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Human Resource Management and Firm Level Restructuring: The South Asian Drama

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Abstract

In advanced Western countries globalisation has been accompanied by the increasing use of sophisticated HRM practices at firm level. Content analyses of case studies of 59 South Asian firms identified a similar trend. The study results demonstrated that the best adopters of 'soft' HRM practices were the firms at greenfield sites. While at the unionised brownfield sites 'hard' HRM methods were used in the restructuring phase, after successful turnaround, 'soft' HRM practices were increasingly invoked to gain employee commitment necessary to meet the competitive challenges. The findings suggest that the globalisation of the South Asian economy is accompanied by a discernible shift from the reactive adversarialism of traditional industrial relations towards increasing use of HRM practices.

INTRODUCTION

The increased globalisation of markets and intensification of competition marked the emergence of the rhetoric of human resource management (HRM) in the 1980s. This new nomenclature was charted first in the writings of academics and managers in the USA (Peters & Waterman 1982, Tichy, Fombrun & Devanna 1982) as well as the UK (Hendry & Pettigrew 1986, Guest 1987) and was distinguished carefully from traditional personnel management. Indeed, the change in vocabulary for managing the employment relationship in the USA and the UK, in particular, may be attributed to several changes in both product and labour markets, changes mediated by technological development, a swing to right-wing political ideologies, and a decline in trade union power. Several terms signify these changes: intensification of international competition, globalisation, cultures of excellence, information technology revolution, knowledge working, high value-added, and the enterprise culture. The phrase that encapsulates them all is 'the search for competitive advantage'. The effect of these factors lies in their reinforcing relationships as much as in their separate existence (Legge 1995).

With the process of globalisation gaining momentum, the idea spread to other countries – as the risk associated with the volatility of the global marketplace forced employers to become more aware about the need for managing all their resources including their human resources, strategically. The contextual underpinnings in other countries were substantively similar.

The present paper attempts to capture the experiences of the five developing countries in South Asia (namely, Bangladesh, India, Nepal, Pakistan and Sri Lanka) in forging new employment relationships through HRM practices, as firm level restructuring took place in response to economic liberalisation programs initiated at the national level. The analysis is based on evidences extracted from the six major studies conducted in the recent past (Mathur 1991, *ILO* 1999a, 1999b, Sodhi 1999, Ramaswamy & Schiphorst 2000, Sen Gupta 2002). It is believed that given the nascent stage of development of HRM practices in South Asia, a detailed analysis of the practices adopted by a small but assorted sample of firms is likely to give more insights than what can be elicited through survey questionnaires served to Chief Executive Officers and HR managers.

HRM: 'HARD' AND 'SOFT' MODELS

The normative models of strategic HRM (Tichy et al. 1982, Fombrun, Tichy & Devanna 1984, Beer, Spector, Lawrence, Mills & Walton 1985, Walton 1985, Hendry & Pettigrew 1986, Guest 1987) essentially argue that the design of HRM systems and policies should 'fit' with the business strategy of the firm – meaning thereby contingent nature of the relationship between the two. This is the 'external fit'. HRM policies should also be internally consistent both between themselves and in relation to policies in other functional areas. This means, they must show 'internal fit' as well.

The four critical policy areas identified for this purpose are: human resource flow, reward systems, work systems and employee influence (Beer et al. 1985); or, selection, appraisal, rewards and development (Tichy et al. 1982). Beer et al. (1985) argue that while long-term goals of a firm's HRM policies should be individual and social well-being as well as organisational effectiveness, the HRM policy outcomes of immediate relevance to the firm should be: commitment, competence, congruence and cost-effectiveness. Guest (1987) makes a more or less similar identification of HRM policy goals in terms of integration, flexibility, quality and commitment. Atkinson (1984) elaborates the concept of 'flexibility' by identifying its three distinct forms: numerical, functional and financial. It is important to note that HRM policies highlighting different forms of flexibility have different implications in terms of policy outcomes. For example, use of functional flexibility may be positively related to increase in employee commitment while the reverse may be true for numerical flexibility. To ensure internal fit, choice of a particular form of flexibility has to be consistent with the human outcomes desired through policies in other areas.

According to Legge (1995), the normative definitions of HRM suggest two different models – 'hard' and 'soft' – the key distinction being whether the emphasis is placed on the 'human', or the 'resource'. The 'hard' model (Tichy et al. 1982, Fombrun et al. 1984, Hendry & Pettigrew 1986) perceives human resource largely as a factor of production, or a variable expense of doing business whose supply should covary with the product market demand. Under this perspective, a firm should seek to maximise its short-term profits by hiring and firing its employees, so as to dynamically balance its demand and supply of labour in tune with the fluctuations in the market demand of its products. In essence, the 'hard' model emphasises the quantitative, calculative, and business strategic aspects of managing the human resource in as 'rational' a way as for any other economic factor (Storey 1987). Its focus is "*human resource* management" (Legge 1995: 66, emphasis in the original). In contrast, the 'soft' model (Beer et al. 1985, Walton 1985, Guest 1987) focuses on the long-term competitive advantage of firms and identifies that it arises from having a high quality (in terms of skill and performance), flexible and committed work force. It is founded on the recognition that the human resource is a distinctive resource which turns inanimate factors of production into wealth and so, the management of human resource calls for an approach which is distinct from the way we manage other organisational resources. The emphasis is on getting positive human response via communication, motivation and leadership (Storey 1987). In this model, the focus is on gaining long term competitive advantage by investing in development of people, and thereby, expanding the organisational asset base of 'resourceful' humans, that is, on "*human resource* management" (Legge 1995: 66, emphasis in the original).

Most of the normative definitions of HRM contain elements of both 'hard' and 'soft' models. The two models with their different emphases are not necessarily incompatible. Generally speaking, in a situation of growing product market demand, a firm has no problem in avoiding some of the harsh measures like work force downsizing which the 'hard' model may prescribe. In fact, the two models converge and become compatible when in such a situation the firm decides to pursue a strategy of differentiation of its products or services based upon quality and innovation. The strategy of value-added growth dictates the need for treating employees as 'resourceful' humans to be developed following the prescriptions of the 'soft' model. The potential problem lies in a situation of declining product market demand. Here the prescriptions of the two models tend to be opposite, and essentially the management philosophy and values of the top managers guide the policy choice, unless the change is so catastrophic as to rule out softer options as unviable.

RESTRUCTURING AND EMPLOYMENT POLICIES: EARLY EXPERIENCES

While the countries in South Asia embarked upon large-scale economic liberalisation programs in early 1990s, firm level restructuring by the employers in these countries commenced much earlier in the 1980s. In response to stagnant product market demand, the employers typically tried to introduce flexibility in labour processes and reduce labour costs by reducing dependence on a permanent labour force. They predominantly adopted two strategies: increasing use of short-term contract labour and outsourcing regular production. In India, for example, the casual work force as a percentage of the total organised labour, rose from 23 per cent in 1971 to 35 per cent in 1991 (Sen Gupta & Sett 2000). The effect of outsourcing of production activities on permanent employment can be gauged from the fact that during 1972-87 employment in organised manufacturing, comprising units registered as 'factories' under the Factory Act, grew at an average annual rate of 1.44 per cent compared to 4.57 per cent employment growth in non-organised manufacturing, consisting of units employing less than 20 workers, and hence, not coming under the purview of the Factory Act (Sen Gupta & Sett 2000). Interestingly, in spite of the existence of rigid employment security laws, the employers achieved their objectives by inventing ways and means to avoid the nexus or the coverage of the law (Sen Gupta & Sett 2000). Similar trends can be noticed in other regional countries.

The emerging economic context greatly helped the employers to achieve their goals. In order to attract private investments required for economic revival, the government labour policy became increasingly employer friendly. Depressed product market conditions and concomitant change in government policy weakened the bargaining position of the trade unions. As a result, the balance of power shifted decisively in favour of the employers which helped them to impose a labour regime that better met their interests and requirements.

Shifts in balance of power in favour of the employers in the face of economic adversity or product market competition, and associated crisis in unionism is not a uniquely South Asian phenomenon. Several studies (Deyo

1989, Frenkel 1993, Wilkinson 1994, Frenkel & Harrod 1995, Kuruvilla 1996) document this trend which appears to be common to both developed and developing countries. However, what is more relevant in the context of the present paper is to note that adoption of HRM practices in other countries like the UK and the USA was closely associated with the decline in trade union power. Evidence presented in the subsequent section suggests a similar trend among the countries in South Asia.

ADOPTION OF HRM PRACTICES IN SOUTH ASIA: SOME CURRENT EVIDENCES

The South Asian industrial landscape underwent qualitative changes since mid-1980s with the opening up of the economy in most countries in the region. The emerging competitive environment called for a more comprehensive and a strategic approach to the management of people and created the necessary context for the adoption of HRM practices at firm level – as had happened in other countries.

Using the results of content analyses of case studies of 59 firms reported in six major recent studies (Mathur 1991, *ILO* 1999a, 1999b, Sodhi 1999, Ramaswamy & Schiphorst 2000, Sen Gupta 2002), this section presents an overview of the state of adoption of HRM practices in South Asia at the firm level. To provide a clear point of reference and aid the comparative analysis, the evidences have been analysed using a common framework. Considering the exploratory nature of the investigation, the general framework of an HRM model proposed by Beer et al. (1985) and as elaborated by Guest (1987) has been chosen, in preference to other more recent ones.

The evidence provided by the six studies suggest that the choice of HRM practices and their implementation style varied greatly between firms at greenfield and brownfield sites. They also depended on parentage (foreign or domestic), and for a domestic firm, whether ownership was private or public. Table 1 shows the countrywise and ownershipwise demarcation of the 59 firms that comprise the study sample. The analysis and discussion that follow are based on the evidence extracted from the case studies of 59 firms reported in the six studies. To ensure readability, repeated references to these sources have been avoided.

Table 1
Countrywise and Ownershipwise Distribution of Firms (N=59)

		Bangladesh	**India**	**Nepal**	**Pakistan**	**Sri Lanka**
	PSU	-	1	-	-	-
Greenfield	MNC	-	-	-	-	-
	DPC	1	6	-	-	-
	PSU	1	8	2	1	2
Brownfield	MNC	2	6	-	3	-
	DPC	3	11	3	3	6

Note: PSU = Public Sector Unit, MNC = Multi-National Corporation, and DPC = Domestic Private Company.

Firms at Greenfield Sites

The studies indicate that careful pre-induction screening and post-induction observance of the behavioural compatibility of new recruits – even at the worker level – were the hallmark of the sub-sample of eight new firms at greenfield sites. These firms supported their highly selective recruitment policy with a high-wage policy, offering 50-150 per cent higher salary than the industry average. Of the eight firms, seven had pay-for-performance type wage incentive schemes. All the firms provided the workers good career prospects subject to sustained superior performance. These new companies operated in high growth product markets and most of them grew on the basis of continuous product and process innovation which enabled them to grow market share even in the face of overall price-based competition. Concurrently, these firms retained a strong process focus and imposed tight work norms to achieve continuous improvement in productivity – while achieving a high degree of flexibility in both process and product designs. The external and internal business contexts and the way they managed them, enabled these firms to offer high wages to attract good candidates and also retain them by providing them challenging tasks and good career prospects. In exchange, the employees were expected to meet stretch targets and show flexible work behaviour which would enable the firm to control the total unit cost of production. A strong oversight on individual and group level performance sustained the firm performance. Training and development was used as the vehicle for skill building – both technical and behavioural.

Conformance to high performance norms was sustained through consciously designed plans for building supportive organisational cultures. These plans had several common elements. High intensity, top-down employee communications using multiple channels, such as newsletters, bulletin boards, cultural and sports events was a common feature. Four of the eight firms used TQM principles as the dominant theme for cultural orientation towards continuous improvement and high performance. Interestingly, all the firms in this sub-sample, excepting one, stressed upon creation of 'one-culture'. They used various symbols like common dress code, lunchrooms, and open offices, to downplay hierarchy and to encourage free mixing between managers and other employees. In short, these firms followed an integrated set of HRM policies that were mutually reinforcing, sustainable, and created a market value for the organisation. They sought to achieve the goal of integration (Guest 1987) through highly selective recruitment, performance-linked pay, merit based career progression, and high level of communication with the employees. Thus, they invoked all the four HRM policy areas (namely, HR flow, reward system, work system, and employee influence) to achieve this goal. Some of these policies like good quality communication, fair allocation of rewards, offering long-term career prospects, and effective use of employee voice mechanisms like suggestion scheme, also subserved the goal of commitment (Guest 1987).

The development of task and accountability oriented work cultures ensured behavioural commitment (Salancik 1977) of the employees towards organisational business goals. The same set of policies led to the attainment of the goal of flexibility (Guest 1987). Continuous product innovation and process improvement required the employees to be both functionally (ready to pick up new skills) and numerically (ready to be deployed on new tasks) flexible (Atkinson 1984). Pay for performance system ensured financial flexibility by keeping the employment costs market (output) based. The employment of contingent work force by these firms in non-core areas of their business like canteen and materials handling also added to their financial flexibility. The goal of quality (Guest 1987) was sought to be achieved by resorting to a highly selective recruitment process aided by the signalling effects of high wage and good career prospects on the relevant labour markets. This was sustained and reinforced by merit-based career progression and an overarching attention to and concern for high quality performance standards in all spheres of the firms' activities.

The eight firms stand out as prototypical examples of the successful application of prescriptions of normative HRM models even among non-managerial work force. While acknowledging this, it is pertinent that of the eight firms, five had no union (a rarity among traditional South Asian firms), and three had 'internal unions' (allegedly foisted on the workers by the management). None of them had any politically affiliated union.

Firms at Brownfield Sites

In contrast, the adoption of HRM practices by the firms in brownfield sites was convoluted and patchy as they were constrained by their entrenched culture. These firms varied widely in their ability to effectively use HRM practices to drive their strategic business objectives. At one end of the spectrum were the government owned public sector units (PSUs), which because of many constraints, could not harness the full potential of HRM processes for realising their business objectives. At the other end of the spectrum were the professionally managed foreign multi-national companies (MNCs) the approaches of which were well structured and deliberate. They achieved significant successes. In the middle were domestic private companies (DPCs) which had a difficult journey and achieved only moderate success.

Experiences of brownfield firms were captured through the sample of 51 firms of which 47 were unionised and four had no unions. For various reasons, the four non-unionised firms were considered to be non-representative in character, and hence, have been excluded from the following discussions.

In the following section, for clarity of discussion, only one or two representative firms from each of the three categories (PSUs, MNCs & DPCs) have been selected for detailed analysis of their HR policies. The broad inferences drawn from such analyses are considered to be valid for a category as a whole.

Public Sector Units

As a representative example of PSUs, a large Indian multi-unit telecommunication equipment manufacturing company was chosen. Like many other Indian PSUs, it was undermanaged, overmanned and had a high cost of production (Sen Gupta 2002). With the government as its captive customer, it could afford to follow a cost-plus administered pricing policy until the industry sector was deregulated in 1991. After deregulation, many DPCs and MNCs entered this sector with advanced technologies and improved product design, and offered better products at lower entry prices. The intense competitive pressure combined with globally falling prices of telecom products adversely affected the company's financial position. After liberalisation, the company could no longer look to the government for budgetary support.

As a first step towards restructuring, the company offered a Voluntary Retirement Scheme (VRS) to all employees. Indian employers follow the VRS route almost as a norm for shedding excess manpower because Indian labour laws do not allow retrenchment of a surplus work force on the grounds of financial difficulties or as a measure of work force rationalisation. However, the launch of such an important and sensitive scheme was undertaken by the company in an impersonal and bureaucratic manner – through circulars and memos – typical of PSUs. No attempt was made to prepare the organisation for such a change through prior consultation with either the trade unions or the general employees. The response to the VRS offer was poor and it continued to be so when subsequently the offer was renewed several times.

Obviously, VRS had only a marginal impact on the company's financial position. The company made the first loss in its history in 1994-95 and incurred further huge losses during the next two years. It became a 'potentially sick' company under the relevant statute. In the midst of this turmoil, the company made a failed attempt to reorganise its business on the basis of product groups. Fear and panic gripped the organisation and it lost some of its competent managers during this period.

Finally, the situation started improving from mid-1996 when under a new Managing Director, the company took some concerted recovery actions. These initiatives were directed at both the external and internal constituencies of the firm. This successfully convinced the government to provide policy safeguards against unethical practices followed by the private players. Internally, it focused on cost reduction, the improvement of operational efficiency, the development of new generation products, and strengthening customer focus. For achieving the first two objectives, the management initiated a well-structured dialogue with the unions and shared with them information on the current situation as well as on the future plans. The purposeful manner in which the new management team dealt with the crisis and perhaps the seriousness of the crisis itself persuaded the unions to collaborate with the management. This was a transformational change in the industrial relations of the company.

In spite of these efforts, the turnaround in the company's financial health can at best be described as weak. Several adverse factors continued to plague the company. It still had about two to three times the required manpower. Decisions on acquiring new technology from foreign sources were badly delayed by the government bureaucracy whose clearance was needed. Also, the company did not have the necessary autonomy to take decisions on acquiring technology partners, taking up joint ventures, or shed unproductive assets. Lack of freedom in these critical areas hampered the company's ability to successfully compete with the agile and powerful private players which did not face such bureaucratic impediments.

The experience of PSU restructuring in other South Asian countries has been somewhat similar. For example, in Pakistan, attempts to restructure the labour force at a major port on account of containerisation met with limited success due to imperfect implementation. In fact, containerisation, instead of reducing costs, increased them. Experiences of Bangladesh, Nepal and Sri Lanka were similar. In Sri Lanka, restructuring efforts met with strong trade union resistance, unlike in most other countries where unions eventually collaborated in such moves.

Multi-National Firms

The style and approach adopted by the MNCs varied with the context. To highlight how MNC strategy differed with context, two cases – one from Bangladesh and another from India (*ILO* 1999a, 1999b) – are compared and contrasted. For instance, the MNC in Bangladesh (MNC-B) was manufacturing and selling cigarettes and the Indian MNC (MNC-I) was a major producer of industrial and medical gases. Until the mid-1980s both the companies enjoyed a near monopoly market presence. MNC-B's competitive position was weakened due to high tax on premium brand cigarettes imposed during 1986-87 and increasing competition from low-cost domestic producers in a price sensitive market for 'plain' (non-filtered) cigarettes. MNC-I started losing its monopoly in the mid-1980s when the market was deregulated and strong foreign competitors entered the market with superior technology. The manner in which the two companies responded to the environmental threats have important implications for our understanding of how professionally run MNCs use HR practices as one of the principal instruments of their turnaround strategy.

MNC-B had two factories, one in Chittagong and another in Dhaka. The old Chittagong factory produced 'plain' cigarettes employing an outmoded technology and an ageing work force. The Dhaka unit was relatively new and used modern, automated technology that was flexible enough to produce both filtered and non-filtered cigarettes. It had adequate capacity to meet the demands for both the varieties of cigarettes. To respond to adverse product market conditions, MNC-B adopted a strategy of asset rationalisation involving both capital and human resources. Towards the end of 1990 it launched a vigorous campaign to 'convince' the workers about the irretrievably unviable nature of the operations carried out in the Chittagong factory that necessitated its closure. Informally, the management offered the unions two options. Workers with useable skills, and after being screened by the management, could seek a transfer to the Dhaka factory. The rest, including those unwilling to move to Dhaka, would be offered an attractive VRS package.

The workers protested, often violently, against the proposed closure. The management strongly lobbied the government and sought its support to quell the workers' agitation. As a major taxpayer, MNC-B wielded considerable influence in local politics. The Government weighed its options and finally sided with the employer. The workers' movement soon died down. MNC-B declared formal closure of its Chittagong unit in December, 1991. Out of about 1000 employees, 293 were transferred to Dhaka and 670 were retrenched. In contrast, the restructuring by MNC-I was a well-conducted exercise which commenced in 1989 and continued well into the 1990s. Principal components of the restructuring plan were the rationalisation of business portfolio, a geographical focus, modernisation and technology upgradation, cost containment, and improving productivity by managing people better.

The company divested itself of its non-core businesses (e.g., welding and low explosives) which employed about 1600 employees. These employees were subsequently re-employed by the buyer firm. The workers were given protection of their existing service conditions. By 1996, 65 per cent of total production capacity was brought under modern high-pressure tonnage technology. The modernisation of the downstream facilities significantly improved customer service. Improved plant technology helped to reduce total operating cost by improving efficiency as also reduced input costs like power consumption. Modernisation and the upgrading of technology improved productivity and reduced cycle time, but rendered more people surplus.

To rationalise manpower, the company introduced a VRS in 1990. Before launching the VRS, the company first engaged in an extensive exercise of two-way communication and dialogue with its trade unions, general employees and managers. The CEO and his team of senior managers travelled extensively and held discussions at all levels – sharing business and market related information, inviting alternate suggestions, clarifying doubts, and allaying unfounded fears. Only after preparing the organisation for such a radical change and getting an informal acceptance of the VRS package from the trade union, did the company launch the VRS initiative. This VRS package was more attractive than those offered by other companies. Moreover, it continuously reviewed the VRS to fine-tune it with the felt needs of the employees. In the process of review several innovative features were added. These features included post-retirement medical insurance cover, providing training for post-retirement self-employment, and even the provision of services like drafting project proposals for obtaining bank loans. The basic purpose was to ensure a decent level of post retirement social and income security to the employees without financially committing the company beyond what it should fairly and prudently undertake. The company's thoughtful policies paid rich dividends. In four years it reduced its work force by about 40 per cent by the VRS route alone.

The combined effects of the restructuring initiatives showed up as remarkable improvement in company performance. For example, by 1994-95 the manpower cost dropped from 21 per cent of sales to only 11 per cent. Labour productivity increased from 1.8 cylinders per man-hour to eight (1995) and then to 12 (1997) which compared well even against the international benchmark. Even after divestment of a portion of the company's business Sales turnover increased from Rupees (Rs) 1,047 million to Rs 2428 million (1996) and then to Rs 5,418 million (1998). Profit after tax (PAT) for the corresponding periods were: Rs 3 million, Rs 181 million, and Rs 824 million, respectively. During 1990-94, the compounded annual growth rate (CAGR) of PAT rose to (+) 84 per cent, as against negative growth of (-) 21 per cent during 1980-89. The process of recovery and consolidation during 1990-94 created the foundation of the next phase of growth (1996 onwards) when the CAGR of PAT steadied at around (+) 26 per cent. Even before the company embarked on a growth phase in 1996, the company's return on capital employed doubled and the market capitalisation appreciated by 1,000 per cent.

What predominates in this particular example is not only the way the company effectively managed the human dimensions of the divestment process and the VRS, but also the HRM interventions it made to prepare the company for an eventual growth phase. Credible and effective two-way communication again played a pivotal role. A well-designed and separate campaign was launched targeting the managers and employees who were going to stay. The aim was to reassure them of future stability, to help them to cope with increased responsibilities, and to guide them how to enhance their competencies to handle new job challenges. The competency and skill gaps among the managers and the non-managerial employees were identified. A time bound program was initiated to close the gaps through appropriate developmental inputs like formal training and counselling. On the shop floor, the number of grades of workers was reduced from 11 to five. This implied multi-skilling a substantial part of the work force. Following this, completely revamped performance management systems were introduced for both managers and non-managers, including the workers. For managers, both remuneration and career progression were linked to performance. For workers, a new wage incentive scheme was installed after factoring in the impact of technological improvements and the need for achieving international benchmark standards. Finally, the effectiveness and impact of the various HRM initiatives was monitored through a periodic survey of employee perception. These narrative details demonstrate how differently the two companies responded to the adverse product market conditions.

Domestic Private Companies

Firm level restructuring in Sri Lanka met with much higher levels of trade union militancy than what was normally encountered in other countries. To provide a broad-spectrum view of restructuring by DPCs in South Asia a selected few cases from India, Pakistan, and Sri Lanka (*ILO* 1999a, 1999b) are discussed, next.

The Indian DPC was a part of a very large family business engaged in the manufacture of air conditioners, refrigerators, textile machinery, electrical equipment, and chemicals. Air conditioners and other cooling products manufactured by the company enjoyed strong brand names. The company was adversely affected by the entry of strong foreign competitors in the early 1990s. These new players entered the market with new products with superior technology. During 1991-1995, the company steadily lost ground to its competitors. To regain its market position, the company reorganised itself in 1993 into three independent product based business groups (SBUs): consumer durables, engineering products and projects, and chemicals. The proposed changes were communicated to the employees through a circular signed by the Chairman which inter alia stated that each of the SBUs would develop its own manning levels, pay scales, terms and conditions of service and other facilities appropriate to its needs, and the nature of its business. The company did not plan any downsizing through the VRS route.

The union immediately protested against the decision to reorganise. The management was forced to start negotiations with the union. Agreement was finally reached in 1994 when the union extracted a number of assurances from the management. These assurances included protection of existing service conditions, recognition of the union as a representative union in all three business groups, that no transfer will be effected against the will of an employee, and that for every four vacancies to be created due to retirement three new persons would be appointed. During this negotiation process the management went ahead with its restructuring plan that involved training and development of employees for skill building and the installation of an ERP package for achieving greater integration of the businesses. It also declared a productivity linked wage incentive plan for all categories of employees for improving overall efficiency. Again, the management sought to introduce the plan unilaterally. Predictably, there was an industrial relations problem with the union that was finally settled through negotiation in late 1995. The company took a number of other measures like the modernisation of plants and processes in its factories, to improve productivity and reduce customer response time.

The company's efforts, though faltering and reactive at times, did produce tangible business results. The company started regaining its market share through a price-led, volume-based strategy. In its factories, labour productivity rose by more than 50 per cent helping it to contain costs. However, the relatively slow rate of improvement of the overall business performance still worried the top management.

The Pakistani example is of a tractor manufacturing firm which was established as a private-public joint venture in 1983 and then privatised in 1991 by sale to a non-resident Pakistani. At the time of privatisation, the firm was plagued with problems of high cost of production due to high import content, poor product quality, high level of receivables – mostly owed by the government agencies, and surplus manpower. The privately managed enterprise turned the firm around in about four years. It significantly increased the indigenous content of production and improved product quality, brought down the receivables considerably and reduced manpower by 15 per cent by offering VRS to surplus employees. To improve labour productivity and quality, it introduced a new performance appraisal system and linked payment of incentive bonus as well as career progression to performance. Indeed, by 1995 the company achieved a 12 per cent increase in number of tractors sold and a 47 per cent increase in sales revenue, compared with 1991. The company profit also rose from Rs 2 million to Rs 173 million during the same period.

The case from Sri Lanka concerns the restructuring efforts of the private owner of a privatised PSU which was in the business of leather processing and footwear manufacturing for Sri Lankan defence forces. The private owner took over the company in 1991 as a going concern along with sizeable outstanding financial liabilities and a work force of 1,150 employees, 50 per cent of whom were considered to be surplus to the labour force requirement. The company had a legacy of militant trade unionism that often erupted into violent actions and trade union rivalry between three existing unions. The private owner offered a 50 per cent increase in salary presumably to make the process of transition smooth. Alongside, the employees were offered a new VRS package that offered 25 per cent higher benefits than the offer made earlier by the government. About 279 workers took the VRS offer and left. But an industrial relations problem soon broke out on the bonus issue.

For three years (1992-94), the company faced recurring industrial unrest as the management tried to improve the work culture and productivity, and restore discipline. In 1993, the company offered another round of VRS that was opted for by 422 workers. The industrial relations culminated in a crisis in 1994, when the unions taking advantage of the fluid political situation arising out of change in Government, resorted to a prolonged and violent strike on the bonus issue. This time the management confronted the unions headlong and took strong actions including the dismissal from service of some of the ringleaders. The unions which had lost the support of the general workers already, was considerably weakened by the loss of their key leaders.

The story of this Sri Lankan firm is one of a traditional union-management conflict where the management succeeds to curb trade union militancy and improve firm performance. At the end of 1995, the company showed distinct signs of a turnaround. It achieved a 46 per cent increase in sales with a 68 per cent less manpower, compared with 1992. The firm recorded profit after tax for the first time in ten years, after wiping out huge inherited losses.

An Analysis of HRM Policies of Firms at Brownfield

Viewed against the prescriptions of the normative HRM models (Beer et al. 1985, Guest 1987), the HRM policies and practices employed by the brownfield firms in South Asia show some commonality. But the firms greatly differ in terms of effectiveness of policy implementation and results achieved in terms of the four policy goals (Guest 1987).

In achieving the goal of integration (Guest 1987), the firms deployed more or less a common set of HRM practices: employee communication, performance management, performance linked reward system, and training and development. Highly selective recruitment as an integration strategy does not find a place among these practices since these firms did not undertake any sizeable recruitment during the restructuring phase. However, the PSUs and the DPCs both faltered in communicating change to their employees. In the PSUs communication suffered from bureaucratic impersonality and in the DPCs it was rendered ineffective by the traditional top-down style of the management. The approach of the MNCs differed with context. In Bangladesh, MNC-B adopted a 'hard HRM' or 'tough love' (Peters & Waterman 1982, Barham, Fraser & Heath 1988) approach to effect restructuring. They succeeded in doing so because of their importance to the Bangladesh economy. In India, the MNCs undertook a much milder approach. They sought to initiate change by the effective use of communication, by targeting it properly, by using multiple channels, and by making timely changes in the content (from need for change, to assurance of stability) as the context changed over time.

Similar trends are observed in the implementation of performance and reward systems. In the PSUs there was no discernible increase in emphasis on performance at any level – as perhaps they were busy ensuring their survival. By and large, the DPCs strengthened their performance and reward systems for managers and introduced performance-linked incentive schemes for workers. The MNCs made fundamental changes in their performance management and reward systems for managers. They redefined the managerial roles and competencies in the light of the new business realities. These inputs along with hard business targets were used to drive managerial performance. On the shop floors, with the induction of new technology, new work norms were introduced which formed the basis for a new performance-linked bonus system. The MNCs and the DPCs both made effective use of training and development as an instrument of transformation of skill and attitude among the managers and the workers which the PSUs failed to achieve.

Among the three components of the goal of flexibility (Atkinson 1984, Guest 1987), attaining numerical flexibility appeared to be the priority and almost all the firms used the VRS route to achieve this outcome. The MNCs and the DPCs attempted to gain financial flexibility by linking rewards to performance. Functional flexibility was pursued only by the Indian MNC by multi-skilling its work force.

As regards the goal of quality (Guest 1987), the MNCs and the DPCs stand out for their more effective and better management of performance as compared with the PSUs. But, apart from development of skills and performance, the goal of quality also envisages that superior human performance must be further leveraged by high quality management systems in other areas like information systems, planning, and other support systems (Guest 1987). Viewed in this broader perspective, only the Indian MNC could achieve this goal.

Attainment of the goal of commitment (Guest 1987), particularly the psychological commitment, is always difficult. In this particular context, the challenge looks formidable because it is extremely difficult to convincingly argue a case for employee commitment when the company is retrenching its work force. Nevertheless, it appears that effective and purposeful communication, duly supported by firm commitment and sensitive handling of the human concerns by the Indian MNC did certainly play a role in assuaging the feelings of the affected employees. Overall, this strategy prevented panic and confusion within the work force as it did in many other companies. So, the lesson perhaps is that competent and thoughtful handling of human relations is critical in such trying situations to reduce alienation (opposite of commitment) of work force. In this specific context, the relevant HRM practices deployed were: employee communication, offering an attractive VRS package, helping the affected employees to enhance their post-retirement earning capacity, and managing the stress of the surviving employees.

The evidences suggest that while the firms followed a broadly similar agenda, they varied greatly in terms of their ability to plan and execute their HRM strategies. In general, the higher the degree of professionalism of the top management, the broader and more nuanced was the repertoire of HRM practices deployed by the firms.

DISCUSSION

Evidences provided by the chosen case studies suggest that the South Asian experience resonates with the main strands of experiences of advanced Western countries such as the UK and the USA. As in most other countries, the best adopters of HRM practices in South Asia are the new firms at greenfield sites. Typically, these firms chose growing and profitable product market segments and could maintain their market power through continuous product innovation and technological improvement.

Favourable, product market conditions along with the fact that these firms were new, created the right context for adoption of sophisticated HRM policies. These firms discouraged unionisation and they succeeded in doing so partly due to their ability to offer above-average employee benefits and partly due to the fact that they possessed the required managerial capabilities to build individual employee commitment through competent use of HRM practices. These case examples lend strong support to the thesis advanced by Marchington and Parker (1990) about the primacy of the product market power of a firm in influencing (but not determining) management's choice about the basis of a firm's competitive advantage and the resulting management style.

At the unionised brownfield sites, the accumulated experiences of the three categories of firms in South Asia also show some striking similarities with the situations in the UK and the USA. This would be evident from the following discussions. Indeed, analysing the restructuring efforts of the Indian PSU Sen Gupta (2002) notes:

> ... the impact of this effort has been very limited because the management has tried to introduce the different elements of HRM in a piecemeal fashion rather than as parts of a well-thought out, coherent strategy. Apparently, this has happened because of the enormity of problems associated with creating particularly a flexible organisation out of a highly rule-bound bureaucratic public sector organisation. (p. 287)

The case example of the Indian MNC provides the counter-example to the PSU case, and together, the two cases lend support to the argument given by Guest (1996) in the context of the UK:

> ... a high HRM, high industrial relations strategy with dual commitment to both company and union was feasible in the right industrial relations climate. However, it is only being actively pursued in a few organisations, invariably at the initiative of management. Many more organisations have taken steps to introduce elements of HRM, often in a half-hearted, piecemeal way but have failed to develop a coherent strategy and therefore to have much impact. (p. 134)

Similarly, analysing the US experience Beaumont (1995) observes:

> HRM practices have been introduced in unionised establishments via two very important routes: 1. Management has essentially imposed these HRM practices via a hard bargaining approach, deriving from a combination of pressing product market circumstances and difficulties and problems in the existing union-management relationship; or 2. Management has conceded a 'partnership' role to the union where the level of union membership is relatively high, and 'good' (prior) union-management relationships exist. In these particular circumstances the initial introduction of a limited range of HRM practices has frequently been developed and expanded incrementally over the course of time. (p. 87)

Arguably, the Indian MNC example represents a combination of the two approaches identified by Beaumont (1995). The company management had a clear strategic intent and it deftly handled all obstructions on the way. While they were very receptive to the genuine concerns of the people, they also bargained hard ('firm, fair and generous' – as they claimed) with the union which was strong and politically influential (the Chief Minister of the Marxist state government being the union President). While union-management relations were good and every endeavour was made to enlist the support of the union, the management did not really treat the union as a 'partner'. Rather, the 'partnership' with the union was somewhat discernible in the PSU example, though the scope of the partnership was limited only to productivity/efficiency related issues and did not include implementation of HRM practices directed at individual employees.

The South Asian scene appears to closely resemble the depiction by Storey (1992) of the situation in the UK where HRM has grown, in a similar context of declining trade union power, not only as a parallel process but also as the more favoured one. However, one is unlikely to encounter in South Asia a situation, as envisaged by Kochan and Osterman (1994) in the context of highly unionised firms in the USA, where the management must involve the union as a joint partner to introduce HRM innovations at the workplace. The trade union power base in the private sector companies in South Asia is too weak to compel the management to enter into such a relationship. So, it is more likely that the private sector companies in South Asia, both foreign and domestic, will try to make increasing use of innovative HRM practices without conceding a partnership role to the union. In contrast, firms like the PSUs in India will find it hard to introduce sophisticated HRM practices due to lack of professionalism in management and strong union resistance.

CONCLUSION

The South Asian experience of the spread of HRM practices at firm level reflects many similarities with the experiences in other countries. The HRM practices followed by the new firms at greenfield site resemble the 'soft' HRM more closely than the 'hard' variety. In the unionised brownfield site, the firms have followed essentially 'hard' HRM practices while coping with the adverse product market conditions, but they also invoked 'soft' HRM practices to gain commitment of those who survived the downsizing, as they planned for the growth phase. This again is in line with the thesis of Marchington and Parker (1990) about the primacy of the market power of a firm in influencing management's choices about the basis of competitive advantage and resulting management style.

As South Asia becomes more integrated in the global economy, the firms in the region are likely to make increasing use of sophisticated HRM tools. Macro-economic compulsions of the national governments and decline in union power in these countries will help the employers to push for such changes to further their business objectives. HRM is expected to spread faster in those countries where the state of industrial relations has significantly transformed from the 'reactive adversarial' mode. Within a country changes will be faster in the private sector where firms enjoy more flexibility. In this changing landscape, future research should focus on how the HRM practices evolve over time. Do the cyclical recessionary pressures in the product market force change of policy from 'soft' to 'hard' HRM? Do the unionised firms make incrementally increasing use of 'soft' HRM policies in order to obtain greater employee involvement? Or, do the unions themselves envisage transformation in their traditional roles? For now, the South Asian drama is unfolding to a new act where HRM plays the key role.

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