

STRATEGIC HRM AND HR STRATEGIES – A CONCEPTUAL FRAMEWORK

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Abstract

Human Resources of an organisation can provide a competitive edge over its competitors and thus ensure growth and stability. Most organizations view the department of Human Resources (HR) as an administrative function and ignore the need and opportunity to align it with the strategic plans. Strategic human resource management mainly concerns with the creation of a linkage between the overall strategic aims of business and the human resource strategy and implementation. In this paper we emphasise on how an organisation manages its human resources strategically and significantly and at the same time contributing to the organization's performance. Alignment between HR activities and strategy bring forth better operational results and attain higher organizational performance. HR managers have to design strategic programmes depicting linkage between strategic HR and organizational performance.

Keywords: Strategic HRM, HR Strategies, Strategy

Introduction

Strategic Human Resource Management (SHRM) has been, and remains, one of the most powerful and influential ideas to have emerged in the field of business and management during the past twenty-five years. Strategic human resources management (SHRM) has enjoyed a remarkable ascendancy. The fundamental aim of strategic HRM is to generate organizational capability by ensuring the organization to have skilled, committed and well-motivated employees ultimately to achieve the organisational goals.

Strategic HRM is the process of integrating vertically HR strategies with the business strategy and horizontally with one another.

Strategic HRM addresses broad organizational issues relating to changes in structure and culture, organizational effectiveness and performance, matching resources to future requirements, the development of distinctive capabilities, knowledge management, and the management of change. It is concerned with both human capital requirements and the development of process capabilities, that is, the ability to get things done effectively. Overall, it deals with the people issues that affect or are affected by the strategic plans of the organization.

In this paper an attempt has been made to show the relationship between strategic HRM and HR strategies.

The Concept of Strategy

According to *Glueck and Jauch*, “ A strategy is a unified, comprehensive and integrated plan designed to ensure that the basic objectives of the enterprise are achieved.”¹ Strategic Human Resource Management implies a managerial orientation that ensures that human resources are employed in a manner conducive to the attainment of organizational goals and mission. The concept of Strategic Human Resource Management (SHRM) evolved in the 1990s with an increased emphasis on a proactive, integrative and value-driven approach to human resource management (Schuller,1992).²

¹ Glueck, W.F. and Jauch, L.R. (1984). *Business Policy and Strategic Management*. New York : McGraw-Hill Book Co., p.5.

² Schuller, R.S. (1992). Linking the people with the strategic needs of the business. *Organisational Dynamics* Summer: pp.18-32

Strategy is forward looking, deciding about where company want to go in future ultimately. It is concerned with both ends and means.

The *second* characteristic of strategy is that the organizational capability depends on its resource capability (the quality and quantity of its resources and their potential to deliver results). This is the resource-based view of strategy.

The *third* characteristic of strategy is strategic fit – the need when developing HR strategies to achieve congruence between them and the organization’s business strategies within the context of its external and internal environment. The focus is upon the organization and the world around it.

Strategic HRM Concept

Purcell (1999) has defined Strategic HRM as a process that involves the use of overarching approaches to the development of HR strategies, which are integrated vertically with the business strategy and horizontally with one another. These strategies define intentions and plans related to the overall organizational considerations, such as organizational effectiveness, and to more specific aspects of people management, such as; resourcing, learning and development, reward and employee relations. Strategic HRM focuses on actions that differentiate the firm from its competitors (Purcell, 1999)³.

Hendry and Pettigrew (1986)⁴ have defined strategic HRM as: the use of planning; a coherent approach to the design and management of personnel; systems based on an employment policy and workforce strategy; often underpinned by a “philosophy”; matching HRM activities and policies to some explicit business strategy; seeing the people of the organization as a strategic resource; achievement of competitive advantage (Armstrong, 2006)⁵.

³ Purcell, J. (1999). *High commitment management and the link with contingent workers: implications for strategic human resource management*. Research in Personnel and Human Resources Management.

⁴ Hendry, C., & Pettigrew, A. (1990). Human resource management: An agenda for the 1990s. *International Journal of Human Resource Management*, 1, pp.17-43.

⁵ Armstrong, M. (2006). *Strategic human resource management: A guide to action*. 3rd edition. Thomson-Shore, Inc.

Strategic human resource management is “the creation of linkage or integration between the overall strategic aims of business and the human resource strategy and implementation. In principle, the processes and people within the company are managed in such a way as to foster the aims of the business strategy and create an integrated approach to managing the various human resource functions, such as selection, training and reward so that they complement each other”.⁶

Strategic human resource management may bring a number of benefits to the organization⁷:

- Contributing to the goal accomplishment and the survival of the company,
- Supporting and successfully implementing business strategies of the company,
- Creating and maintaining a competitive advantage for the company,
- Improving the responsiveness and innovation potential of the company,
- Increasing the number of feasible strategic options available to the company,
- Participating in strategic planning and influencing the strategic direction of the company as an equally entitled member of top management,
- Improving cooperation between the HRM department and line managers.

SHRM’s spreading popularity owes much to the promise of greater organizational effectiveness achievable, through the development of internally consistent bundles of human resource strategies which are properly linked to business strategies.⁸

The fundamental aim of strategic HRM is to generate organizational capability by ensuring that the organization has the skilled, engaged, committed and well-motivated employees it needs to reach result. It has two main objectives: first to achieve integration between HR strategies with business strategies. The second objective is to provide a sense of direction so that the business needs of the organization and the individual and collective needs of its employees can be met by the development and implementation of coherent and practical HR policies and programmes.

⁶ Gratton, Lynda et al., (1999). Strategic Human Resource Management, Oxford University Press, New York, p.7.

⁷ Brewster, Chris et al., (2000). Contemporary Issues in Human Resource Management : Gaining a Competitive Advantage, Oxford University Press, Cape Town, p. 56.

⁸ Dyer, Lee, Reeves, Todd.(1995). “Human Resource Strategies and Firm Performance: What Do We Know and Where Do We Need To Go?”, The International Journal of Human Resource Management 6:3, p.657, pp.656-670.

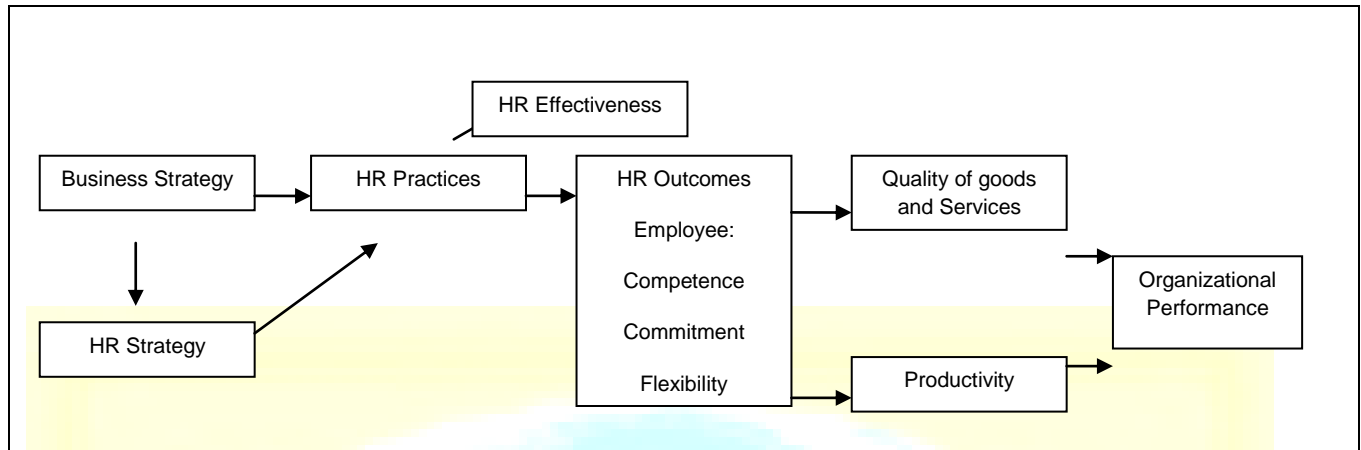


Fig.1. The Relationship Between HRM and Performance

Source : Michael Armstrong (2006). *Strategic Human Resource Management: A Guide to Action*. Kogan Page. London.p.75.

Concept of Human Resources

The term ‘human resources’ may be defined as the total knowledge, skills, creative abilities, talents and aptitudes, approaches and beliefs of the individuals involved in the affairs of the organisation. It is the sum total or aggregate of inherent abilities, acquired knowledge and skills represented by the talents and aptitude of the persons employed in an organisation.

Several terms have been used by various management thinkers to represent human resources. These include ‘personnel’, ‘people at work’, ‘manpower’, ‘staff’, and ‘employees’. Whatever may be the term used, the human resources of an organisation include all individuals engaged in various organisational activities at different levels. According to Leon C. Megginson, “From the national point of view, human resources may be defined the knowledge, skills, creative abilities, talents and aptitudes obtained in the population; whereas from the viewpoint of the individual enterprise, they represent the total of the inherent abilities, acquired knowledge and skills as exemplified in the talents and aptitude of its employees.”⁹ Jucius Michael calls these resources, ‘human factor’, which refers to “a whole consisting of inter-related, inter-dependent and interacting physiological, psychological, sociological and ethical components.”¹⁰

⁹ Megginson, Leon. C.,(1977) *Personnel and Human Resource Administration*, Richard D. Irwin, Illinois, Homewood, p.4.

¹⁰ Michael, Jucius. (1973) *Personnel Management*, Richard D. Irwin, Illinois, Homewood, pp.37-38.

Thus, human resources are multi-dimensional in nature. They work in the organisation for the fulfilment of their needs. These needs may be physiological, social and psychological.

HR Strategies

What are HR strategies?

HR strategies set out what the organization intends to do about its human resource management policies and practices and how they should be integrated with the organization strategy and each other. The purpose of HR strategies is to articulate what an organization intends to do about its human resource practices now and in the longer term. Because all organizations are different, all HR strategies are different. Some strategies are simply very general declarations of intent. Others go into much more detail. But two basic types of HR strategies can be defined; these are:

- 1) General strategies such as high-performance working and
- 2) Specific strategies relating to the different aspects of human resource management such as learning and development and reward.

General HR strategies

General strategies describe the overall system or bundle of complementary HR practices that the organization proposes to adopt or puts into effect in order to improve organizational performance. The three main approaches are summarized below.

- **High-performance management:** high-performance management or high-performance working aims to make an impact on the performance of the organization in such areas as productivity, quality, levels of customer service, growth and profits. High-performance management practices include rigorous recruitment and selection procedures, extensive and relevant training and management development activities, incentive pay systems and performance management processes.
- **High-commitment management:** One of the defining characteristics of HRM is its emphasis on the importance of enhancing mutual commitment. High-commitment management can be described as “a form of management which is aimed at eliciting a commitment so that behavior is primarily self-regulated rather than controlled by

sanctions and pressures external to the individual, and relations within the organization are based on high levels of trust.”

- **High-involvement management:** High-involvement work practices are a specific set of human resource practices that focus on employee decision making, power, access to information, training and incentives. It is a management system based on commitment and involvement, as opposed to the old bureaucratic model based on control. The underlying hypothesis is that employees will increase their work involvement if they are given the opportunity to control and understand their work. High-involvement practices work well because they act as a synergy and had a multiplicative effect. This approach involves treating employees as partners in the organization whose interests are respected and who have a voice on matters that concern them. It is concerned with communication and involvement. The aim is to create a climate in which a continuing dialogue between managers and the members of their teams takes place in order to define expectations and share information on the organizations’ mission, values and objectives. This establishes mutual understanding of what is to be achieved and a framework for managing and developing people to ensure that it will be achieved.

Criteria for an effective HR strategy

An effective HR strategy is one that works in the sense that it achieves what it sets out to achieve. Its particular requirement is set out below:

1. It will satisfy the organization needs.
2. It is founded on detailed analysis and study, not just wishful thinking.
3. It can be turned into actionable programmes that anticipate implementation requirements and problems.
4. It is coherent and integrated, being composed of components that fit with and support each other.
5. It takes account of the needs of line managers and employees generally as well as those of the organization and its other stakeholders.

How should HR strategies be formulated?

Two approaches can be adopted by HR in strategy formulation;

- “*The inside-out*” approach and
- “*The outside-in*” approach.

Some observations about the HR-strategy linkage: At the extreme, the “inside-out” approach begins with the status quo HR function (in terms of skills, processes, technologies, etc) and the attempts (with varying degrees of success) to identify linkages to the business (usually through focusing on “people issues”) making minor adjustments to HR activities along the way. On the other hand, a few organizations have shifted to build their HR strategies from the starting point of the organization.

Within these “outside-in” HR functions, the starting point is the business, including the customer, competitor and business issues they face. The HR strategy then drives directly from these challenges to create real solutions and add real value.

Issues in developing HR Strategies

Five fundamental questions that need to be asked in developing HR strategies have been posed:

1. What is the organization’s strategic objective?
2. How are these translated into unit objectives?
3. What do unit managers consider are the “performance drivers” of those objectives?
4. How do the skills, motivation and structure of the organization’s workforce influence these performance drivers?
5. How does the HR system influence the skills, motivation and structure of the workforce?

But many different routes may be followed when formulating HR strategies. There is no one right way. In developing HR strategies, process may be as important as content.

Implementing HR Strategies

An implementation programme needs to be based on:

1. A rigorous preliminary analysis of the strategic needs of the business and how the strategy will help to meet them.
2. A communication programme that spells out what the strategy is, what it is expected to achieve and how it is to be introduced.

3. The involvement of those who will be concerned with the strategy, i.e. line managers, in identifying implementation problems and how they should be dealt with.
4. The preparation of action plans that indicate who does what and when.
5. Project managing the implementation in a way that ensures that the action plans are achieved.

Conclusion

Aligning HR and strategic plans is an important endeavour for every organization. Studies strongly support the alignment between strategies, HR, and performance and thus show the potential role HR can play in implementing strategy and developing an organization's competitive advantage (Wright, Smart, McMahan, 1995)¹¹.

Alignment between HR activities and strategy planning can be formed by HR. HR needs to expand beyond an administrative function and focus more on how it can support the organization in strategic planning and implementation. By increasing the competencies of HR personal, the department will increase its creditability and be integrated into a strategic role. When HR measures itself from a business perspective and by the value it brings an organization, top management will not ignore HR in the strategy process. Instead, top management will welcome HR input because it will have a clear understanding of how HR affects the bottom line from a business and/or strategic standpoint. By inter-locking HR measures with items concerning the ongoing business, HR becomes aligned with strategy through dependent tasks that are accounted for interdependently.

In summary, an organization's people and their skills ultimately determine the effectiveness of strategic plans, and its implementation. In its purest form, HR is best suited for leveraging an organization's personal that implements the organization's strategic plans. In other words, HR resources are what drive an organizations' strategic process.

¹¹ Wright, P., Smart, D., & McMahan, G. 1995. Matches Between Human Resources and Strategy Among NCAA Basketball Teams. *Academy of Management Journal*, Vol. 38, No. 4, pp.1052-1074