
The Significance of Strategic Human Resource Management : A Literature Review

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Abstract

The future of any organization depends on the strategic use of their human resources irrespective of the size and domain of the industry. The research in this field is new and focuses on the importance of Strategic Human Resource Management (SHRM) in today's competitive work environment. The paper in an attempt to review literature, discusses various definitions that have evolved in SHRM over a period of time. This review work shows that there is diversity over the meaning of Strategic Human Resource Management Practice in the literature.

Key words : Strategic Human Resource Management (SHRM), Organisational Performance, Effectiveness.

The Need for SHRM

In today's world, organizations are in a constant state of competition. The need to continuously improve organizational performance has never been greater than it is now. Managers are on a constant lookout for the ways to maximize their organizations' strategic resources. The changes in the business environment with increasing globalisation, changing demographics of the workforce, increased focus on profitability through growth, technological changes, intellectual capital and the never-ending changes that organisations are undergoing, have led to increased importance of managing human resources (Wright, 1998). Human resource management (HRM) practices can help to create a source of sustained competitive advantage, especially when they aligned with organization's competitive strategy (Begin, 1991; Cappelli and Singh, 1992; Jackson and Schuler, 1995).

The traditional HRM function, technical HRM activities covers a wide range of employment practices,

including recruitment, selection, performance appraisal, training and development etc. Strategic Human Resource Management (SHRM) reflects a more flexible arrangement and utilisation of human resources to achieve the organisational goals, and accordingly helps organisations gain a competitive advantage (Wei, 2006). HR departments are in the forefront of maintaining and developing an organizational system and an environment that not only enable organizations to attract talents, motivate and engage managers and employees, but also foster

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an organizational culture that support and reward desired behaviors (Hassard et al., 2010).

The concept of strategic human resource management became popular in the 1980s with the development of the Harvard Business School's two models integrating strategy and human resource management, namely the Matching model and the Harvard framework model. The Matching model was conceptualised by Formbrun et al. who were known as the first formulators of SHRM and who identified three core elements as necessary for firms to function effectively: mission and strategy, organisational strategy and human resource management (Jain P, 2005). Given the promise it holds for fostering competitive advantage, the strategic collaboration practices have received significant attention in the management literature (Michie and Sheehan 2005; Pfeffer 1998). Harvard framework model was articulated by Beer et al., (1984) and it stresses on the 'human' aspect of HRM and is more concerned with the employer–employee relationship. The model highlights the interests of different stakeholders in the organisation (such as shareholders, management, employee groups, government, community and unions) and how their interests are related to the objectives of management.

The concept of Strategic Human Resource Management (SHRM) was further evolved in the 1990s with increased emphasis on a proactive, integrative and value-driven approach to human resource management (Schuller,1992). According to Ulrich (1998), one of the four roles of HR personnel is to become the strategic business partner. SHRM capabilities is an asset that is closely related to a company's ability to deliver its business model as people craft, implement and execute strategy (Lee and Miller 1999). A great deal of conceptual illustrations emphasize that designing the HR system and by employing the HR that is well-matched with the firm strategy are vital for the successful accomplishment of business strategies.

Conventional sources of competitive gain, such as natural resources, technology and economics of scale have become increasingly easy to replicate. The concept of HR as a strategic asset has implications for this issue. HR is an invisible asset that cannot be replicated and when it is entrenched in the

organization it enhances firm ability to deal with unstable and unpredictable environment (Chang and Huang 2005). (Beer et al., 1984) stated that a rapidly changing environment creates an imperative need for a more comprehensive and strategic perspective regarding human resources.

A human resource (HR) department that is extremely administrative and lacks strategic integration, fails to provide the competitive advantage needed for survival, thus losing its relevance. Pfeffer argues that success in today's hyper-competitive markets depends less on advantages associated with economies of scale, technology, patents, and access to capital and more on innovation, speed, and adaptability. Pfeffer further argues that these latter sources of competitive advantage are largely derived from firms' human resources. Huselid and Becker (1997) found that there were noticeable financial returns for the organisations whose human resource management systems have achieved operational excellence and are aligned with the business strategic goals.

While organizational human resource strategy is properly configured, it will provide a direct and economically significant contribution to organization performance. Pfeffer (1994, 1998), Becker et al. (2001), Kochan & Osterman (1994), advocate larger investment by the firm in high performance or high involvement human resource systems. Organisations that implement HR practices according to the predetermined strategy, are considered to have better perceptual performance. The impact of HRM strategy and practices on organizational performance was an important topic in the field of HRM, industrial relations, and industrial and organizational psychology Boudreau (1991), Jones and Wright (1992), Kleiner (1990), especially in the developed countries. A focus on intellectual capital, human capital, social capital, core competencies and capabilities, is becoming increasingly recognized as a critical success factors for business Pfeffer, (1998).

Factors that enable operating excellence include having a strong management team, recruiting and retaining talented employees, viewing training as a strategic activity, structuring the work effort in ways that promotes successful strategic execution, deploying an organizational structure that facilitates the proficient performance of strategic critical

activities, instituting policies and procedures that facilitate good strategy execution. Instilling a strategic supportive culture and tying rewards and incentives to individual and team performance, are strategically relevant (Higgins, 2005). Today, human resources are seen as the available talents and energies of people who are available to an organization as potential contributors to the creation and realization of the organization's mission, vision, strategy and goals (Jackson and Schuler, 2000).

Definition

No single definition has been recognized to be universally accepted to the research till date in spite of the fact that the SHRM has been recognized as an important tool for more than three decades for the organizational growth. For nearly a decade in, 1990 the debate in this field suggests that HRM is breaking away from its traditional micro-focused role and is moving towards a macro strategic paradigm in which individual HR functions (for example, selection, training, compensation and performance appraisal) are aligned not only with the organisational strategy but also with one another (Budhwar, 2000 Lundy, 1994, Martell and Carroll 1995, Ritson, 1999). This was further supported by Khatri and Budhwar, (2002) the field of human resource management (HRM) is in transition and Schuler et al. (2001) described the evolution of SHRM from personnel management in terms of a two-phased transformation first from personnel management to traditional human resource management (THRM) and then from THRM to SHRM.

The SHRM practice has a number of key features which include the internal amalgamation of personnel policies and their external amalgamation with overall strategy and line management responsibilities for HR. Budhwar (2000) has identified the main features of practice of SHRM as the practices of integration of HRM into the corporate strategy and devolvement of responsibilities for HRM line managers. Viewing from the above, the SHRM is aligning with business needs. It is about assimilation. There are three aspects of integration, 1) HRM should be fully incorporated with the strategy and the strategic needs of the organization. 2) The alignment of HRM policies within themselves and with other areas of policy. 3) Line managers should be involved in managing people at work.

In more recent studies, the research has talked about the SHRM as a tool for accomplishment of mission and goal and adjusting itself with the changing environment. Ayanda and Sani (2010) have stated that the orientation SHRM implies a managerial that human resources are deployed in a manner conducive to the attainment of organizational goals and mission. The SHRM emphasises the need for HR plans and strategies to be formulated within the context of overall organisational strategies and objectives, and to be responsive to the changing nature of the organisation's external 'environment' like its competitors (Compton, R. 2009). As per Wan and Tung (2005), the practice of SHRM is the degree of participation in the core decision making and partnership played by HRM departments and the specificity and formality that HRM departments require in planning and implementation, all of which are designed to ensure that firm's human capital contributes to achieving firm's business goals. Armstrong and Baron (2002) regarded the concept of strategic human resources as "a general approach to the strategic management of human resources in accordance with the intentions of the organization on the future direction it wants to take. It is concerned with longer term people issues as a part of the strategic management processes of the business". Thus more recent definition of SHRM talks about the use of human resource in achieving the goals and mission. Human resource strategies should have proactive approach and should be based on external environment requirements. The SHRM views human resources as assets for investment, and the management of human resources as the strategic rather than reactive, prescriptive and administrative (Budhwar 2000; Buyens and De Vos 2001).

The best classification that has been done to the various definition till date, has been probable by Kazmi and Ahmad (2001). They classified the definition on the basis of the focus that these definitions are decision-focused, strategy-focused, content-focused and implementation-focused. The decision-focused approach formulated by Devanna et al., (1981) is based on three decision making levels, namely operational, managerial and strategic and considers HRM at strategic level to be SHRM. According to the strategy-focused approach, which is supported by authors like Mathis and Jackson (1985), HRM is strategic by its very nature and all its elements have strategic

linkages. The content-focused approach states that, SHRM emerges when HRM elements match the organisation's strategy this approach is supported by Torrington and Hall (1995). According to the implementation-focused approach that is brought forward by Miles and Snow (1984), SHRM is when HRM systems help in the formulation and implementation of business strategies. However, it is the definition based on implementation-focused approach dealing with alignment of HR policies and practices with business strategies that has gained momentum in the works of various researchers (Brockbank, 1999; Delery and Doty, 1996; Wright and McMahan, 1992).

Conclusion

The SHRM studies had focused on explicating the strategic role that HR could play in enhancing organizational effectiveness. The earlier definitions revolved round the concept of SHRM parting away from the traditional HR functions but the latter on emphasized more on integration of HR practices with the organizational strategy. Thus the future of any organization irrespective of the size of the organization and industry it belongs to, will depend on the strategic use of their human resource. The success of the adoption of strategic human resource practices lies in the ability of the organization to implement and internalize them. No organization will be able to survive, compete and excel without the alignment of HR policies and practices with business strategies. Future organizational systems should be developed and designed to achieve sustainable and competitive edge through its employee orientation.

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