

Strategic HR: Success Key to Organizational Effectiveness

* *U. Bhojanna*
** *I. G. Srikanth*
*** *Abhishek Tiwari*

Abstract

The management concept with a resource-based view among organizations is based on the critical importance of the human resource element, gaining competitive advantage through positioning itself as a strategic and an integral part responsible for attaining a paradigm shift in the field of organizational effectiveness. Astonishingly, the human resource management field has accepted a number of suggestions for the new role of manpower in organizations for strategic purposes, but it is lacking in its formulation and execution. This raises a question - where should human resource management focus upon (the superior executor role) to build human resource as strategic human resource ? Through this paper, we wished to analyze the strategic issues concerned, and attempted to find how the answer to the aforesaid question can be appropriately given, and also aimed to analyze the degree of organizational effectiveness and organizational competency achieved through the evolved concept of strategic human resource management (SHRM).

Keywords: competitive advantage, organizational effectiveness, paradigm shift, strategic human resource management

JEL Classification: M19

The field of human resource management (HRM) has recently seen the human resources that it selects, trains, and retains move from a supportive (Porter, 1996) to a strategic role (Bartlett & Ghoshal, 2002) in organizations. This has happened as the strategic management sources with high competitive advantage were not visible in the external environment, but lay within the internal sphere of an organization, among its very own resources, specifically, in its human element. Accordingly, human resource management (HRM) as a field has reconsidered its own role, with the emergence of a new distinct discipline (Dyer, 1985; Dyer & Holder, 1988; Fisher, 1989; Shuler and Jackson, 1987) that has been termed as the strategic human resource management (SHRM) concept. Wright and McMahan (p. 298) intended to link human resource management (HRM) with the strategic management process of the organization. But as argued by various experts like Bartlett and Ghoshal (2002), we are hereby arguing that it is very unclear that the strategic role for human resources (HR) implies that human resource management (HRM) function has also evolved to be strategic.

❖ **Strategic Role of Human Resource and Human Resource Management :** There occurs a paradigm shift in strategic management thought process for the location of sources of competitive advantages provided to the human resources, as the strategic resources within an organization. At the initial stages, sources of competitive advantages were outside the firm, i.e. in a superior positioning of a firm in attractive markets and keeping contenders out (Porter, 1980; Mintzberg, 1990). During the economic downturn in 2008, alternative recruitment efforts saved some organizations 10% to 25% of the recruitment cost (Williams, 2009). This proves that careful consideration and strategic recruitment potentially saves an organization a fortune. Besides, recruiting the right person for the right job increases efficiency and maximizes production. Finally, the cultural fit determines the tenure in an organization, which leads to lower employee turnover and retraining cost. The cost of an employee turnover which includes recruitment, training, and lost productivity are likely to be in the range of 1.5 to 2 times the employee's annual salary (Bliss, n.d.).

While it is undeniable that strategic HR has begun taking its seat at larger corporations, it is also understood that most of the exceptional HR initiatives are CEO driven, before being entrusted to the Head of HR. General Electric, for

* *Professor & Head, Department of MBA & Research Center, RNS Institute Of Technology, Bengaluru -560098.*

E-mail : u_bhojanna@yahoo.co.in

** *Assistant Professor, RNS Institute Of Technology, Bengaluru -560098. E-mail : igsrikanthmba@gmail.com*

*** *Assistant Professor, RNS Institute Of Technology, Bengaluru -560098. E-mail : abhishek.tiwari346@gmail.com*

example, may have seen Bill Conaty driving HR developmental initiatives (Brady, 2007); but the underlying success could be highly attributed to Jack Welch's vision for his people. Google's "talent machine" on the other hand, is the creation of culture by its founders and adoption by the management rather than being the brainchild of HR practitioners (Sullivan, 2007a). Organizations may have begun to believe in the need for HR strategies, but not necessarily dedicated HR strategists. In this view, termed the "positioning school", the role of HR is one of implementation and support (Bartlett & Ghoshal, 2002). More recently, a new school of thought, called as the *resource based view (RBV)* of the firm (Barney, 1986, 1991; Panrose, 1959; Teece, Pisano, & Shuen, 1990; Wernerfelt, 1984) further proposed that the source of competitive advantage lies within the firm that can never be imitated by any of the competitors. Furthermore, these resources, capabilities, and competencies "are dependent on people" (Bartlett & Ghoshal, 2002; p. 35), and the capabilities and competencies are located in the minds of the people working within the organization, as human resources are deemed valuable (Pfeffer, 1995) if not the strategic resource. Such a vibrant paradigmatic shift in strategic management thought process has evolved the role of human resources from a supportive background to the strategic one (see Figure 1).

In purview of this evolved status of human resources in the strategic management field, many researchers have observed and recognized that HRM function has acquired a new strategic role. Bartlett and Ghoshal (2002) explained that instead of being supportive – by focusing on basic HRM functions like recruitment, training, salary, and compensation- HRM's role has become strategic – building and using human capital to ensure competitive advantage. Subsequently, the new school of thought (resource based view (RBV)), responsible for the new status of human resource, has been used to legitimize the strategic role of HRM. As Wright, Dunford, and Snell, (2001, p.702) put it, "Though the field of SHRM was not solely born through the resource based view (RBV), it has been purely instrumental in its development". The arrow adjoining the "Supportive View" and "Strategic View" of Figure 1 represents this thought process that the strategic role of HR goes hand-in-hand with the strategic role of HRM.

We hereby suggest that the strategic role of HR does not essentially convey a strategic role for HRM. Both of the two elements are non-identical but perform different functions at different levels, within the same organization. Human resources are responsible for supporting a firm's processes and also constitute strategic resources that are responsible for achieving organizational effectiveness and competitive edge in the industry, and also among the market and society as a whole. Such a paradigmatic shift in the status of human resources is represented by the arrow adjoining box no. 1 to box no. 2 as shown in the Figure 1. Similarly, the HRM function supports a firm's human resources with its functions by selection training, placement, and retention. It also represents the HRM capabilities giving shape to the competitiveness of the organization among other players of the industry. Such a paradigm shift in the status of HRM function is represented by the arrow adjoining box no. 2 to box no. 3 (Figure 1). With reference of these two separate dimensions - when human resource evolves as strategic human resource, the HRM functions are very well maintained with its supportive role. As such, the issue of whether HRM is strategic should be considered separate and independent from the role of human resource.

Legitimizing SHRM

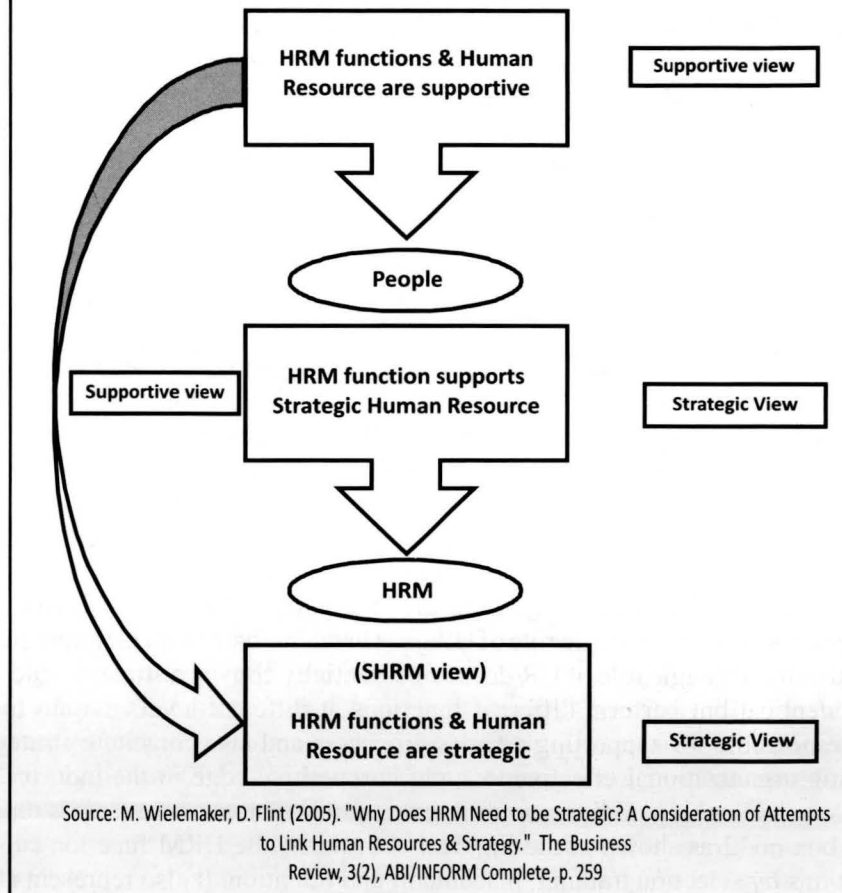
The motion of the HRM function being strategic is embodied in the distinct field (Dyer, 1985 ; Dyer & Holder, 1988; Fisher, 1989; Shuler & Jackson, 1987) of strategic human resource management (SHRM). Instead of being supportive only, it also comprises of the following :

- 1) Linking HRM with the strategic management processes of the organization.
- 2) Emphasizes the coordination or congruence among the various human resource practices (Wright & McMahan, p. 298).

In other words, instead of following the strategy designed by others, it attempts to be involved in its own strategic formulation. These attempts consists amongst others of :

- 1) Use of a "strategic label".
- 2) Linking effective roles of behaviors towards strategic types.
- 3) Developing core competencies.
- 4) Implementing appropriate HR measures to justify the performance.

Figure 1: The Paradigm Shift of Supportive Human Resource (HR) to Strategic Human Resource and HRM functions



5) Adopting strategic tools to encompass the HRM functions.

We argue that these attempts to become strategic (i.e. "a more strategic resource to senior and line management" (Kochan, 1997)) up to date have not been so successful.

Evolution of the Word "Strategic"

The word strategy has evolved from the word "*strategos*" which was popularly used in defense that means "*planning for war techniques*". Initially, the use of the word "strategic" was used in HRM in front of their functional areas of selection, training, appraisal, and rewards (Fombrum, Tichy, & Devana, 1984). This resulted in the birth of the terms such as "strategic selection", "strategic appraisal", "strategic training", or "strategic rewards" (Galbraith & Nathanson, 1979). Within the field itself, these attempts were ridiculed (Wright & McMahan, 1992) because there was no integration between them (Dyer, 1985; Shuler & Jackson 1987), an essential feature of strategy. Yet, beyond the inappropriate usage of the term "*strategic*", Wright and McMahan (1992, p. 297) found that the field itself had "not" evolved with great levels of integration across various functions. As such, the need for better integration of the different functional areas in HRM is still alive and necessary before the field can argue in the strategic role.

Linking Behavioral Roles to Strategic Types

The field has also attempted to link itself with organizational process of decision making. Such an attempt has led to the development of so called behavioral roles in HRM (Schuler & Jackson, 1987; Schuler & MacMillan, 1984). Organizations can design unlimited strategies, because of this indefinite count, strategic management has developed

classification of general strategies starting from Porter's grand and generic strategies (Porter, 1985) to Miles and Snow's (1978) defender, prospector, and analyzer strategies. Within the HRM field, these strategy types (Gubman, 1978) have translated into sets of appropriate role behaviors that would ensure that the employee behavior fit the desired strategies of the firm (Shuler & Jackson, 1987). Porter (1985) suggested generic strategies of "cost leadership" and "differentiation", but on the same basis, Arthur (1992) postulated "cost reduction" and "commitment maximizing" strategies. These role behaviors are also called industrial relations systems (Arthur, 1992), HR systems (Miles & Snow, 1984) and HR strategies (Wright & Snell, 1991). Even though these were good conceptual level role behaviors; yet, they were lacking in details and specification. The lack of empirical works on HR strategies for business types and their effect on performance underscores this point (Lengnick-Hall & Lengnick-Hall, 1988; Arthur, 1994; Wright & McMahan, 1992).

The linkage of these behavioral roles to strategic types is considered as HRM's strategic role. According to Snell (1992, p. 292), "it provides a clear explanation for why HRM would and should be linked to strategy. It helps the researchers to understand and link traditional HR theories like 'role behaviors' to the strategic postures of firms". Although such roles are linked to organizational strategies, yet, the HRM function is merely playing a supportive role through the execution of organizational strategies that means it is translating the strategy in role behaviors.

Linking Competency Profiles to Core Competencies

Attempt of linking HRM with the firm's strategy making process has been through the so called competency profiles (Antonacopoulou & Fitzgerald, 1996; Boyatzis, 1982; McClelland, 1973, 1998; Spencer & Spencer, 1993; Woodruffe, 1990). Competency profiles originated out of the failure of intelligence tests to predict future job performance (McClelland, 1973). Further testing of job-relevant competencies was also proposed (McClelland, 1973).

These assumptions were badly criticized, specially by Barret and Depinct (1991), and it has brought the field of HRM within the concept of competencies (Boyatzis, 1982; McClelland, 1973, 1998; Spencer and Spencer, 1993). These competency profiles seems to be more specific and detailed than general role behaviors, hence making more suitability towards strategy. Hence, it is not a matter of surprise that HR systems based on competencies have become the center stage amongst many firms (Gendron, 1996). In organizations, competencies are majorly accepted as bases of performing a variety of behaviors and activities, which in turn provides better outputs in terms of products and services. It is the quality of superb outputs, and customary reactions that lead to results with positive consequences for the organization and for the people who work there; and its suppliers, shareholders, clientele, and customers.

The current and future success of an enterprise is a reflection of the effectiveness of the senior management team, their vision and leadership, and the combined knowledge and skills of the organization's workforce. Gendron (1996, p. 3) had similarly mentioned the competencies to be "the set of skills knowledge and behaviors" and Boytzis (1982, p. 21) defined that "it may be motive, trait, and skill, aspect of one's self-image or social role". Wright, Denfold, and Snell (2001) made a distinction - skills and stabilities versus behaviors. The difference between behavioral roles and competencies is debatable and reminiscent of the difference in strategic management between Activities (Porter, 1996), Behaviors (Leonard-Barton, 1995), Capabilities (Stalk, Evans, and Sculman, 2001), Dynamic capabilities (Teece, Pisano, and Shuen, 1990), Competencies (Hall, 1993), Distinctive competencies (Hitt and Ireland, 1985), and Core competencies (Prahalad and Hamel, 1990). The HRM concepts of behavioral roles and competency profiles face the same challenges while claiming a "strategic role". This means that the identification of critical management and specialist competencies enable enterprises as well as countries to meet the demands of the future. It is to notice that it provides the assumption of organizations or firms as more important places to imply strategy & it also implies strategic HR as a key responsibility of senior business executives, human resource practitioners, educationalists, public administrators, and government leaders.

Strategic Roles for HR Managers

To be effective in the development of workplace and managerial skills, it must reflect the current and projected needs of the organization for attaining overall organizational effectiveness. It is a critical responsibility of the senior management to identify the core competencies of the enterprise and to ensure that the competencies required by managers, specialists, and the workforce in general are adequate and appropriate.

The competent man power is the key to achieve future success and thus, offer organizations their only sustainable competitive advantage, and thereby adds to the organizational effectiveness. To achieve these objectives SHRM field attempts to legitimize itself by providing examples of how HR managers are crucial to the strategy formation in a firm (Becker and Huselid, 1999; Ulrich, 1997). Further, Lado and Wilson (1994, p. 708) claimed that "HR management can play a key role in the articulation of strategic vision" but Becker and Huselid (1999, p. 290) stated with an example of Quantum (a startup in 1980) that "it established its "people" strategy as the first step in its business plan". Hence, the human resource is more important as compared to the HRM functions.

Conclusion

The following question needs to be answered - where should HRM focus (upon the superior executive role) to build HR as strategic HR? The answer can only be in terms of practical implementations of the HR element into strategic formulation, as described in the Figure 1, indicating two options:

- 1) To perform a strategic role ;
- 2) To accept its supportive role.

Performing a strategic role entails more than "enabling an organization to achieve its goal and linking with the strategic management processes of the organization" (Wright & McMahan, 1992, p. 298). If HRM is not involved in decision making, then perhaps, it can demonstrate its importance by being a core competence for the firm. Yet, the first HR system that is valuable, rare, non-substitutable, and inimitable (Barney, 1986, 1991) still needs to be invented.

References

- Antonacopoulou, E.P., & Fitzgerald, L. (1996). "Reframing Competency in Management Development." *Human Resource Management Journal*, 6 (1), pp. 27-48.
- Arthur, J.B. (1994). "Effects of Human Resource Systems on Manufacturing Performance and Turnover." *Academy of Management Journal*, 37 (3), pp. 670-687.
- Arthur, J.B. (1992). "The Link between Business Strategy and Industrial Relations Systems in American Steel Minimills." *Industrial and Labor Relations Review*, 45 (3), pp. 488-506.
- Barney, J. (1991). "Firm Resources and Sustained Competitive Advantages." *Journal of Management*, 17 (1), pp. 99-120.
- Bartlett, C.A. & Ghoshal, S. (2002). "Building Competitive Advantage through People." *MIT Sloan Management Review*, 3 (2), pp. 34-41.
- Becker, B.E., Huselid, M.A., & Ulrich, D. (2001). *The HR Scorecard: Linking People, Strategy and Performance.* Boston, MA: Harvard Business School Press.
- Becker, B.E., & Huselid, M.A. (1999). "Overview: Strategic Human Resource Management in Five Leading Firms." *Human Resource Management*, 38 (4), pp. 287-301.
- Boyatzis, R.R. (1982). *The Competent Manager: A Model for Effective Performance.* New York: Wiley-Interscience.
- Fisher, C.D. (1989). "Current and Recurrent Challenges in HRM." *Journal of Management*, 15 (2), pp. 157-180.
- Gubman, E.L. (1998). *The Talent Solution: Aligning Strategy and People to Achieve Extraordinary Results.* New York: McGraw-Hill.
- Hitt, M.A., & Ireland, R.D. (1985). "Corporate Distinctive Competence, Strategy, Industry and Performance." *Strategic Management Journal*, 6 (3), pp. 273-293.
- McClelland, D.C. (1973). "Testing for Competence Rather than for Intelligence." *American Psychologist*, 28 (5), pp. 1-14.
- Mintzberg, H. (1990). "The Design School: Reconsidering the Basic Premises of Strategic Management." *Strategic Management Journal*, 12 (6), pp. 171-195.
- Porter, M.E. (1996). "What is a Strategy?" *Harvard Business Review*, 14 (1), pp. 61-78.

- Porter, M. J. (1985). *Competitive Advantage: Creating and Sustaining Superior Performance.* New York: Free Press.
- Porter, M. E. (1980). *Competitive Strategy: Techniques for Analyzing Industries and Competitors.* New York: Free Press.
- Schuler, R.S., & Jackson, S.E. (1987). "Linking Competitive Strategies with Human Resources Management Practices." *Academy of Management Executive*, 1 (3), pp. 207-219.
- Schuler, R.S., & MacMillan, I.C. (1984). "Gaining Competitive Advantages through Human Resource Management Practices." *Human Resource Management*, 23 (3), pp. 241-255.
- Ulrich, D. (1997). "Measuring Human Resources: An Overview of Practices and Prescription for Results." *Human Resource Management*, 36 (3), pp. 357-365.