

Strategic HRM



Unit 1

- Definition
- objectives of SHRM,
- Evolution of SHRM,
- Strategic Fit,
- Types of HR strategies,
- Linking HR strategies to business strategies





Definition – Strategy

- Strategy is about deciding where you want to go and how you mean to get there.
- A strategy is a declaration of intent: ‘This is what we want to do and this is how we intend to do it.’



Strategic Human Resource Management



Strategy is concerned with determining which option will provide maximum benefits. According to Jauch and Glueck.



- Strategic human resource management is to ensure that human resource management is fully integrated into strategic planning, that HRM policies cohere both across policy areas and across hierarchies and that HRM policies are accepted and used by line managers as part of their every day work, opines Guest.

Meaning

- Strategic human resource management is the process of **linking the human resource function** with the **strategic objectives** of the organization **to improve performance.**



Definition



- “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.” - Gary Dessler



- **1. It focuses on an organization's human resources (people) as the primary source of competitive advantage of the organization.**
- **2. The activities highlight the HR programs, policies, and practices as the means through which the people of the organization can be deployed to gain competitive advantage.**
- **3. The pattern and plan imply that there is a fit between HR strategy and the organization's business strategy (vertical fit) and between all of the HR activities (horizontal fit).**
- **4. The people, practices, and planned patterns are all purposeful, that is, directed towards the achievement of the goals of the organization.**
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SHRM

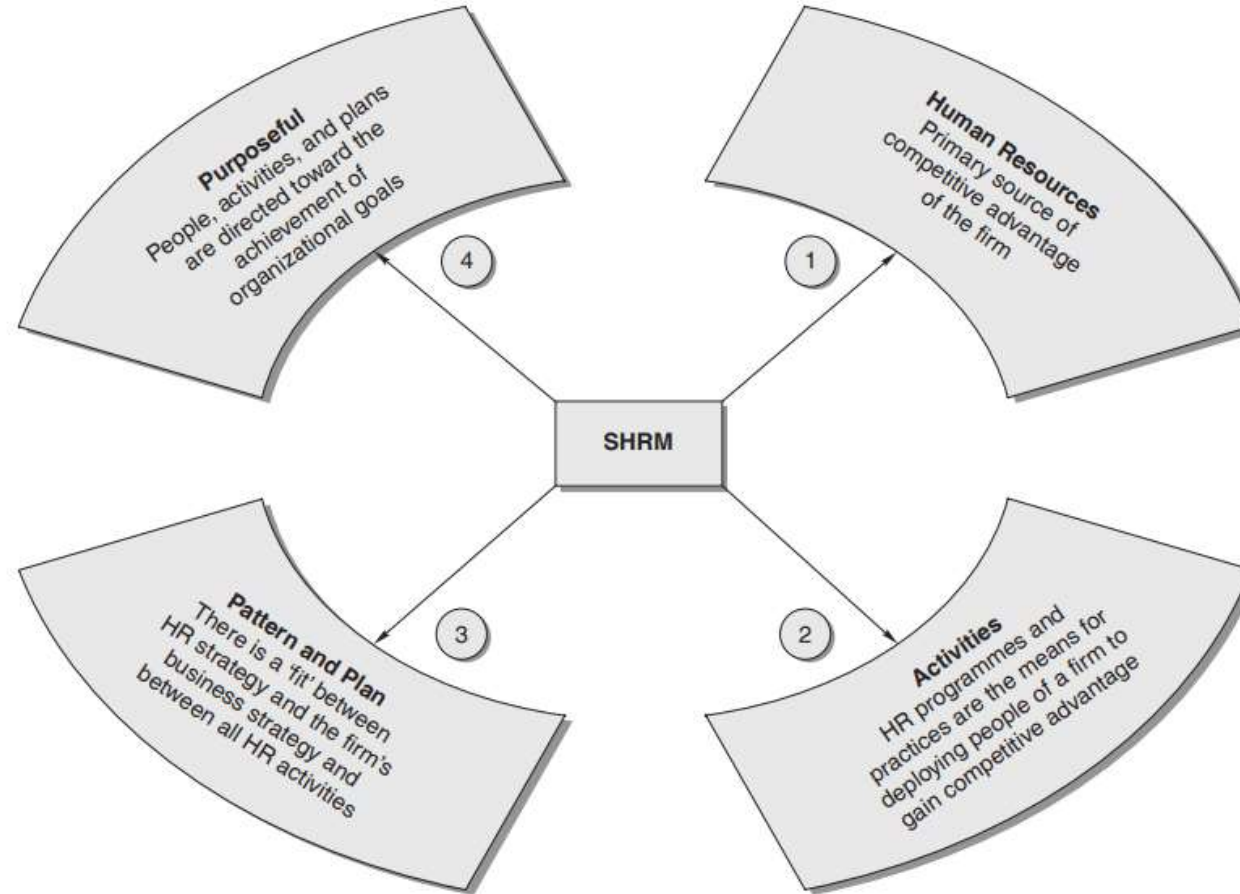


Table 1.1: Traditional HRM versus SHRM

	Traditional HRM	SHRM
Responsibility for HR programmes	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
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 behaviour as possible
Job design	Focus on scientific management principles—division of labour, independence, and specialization	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 centre	Investment centre



Objectives



1. **To set the goals:** To set the goals of an organization with respect to human resources.
2. **To utilize human resources:** To identify the strategic needs of an organization & its utilization.
3. **To select the type:** To select the appropriate organ gram for the organization.
4. **Compensation plan:** To set the appropriate & suitable compensation system for the employees.
5. **To set the evaluation standard:** To set the performance evaluation method & the standard.
6. **To identify the relationships:** To identify the relationships among the different departments & setting their duties & responsibilities.



- 7. To set strategies for future challenges:** Organizations should set some strategies' to survive in the competition.
- 8. To formulate the HR policies:** The HR manager is supposed to take action in this regard.
- 9. To review the existing HRM practices:** Employee needs and workability of HRM policies are to be reviewed regularly.
- 10. To develop guidelines:** The last objective of SHRM is to develop guidelines for the human resource manager.

Evolution of SHRM

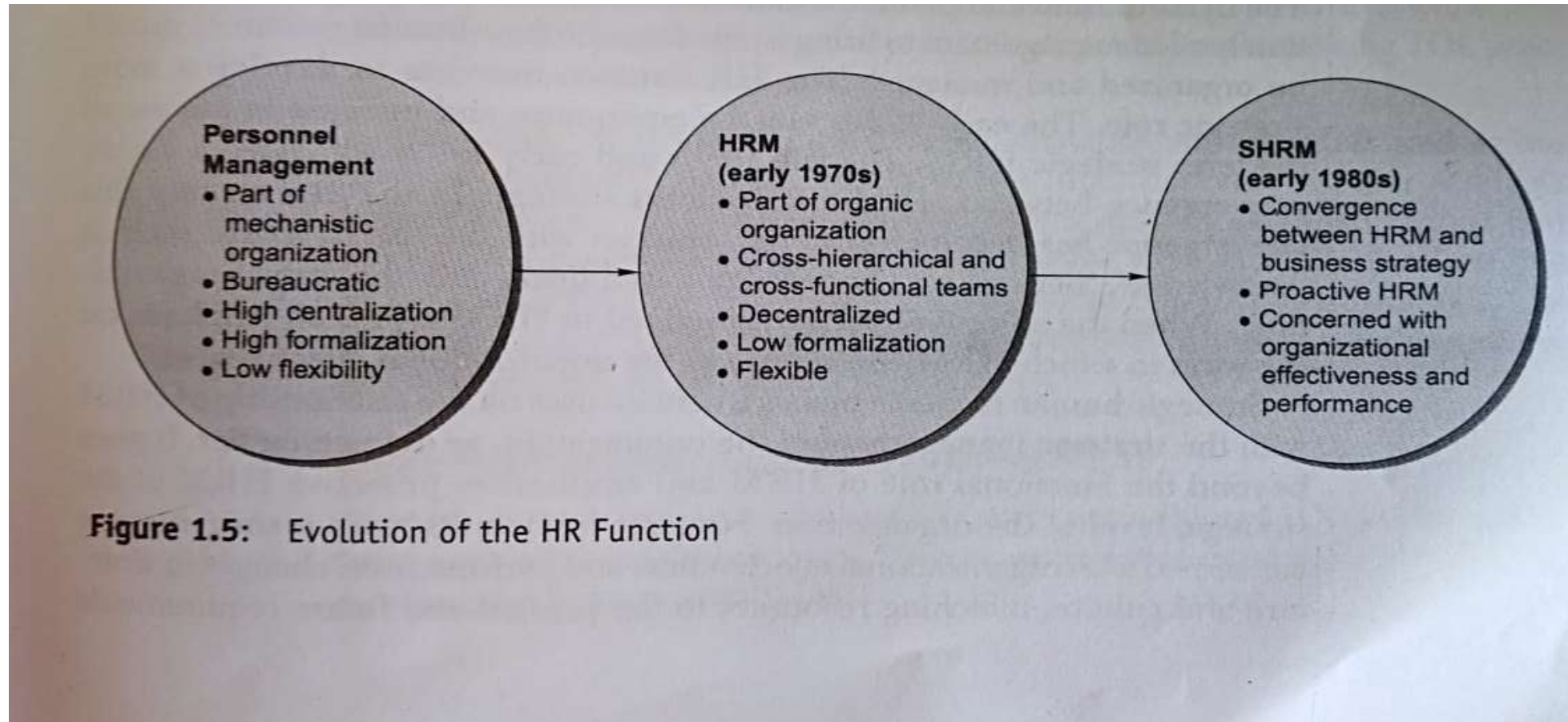


Figure 1.5: Evolution of the HR Function

Evolution of SHRM,



- **Pre-1900 s Human Resources Management: Tough Work, Tougher Conditions**
- between 1890 and 1920. American business leaders, aided by scholars and politicians, embraced "[industrial betterment](#)" and embarked on plans to stabilize the labor force and encourage employee loyalty. To carry out the somewhat surreptitious practices of the time, departments called “industrial welfare,” and “scientific management” were created.



- **1920s–1950s Human Resources Management**
- "Personnel departments" and "manpower development" increased their efforts around internal training and working with labor unions to develop stronger compensation packages.



- **1960s–1980s Human Resources Management**
- In the early '60's, the US legislature began passing **Equal Pay Act of 1963** and **Civil Rights Act of 1964**
- At the same time, human motivation theories **including Herzberg's Two Factor Theory** began to **transform the workplace.**



- [SHRM](#) points out that, "Tomorrow's HR leaders will need to be bigger, broader thinkers, and they'll have to be tech-savvy to deal with an increasingly agile and restless workforce." [Gartner](#) agrees saying HR leaders will need to be "more flexible and responsive to changing employee needs."



Types of Strategies



- **Overarching strategies**
- 1. General intention of an organisation-how people should be managed and developed so that they are attract and retain best people.
- **CREATING BEST place to work.**



- **AEGON – Integrated approach of human resources aim to make sure that their** staff remains linked and consistent, no matter how they look at the elements of performance, pay management, reward and career development.
- Tata = known as best employers of India.

Specific HR Strategies



- **Talent management**
- **Corporate social responsibility**
- **Organization development**
- **Engagement**
- **Knowledge management**
- **High-performance management**
- **Resourcing**
- **Learning and development**
- **Rewarding**
- **Employee relations**

Formulating HR strategies: Dyer and Holder (1988):



1. Assess feasibility – Feasibility depends on whether the numbers and types of key people required to make the proposal succeed can be obtained on a timely basis and at a reasonable cost, and whether the behavioural expectations assumed by the strategy are realistic (eg retention rates and productivity levels).

2. Determine desirability – Examine the implications of strategy in terms of sacrosanct HR policies (eg a strategy of rapid retrenchment would have to be called into question by a company with a full employment policy).

. Determine goals – These indicate the main issues to be worked on and they derive primarily from the content of the business strategy. For example, a strategy to become a lower-cost producer would require the reduction of labour costs. This in turn translates into two types of HR goals: higher performance standards (contribution) and reduced headcounts (composition).

4. Decide means of achieving goals – The closer the external and internal fit, the better the strategy, consistent with the need to adapt flexibly to change. External fit refers to the degree of consistency between HR goals on the one hand and the exigencies of the underlying business strategy and relevant environmental conditions on the other. Internal fit measures the extent to which HR means follow from the HR goals and other relevant environmental conditions, as well as the degree of coherency or synergy among the various HR means.



Design and Implementation of HR Strategies



- **DEFINE THE COMPANY VISION**
- **ESTABLISH THE HUMAN RESOURCE DEPARTMENT'S ROLE**
- **DEVELOP A COMPANY OVERVIEW**
- **INVESTIGATE COMPANY NEEDS**
 - **EVALUATE HR PROCESSES**
 - **IMPLEMENT THE PLAN**
 - **MEASURE SUCCESS**

Linking HR strategies to business strategies



- This issue of fitting HR practices to business strategy is becoming increasingly important and relevant HR issues for HR staff and line managers.
- **HR strategies**
- **Business strategies**
- 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:



Strategic Fit

- Best fit is more important than best practice.
- **HR Strategies**
- Match Org culture
- Consider need of people & Org
- St. Should meet the requirements
- Fulfil plans
- External fit and internal fit



- **Vertical fit**
- This aspect of vertical fit concerns the coincidence between HR practices and overall business strategy.
- **Horizontal fit**
- This relates to the extent to which HR activities are mutually consistent. Consistency ensures that HR practices reinforce one another.
- **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 to develop internally consistent configurations of HR practice choices that help to implement the firm's strategy and enhance its competitiveness.
- There is a need for strategic flexibility along with a strategic fit for the long-term competitive advantage of the firm.

Benefits of SHRM



- 1. Identifying and analysing external opportunities and threats that may be crucial to the company's success.**
- 2. Provides a clear business strategy and vision for the future.**
- 3. To supply competitive intelligence that may be useful in the strategic planning process.**
- 4. To recruit, retain and motivate people.**
- 5. To develop and retain of highly competent**



- 1. To ensure that people development issues are addressed systematically.**
- 2. To supply information regarding the company's internal strengths and weaknesses.**
- 3. To meet the expectations of the customers effectively.**
- 4. To ensure high productivity.**
- 5. To ensure business surplus thorough competency**