

# Importance of Strategic Human Resource Management

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**Abstract** — *Strategic human resource management (SHRM) is directly linked to organizational performance. However, despite the increasing popularity of SHRM; there have been very few systematic evaluations of the claims that it is linked to performance and doubts remain as to its theoretical foundations. Therefore, the purpose of this research is to examine the impact of SHRM implementation on the organizational performance. The main focus of this paper is to deliver a decision support tool aiding the decision making process concerning the strategic management of the department of human resource management. Wright and McMahan (1992: 298) define SHRM as “the pattern of planned human resource deployments and activities intended to enable an organisation to achieve its goals”. The goal of the strategic management in an organization is to assess, deploy and allocate resources providing the management with a competitive advantage. TQM is an overall organization strategy formulated at the top level and then diffused throughout the entire organization. Increased human resource requirements, governmental regulations, and expanded computer and information technology capabilities justified the need of an information system within the human resource department (HRMIS). The core of an HRMIS is a database system that contains all relevant human resource information facilitating accessing, maintaining and processing activities.*

**Keywords** — *Strategic Human Resource Management - Human Resource Strategy (HRS), Strategic Management Process, Strategy Formulation, Strategy Implementation, Concept of TQM*

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## 1. INTRODUCTION

Organizations and companies succeed, or fail, based on the quality and effectiveness of their employees. Today's successful firms recognize that to compete in global markets, they must have world class Human Resource managers who are active participants in strategic and operational decision. [1] Whether they are reengineering the pay and benefits of the company or implementing Total Quality Management (TQM) programs, Human Resources Managers play a central role. Most importantly, the practice of Human Resource Management is undergoing a technological revolution. We speak now of managing not only human resources and capital, but also information and information systems. HR functions, from employee selection to benefits planning, are being redesigned to take advantage of advanced information technology.

**Strategic Human Resource Management** can be termed as the linking of the human resources department with the strategic goals and the objectives of the organization in order to improve the organization's performance and to develop the organization's culture to ensure that there is innovation and flexibility. Strategic Human Resource Management requires the accepting of the Human resource function as a partner in the formulation of the company's strategies and also in the implementation of those strategies through the human resource activities of the company. In recent years a host of papers have been published which look into the strategic aspects of HRM. Kazmi and Ahmad (2001) classify various definitions of strategic human resource management (SHRM) based on strategy-focused, decision-focused, content-focused and implementation-focused approach. [3]. According to the strategy-focused approach, which is supported by authors like Mathis and Jackson (1985) and

Beer, Spector, Lawrence, Mills, and Walton (1984), HRM is strategic by its very nature and all its elements have strategic linkages.

Strategic Human Resource Management deals with taking care of the organization's human resource and managing the human resource appropriately to help in the generation of the organization's profit and also drive the organization towards achieving its goal. SHRM is normally performed to help the companies and organizations best meet the needs and expectations of their employees while promoting and working towards achieving the company goals. [2]. Management should be equipped with the right skills in planning, leading, organizing and establishing standards. As they are the ones who will eventually be focused in developing the company instead of the operations and technical aspects, a higher understanding of this responsibility is essential, and this also plays a significant part once competition is put into the picture. Companies fail because of a number of reasons, and mismanagement can be one of them.

It is for these reasons that organisations are focusing on human resources as "Companies everywhere are changing the way they manage in order to be competitive". These firms need to find a new competitive advantage, and the implementation of a HRS that is beneficial and supportive in achieving the overall strategic plan is a means of doing so, or put differently, achieving a desirable outcome through a set of processes and activities.

In this new business culture of 'strategic management', fitting every 'division's' strategy in to the overall strategy has become the norm. Human resource management processes and activities are developed and integrated in strategic management, 'through the new discipline' of strategic human resource management.

The emergence of HR strategies can therefore be explained by the development of corporate strategies that firms began to implement as a means of gaining that desired competitive advantage, and creating a clear and effective plan in which to operate the business. In the current environment, good strategic management of human resources by developing a competent set of processes and activities will assist in formulating a desired outcome: a fit between HR strategy and the organisation's overall strategy.

Employees and all divisions of management must be aware of the firm's business strategy. Once the human resource departments are directed to devise a strategy to complement and 'fit' this overall plan, the lines of communication between staff and the HR department are

opened up. The practices and activities implemented by the HR department are recognized by staff as part of a company goal and in effect these practices are given 'legitimacy' as the staff realize they part of the long-term goal, and presumably are accepted by top level management.

The literature has revealed that there is the lack of consensus with respect to the strategy formulation. Due to changing environment the SHRM finds difficulty in finding the accurate match between the current situation and the environment which complexity in the implementation of the strategy. Another major criticism upon the SHRM is that the strategic decisions are not necessarily based on the output of the rational calculations.

Without good theory, the field of SHRM could be characterized as a plethora of statements regarding empirical relationships and/or prescriptions for practice that fail to explain why these relationships exist or should exist. If, in fact, the criticism that the field of SHRM lacks a strong theoretical foundation is true, then this could undermine the ability of both practitioners and researchers to fully use human resources in support of firm strategy.

Schuler and Walker define Human Resource Strategy (HRS) as "a set of processes and activities jointly shared by human resources and line managers to solve business-related problems". [4]. I believe this definition assists on tackling the above question. However, Bamberger and Meshoulam "Conceptualise human resource strategy as an outcome: the pattern of decisions regarding the policies and practices associated with the HR system". In my view, HRS is a set of 'processes and activities' that when implemented, result in an outcome.

Strategic Human Resource Management also deals with any aspects of the enterprises that affect the employees, including the employee hiring and firing, employee pay, their benefits, training, and administration issues of the employees. Strategic Human Resource Management requires thinking ahead leading and also putting up ways for a company to better meet its employee's needs and vice versa for the employees. Strategic Human Resource Management influences the way in which things are done in the organization including the training, hiring and firing of employees. It helps the companies work hard to meet the needs of their employees and cultivate a work atmosphere conducive for production purposes. Strategic Human Resource Management also can help to improve the skilled employees working rate. Also Strategic Human Resource Management helps an organization improve the employee

retention and help reduce spending on the hiring and training new employees. [5].

SHRM helps to reduce the costs for the organizations and thus earn them a competitive advantage. Strategic Human Resource Management also plays the role of identifying and analyzing the external opportunities and the threats that may impede the company's performance. **Strategic Human Resource Management** is a prospective investment that is not worth ignoring. [6].

## 2. BASIC CONCEPTS

Business organizations exist in a competitive environment with scarce resources. Controlling physical, organizational, information and human resource gives the competitive advantages to the organization. The goal of strategic management in an organization is to deploy and allocate resources in order to provide the management with a competitive advantage. It goes without saying that two out of three classes of resources (organizational and human) correlated with the human resource functions. Towards maximum effect, the HRM functions must be integrally involved in the company's strategic management process.

**Strategic management process** first analyzes a company's competitive situation, develops its strategic goals and mission, its external opportunities and threats, and its internal strength and weaknesses to generate alternatives. In his second phase, strategic management process determines a plan of actions and deployment of resources to achieve the pre-specified goals. [6]. This kind of strategic approach should be emphasized in human resources management. Four levels of integration exist between the HR functions and the strategic management function:

- ✓ Administrative linkage: HR function's attention is focused on day-to-day activities.
- ✓ One-way linkage: the firm develops the strategic plan and then informs the HR.
- ✓ Two-way linkage: strategic planning team informs HR of the various strategies, HR analyze them and present the results to the team. After deciding, the strategic plan is passed to HR to implement.
- ✓ Integrative linkage: it is a dynamic process, based on continuing rather than sequential interaction, done by the HR executive who is a member of the senior management team.

## 2.1 STRATEGY FORMULATION CONSISTS OF FIVE MAJOR COMPONENTS

- ✓ Mission is a statement of the organization's reason for being, customers served and their needs, and the technology used. Also presents the company's vision and values.
- ✓ Goals are what the firm hopes to achieve in the medium-to-long term future.
- ✓ External analysis examines the firm's operating environment to identify the strategic opportunities and threats.
- ✓ Internal analysis identifies the firm's strengths and weaknesses, focuses on the quantity and quality of resources available.
- ✓ Strategic choice is done after the Strengths Weaknesses Opportunities, Threats (SWOT) analysis to define strategic alternatives, then the choice is made among these alternatives.
- ✓ Mechanisms for integration the HR function into strategy formulation may help the strategic planning team to make the most effective strategic choice, since HR will implement it.

## 2.2 STRATEGY IMPLEMENTATION

It is now time to execute the strategy formulated, indicating certain HR needs. HR function can be viewed as having six menus of HR practices from which companies can choose the ones that are most appropriate to implementing the strategy. While, all of the strategy types require competent people in a generic sense, each of the strategies also requires different types of employees with types of behaviours and attitudes. The emerging strategic role of the HR function requires that HR professionals in the future develop business, professional-technical, change management, and integration competencies. The following figure will illustrate the model of the strategic management process.

## 3. TQM AND HR BUSINESS FUNCTIONS

The **Total Quality Management** is defined as "a management approach of an organization, centered on quality, based on participation of all members and aiming at long-term success through customer satisfaction, and benefits to all members of the organization and the society. [7]. TQM is a continuous process of improvement for individuals, and whole organization.

### 3.1 TQM AND HR ROLE

**3.1.1** Performing an HR audit which is the first step of a strategic human resource function. The audit examines every major aspect of HR management and identifies strengths, weaknesses and necessary corrective actions.

**3.1.2** Designing the interventions to prepare the people and the organization for the proposed change.

**3.1.3** Providing intensive training of personnel programs in the topic of TQM methods

and tools and initiating employee involvement in TQM activity.

**3.1.4** Creating TQM mindset through the following orientations:

1) The customer orientation 2) The process orientation 3) The people orientation

### 4. CONCLUSION

The above mentioned emergence of SHRM clearly shows that there is a transition from PM and HRM. The history shows that the utilization of human resource was present in different times and playing very important role. The HR concept is actually redesigned according to the strategic needs of the environment which becomes the SHRM. .

The fundamental concept of strategic HRM is based on the assumption that human resource strategy can contribute to the business strategy but is also justified by it. the validity of this concept depends on the extent to which it is believed that people create added value and should therefore be treated as a strategic resource. Strategic HRM is only real when it is translated into specific personnel strategies which are then implemented.

SHRM requires a shift towards a more macro-perspective in which it is applied broader level of the organization. In fact, there is a need of commitment of the high quality of HR within the organization which will bring more productivity in the organization. [8]. Similarly a strong leadership is required to exploit the human and non-human resources. Rapid environmental change, globalization, innovations to provide competitive products and services, changing customer and investor demands have become the standard backdrop for organizations. To compete effectively, firms must constantly improve their performance by reducing costs, enhancing quality, and

differentiating their products and services. To improve firm performance and create firm competitive advantage, HR must focus on a new set of priorities. These new priorities are more business and strategic oriented and less oriented towards traditional HR functions such staffing, training, appraisal and compensation. Strategic priorities include team-based job designs, flexible workforces, quality improvement practices, employee empowerment and incentive compensation.

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