

Advance Human Resource Management

**Unit 1 STRATEGIC HUMAN RESOURCE MANAGEMENT
(WEIGHTAGE: 20%)**

- **Meaning of STRATEGY:**

- ➤ According to Chandler, "Strategy is the determination of the basic long term goals and objectives of an enterprise and the adoption of the courses of action and the allocation of resources necessary for carrying out these goals."
 - ➤ According to Gluck, "Strategy is a unified, comprehensive, and integrated plan relating the strategic advantages of the firm to challenges of the environment. It is designed to ensure that the basic objectives of the enterprise are achieved."
- f Strategy:

- **Meaning of MANAGEMENT:**

- ➤ According to George R. Terry, "Management is a distinct process consisting of planning, organizing, actuating and controlling, performed to determine and accomplish the objectives by the use of people and resources".
- ➤ According to Koontz, "Management is the art of getting things done through and with people in formally organized groups."

- STRATEGIC MANAGEMENT:
- ➤ It is a stream of decisions and actions which leads to the development of an effective strategy or strategies to help in achieving corporate objectives.
- ➤ According to Pearce and Robinson "It is defined as the set of decisions and actions in formulation and implementation of designed strategy to achieve the goal of the organization."

- ➤ According to Steiner, "It is primarily concerned with relating the organization to its environment, formulating strategies to adapt to that environment, and assuring that implementation of strategies takes place."

HUMAN RESOURCES MANAGEMENT:

- ➤ According to Flippo, “Human resource management is the planning, organizing, directing, and controlling of the procurement, development, compensation, integration, maintenance and reproduction of human resource to the end that individual, organizational and societal objectives are accomplished.”

- ➤ According to National Institute of personnel Management of India, "Human resource management is that part of management concerned with people at work and with their relationships within the organisation. It seeks to bring together men and women who make up an enterprise, enabling each to make his own best contribution to its success both as an individual and as a member of a working group."

Strategic Human Resource Management

- ➤ Strategic human resource management involves a future-oriented process of developing and implementing HR programs that address and solve business problems and directly contribute to major long – term business objectives.
- ➤ Strategic human resource management is the connection between a company's human resources and its strategies, objectives, and goals.

- The aim of strategic human resource management is to:
 - Advance flexibility innovation, and competitive advantage.
 - Develop a fit for purpose organizational culture.
 - Improve business performance.
- ➤ Strategic HRM is seen as a partner in organizational success, as opposed to a necessity for legal compliance or compensation.
- Strategic HRM utilizes the talent and opportunity within the human resources department to make other departments stronger and more effective.

- **DEFINE THE TERM "STRATEGIC HUMAN RESOURCE MANAGEMENT" (SHRM):**
- Strategic Human Resource Management (SHRM) is defined as (alignment of strategic business goals of the organization with human resources, so as to foster innovation and improve motivation, satisfaction on, productivity, and eventually overall performance.
- ➤ According to Gary Dessler, "Strategic human resource management means formulating and executing human resource policies and practices that produce the employee competencies and behaviors that the company needs to achieve its strategic aims."

- According to Armstrong, "Strategic human resource management is an approach to making decisions on the intentions and plans of the organization concerning the employment relationship and the organization's recruitment, training, development, performance management, and the organization's strategies, policies, and practices."

EXAMPLES OF STRATEGIC HRM:

- Tata Power Limited, a business concern of the Tata Group have always prioritized its people above anything else.
- ➤ The company has promoted a culture of commitment, co-creation and lively environment in their workplace.
- ➤ Some of the known HR strategies following in the organization are:
 - o Identifying human resource personnel as strategic business partners;
 - o Reviewing of the Managing Director's leadership behaviour;
 - o Infusing young talents in the company;
 - o Running an organizational transformation movement – LASER; ando Carrying out a Learn Apply Share Enjoy and Reflect (LASER) program.

Infosys

- Infosys Chairman Mr. Narayan Murthy has emphasized on human capital as one of Infosys' critical factors for growth.
- ➤ Thus, there has been a strategic Human resource dimension added to the organization in the form of 'People managers', whose function is to look after the needs of employees.
- ➤ The company aims to treat its employees as assets rather than just as resources. Nurturing and nourishing the resources ensures competitive advantage for Infosys.
- ➤ Thus, a dedicated human resource department including people managers in every group serves as a SHRM practice which fulfills the business objectives of the organization.

DIFFERENCE BETWEEN TRADITIONAL HRM, SHRM AND HR STRATEGY:

#	Traditional HRM	SHRM
Meaning	Human resource management (HRM) implies the governance of manpower of the organization in a thorough and structured manner.	SHRM is a managerial function which implies framing of HR strategies in such a way to direct employees efforts towards the goals of the organization.
Responsibility for HR programs	Staff personnel in the HR department.	Line managers; all managers responsible for people are HR managers.
Focus of activities	Employee relations – ensuring employee motivation and productivity, compliance with laws.	Partnerships with internal (employees) and external (customers, stakeholders, public interest groups) groups.

#	Traditional HRM	SHRM
Role of HR	Reactive and transactional.	Proactive and transformational, change leader.
Initiative for change	Slow, piecemeal, and fragmented, not integrated with larger issues.	Fast, flexible, and systemic change initiatives implemented in concert with other HR systems.
Time horizon	Short-term	Consider various time frames as necessary (short, medium, or long-term)
Control	Bureaucratic control through rules, procedures and policies.	Organic control through flexibility, as few restrictions on employee behavior as possible.
Job design	Focus on scientific management principles – the division of labor,	Broad job design, flexibility, teams and groups, and cross-training

Important investments	Capital, products, technology, and finance.	People and their knowledge, skills, and abilities.
Accountability	Cost center	Investment center
Approach	Fragmented	Integrated
Scope	Concerned with employee relations	Concerned with internal and external relations

BENEFITS OF SHRM

- :• As opined by Ulrich and Lake, the strategic HR framework aims to leverage and / or align HR practices to build critical capabilities that enable an organisation to achieve its goals.
- • Strategic management offers both financial and non-financial benefits to an organisation which practices it.

- Fred R. David' has listed the following benefits that strategic management brings for an organisation :
- • Allows identification, prioritization and exploitation of opportunities.
- • Provides an objective view of management problems.
- • Represents a framework for improved co-ordination and control of activities.
- • Minimises the effects of adverse conditions and changes.
- • Allows major decisions to better support established objectives.
- • Allows more effective allocation of time and resources to identified opportunities.
- • Allows fewer resources and lesser time to be devoted to correcting erroneous or adhoc decisions

- • Creates a framework for internal communication among personnel.
- • Helps to integrate the behaviours of individuals into a total effort.
- • Provides a basis for the clarification of individual responsibilities.
- • Gives encouragement to forward thinking.
- • Provides a co-operative, integrated and enthusiastic approach to tackling problems and opportunities.
- • Encourages a favourable attitude towards change.
- • Gives a degree of discipline and formality to the management of a business.

- BARRIERS OF SHRM
- :Short Term Thinking
- Strategic Inability
- Lack of appreciation
- Failure understand role
- Difficulty in quantifying outcomes
- Wrong perception on human assets
- Resistance

ESSENTIAL ELEMENTS OF SHRM:

- The theoretical perspectives have identified six key elements necessary in developing SHRM within the firm.
- **1. Transforming HR Staff:**
 - There exists a significant difference in the skills needed by HR staff in the traditional and strategic orientations to HRM.
 - In traditional HRM, staff had to be specialized in certain functional areas like interviewing, recruitment and training.
 - The strategic HRM role played by HR professionals is “change management,” involving strategic planning, team building, and having a global perspective.
 - Most HR units will face a significant transformation to manage human resources with a new strategic view.

- **2. Transforming the Organizational Structure:**
- In transforming the HR structure from traditional to SHRM, it is common for the organizational unit to restructure.
- The major issue in designing a new strategic HRM unit is determining whether to centralize or decentralize HR function. The relevant structure for the HR function depends on the nature of the firm's business, the size of the firm, and the firm's overall business strategy.
- In some organizations, a centralized structure for the HR unit would be appropriate, and in some, highly decentralized HRM may be necessary.
- Regardless of which particular structure has been used, the key element in the successful transformation from traditional HR function to SHRM is to find a structure that meets the pressing needs of business strategy and allows the HR unit to provide services designed to help the firm achieve strategic objectives.

- 3. Enhancing administrative efficiency:
- • Dave Ulrich (1996) suggested that one of the key roles of HR staff is to be “administrative experts.”
- • As administrative experts, HR staff members must take an active role in engineering, administrative and other processes within the firm and find ways to share services more effectively. The objective is to increase HR service efficiency and save money.
- • Several processes are needed to enhance the administrative expertise of HR units. The first focuses on:

- o Improving administrative efficiency by targeting current processes for improvement by examining the gaps between the "as is" process and what the system "needs to be."
- o Administrative efficiency can also be enhanced by developing centralized HR services that are shared throughout an organization.
- o The ultimate process involves HR staff rethinking how they create value to the firm in terms of value perceived by the customers rather than perceived by the provider of the program.
- o Integrating HR into the strategic planning process

- Linking HR practices to business strategy and one another
- This issue of fitting HR practices to business strategy is becoming an increasingly important and relevant HR issue for HR staff and line managers.
- HR fit involves making sure HR activities make sense and help the organization achieve its goals and objectives.
- The three aspects of HR fit are:
- **1. Vertical fit :** This aspect of vertical fit concerns the coincidence between HR practices and overall business strategy.

- **2. Horizontal fit :** This relates to the extent to which HR activities are mutually consistent. Consistency ensures that HR practices reinforce one another.
- **3. External fit :** The third aspect concerns how well HR activities match the demands of the external environment. Ensuring these aspects of fit requires HR practice choices.
- The challenge is developing internally consistent configurations of HR practice choices that help implement the firm's strategy and enhance its competitiveness.

- **5. Strategic Flexibility:**

- • There is a need for strategic flexibility and a strategic fit for the firm's long-term competitive advantage.
- The fit is defined as a temporary state In an organization, whereas flexibility is defined as the firm's ability to meet the demands of the dynamic environment

- The two types of flexibility identified are:
- 1. Resource Flexibility**
- Resource flexibility is the extent to which a firm can apply its resources to a variety of purposes.
- It also involves the cost, difficulty, and time needed to switch resources from one use to another.
- 2. Coordination Flexibility**
- Coordination flexibility concerns the extent to which an organization has decision making and other systems that allow it to move resources quickly from one use to another.
- This task is accomplished by having an effective partnership between HR managers and line managers.

Aligning HR Strategy to Business Strategy

