

HR Transformed as a Strategic Business Partner: The BKT Case

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CASE OVERVIEW

Part of a well known Indian industrial conglomerate, Siyaram-Poddar Group with group turnover of US\$ 550 million, BKT - Balkrishna Tyres, today is one of the world's leading manufacturers of "off-highway tyres". BKT has the widest product range with more than 1700 SKU's, catering to a niche segment worldwide. It is a "One Stop Shop" for off-highway tyre solutions. With an employee strength of over 2500, it has presence in more than 125 countries across the globe with Europe being its main market. BKT products meet highest international quality standards thus enabling them stand to competition with top international brands. Most organizations including BKT are facing a double challenge- one to meet the aspirations of competent and ambitious employees and the other to validate the success and effectiveness of HRM policies of the company. Today, Human Resource Management after being chiseled with instruments of debate, criticism, opposition, identity and portfolio crisis has finally emerged as a strategic business partner effectively contributing to bottom lines balancing the stockholders and stakeholders interests. The case is intended to script contribution of HR function towards BKT's growth through effective employee management strategies along with creation of a prominent foothold for HRM as a functional strategic partner in transforming organization's vision and mission into reality.

Keywords: Strategic human resource, Strategic business partner, Employee management, Organizational transformation

COMPANY INTRODUCTION

The company started in 1988 with the manufacturing of 2 wheeler tyres from a single plant location catering largely to a single OEM. Gradually, it increased its product range from 2wheeler to 4 wheeler tyres in the primary vehicle segment from the same plant, thus increasing its customer base also. This segment of the tyre business was highly competitive

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and needed substantial technological and manufacturing up-gradations. To reach satisfactory levels of business and manufacturing competence, the company also needed to adhere to operational efficiencies, higher productivity norms along with maintaining complete industrial peace. The profitability and stability of the operations heavily depended on raw material prices, which were highly fluctuating. Raw materials cost contributed 80 percent of the final product cost.

The success of the organizations in modern competitive world depends on the strategy they adopt, create or regenerate. The promoters of the Company were very quick in understanding and appreciating the dynamics of the business-markets. It was realized that internationally there was an increasing demand for Off Highway Tyres. Across the world the demand was just picking up and there were only few international brands which could meet the demand.

Foreseeing high potential for a niche product in an equally growing market for specialty tyres, the company decided to fully focus on Off The Road Tyres in odd sizes, not being offered on a continual basis and in large ranges by the tyre manufacturers.

The company initiated plans for changes in product lines and manufacturing set up at its single plant in the state of Maharashtra. Going by the limitations the plant had in terms of capacities and productivity, the company also decided to acquire a second plant in the state of Rajasthan followed by a third and fourth plant.

The developments in the product, marketing and manufacturing base clubbed with competitive business environment compelled BKT to adapt an integrated model of Human Resource Systems. Today, people are firm's most precious and underutilized resource. They are firm's repository of knowledge and they are central to company's competitive advantage. BKT felt the need to recognize human resource as a new source of core competence and manage it strategically for achieving competitive advantage.

LITERATURE REVIEW

The concept of Human Resource Management assumes that human beings are the most valuable asset to the organization and their contribution has to be seen as cardinal to the successful achievement of organizational objectives. It is imperative in today's context of changing business realities that an organization should be able to continuously innovate, be customer focused and remain cost effective to sustain, grow and excel in long run. According to Beer et al. (1984) human resource management functions include human resource flow (into, through and out of the organization), reward system and work systems. Fomburn et al. (1986) has divided human resource management functions into five categories- selection, performance, performance appraisal, rewards and development. Decenzo and Robbins (2004) have included staffing, training and development, motivation and maintenance in human resource management functions. Also, human resource management systems of different countries may change and become more similar or follow the same model (Rowley et al., 2004, Boxall and Purcell, 2003). Irene Honfun Poon (2007) comments that: "small change can bring in an incremental change in organizational effectiveness", thus suggesting a positive connection between human resource systems

and the organizational effectiveness. Paul D. Hamerman and Zach Thomas (2008) have shown that HRM will be a key focus in 2009 as organizations have to devise strategies to cope with the economic crisis and recovery. Stephen P. Robbins (2010) has mentioned that the addition of HR's strategic component changed the way practitioners think about the field. While his theory is not free from criticism, the framework described in his theory is relevant when considering the two components of HR.

This shift indicates an important change in the way HR contributes to the achievement of an organization's objectives (Evan, 2010). But still, responsibility for the older, functional aspects of HR resides within the field while the functional component focuses on providing services of asset quality and scope at the lowest cost, the strategic component seeks to provide unique organizational consultative services that differentiate the firm from its competitors. In this ever evolving environment, human resource managers have recognized the need to act as business partners to line leaders (Galbraith, 1992, Ulrich et al, 1994, Martell & Carroll, 1995, Conner & Ulrich, 1996). Kessler (1995) suggests complete human resource transformation to attain organizational effectiveness. Similarly, recent theoretical work highlights the contribution of human resource management in augmenting organizational performance.

HR strategies are integrally linked to the management of change. Strategy is the direction and scope of an organization over the long term, ideally which matches its resources to its changing environment and in particular its markets, customers, or clients so as to meet stakeholder expectations (Johnson and Scholes, 1993). This approach to strategy, focusing on the internal resource capability of an organization as well as the challenges that it faces in its external operating environment, has the potential to enhance the role that HR strategies may contribute to the change process as an organization attempts to adapt itself strategically (Purcell, 1995). Although an organization's human resources are only one aspect of its resource base, this approach suggests that recognizing and developing these resources will not only help an organization to match them to changes in the environment but also create distinctive capabilities to seek further competitive advantage. (Kay, 1993; Purcell, 1995).

Reinforcing Metzler(1998) opines "Human resource professionals are at risk. Their future includes dramatically different possibilities: extinction or a dynamic, critical role in their companies' success." Successful HR professionals must chart roles that include early and active involvement in key strategic business choices. They must become the partners of decision makers, sharing accountability for organizing work — including where it is performed. Everyone, at every level, must stay focused on shared strategic priorities, challenge old ways and actively promote innovation. The HR professional needs to be a role model and take on the specific role of integrating people strategies with business strategies in a way that advances the bottom line.

CASE BACKGROUND

Around 2004, BKT carried out a structured and systematic study of its product lines, capacities, markets, competition, technology up-gradation and organization structure. At

the same time the second manufacturing facility was ready to deliver after a total re-set and modernization of the manufacturing set-up. It was fully ready to deliver 100 tons of production per day in addition to the 50 tons from first plant. This new facility had one of the latest Radial Tyre manufacturing facility to meet the demands of an ever growing agriculture sector. It also had a fully renovated Bias tyre plant with new machines.

THE HUMAN RESOURCE CHALLENGES

It was at this time that the company felt the immediate need to set up a formal H R Department at the corporate level which would understand the business opportunity ahead and provide support to the management to realize 35 percent growth potential each year for another 5 years. The Human Resource Management had to proactively act to build organization wide initiatives that transcended borders and nationalities. The management initiative that organization undertook in response to change was to bring people squarely centre stage. New configuration of the organization that emerged, shared one common objective: "Make the best possible use not only of technology, systems or capital, but also of human resources." The transition from traditional human resource management to new peoples' management called for a new and crucial responsibility of identifying the organizational and individual capabilities.

A redeeming assurance the H R Department had was the high motivational levels of the management team. But the challenges were gigantic too. For HR to emerge as Strategic Business Partner in the growth of the organization and to realize the new crystallized vision, two -fold macro agenda emerged:

The Internal Challenge

- to reengineer the conservative, traditional, personnel department of so-far-family-type-run-business and sport the garb of Human Resource Evangelist and emerge as strategic human resource management functional unit.

The External Challenge

- to evolve and transform the back-seat-driver-staff-function role of the Human Resource Management Department to one of Strategic Business Partner, contributing and collaborating to the Vision and Mission of the Organisation.

There was a need for greater involvement and participation of people in decision making, decentralization and delegation of power. A few initiatives which appeared on the start-up agenda included:

- (a) There was an immediate need to re-structure the corporate and manufacturing set ups in order to prepare for executing the business targets.
- (b) To recruit a large number of specialists who would implement the business plans with speed and diligence.
- (c) To improve the compensation and benefit structure and bring it closer to the prevailing industry levels. It needed to be attractive for aspiring professionals.

- (d) To design and implement, un-complicated, simple H R Policies and Systems commensurate with the overall business model, organizational philosophy and culture.
- (e) To initiate employee developmental activities in a structured and a focused manner with a long term perspective.
- (f) Retention of key personnel was instrumental to the company's growth plans.
There was always an attraction to the new breed employee to move to a competitor or a high paying job. Majority of the work force was under 35 years and was vulnerable to glossy side of the job markets.
- (g) Industrial Relations were in a mess in first plant. It had a bad history of multiple unions, strikes, go slows, absenteeism, indiscipline, low productivity, lack of faith and trust in management actions in all spheres. The second plant also needed a close watch for a brewing -up showdown.
- (h) Going by the worldwide demand for Radial Tyres in large sizes (OTR) the company decided to set up a third hi-tech plant closer (7 kms) to the second plant. It was a new facility and required attention in all areas of Human Resource Management.
- (i) H R had a daunting task in this scenario, and it also needed to be aligned alongside with other management functions. There was a dual challenge, one to deliver and second to establish itself as a strategic partner in running the affairs of the company.

It was a challenge which was accepted with a sense of profoundness but humility and following initiatives were taken to overcome the challenges:-

Realigning of Work Flow

To understand the work flows and placement of people, detailed study and discussion was done with each head of the department (HOD) his key team members. There was a sudden increase in work in all departments and each department had a long list of positions to be filled in. This gave H R a chance to critically examine each manpower requisition. In most of the cases it was found that the existing people were too busy with routine, mundane and clerical work. There were clear indications of realigning the work flows and improving efficiencies.

It was a tough task of taking up the issues with the Commercial, Accounts, Finance, Logistics and Documentation departments. The skill level of people was quite assuring, however, they were happy with their cyclic work style rather than applying thought to simplify their activities and cut down on work which was not required in future or was just based on some unforeseen apprehension. H R made a logical reasoning of how each person spent his time at the work place and whether he felt happy and satisfied with his output, in qualitative terms, at the end of the day. As a consequence of this exercise, the manpower requisitions were kept on hold, work was re assigned and re allocated, a career path was explained and understood. The change in mindset and a new approach to systematized work procedures was soon visible. In most cases it was the HODs who were more awakened than the team members.

A more difficult situation existed in the Exports department where the impact of increased exports brought in a certain kind of urgency and specialized attention seeking by all those working in the function. Majority of the export managers were young with engineering and management degrees. It was a bright set of people with 1-3 years experience and recruited from reputed campuses. Since the job profile entailed extensive foreign travel within 6 months of joining, moderate CTCs were accepted by them. However, despite a bright prospect few boys succumbed to the lure of higher CTCs (cost to company) with the competitors, creating some sense of indispensability amongst those who stayed back.

This necessitated a solid structuring of the exports department. Shadow positions were created for each market, alongside the front runners a well qualified and potential back office cadre was recruited and developed to deal with any exodus. Since BKT was a speciality product company, it took some time for people to understand an ever increasing range of SKUs (Store Keeping Units).

A very critical aspect of the business of the company was that it exported over 97 percent of its produce to over 125 countries worldwide. During the process of setting the organization structure HR was very successful in writing down the job descriptions for each position including the broad Key Result Areas of the Departments and each position. It was an exercise which helped in establishing the understanding of the importance of each function including the quality needs (Job Specifications) of required manpower.

Recruitment Policy

A detailed recruitment policy was laid down enlisting the procedure from filling a Manpower Requisition Form, formation of an Interview Panel and laying down a selection/rejection criteria. It was explained to each HOD. In most cases there would be 2-3 rounds of interviews, depending upon the position level. Fitment of the selected candidate in the prevailing compensation structure would be a difficult task, but HR would succeed in bringing about a structure and culture fit candidate. It would take a lot of convincing and persuasion with the HOD / approving authority. The entire process took quite a long time but finally the best suitable candidate would be placed. There was a major change in the system. Earlier it was the HOD who would bring his "sourced" candidates. HR sourced applicants from Job Portals, Direct Mailers, Employee Referrals and Placement Consultants. A word went round the organization that if one required additional incumbents or better replacements they had to be well prepared with a structured Manpower Requisition Form and all the supporting details.

An induction and orientation schedule for all the new employees was conducted very strictly. A level wise/ department wise schedule was prescribed and was adhered in all the cases. The duration of such orientations varied from 4 days to 12 days. In cases, where product knowledge was an essential ingredient of the job profile, plant orientation was done again under a structured programme by the manufacturing team.

In order to build a BKT suited cadre of trained professionals, the company devised a corporate training scheme of 6 months duration, designed for the fresh recruits from the campuses. The scheme prescribed no service bonds. Similar training programmes were drawn up for head office and shop floor training. All such trainees were to be guided by a mentor. The Corporate HR Head also interacted with them at least once in a month. This

policy to a large extent reduced the company's dependence on lateral recruitments. The attrition rate, initially, was over 65%, which almost dropped to 10-15%.

Compensation Structure

In order to attract talent a major bottleneck was the compensation structure. It was not frugal or around a subsistence level. It was a fair structure. However, there was a sudden boom in the job markets and salaries soared to unimaginable levels. There was no logic or reason behind the "madness", there was no straight comparison with the tyre industry also. The HR maintained a balanced approach and did not go for crisis raises or high priced recruitments. Based on its structured, but a very simple Annual Performance Appraisal System, it revised the salaries, each year in a decent manner. Those at low levels were given fitment benefits and good performers were rewarded with raises ranging from 13-16%. A performance driven culture paved way for handsome raises and promotions.

A Manual on HR Policies

Despite the "corporate fancy" to have a thick HR Manual, with a sole purpose of showcasing it, the HR department believed more in designing simple, short and uncomplicated HR policies and systems. It picked up the basic issues of Recruitment, Appraisals, Salary Administration, Loans/ Advances, Travel Rules, Discipline, etc and announced policies and systems. They were well circulated and understood by all. The idea was not to flood employees with a regimented system rather than keep the canvas wide open to progress with changing time and keep up with organizational priorities.

Employee Welfare

Employee developmental and welfare activities both at the Corporate Office and the four plants were taken in an earnest manner. It all started from providing a good work environment, and a hygienic workplace. All offices, both at HO and plants were aesthetically done with good amenities. All employees felt an enhanced pride in showcasing their respective work places. Canteens were renovated and made more colorful, menus were re-set and the dining halls and kitchens modernized. Soon all employees including the directors and the customers visiting from abroad started visiting the canteen.

For workmen, there was a three level training- skill development critical operations and behavioral aspects. Each programme would end with distribution of a book on self development in Hindi. Specialized Training was imparted to key operators on machine operations, quality and new product launches. The Training Centre also conducted Quality Circles, Safety Competitions, Health Surveys. Since the training needs varied, the plant staff was divided into 3 groups, Supervisory Staff, Managerial Cadres, and HODs / Senior Executives. Building on the long term perspective, the training modules were developed for each category of employees. The HR department did continuous supervision and evaluation of all trainings to sustain objectivity, relevance in inputs and feedback to the trainers.

Talent Retention

The most challenging objective of Talent Retention was achieved by creating and sustaining a positive work environment characterized by role clarity, high attention to

boss-subordinate relations, providing fast track careers in exports/ technology/ manufacturing functions. Empowering levels of delegation, good annual raises, open and free culture, freedom to express and innovate were few other initiatives which the management took. A big thrust area was hygienic & employee friendly work place, congenial work environment, team spirit among co-workers, polite and courteous language throughout the organization. Management's philosophy of appreciating stability, helping employees in personal crisis, medical assistance and an all pervasive treatment with dignity and respect made all the difference in creating a bond between the employee and the company.

Trust in Management

Workers' faith in management was restored to an extent that they themselves de-linked and disassociated with labour unions which misguided them. The internal union positively and wholeheartedly collaborated on long term productivity linked wage agreements. The result has been a drop in absenteeism rate, mentoring supervision, positive approach to training, contribution to smooth functioning and effective management of canteens/ and other group activities. The workmen take pride in the medical and other rewarding facilities they enjoy along with a clean and safe work place. The attempt to integrate industrial relations (IR) with HR yielded promising results.

Trained Manpower Deployment

The second plant in Rajasthan state was a challenge in terms of trained manpower deployment, establishing the HR department and systems since it was the most prestigious and high investment project. With the help and support of all other plants, HR department was able to achieve results that sometimes seem utopian. The plant performance parameters were achieved with minimum stabilizing period alongside a safe and hygienic working environment. All team members were committed with high sense of accountability.

HR as Change Agent

The range of processes designed to engage employee support, understanding and optimum contribution of all employees in the organization and their commitment to objectives were achieved through problem-solving involvement, consultation and structural changes at job and work organization levels. A culture of commitment and belongingness had set in. Open, transparent and sharing work styles were encouraged. Impartial feedback to top management was appreciated. Constant emphasis on adherence to systems and policies, high emphasis on employee developmental activities and visible results added vibrancy to the organization. Effective communication with all levels of employees, information sharing, no hideous approaches, free and frank expression and sustained focus resulted in a new transformed organisation.

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