

The role of human resources management in down sizing aided to new goals and strategies achievement

Abstract

Although the issue of partitioning big companies is not a new matter and from long years before, this measure is taken in industrial countries as a solution for reducing organizational bureaucracy and accelerating market needs response. As a result, in two recent decades, considerable attention is paid to this issue even in smaller and multi-thousand personnel companies having diverse products and markets. Rapid changes in technology and intense competition of national and international market led to emphasizing on measures such as making manufacturing systems. Creation of such flexibilities in production requires creation of flexibility in human resources management. In this paper, we will the role of human resources management in down sizing aided to new goals and strategies achievement.

1. Introduction

Down-sizing large companies along with novel goals and strategies as well as wright-sizing organizational structure and structure of human resources are considered as necessary issues [1]. Various companies experienced the measures of down-sizing and partitioning companies into companies and strategic units. In Iran, this management measure is experienced in many large companies such as Tabriz Tractor Manufacturing, Isfahan Iron Melting, SA Iran, National Petrochemical Company, Ministry of Power and so on and in some cases, results were satisfactory and in some, it didn't yield desired results which obviously don't depend on responding to the nature of such measure. Instead, it is dependent on inappropriate choice of the organization as well as method of its implementation. Recently, Polyacryl Co. performed necessary studies in the form of a strategic change and dividing company into several independent parts and autonomous units in which author collaborated in studies as a consultant.

But, there is no consensus among experts about when and in what conditions, companies must be divided and to what extent an organization is considered as large for which division become necessary as well as the appropriate size [2, 3]. However, contradiction is even more about how much responsibilities can be concentrated in an independent unit. At the same time, there is an agreement about the functional responsibilities of large organizations facing problems and incompatibilities. Therefore, it can be claimed that if the dividing and decentralization of large companies are accompanied with required studies and exact feasibility studies, chances of success will be higher. It is appropriate to imply that it cannot be claimed that small is always beautiful. In recognition of appropriate conditions, following brief analysis is necessary. Analysis of the interaction of five main internal factors and external environment in selection of the structural option and consequently, structure of human resources and labor relations can help

decision makers in down-sizing and wright-sizing of the organizations. Fig. 1 illustrates these factors schematically.

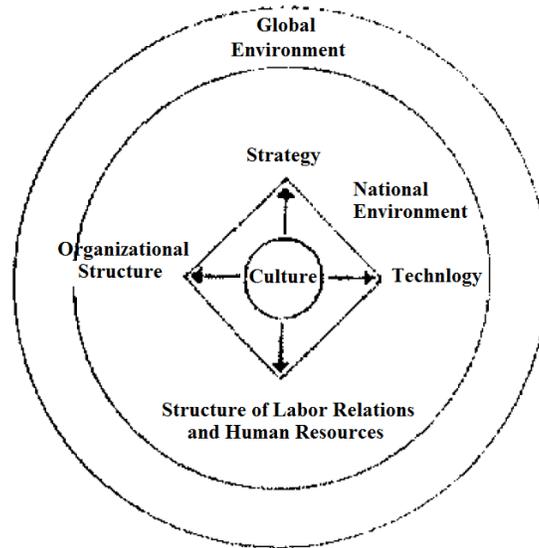


Fig. 1: factors contributing to organizational decision making

To summarize, detailed description of the relationship between aforesaid factors in Fig. 1 is not possible. However, it can be said that each type of strategy or technology requires its own organizational and human resources structure and more importantly is external environment conditions dictating the method and conditions necessary for regulations governing economic system, financial and monetary policies and so on in national and for globalization of economy in international level. Therefore, necessity of down-sizing or wright-sizing business organizations according to internal and external conditions is a function of various contingency conditions. Regarding internal environment, various guidelines for are addressed in prevalent column which cap help managers in selecting appropriate strategy for structure changing. Such guidelines can assist managers in decision making [4, 11].

When company conditions show the right side of the table stronger, dividing company will be more suitable and easier and consequently, for more exact solution, a weight can be assigned to each mentioned variable and by summing weight of right and left hand sides of the table, decision variables can be found. In this way, multi-agent decision making can be used. Although preliminary information presented here seems necessary for justification of such division, purpose of present paper is notto evaluate appropriateness of strategy of companies down-sizing, but it is to emphasize on the issue that if this is accomplished by sufficient studies, it better serves achieving intended goals and shows us how to determine responsibilities and authorities of central staff and role of companies staffs and autonomous units. It must be persisted that in this paper, financial, marketing, technical and procurement responsibilities and so on are not discussed, but the way we organize structure of human resources and labor relations are taken into account. At the same time, because of interaction of various responsibilities of management

of a large industrial set, some of the relevant responsibilities will be implied based on the context [5, 6].

2. Human resources management and labor relations

What is addressed in introduction is a brief analysis about the companies eligible for dividing. If analyses like what is presented in introduction suggest the necessity of dividing large companies, issue of separating responsibilities of company subdivisions is addressed the most important part of which is in the field of human resources [7, 10]. Management of human resources and labor relations in industrial organizations which is categorized by recent scientific viewpoints, was previously a non-separable part of the personnel management and industrial relations the former concentrated on supplying human resources, methods of payments and providing welfare and so on and in fact emphasizes on personnel of organization while the latter focuses on general affairs of workers and considers the worker – client relationships in the framework of labor and client organizations. In this classification, personnel management is categorized in the field of knowledge management and industrial relations in legal context. Although scientific areas of both issues are still present, strategic vision which emphasizes on application of systematic strategy, personal and collective interactions of industrial organizations in a theoretical framework [8]. Management of human resources and labor relations with a strategic vision necessitates that sum of main decisions about personnel of companies be affected by general goals and strategies; except that if company structure is functional, operational decisions of executive units will be completely resulted from strategy of functional staff, while multidivisional companies composed of a central staff belonging to mother company and division staff corresponding to autonomous companies or units, have separate strategic planning which directly affects the structure of human resources and their labor relations. Before proceeding to the strategy and organizational structure and human resources of multidivisional companies, it is appropriate to provide a theoretical analysis about the human resources management and labor relations with strategic vision.

Main variables which can be guidelines in selecting appropriate model		
Decentralized	Key questions	Centralized
Strategy of company and organization		
Are diverse	Business activities	Single product
Became larger by merging other companies	Company	Gradually increased
No	Integrated production among factories	Yes
Is offensive	Future strategy	Defensive and share maintaining
Is decentralized	Accounting system	Centralized
Is delegated to company units	Marketing system	A centralized duty
Are numerous	Products market	Limited
Are designed in workshop	Technical changes	Designed centralized
Is weak and performance based	Organizational culture	Robust and integrated
Very high	Authority of unit managers	Very low
Are designed as matrix	Carrier paths of managers	Designed duty and led centralized
Labor market		

Is local	Labor market of key forces	National
Is dispersed in various locations	Dispersion of company units	No
No	Using labor market as a common method	Geographically centralized
No, most of personnel are employed based on skills and previous training	Business skills are unique	Yes
Employees of other companies	To whom personnel compare themselves	Yes
Labor relations factors		
No	Certain labor organization in company	Yes
No, not such tendency	Majority of personnel take part in it	Yes
No	History of dominance of organizations	Yes
Public	with whom collective negotiation is done	An official appointed person
Through unofficial and institutions	Announcing personnel	Through hierarchy
Take part in low level decisions	Councils and committees	In higher level decisions
No	Comparing salaries with other companies	Yes
Low	How labor conflicts are solved	High
Yes	Difference in payments of units	No
Yes	Difference in payment according to hours	No
Simple and complex	Payment system	Simple and integrated
For different parts	Evaluation and classification	Same in all units
Yes	Difference in productivity of units	No
Yes	Divisions compared to other companies	No
No	Need to awarding system	Yes

In the process of strategic management of human resources in a central staff of the Mother Company and autonomous units, despite of being affected by the strategy of Mother Company, each unit has its own strategy which directly contributes to structure of human resources and their labor relations. Before proceeding to the organizational strategy and structure, it is good to provide a theoretical analysis about the management of human resources and labor relations with strategic viewpoint. Process of strategic management of human resources and labor relations in multidivisional companies are related at least to three strategic levels. First level: macro and mainly long-term strategies in which, missions, goals and strategies of the company, activity fields, markets, and geographic locations and so on will be determined. Second level: is the strategy of subset units of the company organized as independent and autonomous strategic units. Third level: strategy of responsibility areas are addressed in technical and executive, financial, marketing, procurements, logistics and human resources affairs and so on [9].

Triple levels can be clarified in the following diagram (Fig. 2) by emphasis on the field of human resources management: in this diagram, third level of strategy is addressed in general, while in multidivisional companies deciding over five aforesaid issues with varying levels of decentralization of the organization. Level of autonomy and independence of units are affected by various factors which are described below. What is important to note is that in authorities and independence of units, whether they are formed as independent parts or as strategic units, vision of strategic decision makers has the most contribution and this is confirmed by works done in this regard.

It must be kept in mind that in systematic vision, relationship of human resources and labor relations strategies as well as organizational ones must be considered mutually and area of human resources must not be considered as an executive field for strategic decisions. At the same

time, according to author, weight of mutual effect of both – at least in Iran – may not be considered equal.

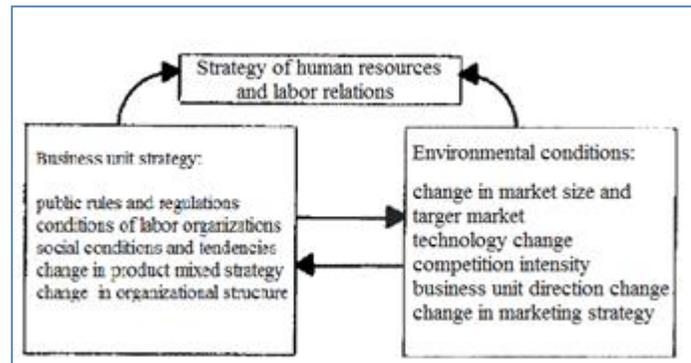


Fig. 2: Tripartite relationship between environmental conditions, unit strategy and human resource

Along with establishment of human resources strategies, in addition to strategies of business unit as well as mother company ones, environmental conditions will be considered too. These factors are considered as variable intervening in explanation of human resources strategies. Tripartite relationship between strategies of human resources, environmental conditions as well as business unit strategies is important in explanation of human resources strategies. Another theoretical analysis which can be considered in the relationship between dividing companies is the issue of human resources and labor relations in a contingency matrix model whose vertical axis is the human resources as a person and horizontal axis is the human resources as a group. In various forms of attending someone, person is considered as the factor of action and cost. Gradually, it is paternally attended and finally becomes a capital for company. In various collective states, traditional working relations are addressed in which seemingly, worker and client have no problem and worker gets paid instead of value for the client and they collaborate in a peaceful manner which is an optimism vision. Another stage is realistic and addresses collective conflicts and disputes whose reaction is considered as labor organizations and finally, in a more advanced stage, labor rights will be met. Such types of analysis are introduced as theories of labor relations in texts of labor relations.

Application of this matrix model in the field of human resources management and labor relations in multidivisional companies is that essentially in large companies organizational and union confrontations occur more and when number of personnel of a company is as much as several thousand people, collective power either in the form of labor unions or Islamic councils and so on will be more. According to the trend of industrial countries about labor negotiations and discussions which is followed by companies in the form of management philosophies, measures such as total quality management (TQM), quality of working life (QWL) as well as reduction of workers membership in labor organizations, blurred the role of labor unions. Dividing large companies into smaller autonomous units increased chances for improving such trend. In summary, this theory can be addressed that due to closer relationship between worker and client

in smaller companies and smaller organizational hierarchy and possibility of faster response to personnel demands, labor relations are more suitable. Finally, before analyzing the way theoretical models in management of human resources as well as labor relations, it is mandatory to emphasize on the issue that effect on environment and being affected by it which is along with two classes of strategic management will be different. Claim of the author about selection of management style in developing countries such as Iran in which cultural basis of the society is strategic is that hybrid or pre-measurement may be more appropriate. It is very important in the field of formation of human resources management and labor relations structure is of significant importance.

3. Application of theoretical analyses

Comparison of system of human resources management and labor relations in multidivisional companies and large functional companies as well as presenting a contingency model for human resources based on strategy of multidivisional companies are two main topics of this work. Regarding the structure of human resources and labor relations in multidivisional companies, theoretical patterns can be applied for answering the following questions:

Why some of the multidivisional companies have a large staff, while others have a little central one and some have no staff?

How are the common trends of organization of human resources in multidivisional companies?

What are appropriate and inappropriate conditions for organization of human resources management unit in multidivisional companies?

Moreover,

- 1.1. When it is necessary to establish a strong and comprehensive personnel unit in central staff of the company or when it is better to organize the unit of human resources management of divisions and relevant companies?
- 1.2. What is the appropriate role of central unit of human resources management?
- 1.3. How divisions can be made autonomous in managing human resources without ignoring control and monitor of the central staff?
- 1.4. When central staff of the mother company lack an equipped staff unit for managing human resources, how general and collective problems and issues must be solved?

In comparison of various companies, from integrated functional organizational structure to divisional structures, with regard to centrality and decentralism of policy making, personnel operation and industrial relations, companies can be coordinated in a range in one end of which are companies with centralized functional structure and in another end of which are

multidivisional decentralized companies in which there is no unit for human resources or labor relations and all decision makings and operations are delegated to autonomous companies and units (Fig. 3).



Fig. 3: Contingency range of centralization and decentralization of human resources management

Regarding tendency of companies to point A or B in a range, several internal and external intervening factors are important. As provided in a relatively long list, various factors can be addressed in selecting the level of independence of units. However it is not irrelevant that following issues are noted in the context of human resources management and labor relations:

Products diversity and activities

Researches revealed that more diversity of products and industrial activities lead companies toward more decentralization which includes decentralization of policy making in the field of human resources management and labor relations.

Number of personnel

Which is referred to as the size of company is another determinant in down-sizing or wright-sizing the companies.

Type of company ownership

Companies whose main stockholders are foreigners or private companies have more tendencies toward centralization of their staff. According to statistics, more personnel results in more expert personnel in central staff of the company and other divisions and leads to tendency toward decentralization.

It is important to note that to intervening variable can exclusively contribute to centralization or decentralization in companies, but it is the interaction of several variables which dictate the relevant tendency. For example, according to researches performed in Britain in 1992, ratio of expert personnel of human resources is 1.8 people per 1000 personnel. By increasing personnel to 10000 people, ratio decreased to 0.5 per 1000 people but is it observed that 17% of all of the studied companies having more than 1000 personnel had 4 managers in central office per 1000 personnel while they included labor organizations in collective affairs of workers. Hence, various variables contribute to increase or decrease of these ratios, including beliefs and visions of companies' top managers and even their personal custom in selecting decentralized strategy for

managing personnel affairs in company. Factors exterior to the company contributing to determination of companies' central staff intervention in personnel affairs and labor relations of divisions are numerous and are usually addressed in the process of implementing human resources strategic management which makes the analysis of external environment inevitable. The most important entities are politico-economic conditions in the form of constitutional law, laws corresponding to work, customs regulations, tax regulations and foreign commerce regulations which make necessary the intervention of Mother Company in many cases. Some of the issues are directly related to work and labor relations regulations and some of them are indirectly related to tax affairs and even foreign commerce issues in the context of human resources management.

4. Level of intervention of central staff of Mother Company in units affairs

As stated earlier, intervention of central staff in human resources management and labor relations affairs of relevant units follows no certain rule and various factors contribute to centrality and decentralism of it, some of which were explained briefly. However, it must be noted that if for receiving such services, an amount is paid to central staff, this problem arises that units receive no tangible service and of course, they are not happy with paying for it.

To alleviate such problems, various solutions are proposed two of which are applied in many of multidivisional companies as follows:

1. Paying for costs of services delivered from mother company, must be conditional and upon satisfaction of human resources management.
2. Establishment of an autonomous company or unit which can provide personnel, welfare, educational and even safety and health services as a money making center.

For instance, in the plan of proposed structure for Polyarcylcompany, it was intended to provide management and informatics of educational services and even wellbeing and industrial medicine for autonomous units as an income unit.

In summary, it can be said that role of central unit in the field of human resources and labor relations management of multidivisional companies must be more than management issues in human resources management since as can be seen, in the pattern of human resources management and management vision matrix, personal and collective affairs of personnel, collective affairs of multidivisional companies demand more intervention, monitoring and coordination of central staff compared to individual ones. It is true that the aim of dividing large companies is to making them more effective and responsive in competitive atmosphere of the market. However, this should not be with the expense of attention to and emphasis on interests of one side and neglecting another side or lead to limitation of effective usage of expert and rare human resources supplying of whom is less feasible and more costly. Finally, autonomy should not progress such that it can lead to loss of synergy in organization.

5. Conclusion

In two recent decades, considerable attention is paid to partitioning big companies even in smaller and multi-thousand personnel companies having diverse products and markets. Brief review of this paper over the method of organizing human resources management area and labor relations in companies whose division seems necessary is only for opening an area in this context and addressing issues for performing studies and researches in industrial units' level. Creation of such flexibilities in production requires creation of flexibility in human resources management. In this paper, we will the role of human resources management in down sizing aided to new goals and sterategies achievment. It is hoped that by through researches and surveying results of this research in large companies of the country, interested managers can be provided with sufficient scientific guidelines. Of course, discussion about recognition of various forms of responsibility division in multidivisional companies and the method of selecting the most appropriate contingent way considering internal and external conditions requires detailed studied and analyses which cannot be included in this paper.