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Strategic Human Resource **MANAGEMENT**

**Ideal for
Business
Students & HR
Professionals**

By Ashish Sharma



Everything You Need to Know About Strategic Human Resource Management

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What Is This Book?

Everything You Need to Know publications are the best way to get a quick but detailed overview of a specific topic. Within the pages of this book, you'll find exactly what you need in order to understand the key concepts of this topic. You'll find yourself completely prepared for the next stage of your learning as it relates to this topic.

Strategic Human Resource Management (SHRM) is the new face of the traditional Human Resource Management (HRM). If you are seeking a career in HRM, it presents you with numerous opportunities to explore people and their behavior.

The aim of this book is to help students realize the purpose of SHRM and its associated terms. It has been seen that more and more organizations today are focusing on the application of SHRM; thus, its study has become even more important in this context.

This book covers the following topics: definition of SHRM given by various scholars, the difference between traditional viewpoint and the modern outlook on HRM, cases and examples on SHRM, theoretical perspectives on SHRM, frequently asked questions regarding SHRM, discussion questions and further readings.

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Introduction

Strategic Human Resource Management (SHRM) is the new outlook adopted in the area of human resource management. Many have discredited the traditional viewpoint of human resource management, as it led to the whole function being looked upon as “paper pushers”. But, the new perspective looked at it as an integral part of the competitive success of the organization. This new approach to managing human resources has been developed due to a number of changes and rising uncertainty in the external as well as internal business environment. Today’s competitive scenario has surmounted pressure on firms to retain, attract, and train human resources of the highest standards. This realization has given birth to the concept of strategic human resource management.

Definition

Many experts in the field of HR contribute to the contemporary definition of SHRM. As per James Walker, this new take on the traditional role of human resource management involves assisting managers to maximize the employee’s contribution to attain a competitive edge (Walker, 1992). According to Ian Clark, this emerging concept is “concerned with the promotion of efficiency and profitability” (Clark 1993). Jon Delery and Harold Doty have called upon taking a universalistic approach to SHRM in which the managers should adopt a set of effective HR practices that can be applied universally (Delery & Doty, 1996). Jeffery Pfeffer in his book *The Human Equation* has suggested a set of HR practices that can be applied universally, irrespective of the organization’s business environment.

Everything You Need to Know

Strategic Human Resources Management is a complex topic. Everything you need to know is split up into the following sections:

1. Difference Between Traditional and Modern Outlook of HRM

2. Theoretical Perspectives

3. Transforming HR Staff and Structure

4. Integration of HR Into Strategic Planning

5. Frequently Asked Questions

6. Summary

1. Difference Between Traditional and Modern Outlook of HRM

It has been observed that the traditional role of HR departments seem to be miles apart from the real work concerned with the organization's success. The personnel departments, in this perspective, limited themselves to certain functional tasks and were kept away from profit maximizing activities of the organization. Changes in the business environment have forced organizations to develop certain cultural and business patterns to tackle the competitive challenges of the evolving international and national marketplace. In these enterprises, the role of HR is not only central in achieving the strategic objective, but also is equally important in interacting with other functions (Huselid, 1995). There are various evidences that can be observed which clearly support the emerging role of the personnel department. In various organizations, the chief of HR reports directly to the CEO, which shows the higher status enjoyed by the HR department. CEOs of organization such as Sears, Ford, and General Electric are encouraging major focus on HR issues to improve their competitive advantage. In many organizations like Unilever, Baxter International, Harley Davidson, Arco, and Quantum, the HR contributions are being recognized for ameliorating the firm's performance. These evidences clearly support the emergence of a new approach in managing the workforce, which is referred as SHRM.

2. Theoretical Perspectives

The concept of SHRM has broadened the scope of traditional functions that were limited to hiring, training, compensation and rewards. Now, there are varying perspectives, which clearly show how HR is playing a central role in helping the organization to attain strategic objectives. Five perspectives are discussed below:

2.1 Universalistic

This perspective focuses on making a uniform set of human resource policies that can be applied universally, irrespective of the business environment of the organizations.

2.2 Strategic Fit

Strategic HRM focuses on achieving a strategic fit of HR practices that fit within the organization's overall strategy.

2.3 HR as an Internal Service Provider

This perspective focuses on diverting the HR professionals in the organization to work in collaboration with other departments within the organization, to attain strategic objectives.

2.4 Configurational

There are numerous configurations clubbing the HR practices that work together to improve the organization's overall performance. These bundles or configurations vary according to industry and business conditions (Beer, n.d.).

2.5 Resource Based

SHRM plays an active role in ensuring the organization's success through improving enterprise ability to hire, develop, train and retain the employees who possess the highest level of competence.

3. Transforming HR Staff and Structure

Establishment of an effective HRM policy within an enterprise involves the transformation of both HR staff and the organizational structure, in which the HR practices are carried out. There are two major parts to this process.

3.1 Transformation of the HR Staff

This includes developing effective skills to carry out strategic human resource management activities. AT&T carried out an HR professionalism program in order to transform their HR staff for this new role (Beer, n.d.).

3.2 Transformation of the HR Structure

It is very essential that changes should be brought about in the organization structure for implementing SHRM. Firms like Whirlpool and Coca Cola have created new HR structures that separate the administrative role from the strategic role of the organization.

4. Integration of HR Into Strategic Planning

The integration of HR into the strategic planning process is essential to developing strategic HRM. The integration of HR into the strategic planning process involves developing the abilities of the HR manager to influence not only the choice of information sources utilized in the decision making process, but also the decision making process itself. In Australian Global Insurance, the process of establishing SHRM saw the positional change of senior HR manager into chief general manager, to ensure that the HR perspectives are involved in the decision making of the company (Ijose, n.d.).

4.1 Real World Example - The Case of AT&T

The AT&T Global Business Communication System (GBCS) showcases how traditional HRM can be converted into SHRM. When Jerre Stead became president of the company in 1991, it was undergoing a turbulent phase. The firm's progress was marred by low sales as well as low employee morale. In order to take the company out of this period, he outlined a set of new strategic business principles for the enterprise:

- Making employees an important priority
- Winning loyal customers
- Applying total quality management (TQM) approach
- Becoming the leader in the area of customer related application of technology
- Globalizing business at a fast pace
- Becoming best value supplier (Cynthia, Fisher, Schoenfeldt & Shaw, 2004.)

The establishment of these principles led to the development of a strategic and integrated HR function. After development these principles, a set of HR strategic imperatives were drawn out of these principles. These strategic imperatives helped the business principles to be converted into HR outcomes that related to the daily operations of the company. For example, with regards to the make employees a priority principle, this resulted in the company pursuing an HR policy where the employees were made to feel a sense of ownership in the firm.

The critical focus areas in this field were development of the feeling of ownership among employees, cultural change, rewards and recognition. After the HR mission and areas of improvement were outlined, the personnel department was given an opportunity to create specific programs in congruence with other departments to tackle environmental changes. This allowed AT&T to attain its mission as well as simultaneously help the organization to achieve strategic success. At the same time, it was also making consistent improvements among specific HR programs. Cross cultural programs that centered on the communication of the new vision of the organization were initiated along with the incentives and recognition programs that honored people showing appropriate behavior. The organization conducted employee surveys to bring forward the weak areas, which had an impact on the business strategy as well as the new culture. These feedbacks helped in creating a feeling of sense of ownership and participation among employees, as they considered themselves to be part of the organization's transformation process (Fisher, Schoenfeldt & Shaw, 2004).

Thus, it can be seen from the actions of AT&T's GBCS, that in order to attain a horizontal, vertical and external fit of HR practices, a step-by-step analysis of the organization's mission, goals, and objectives are needed. The organization was able to establish this transformation with efforts that focused on integrating the HR practices into the overall objective of AT&T.

4.2 Real World Example - The Case of The Tampella Power Corporation

However, such transformation is not always easy to find. The Tampella Power Corporation of Finland hired its first HR manager in 1988 and then placed him in the management team in 1989. The firm started a corporation-wide strategic management process called *"From Vision to Action."* All these efforts were meant to ensure that the HR department would have equal ranks with other functions and the senior representative was included to represent HR issues in the decision making process. However, the process was not successful as expected (Fisher, Schoenfeldt & Shaw, 2004).

In 1990, Tampella hired a new manager for HR with vast experience in law. The manager title was changed to vice president of HR. In every meeting she brought forward various issues related to HRM. Due to her consistent efforts and innovations in the HR department, the integration process improved.

5. Frequently Asked Questions

5.1 How is SHRM related to organizational objectives?

Strategic human resource management is the alignment of human resource policies with the organizational objectives, so that maximum output from the employees can be attained in an efficient manner.

5.2 Is the process of SHRM applicable only for large-scale enterprises?

This is the most common misconception regarding the process of SHRM -- that it is only applicable for the large-scale organization. There are some basic elements of the process that can be equally used by medium-scale and small-scale organizations alike, without much deployment of resources. Firstly, the HR transformation is involved with the strategic re-orientation of the organization that helps in improving motivation levels and renders direction to the organization. Secondly, it involves thorough involvement of the personnel department. Next, importance is given to the participation of line managers that helps with the development of new skills and behavior in personnel staff. Lastly, the process hails transformation as its major part. These basic principles are common to any business, irrespective of its size.

5.3 Does strategic integration involve managers rendering HR related information to the decision makers in the organization?

This is another misconception regarding the process. Integration does not imply simply that HR managers are giving information to the decision makers. Strategic integration of HRM is brought on by the active involvement of the HR department in selecting the sources of information involved in decision making as well as simultaneously influencing the decision making process.

5.4 How is Strategic Fit Perspective related to the universalistic principle of SHRM?

The strategic fit perspective related to SHRM works towards striking a balance, wherein the firm's performance would be improved to a degree that it would adopt those human resource practices that complement as well as support HR policies, alongside elements related to the strategic plan of the organization. There are three processes involved with this: horizontal fit, vertical fit and external fit. Consistency among different HR practices in the organization is referred to as vertical fit among the organization. Vertical fit refers to the consistency between the HR practices and overall strategy of the firm. External fit brings alignment between HR practices and certain aspects of the external environment.

5.5 Which is the right theoretical approach to SHRM that has a balanced and practical approach?

This is indeed a difficult question to answer. Similar to other organizational theories, there is no single theory that can completely suggest the approach effectively adopt SHRM. If all the theories are looked upon collectively, there are six elements that can help in the adoption of the correct approach towards SHRM. These are:

1. Transformation in HR staff and internal structure
2. Increasing administrative efficiency
3. Incorporating HR into the strategic planning process
4. Linking HR practices among each other as well as to the business strategy
5. Involving line management in the process
6. Emphasis on bottom line impact and assessing that impact.

5.6 What is the difference between Strategic Fit and Strategic Flexibility?

Strategic fit and flexibility are described as two independent concepts that are required to attain competitive advantage by the organization. Patrick Wright and Scott Snell explain *fit* as a temporary state of the organization, whereas *flexibility* is the ability of an enterprise to meet the constantly changing demands of the business environment.

5.7 Is SHRM worth it?

This is an important question that is often asked by organizations that are contemplating adopting this system. Many organizations that are facing the complex business environment do not go for this process as they feel that their condition will not allow them to go for such a transformation. These organizations are unaware of the fact that this transformation would actually make them competent enough to face such a turbulent business environment. The transformation from traditional HRM to strategic HRM is a time consuming process as well that involves monetary costs as well. But if management observes closely, they would find numerous examples where the adoption of SHRM has improved results. Since this decision involves a lot of resources, it is important that before its implementation, management should look into all aspects of the process.

6. Summary

- Strategic human resource management aligns human resource management to the overall objective of the organization
- Traditional HRM fails to link with the organization's strategic planning and therefore has often come under severe criticism
- SHRM includes a number of new perspectives: *universalistic, strategic fit, HR as an internal service provider, configurational* and *resource-based* viewpoints.
- The process of change from HRM to SHRM involves transforming HR staff and structure
- In order to develop strategic HRM in the organization, it is essential that there be integration of HR into strategic planning
- The *AT&T* and *Tampella Power Corporation* examples clearly showcase how companies can transform from HRM to SHRM

6.1 Discussion Questions

Defend this statement: "Changing business environmental situation has resulted in the human resource becoming one of the most important sources to gain competitive edge"?

Point out the difference between universalistic, configurational, and resource-based approaches of SHRM?

Choose a large organization with which you are familiar. Determine the business strategy followed by the firm. Discuss the implications that it holds for human resource management.

What are the HR practice choices that make sense for the organization taken into consideration for the implementation of SHRM?

What are the features of the HR function that changes when an organization moves from traditional HRM to strategic HRM?

Take an organization where you have worked. Discuss the ways in which HR practices facilitate or inhibit the organization in achieving its organizational success?

What is the difference in skills required by the HR staff in strategic human resource management requirement and traditional human resource management?

Is SHRM worth all the effort?

Explain: "Integration is an important part of the development of the SHRM perspective". How would the integration of HR into the strategic planning process be established?

Case Study Question

What was the reason behind the failure to transform the traditional HRM into strategic HRM in the Tampella Power Corporation case?

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Ashish Sharma is a management graduate that has experience teaching hundreds of students. He has presented numerous papers at different conferences and addressed a number of management seminars. Sharma holds five years of experience in content development for various management subjects. He has conducted a number of scholarly research projects as part of academic content development. He has explored various topics for content development that come from various management subjects. The writer's rich experience in the content development of management subjects can be easily deduced from his writings. Sharma has a lot of interest in conducting research and teaching students. He is a voracious reader who enjoys famous literary works.