kinds of skill sets or start-ups having those kinds of skillsets. And to get the, get to the talent pool that we require, there is competitive rivalry that happens in the marketplace all the time. And this model is applicable whether it is a small start-up or it is a large company and whether the industry is fragmented or it is homogenous.

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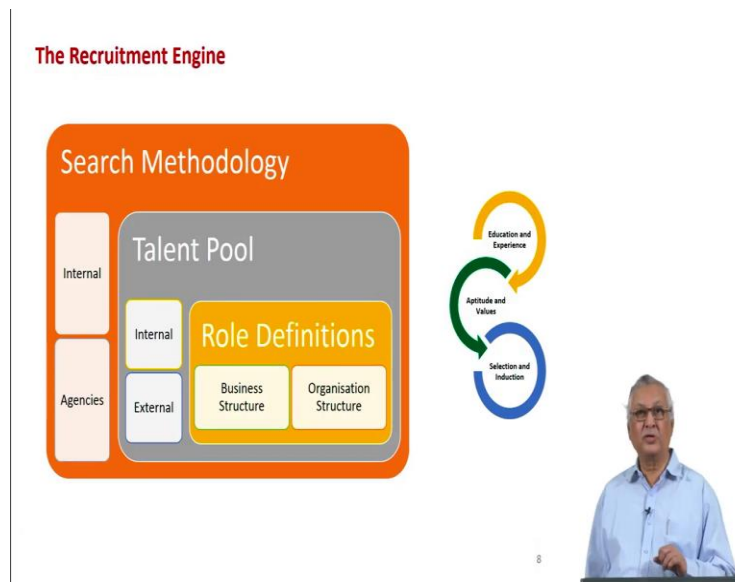
As I said, the business strategy determines the kind of talent which we require. If you are an innovation-based company, we require talent which is technologically advanced, always inventive, and is willing to experiment. Similarly, the culture is one which will allow experimentation and at times even failure, for the success to take place after the failure. On the other hand, if the company is differentiation oriented, that is we are not first to the market but probably we want to be best to the market even if we are second to follow.

In which case the people whom we have should be having the ability to be incrementally innovative and creative not just followers, they should be innovative, they should be creative, but they should be incrementally innovative and creative. They should be able to handle vast scope and variety and the management itself should be able to take care of differentiated group of products. On the other hand, if you want to have cost leadership as your primary thing, you have, you should have people who are excelling in high volume throughput, who can manage low margin operations, who can turn around inventories quickly, who can think of agile marketing strategy.

So, the requirements of people would be different if the strategy of the company is cost leadership. If our strategy is niche, we need people who are specialized in certain core areas, they should have excellence in a few parameters, but those parameters would be very critical. And we

should also have the ability to create brand value. Therefore, these talent strategies need to align to the business strategies which are based on the technology strategies of the firm.

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So, when we look at the recruitment aspect, we can define this as a kind of recruiting, recruitment engine which works in this fashion. Fundamentally we have a business structure, we have an organizational structure that leads to role, definitions of the roles. And we look at the talent pool, how much of the talent we should take from our internal resources and how much we should take from external resources. Similarly, what kind of search we would do, we should it be internal search or an external search. This takes into account three fundamental factors, both in terms of the roles and in terms of the people.


The educational experience must be specified very clearly, the aptitude and values should be benchmarked, and the selection and induction process which gives weightage to these parameters must be clearly specified upfront.

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Organisation Structures Need to Evolve Periodically

Organisation structure needs to evolve ahead of the execution of business strategy and business structure

Firms typically require different business strategies and structures as well as enabling organisation structures at different points of time.



And organizational structures as I said, are important to business structure getting developed but business structure itself gets changed as the business strategy evolves overtime. Therefore, one organization structure would not remain static all through the history of a company. So as business goals try the business strategy and structure and organizational structure, and as business results make us think of different ways of managing our business, the organizational structures also evolve periodically.


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Different Types of Organisation Structures – Functional Organisation

Functional organisation structure is the most common form of organisation structure, even globally.

In a functional organization, different functions undertake activities of different regions and businesses; it is left to the functions to be equitable to all regions/businesses and also coordinate with each other to fulfill business goals

- Functional specialisation
- Easiest form of organisation
- Problems of coordination
- Problems of equity among different businesses

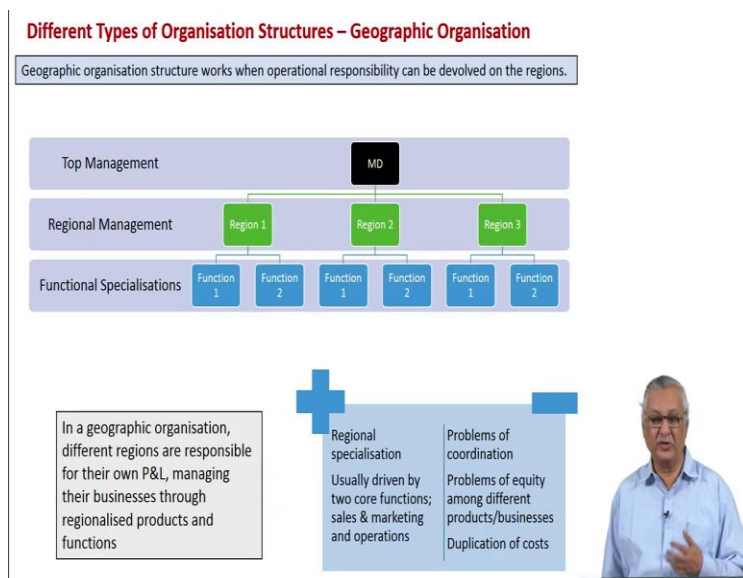


So, we have different types of organization structures, I will go through them very fast. The first and foremost is the functional organization structure, this is the most popular organization structure any company would have. And certainly, at the start-up stage, functional organization structure is the most common and most dominant form of organization structure. The advantages of this structure, it is so natural to way, it is so natural to the way we all perform. We are specialized in certain functions and we would like to work on those functions to the best of our availabilities.

Therefore, you have as chief executive, who has got a leadership bench compressing the functional heads and each will have further divisions depending up on how strong the products are and how strong the regions are. So, the next tier in a functional organization is defined by the functional leadership.

And the functions typically take care of different regions and products. The way this works is in, let us say in a homogeneous product company which markets all over India, you will have people heading sales functions, marketing function, engineering function, research function and they take care of all the product requirements which are required to be put in to the Indian market place, for example.

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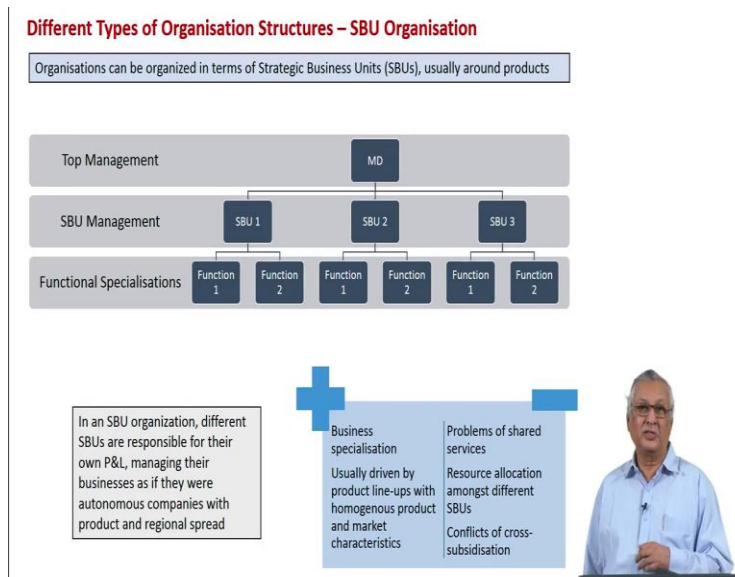


Then the second organization structure is a geographic organization structure, where you look at yourself being present globally and each global operation is a kind of a small cross-section of the overall organization structure. They have; therefore, you have a chief executive who has got regional heads reporting to them, you will have a chief executive who will have regional heads reporting to him or her and each region will have a functional organization structure. This is the geographic organization structure.

The advantage of this is that it promotes regional specialization and it is usually driven by sales and marketing function, a company which is very strong in sales and marketing which needs to adapt itself to the local market conditions, that tends to have a regional marketing structure based overall organization structure. The problem here is the problems of coordination. Each region would try to maximize its sales potential and therefore demand the maximum possible investment back into the region.

So how do you ensure as a global corporation equity among the different regions of the world, that is the challenge. And the, another, and also another advantage could be in terms of the P and L responsibility that devolves on the regional heads. Therefore, there is a preparation of better leadership bench.

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We also have the SBU organization, where a clutch of products can form a business and that business can lead to independent profit and loss in which case you might like to have the business defined in terms of the strategic business units and organizational structure also following such, such developments. For example, you look at an automobile industry, you can have passenger cars which creates certain competencies, which needs certain competencies related to certain, different type of market compared to commercial vehicles.

Similarly, it could be, these two could be different from special application vehicles. So, you may have an SBU which looks at commercial vehicles, an SBU which looks at passenger cars and you can have a, an SBU looking at defense vehicles. And the advantage of the SBU structure is that this is the best experimentation for chief executives to be developed, because P and L responsibility typically dwells on the SBU heads.

And the SBU's which are managed well as mini companies within the overall company, provide leadership talent for further progression. And also, it helps some kind of financial benchmark to assess performance and also equitably distribute resources. Even then SBU structures do have their own problems of equity in resource allocation particularly when newer SBUs come up we, we considered in one of the earlier presentations that typically we have existing businesses, emerging businesses, and futuristic businesses.

Each of these three horizons could be constituted as three SBUs in which case how do you really deploy resource on the futuristic business which does not add anything to the revenue or profitability. That is where the leadership bench as a whole needs to think of the future of the organization and have resource allocation priorities.

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Different Types of Organisation Structures – Matrix Organisation


Organisations can be organised in terms of a matrix of head office functions and regions/products

The diagram illustrates a matrix organization structure. At the top is 'Top Management' with 'MD'. Below it is 'Global Management' with 'Function 1', 'Function 2', and 'Function 3'. At the bottom is 'Functional Specialisations' with 'Function 1' and 'Function 2'. Lines connect the global functions to the functional specialisations, forming a grid.

In a matrix organisation, the global organisation organised functionally or SBU-wise exercises control and coordination with regional subsidiaries on a 'function to function' or 'SBU to SBU' basis. Regional executives tend to have dual reporting to regions and global.

One Firm concept
Aligned to global strategy and execution
Global resource deployment

Sub-optimisation of regional opportunities and talent
Typically deliberative and slow to respond to local opportunities and challenges



Then we also have a matrix organization, wherein we have global functions, we also have regional functions. Regional functions typically report to the regional head, they also report to the global head. Matrix organization typically is functional in large multinational organizations. I have experienced matrix organizations; it works very well as long as we as a regional executives understand the importance of standardized global policies and also the empowerment and accountability that comes in adapting those policies for local environment.

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Matrix Organisation is a Microcosm of a Global organisation


Global organisations are best organised in terms of a matrix of head office functions and regions/products

The diagram shows a 'Parent Company' on the left with four 'Global Function' boxes (1, 2, 3, 4). On the right is a 'Regional Subsidiary' with four 'Regional Function' boxes (1, 2, 3, 4). Lines connect each global function to its corresponding regional function, forming a matrix.

In a global matrix organization, different subsidiaries are responsible for their operations under legal jurisdictions, but manage themselves as if part of one global firm; they operate as guided companies under parent company policies and strategies.

Global uniformity and resource deployment
Economies of scale and scope
With proper guidance, global optimisation

Inability to detect subsidiary opportunities and risks
Constraints on subsidiary business growth

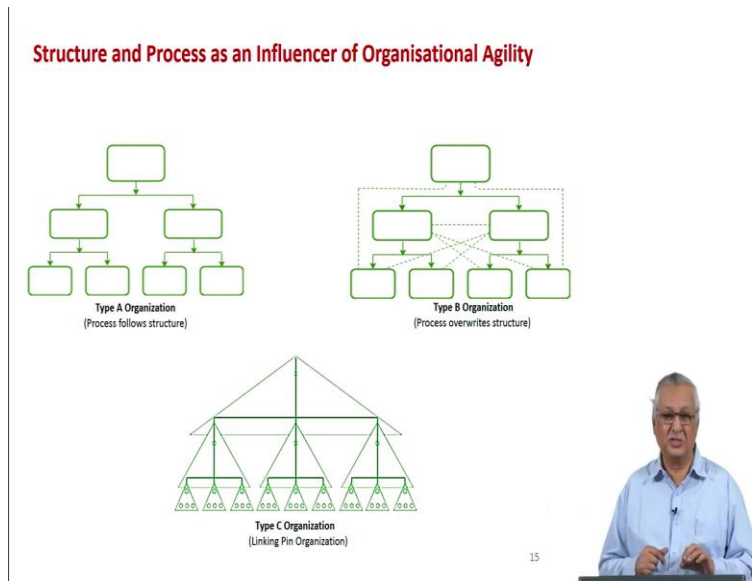


So typically, the way it works is you have a parent company which has got global function 1, for example, R and D; global function 2, for example, Operations; global function 3, which is human resource management and global function 4, quality management. As a subsidiary, in an, in a country such as India which is vast, having my own design and my own manufacturing and marketing requirements, I also need similar company to be located in India which is a subsidiary, but it would have its own regional functions but they cannot be completely independent.

They report to the global functions, therefore you form a matrix of global functions as well as local functions. The biggest advantage in this is the one firm concept, when you look at McKinsey and company, or when you look at Pfizer, or when you look at General Motors, wherever they are operating, there is this one firm concept that they, we follow a brand philosophy, a brand credo as also global harmonization in policies and execution.

Again, when these functions are coordinated the global level, there are better economies of scale and scope, we understand where the regional competencies lie and how could we overall optimize the company's performance. But the challenge here, is that because of the heavy standardization at a global level, we tend to lose out on the local opportunities, we fail to miss out on the local challenges, and therefore there could be a prescription that one glove fits all, for all the regions and that could leave some of the subsidiaries crying for attention. And there could also be certain constraints on subsidiary growth in this model.

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So, when you look at the organizational structures, there could be organization structures regardless of the structure we have chosen which typically follows the structure, that is all processes take place through the arrows which we see. On the other hand, there could be a type B organization, where process overwrite structure. We have a structure, but then we find our own ways of coordinating with other people, making our own informal and formal networks, and making sure that we achieve the goals.

And one of the newer organization structures that was proposed in the previous decades was the linking pin organization structure, wherein every organizational unit forms part of a larger organizational unit, which again forms part of a larger organization unit, so that we try to combine the advantage of structure and the process overwriting each other.

So, the point in demonstrating so many organization structures is that at the end of the day, we can all, we can have only one business strategy, one business structure, and one organization structure. And it need not necessarily be the absolute right and perfect organizational structure at all times, and each organization structure solve certain problems but also brings in its wake certain other organizational issues.

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Typical Evolution of Organisations

Organisation Type	Functional	Regional	Strategic Business Unit (SBU)	Global Matrix
Product Organisation (Companies go out to customers)	When domain expertise dominates	When customer and factor location dominates	When P&L responsibility drives	A combination of all
Service Organisation (Customers reach into companies)	When domain expertise dominates. When user experience needs to be validated.	When prompt turnaround for large customer bases is required	When P&L responsibility drives	A combination of all



So as we move a, as we move a company from the growth phase, which is the start-up phase, through the ramp up, diversification, globalization phase, we should understand that organization structures need to evolve, from a functional start to a regional start-up, then to strategic business unit concept, and finally to a matrix organization.

And again, within this classification, whether we are a product organization or a service organization, that is when we talk about product organization, companies go out to customers find their needs. On the other hand, when we have service organization, typically customers reach to us, like for example, a travel in hospitality, outfit, typically people reach to that outfit. Although in customer centricity model, every organization has to lead to the customers, the propensity varies between a product organization and service organization. These are the subtle nuances which we will dictate how the organization structures are built.


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Different Types of Organisation Structures – Timely Evolution

Each organisation structure solves certain issues and provides certain solutions but also brings in its wake certain other problems. Many times organisational structures have to be reshaped with time

Start-up Phase	<ul style="list-style-type: none"> • Functional organisation • Compact and cohesive
Linear Growth Phase	<ul style="list-style-type: none"> • Functional organisation • Supported by regional/product organisations
Diversified Growth Phase	<ul style="list-style-type: none"> • Product organisation, Regional organisation or • SBU organisation
Multinational Growth Phase	Matrix organisation structure with regional legal entity operation reporting to parent global functions

While it is recognised that encouraging P&L responsibility to product, SBU or subsidiary levels is an optimal way to empower growth and develop leadership, not many organisations succeed in that



So, we spoke about that earlier, some more detail is provided here. But any organization structure which improves the P and L responsibility, that organization structure is capable of providing more leadership material for the organization.


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Relative Emphasis on Fayol's 14 Principles Among Diverse Organisations

S. No.	Fayol's Principles	Manufacturing Organisations	R&D Organisations	Marketing Organisations	Start-up Organisations
1	Division of Work	H	M	M	M
2	Authority and Responsibility	H	M	M	M
3	Discipline	H	M	M	M
4	Unity of Command	H	M	M	M
5	Unity of Direction	H	M	M	H
6	Subordination of Individual interest	H	M	M	H
7	Remuneration of Personnel	M	H	M	L
8	Centralisation	H	M	L	M
9	Scalar Chain	H	H	M	M
10	Order	H	L	M	M
11	Equity	H	M	M	M
12	Stability of Tenure	H	H	M	M
13	Initiative	M	H	H	H
14	Espirit deCorps	H	H	H	H

Note: In terms of applicability: H – High; M – Medium; L – Low

Start-up organisations tend to combine the characteristics of innovative and creative organisations such as R&D and Marketing which need to be customer-centric



So, when we look at Fayol's 14 principles, Henry Fayol was a noted organization and general management expert. He gave 14 principles of management which also have very good basis as 14 principles of organization design. Some of these principles are division of work, authority and

responsibility, unity of command, unity of direction, remuneration of personnel. So, when you classify organizations in terms of manufacturing organization, in terms of R and D organization, marketing organization, and finally as a start-up organization, you will see that the applicabilities of, applicability of these principles varies across the organization.

When you look at remuneration of personnel for example, it is medium in a manufacturing organization, a manufacturing organization does not pay the highest levels of salary. On the other hand, research organization pays the highest levels of salary, marketing organization medium, because certain part of the money is expected to be achieved through incentives. But when you look at a start-up organization, typically the salary levels are low. So, the principles are very relevant as an overall package but the applicability for different kinds of organization is quite different.

Unity of direction is very high in manufacturing organization because everybody knows, what is a production plan, how much output he or she needs to bring out each day, and what kind of product setup changes they need to do. But when you look at R and D organizations, it is quite empowered. So, unity of direction, yes, we need to develop new products, but nobody tells us what exactly should be the product profile that needs to be developed each day, therefore it is in the kind of medium class.

Marketing organization, different, because there, there has to be empowerment at the level of field sales people to be able to serve the customers in their own way but when you look at the start-up organization, again the unity of direction is very high. My passion is to bring out a smart wearable product, that is it. So, the entire organization has one command, one line of action, and one focus, therefore the unity of direction is as high as an, as high as it is in a manufacturing organization in a start-up organization. Although the nature of the organization could be quite different.

So, when you design an organization structure and when we define the roles, we have to see how these basic principles of general management or organization structure, they need to be adopted across different types of organizations.

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Learning and Development

Learning and Development are mutually reinforcing aspects of individual and organizational development

LEARNING

- Makes one knowledgeable
- Requires focussed mind-set

- Receptive
- Perceptive
- Mega Trends
- Big Data

DEVELOPMENT

- Makes one impactful
- Requires broader personality outlook

Learning and Development has to be based on both internal and external inputs and opportunities

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Then, let us look at learning and development a bit. Learning and development, these are two mutually reinforcing aspects of individual and organizational development. And what is learning, it makes one knowledgeable, it does just gives more knowledge in our kitty, it requires focused mindset.

But what does development do, see knowledge may make us more knowledgeable, but does it make us more developed, development makes us more impactful. It gives us a broader personality outlook, the personal gravitas which well qualified managers, well-groomed managers or leaders have is dependent on not only the learning you get but also on the development you undertake by yourself or with the assistance of the company. And this entire process has got 2 angles to it, one is the angle of intrinsic inputs and applications that are made available by the organization and secondly the extrinsic inputs and applications.

Even the course which you are going through, under the National Programme on Technology Enhanced Learning is an excellent input. It is available for everybody who wants to improve himself or herself. So, there are always inputs available externally for us to develop further on the learning and development mode. And we need to adopt both the types of inputs.

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The Brain Science

Neuroscience needs to understand how to build the talent DNA of a firm depending on industrial and strategic context.

Learning and development programmes can be effective when they match institutional requirements and individual competencies, to create intellectually virtuous and competitively agile organisations.

And for us to be effective in learning and development the, administrators of learning and development must understand the neuroscience part of it, the brain science. Because the talent DNA depends upon the kinds of people the company brings in and people are not just manpower or womanpower, its, they are, the people are brainpower. So different industries require different skillsets and these need to be contextually applied at the firm level. Therefore, we need certain aptitudes and an ability to take on certain skills much more competently compared to other people.

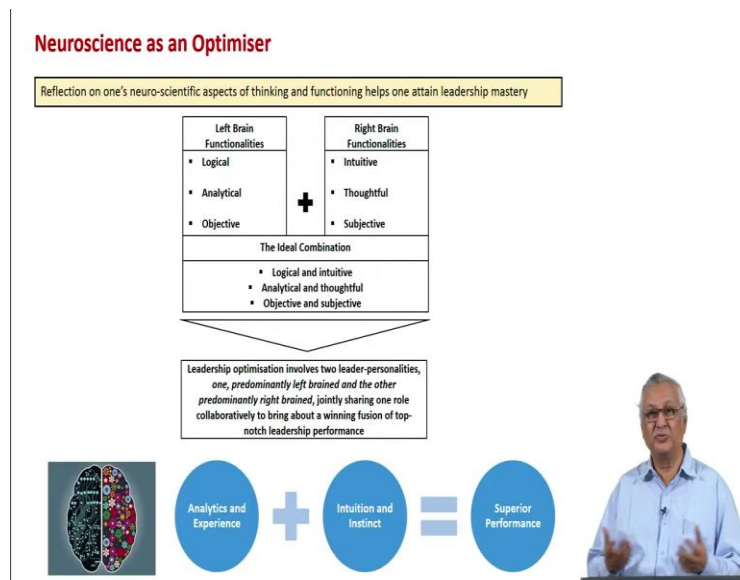
Therefore, the kind of talent you look for in different industries and different firms has to vary. The suggestion is not that we should all undergo MRI scanning or PET scanning for us to get into organization. It only says that qualitatively we should understand that our mental make up is different from an individual to individual perspective while there is broad similarity and commonality because of the education we go through, because of the experience we go through. That said, if you want to enter into the music industry, you need to have a certain mental tuning and certain brain skills compared to somebody who wants to work in a forestation, for example.

Therefore, the need for looking at neuroscience in a very different way. And similarly, we should also understand that certain skills which are considered normal, maybe down regulated in certain people, whereas, they have certain skills which are up regulated in them. Particularly people with certain special capabilities or such special abilities may not be able to have high level of social

skills but they may be very good in motor coordination, they may be very good in musical synchronization, so they have got certain skills which are up regulated.

Therefore, we need to understand what kind of skill combination is the best suited for our organization. And learning and development programs will be very effective when they match these kinds of institutional requirements and individual capabilities, so that the organization itself will be intellectually virtuous and competitively agile, that should be our goal.

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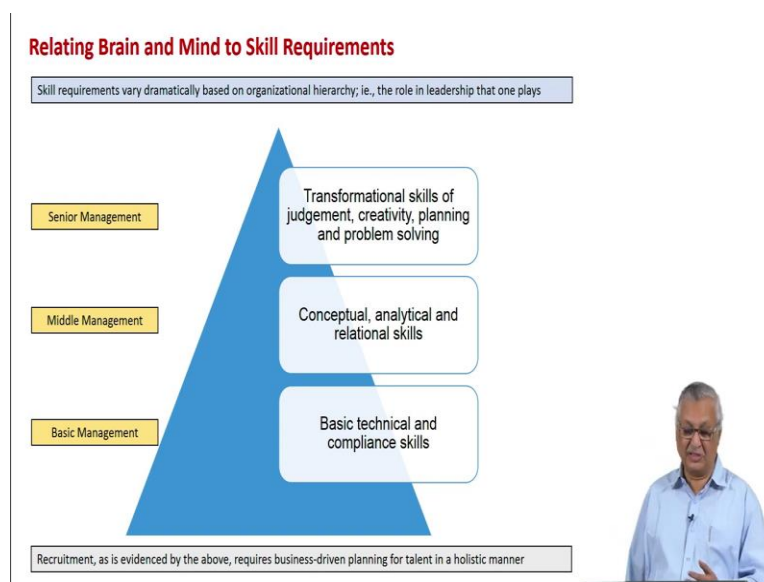
Another aspect which we need to look at, is that it is very nice to have a person undertake different kind of activities. When we look at different kinds of activities, we have left, left brain functionality, we have the right brain functionality on each of us. Some of us are very logical, very analytical, very objective, very clinical in, in how we approach things. And some of us are very good in being intuitive, reflective, thoughtful, and we also take good positions on matters of subjective importance. Ideally, we should have both the left brain functionality as well as the right brain functionality in equal measure or at times, adapt it to the context which we have.

The ideal combination therefore is that we should be logical as also, intuitive. We should be very analytical but also very thoughtful, we should be objective when it comes to certain types of activities, and we should also be qualitative when it comes to certain types of activities. So, as we develop as leaders in an organization be it a start-up or be it an established company, we need

to continuously develop our leader personalities. One which is predominantly left brain and the other which is predominantly right brain. Sharing one role collaboratively, so that we are ultimately a winning fusion of top-notch leadership performance, that should be our goal.

So, how do we combine our analytics and experience, how do we make it work with our intuition and instinct, and how would we therefore get the highest possible level of superior performance that is our goal. And to be able to do that we should understand our own strengths, our own skill levels based our understanding of neuroscience.

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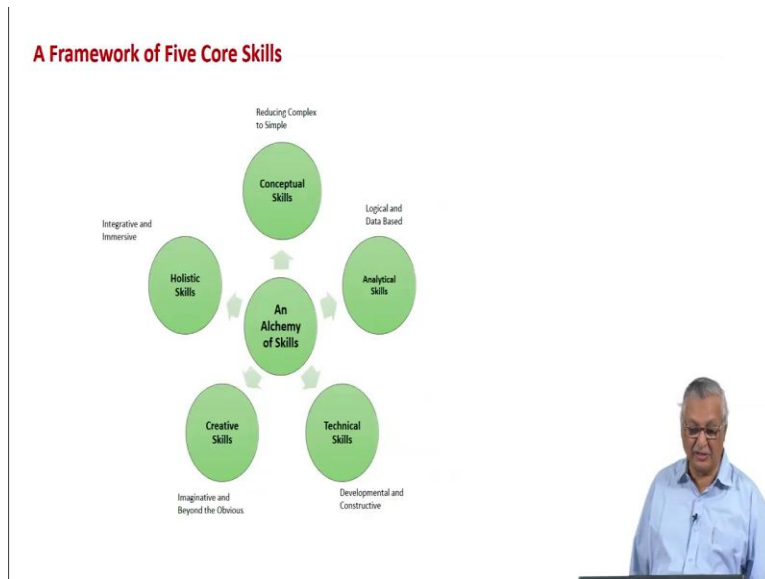


So when you look at the skills, when you look at the organizational pyramid, when we look at the bottom, bottom does not mean that it is of lowest importance, in fact it is of the highest importance because that is where the basic management occurs, then you have the middle management, you have the senior management. When you look at the skills required, it require basic technical and compliance skills at the base level. We need higher level of conceptual, analytical and relational skills as we move into the middle management.

And when you look at the top leadership, you need transformation skills, ability to think of and articulate a vision, ability to craft a strategy and take the entire organization along, therefore these are the transformational skills. So, when you look at recruitment, you need to have your skill inventory which is matched to the levels of performance you are expecting out of the roles

and also the people. And also, you keep in mind that whom you take for today's requirement should be one who is capable of moving to the next level in the hierarchy, so you need to have that kind of a planning in this thing.

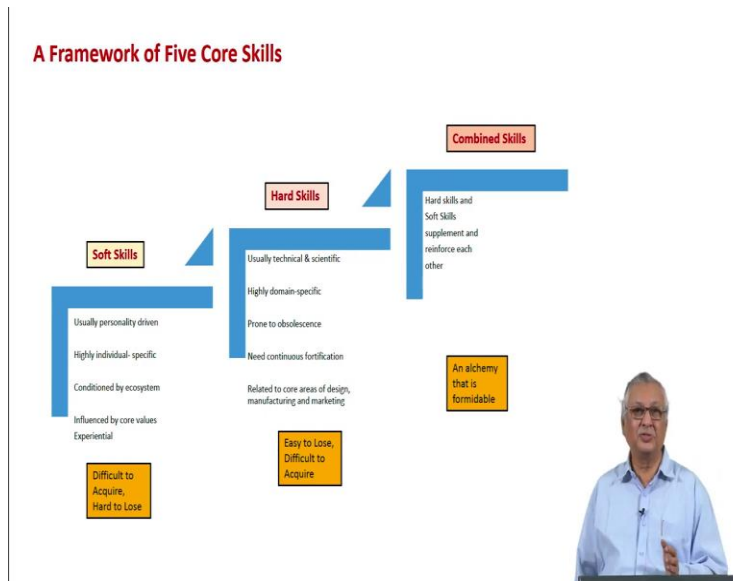
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So, when you look at the skills, you have conceptual skills which are essentially reducing the complex to simple, you need analytical skills which are logical and data based, you need technical skills which are developmental and constructive, you need creative skills that is looking beyond what is obvious, and finally integrative and immersive skills which are holistic skills.

Ideally learning and development programs should try to develop all of these skills together and these skills are not in compartments, they occur together and that is where this concept of alchemy of skills becomes.

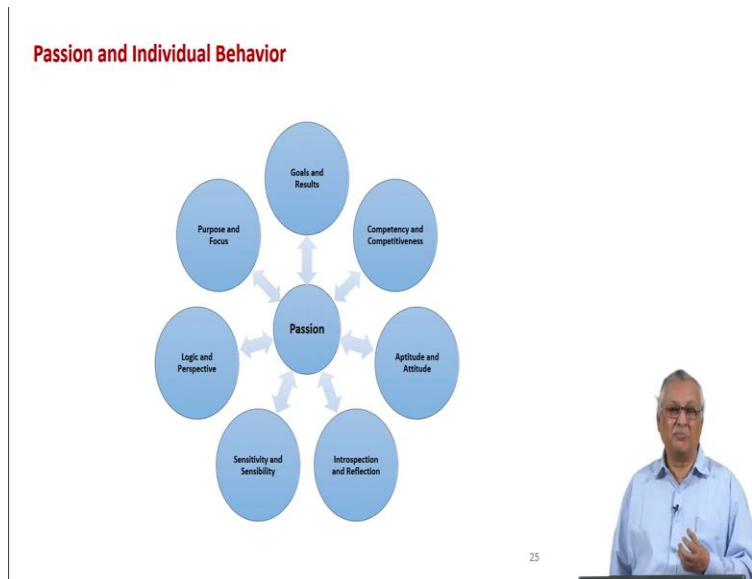
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So, as we move from a position, it is very easy to say that soft skills are useful in certain jobs, hard skills are useful in certain jobs. But I would say that both are required because soft skills which are person oriented, personality oriented, collaboration oriented, network oriented, they are difficult to acquire, but once you get soft skills, they are very difficult to lose. On the other hand, hard skills, they are difficult to acquire in the early period, that is learning the programming languages, learning the thermodynamics, learning the technologies, but if you do not keep on updating them, it is very easy to lose.

So, you have got two types of skills, soft skills which are very difficult to get, which probably you get through experience and the opportunity of interacting with various people and you have got the hard skills which are imbibed in you through structured education programs. But ultimately you require to keep both these skills in a combination in you, you cannot afford to lose either of the two, and that is where this alchemy becomes very formidable. Those 5 core skills should be integrated, whether they are soft skills or hard skills in a person.

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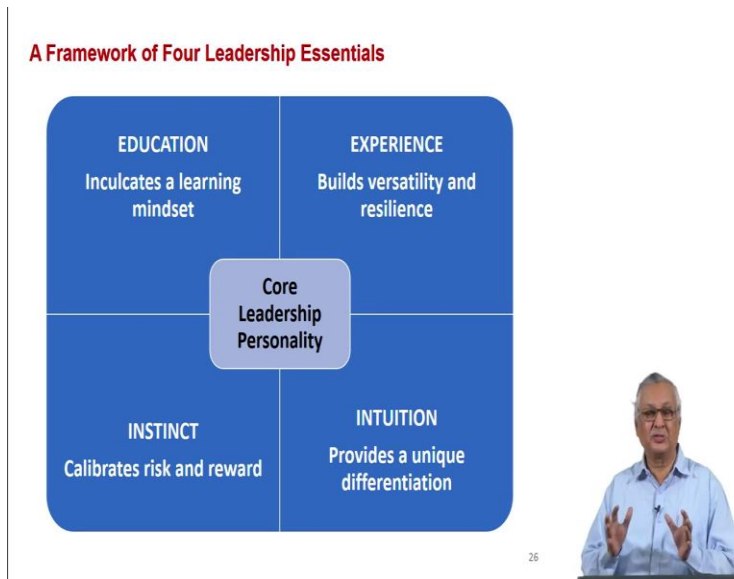


So, we talked about entrepreneurial dynamics earlier, we talked about how passion and energy are very important. And this passion, this energy, what does it help us in, we are, this passion and energy will make us focus on our goals and results. We are always looking at competencies and competitiveness, our aptitude and attitude in a start-up will get honed by the passion you have. But at same time we talked about dispassion, how to be passionate but also dispassionate, therefore we need to be introspective and reflective on what we think about our goals and achievement so far.

We should also be sensible to the environment, we should be willing to make course corrections, therefore we should be sensitive. You did lot of design thinking exercises when, but when you go to the customer with the product that you have prototyped, and he or she is not able to react the way you expect her to react, you should be sensitive to understand why this product has not clicked with the customer despite the design thinking process you have gone through, therefore sensitivity and sensibility is very important.

Logic and perspective are very important, and of course passion and purpose. So, when we look at the entrepreneurial thermodynamic factor of passion and we said that energy is the other side of the coin, it impacts the skills we have in these aspects.

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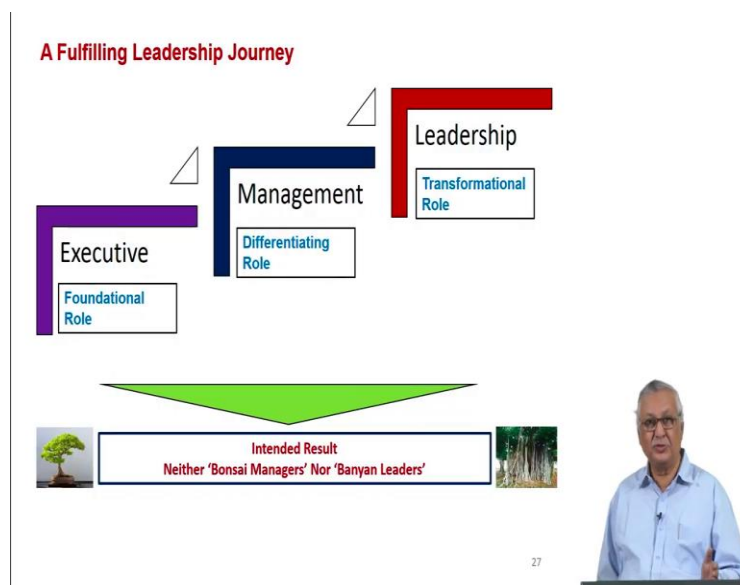
So, I would like to summarize that, to be a good leader you need 4 important things. One, education, not because degrees are important but because the learning mindset that comes from education is very important. Second, we need experience, because it provides versatility and resilience. One who is more experienced is likely to be resilient and flexible and adaptive to different situations.

That said, as persons, we have certain fundamental ways of looking at things, instinctively we are likely to be bold, instinctively we are likely to be cautious, so there is an instinctive mechanism that operates which is again genetic, which is again dependent on the way we are groomed as to how we calibrate internally our risk and reward mechanisms. When we take this giant leap into the future, when we are very cautious that based on instinct. Then there is a fourth element, which is very difficult to define, which is intuition. Intuition is something which is not based on bias, it is not based on data.

When you look at a set of data or a set of happenings, intuitively you feel that this is a unique differentiation. Let us say, let us take an example of somebody who is trying to progress on the career and he has got several opportunities to do an off-stream educational course, an executive MBA or something like that, while there could be many opportunities, while there could be a tabulation of different opportunities, cost and benefits, intuitively the person who is good in intuition feels that this is the one which is going to give me the real edge.

That intuition has to be free from bias, that intuition has to be free from data analytics but that is very important for us to be good leaders. And this intuition we may say is a god given gift at one level, but also something which comes up with a greater reflection, greater introspection and the kind of managerial meditation that happens in as, as we progress.

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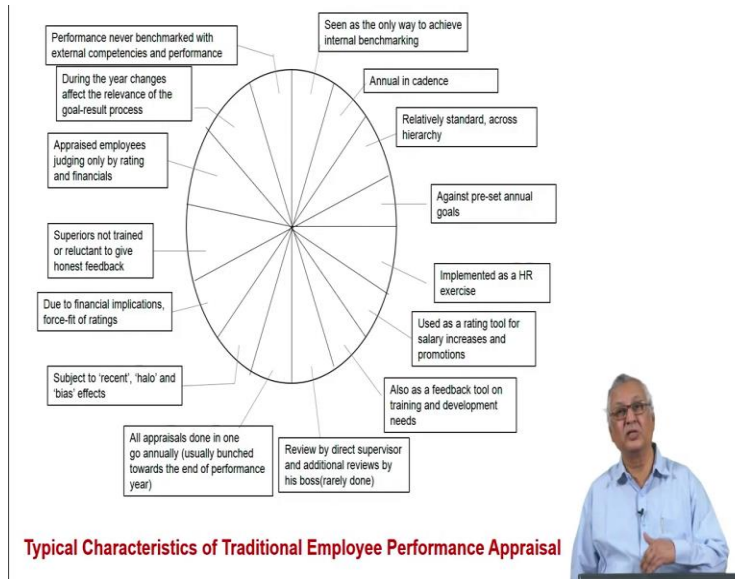


So, as we move from executive to management to leadership, which is again as defined a foundational role, a differentiating role, and a transformational role, we need to also understand our responsibilities. One of the definitions of leader is that a leader is one who has either made himself dispensable or has developed more number of leaders, more capable of, capable leaders than the existing leadership team. So, we have two concepts here, one is Bonsai managers another is the banyan leader. bonsai manager is a concept given by Gopal Krishnan, who was ex-chief of Tata Sons.

Bonsai managers means, managers who are intrinsically capable, but as the Japanese tree technology is, they grow, they remain small. So, you have a lot capability but you remain a small cocooned manager, we do not want that kind of manager. Then we have got leaders who are capable of everything and they are like banyan trees, surveying all the organizational requirements, they are, they are really managing the entire organization on their single self. We, and under the banyan tree, no other tree grows, similarly under a banyan leader we, we do not have anybody else growing up, up as a leader.

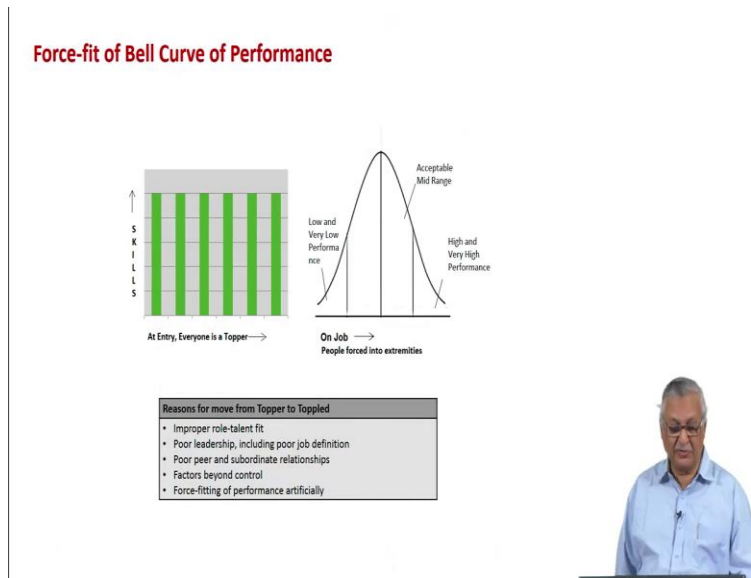
So, in a good organizational learning and development environment, in a good organizational career progression milieu, we should not have either a bonsai manager or we should not have a banyan leader, that should be the goal.

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So here are some more details of the next phase of human resource management which is performance appraisal, and how does a performance appraisal take place, and what are the different constituents of performance appraisal. So, this, I will leave it.

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But one of the intriguing things about performance appraisal is that at entry, everyone is a topper, the recruitment engine is so fine tune that whenever you take people, you try to take people from the best of the institutions, from the best of rankings and best of approaches. But on the job, you will see that people follow a normal curve that is there are people, a large number of people who are available in the acceptable middle range, there are people who are in low, very low performance range and there are people in high, very high performance range. So, there is a natural selection of people when they enter an organization and when they function in the organization.

So, the concept of the bell curve or the normal distribution curve which is used in performance appraisal, it says that everybody should be rated low, medium, acceptable, high, very high, etc. follows this concept, saying that in organization there is a kind of self-selection or organization selection which puts performance in different compartments. However, good organizations, companies such as Microsoft, others included have understood that this force fitting of people into the slots is wrong and saying that those who are in this left side of the normal distribution curve must be weeded out is also wrong.

The responsibility of the organization and the responsibility of the human resources strategy is to keep the toppers, the toppers all through their career in the organization. We need to provide the challenge and the opportunity in the organization, in the business strategy, in the operational strategy, so that a topper remains a topper. So, creation of such an ecosystem is the responsibility of human resource manager, the line manager, and the staff manager, that is how you should do. Rather than say that we have got 100 people, let us classify them into performers and non-performers or other shades of grey.

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So, when you look at performer centricity, we have 5 very important key aspects. First, the appraiser must not play god, he should be a mentor rather than a reviewer, number one. And both appraiser and appraisee should have quality time for undertaking the performance appraisal. And third, we cannot do performance appraisal in our own little cocoon, or our own little system. We should understand the external benchmarks of performance. How people, other marketing people do their marketing function we should understand that, for example. And fourth one, we should integrate performance appraisal with cultural anchors.

As we will see a company will have very good cultural anchors of let us say high quality, high environmental compliance, so there is no point in rating a person high on performance if he is not looking at the worker's safety or he is not looking at the quality of environment. Therefore, we should integrate cultural anchors along with performance appraisal, and both of the appraiser and the appraisee must be domain savvy, business savvy.

When that happens, you can give lots of weightages to other aspects like customer centricity, operational excellence, employee empowerment, quality excellence, etc, etc. Therefore, we have got 5 requirements of the appraised and the appraiser and also several other aspects of performance appraisal.

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Four Executive Typologies

A Start-up or entrepreneurial executive tends to be a mix of all the four executive typologies

Executive Type	Career Orientation	Subject Knowledge	Result Orientation	Diligence	Passion	Focus
The Successful Mountaineer	High	High on Hard Skills	High, Mono Task	High	High	Singular, Goal Driven
The Successful Miner	High	Diverse	High, Multi Task	High	High	Adaptive to Opportunities
The Successful Seafarer	High	Hard and soft skills	Excels in Uncharted Territories	High	High	Pushes the envelope in all navigable routes
The Successful Explorer	High	Lateral Thinking Skills	Excels in Uncertain Areas	High	High	Open to all possibilities

So, what kind of executives we are, is the question we, we pose to ourselves. And when you look at start-ups, what kind of executives should a start-up have? So, I have tried to classify here the executives in term of 4 typologies, a mountaineer, a miner, a seafarer, and an explorer.

Now when you look at each of these thing, each of these typologies in greater distance, but in a greater focus, you will find that in terms of factors such as career orientation, subject knowledge, result orientation, diligence, passion, focus, people tend to be different. A mountaineer, kind of person, he does not look for a drone to guide him, he says that my goal is to reach the peak and somehow, I would make myself capable of doing that. Similarly, a successful miner is likely to be very diligent, very patient, unless he finds the gold, he will not leave the job, so that is his capability.

Then a successful seafarer, he is at sea literally, he does not know where to go but then he is willing to stay the course, following the compass and not being disillusioned by seeing a vast expanse. Therefore, there are certain attributes related to that. And an explorer, always looking for something which cannot be actually sighted but then hoping that he will find a distant star one day or the other. So, it is the kind of literary view of people competencies but when you look at a start-up, we need all the four types of people.

We need people who can scale peaks by their sheer dint of persistence and perseverance, we require people who are diligent and committed at finding out the goal and execution, and we need seafarers who are not disillusioned easily and not depressed looking at the vast amounts of challenges. We also want creative people always looking for looking for the new idea that could help take this company to a new area.

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Friendship and Business

Friendship Vs Business

Factor	Personal Friendship	Business Association
Nature	Reliable, durable complex human emotion	Contractual, time-calibrated practical relationship
Primary Characteristics	Fulfill each other's need without expectations	Fulfill joint needs with shared expectations
Expression	Silent but experienced	Vocal and codified
Driver	Human chemistry	Business rapport
Philosophy	Caring, sacrificing, sensitive	Supportive, transactional, practical
Expectation	No returns	Needs returns

Friendship in Business

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graph LR
    A(Provides complementary skills) --> B(Enables start-up revolution)
    B --> C(Makes business and operations lean and efficient)
    C --> D(Creates Launchpad for mega businesses)
  
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And when we talk about human resources management in start-up companies and given that most start-ups are also based on friendship, we also need to understand whether friendship and business have a good nexus, linear correlation or non-linear correlation. So, this table talks about friendship versus business in terms of nature, the primary characteristics, expression, the key drivers, the philosophies, the expectations, significant differences exist between friendship and business.

For example, personal friendship is reliable, durable, it is a complex human emotion, whereas when you come to business association, it is very contractual, time calibrated, practical relationship, then how can two friends who have been bound together by emotional partnership, how can they be good business partners? Similarly, as friends, we may not be talking to each other, but still we share so many things. But as business associates, we cannot be. We have got processes to carry on, we have got business goals to be fulfilled, we need to coordinate, so there we need to be vocal and codified, so how do we do that, so these are the challenges.

But then, when you look at friendship being organized in a very productive manner, we also see that friendship provides complementary skills, A has certain skills, B has other skills, be it the left side of brain, right side of brain kind of things which I alluded to earlier or functional skills or geographic skills, there could be complementarity. And when friends get together, it enables a start-up revolution. And when the friends get together, it provides for lean and efficient start-up operations and it also provides the launch pad for mega businesses.

We have seen in our earlier sessions, how two people getting together has launched several mega enterprises be it Microsoft, be it Sony of the earlier generation, or Google, everywhere you can see that 2 or 3 people getting together as friends, as people known to each other collaborated from a business perspective without losing any of the friendship capabilities to launch mega enterprises, out of the successful start-ups they have generated.

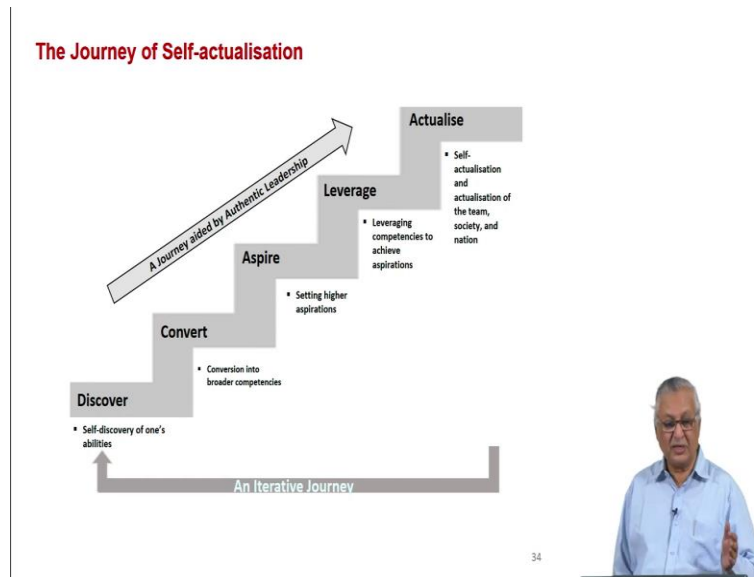
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So finally, I will talk about the self-actualization as part of the human resources strategy. There are several self-related activities we need to have. Self-actualization is a very elusive and difficult concept to understand but it is also achievable. But to have self-actualization first we should understand what we are really capable of, that is self-awareness. Then we should be able to appraise ourselves and while, while doing so we should have enough confidence, we should have control, we should understand how we develop ourselves, we should have self-discipline.

So, there are so many aspects of our own self which are involved in self-actualization and to be able to that is not just the job of a human resource manager or a line manager, it is also the job of the individual to upgrade himself or herself on the journey of self-actualization.

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And that happens when you discover your talent, convert the talent into competencies, you set for yourself higher aspirations, you leverage your competences to achieve certain very specific business results and finally derive satisfaction from that.


And that happens probably every 3 years in some people, in some industry context, maybe every 5 years, but it does not stop till there, it is an, iterative journey, you achieve self-actualization, but seemingly that is not the end, again you need to discover your skills and then move on until you reach the end of your leadership phase.

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Start-ups and Digital HR

Start-ups have a great opportunity in digital development of human resources function in firms/industries

Digitisation would help remove bias, improve engagement, and enhance productivity in HRM but firms would still need the human touch for organisations to truly excel and stay competitive.



And when we talk about human resources, we cannot ignore the roles start-ups have in human resources. There are several areas of human resource development which are getting energized and reinvented.

One is, unbiased interviews or the virtual interviews, wherein through the way the people express themselves and the patterns which have been recorded in the artificial intelligence and machine learning paradigms we can see who could suit the industry context or the firm context better. Then you have virtual reality, facial recognition tools, how do you employ digitally or a huge team of people, team collaboration and wearables for wellness and productivity of employees.