Strategic Human Resource Management: Theoretical Perspective

Dr. Mohammed Galib Hussain Emeritus Professor & Rector, Islamiah College, Vaniyambadi, India
S. Mohamed Rafique, Assistant Professor, KMG College, Gudiyattam, India

Strategic HRM: An Introduction

The field of Human Resources Management as undergone significant changes in scope, functions and activities over many years. There is a radical raise in professional maturity in this field and thus personnel management is now shaped as HRM and further developed as strategic HRM. This involves the managerial personnel of an organization and regards "People as the single most important asset of organization" (Poole and Jenkins 1990).

In this strategy the HR policies and practices has to be consistent emphasizing on team work, flexibility, employee involvement and organizational commitment. HR processes emphasizes on factors like hiring, maintaining the workforce, which are very much needed for the highly competitive growing organizations.

In the modern trend, the important aspect of the management of people lies in the organizational culture and capabilities. The strategic HRM dimensions include "strategic HR practices, flexibility, communication, organizational learning, leadership, coherence, organizational structure, organizational capabilities, empowerment, and management of change, participative management, organizational commitment and organizational culture".

All over the world a great deal of emphasis is placed on strategic implementation of the HRM which indeed had been witnessed during the 1980s and 1990s. The success of the new policies depends on the introduction and implementation of new strategic HRM policies. The strategy implements on job training, career planning, job rotation and management development.

Concept of SHRM

SHRM is an "elusive target, characterized by a diversity of meanings and ambiguous conceptual status" (Hales, 1994) Accordingly SHRM can be considered as an approach to deal with longer macro-organizational concerns relating to structure and culture, organizational effectiveness and performance, matching resources to future business requirements, and the management of change.

According to Miller (1989), "SHRM encompasses those decisions and actions which concern the management of employee at all levels in the business and which redirect towards creating and sustaining competitive advantage".

Wright and Snell (1991) have suggested that in a business, SHRM deals with "those HR activities used to support the firm's competitive strategy".

Another way of looking at SHRM is "the pattern of HR deployments and activities intended to enable an organization to achieve its goals" (Wright and McMahan, 1992).

Strategic human resource management has been defined as all those activities affecting the behavior of individuals in their efforts to formulate and implement the strategic needs of the business. (Schuler, 1992).

Truss and Gratton (1994) define SHRM as "the linking of HRM with strategic used to support the firm's competitive strategy."

Strategic HRM can be regarded as a general approach to the strategic management of human resource 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 part of the strategic management processes of the business. What emerges from this process is a stream of direction over time which form the pattern adopted by the organization for managing its human resources and define the areas in which specific HR strategies should be developed. Strategic HRM deals with macro-concerns about structure, values, culture, quality, commitment, matching resources to future needs, performance development, and creating a positive climate of employee relations.

The aims of strategic HRM

The basic aim of strategic HRM is to generate strategic capability through skilled, committed and well-motivated employees to achieve sustained competitive advantage. In its narrow sense of direction the turbulent environment of the business needs, individual and collective needs of its employees, can be met by the development and implementation of coherent and practical HR policies and programmes.

Development of the concept

The term was first coined by Fombrun et al. 1984 they suggested that HR systems and organizational structures should be managed in a way that is congruent with organizational strategy. Even though the term "Strategy" and its use is very old, strategic HRM is relatively a new term in management literature. So, in strategic HRM, the prefix "Strategic" assumes great importance. It explicitly links the field of industrial relations to the field of strategic management theory emphasizing co-evolution, blending "Porter-like outside-in" approaches with "resource based inside-out" approaches into an interactive exchange of market forces, organizational characteristics and institutional settings.
The Evolution / Emergence of strategic HRM

It was in the early 1990s that the concept of strategic HRM began gaining importance all over the world; the concept has evolved from labor management to its present day status. In general, the term is concerned with systematic linking of people with the performance of the firm. In the beginning, the concept of strategic HRM had presented a rather fuzzy picture. Since the late 1990s however, the concept began to appear as a fast emerging need of the corporations.

THEORIES OF STRATEGIC HRM
THE RESOURCE - BASED THEORY OF THE FIRM

According to Lodo and Wilson (1994), the resource based view suggested that HR system can contribute to sustained competitive advantages through facilitating the development of competencies through specific force and generate implied organizational knowledge. Resource based theory is built on the dual assumption of firm’s resource immobility. The resource based approach of strategic HRM links strategy and the internal resources of the firm. To generate a competitive advantage, the resource must be valuable, rare and imperfectly imitable.

THE BEHAVIORAL PERSPECTIVES

The behavioral perspective of strategic HRM has its roots in contingency theory. It emphasizes on employee's behavior as the mediator between, strategy and firm performance. The behavioral perspective links HRM practices to achieve competitive strategies. Schuler's (1992) 5-P models of strategic HRM focuses on the behavioral perspective by differentiating the HR philosophy, HR policies, HR programs, HR practices, and HR processes. He stresses that all the HRM activities must be consistent with each other and in turn, linked to the strategic needs of business.

CYBERNETIC MODEL

Cybernetic model is a system theory propounded by Building 1956 and Rastogi 1987, the unit of analysis is understood as a complex of inter dependent parts. Skills and abilities are treated as inputs from the environment and employee's behavior are treated as outputs. In this model, the various HRM practices can be combined into the three types of control systems: behavioral control, (through behavior), output control (through appraisal and reward system), and input control (through selection and training). They consider the relational feedback from the environment and discuss the internal adjustments in response to this feedback.

AGENCY TRANSACTION

Hill,C and R, Hoskisson 1987, suggest the Agency and transaction cost theory in strategic management literature for studying diversification. These have implications for the design of HRM practices. The role of HRM practices is to allow the measurement of unique conditions and to provide adequate rewards for individual employee performance. Researchers like Jackson and Scholar (1995) have explained transaction cost theory and agency theory separately.

Agency theory focuses on the contracts between parties who delegate work for another (that is, the agent). According to them, agency theory suggests several conditions under which contracts are more likely to monitor the behavior (for example, salary and merit).

Transactional cost theory assumes that a business enterprise can chose governance structures that economize associated transaction costs by establishing, monitoring, evaluation and enforcing agreed upon exchanges.

HUMAN CAPITAL THEORY

Scholar and Jackson (1995) proposed the human capital theory. Organizations enable them to be productive and adaptable there by making these people as the human capital of the organization. This theory contains important contextual factors such as market conditions, union, business strategies and technology. They can affect the cost associated with alternative approaches for using HRM to increase the value of the organization's human capital and value of the alternative returns.

NON-STRATEGIC MODELS

According to Wright and Mc Mahan (1992), it is necessary to understand the non-strategic determinants of HRM in order to understand the way in which HRM practice can support or fail a firm's strategy. It is not the result of a rational, strategic decision-making process but is derived from institutional and political forces in the firm.

RESOURCE - DEPENDENCE AND POWER MODELS

This theory describes the power and politics models of strategic HRM. It focuses on the relationship between an organization and its constituencies. The resource - dependence approach is dependent on other actors. The theory based on three key factors that determine the dependence of one actor on another. First is the importance of the resource for the continued and survival of the operation, second is the extent to which an interested organization or individual has control over the alternatives for the resource and outcomes, third is the power and politics approach demonstrates the potential for the strategic HRM function to increase its role as a strategic partner in the firm.

INSTITUTIONAL THEORY

Institutional theory is based on social entities that seek approval for their performances in socially constructed programs and practices in organizations to attain legitimacy through the social construction of reality.

GENERAL MODELS
Delery and Doty (1996) draw on three dominant modes of the theorizing strategic HRM: Universalistic, Contingency and Configurationally perspectives.

Universalistic perspective emphasized on the best practices approach to strategic HRM. This provides high performance work practices for TQM, participation and empowerment, incentive pay, employment security, promotions, training and skill development result in high productivity and profit across organization.

Contingency perspective highlight that in order to be effective, organization's HR policies must be consistent with different strategic positions and firm performance and Configuration approach is concerned with the pattern of planned human resource developments and activities intended to enable an organization to achieve its goals. Richardson and Thompson renamed the first two approaches as 'best practice' and 'best fit', as the third approach.

THE BEST-PRACTICE APPROACH

This approach is suggested by Pfeffer's (1994) According to him a set of best HRM practices and that adopting them will lead to superior organizational performance. He listed out the seven HR practices of successful organizations:

1. Employment security
2. Selective hiring
3. Self - managed teams
4. High compensation contingent on performance training
5. Reduction of status differentials sharing information.

The 'best practice' rubric has been attacked by a number of commentators and in accordance with contingency theory it is difficult to accept that there is any such thing as universal best practice. What works well in one organization will not necessarily work well in another because it may not fit its strategy, culture, management style, technology or working practices.

BEST FIT

'Best fit' is more important than 'best practice'. There can be no universal prescriptions for HRM policies and practices. It all depends. This is not to say that 'good practice' or 'leading-edge practice' - i.e. practice that does well in one successful environment - should be ignored. The starting-point should be learned that can be adapted to fit its own particular strategic and operational requirements. The starting-point should be an analysis of the business needs of the firm within its context (culture, structure, technology and processes). This may indicate clearly what has to be done. Thereafter, it may be useful to pick and mix various 'best practice' ingredients, and develop an approach which applies those that are appropriate in a way that is aligned to the identified business needs.

THE CONFIGURATIONAL APPROACH

As Richardson and Thompson (1999) comment, 'A strategy's success turns on combining "vertical" or external fit and "horizontal" or internal fit'. They conclude that a firm with bundles of HR practices should have a higher level of performance, provided it also achieves high levels of fit with its competitive strategy. This has emphasized the importance of 'bundling' - the development and implementation of several HR practices together so that they are interrelated and therefore complement and reinforce each other. The process is sometimes referred to as the use of 'complementarities' or as the adoption of a 'configurational mode'.

HIGH PERFORMANCE MANAGEMENT MODEL

High-performance working model involves the development of a number of interrelated approaches which together make an impact on the performance of the firm through its people in such areas as productivity, quality, levels of customer service, growth, profits, and ultimately, the delivery of increased shareholder value. This is achieved by 'enhancing the skills and engaging the enthusiasm of employees' (Stevens, 1998)41. According to Stevens, the starting-point is leadership, vision and benchmarking to create a sense of momentum and direction, measuring progress constantly. He suggests that the main drivers, support systems and culture are:

- Decentralized, devolved decision-making undertaken by those closest to the customer so as constantly to renew and improve the offer to customers.
- Development of people capacities through learning at all levels, with particular emphasis on self-management and team capabilities, to enable and support performance improvement and organizational potential.
- To build trust, enthusiasm and commitment towards performance, operational and people management processes aligned to organizational objectives.
- Fair treatment for those who leave the organization as it changes, and engagement with the needs of the community outside the organization.

High-performance management practices include rigorous recruitment and selection procedures, extensive and relevant training and management development activities, incentive pay systems and performance management processes.

HIGH COMMITMENT MANAGEMENT MODELS

It emphasize a number of factors like care growth and trainability at all level in the organization, a high level of functional flexibility, the reduction of hierarchies and status differences within the managerial cadres, and lastly, a heavy reliance on team structure for disseminating information (team briefing), structuring work (team working) and problem - solving (quality circles).

HIGH INVOLVEMENT MANAGEMENT MODEL

This approach involves treating employees as partners in the enterprise whose interests are respected and who have a voice on matters that concern them. Focused on...
communication and participation, the aim is to create a climate in which a continuing dialogue between managers and the members of their teams takes place in order to define expectations and share information on the organization's mission, values and objectives. This establishes full mutual understanding of what is desired, and a framework for managing and developing people to ensure that it is achieved.

**STRATEGIC HRM PRACTICES**

HRM practices are the organizational function that consists of practices that may help the organization deal effectively with its people during the various phases of the employment cycle. The concept of strategic HRM practices implies that these should form part of strategic thinking within an organization at both formation and implementation stages. The strategic HRM practices are those that are theoretically or empirically related to overall organization performance. The SHRM practices according to their impact on employee skills, motivation, and work design features that generating, sustaining and reinforcing competencies.

**Conclusion**

Human beings are now seen as one of the several resources that go into the transformation from inputs to outputs in the form of goods and services. Thus, the need for managing human resources results in personnel management emerging, and the discipline of personnel management designed as an important functional area of management takes shape. Human resource is viewed more as "human" than as a "resource". The human being is seen as the pivot around which and by whom the resources are managed. At this stage, the external environment comes into the picture as a vital consideration in internal managerial decision making. Human resource becomes strategic to organizational interests. The strategic dimension lends a high-level visibility to human resources; that probably explains the emergence of SHRM. No doubt, the complexity of managing human resources is likely to increase but so will the sophistication of approaches and techniques for managing the human resources. The strategic HRM practices are those that are theoretically or empirically related to overall organization performance and the different theories of SHRM offers interesting insights as well as significant pointers to the shape of things to come. Establishes full mutual understanding of what is desired, and a framework for managing and developing people to ensure that it is achieved. Human resource is accepted as a critical component of a business firm's strategy designed to attain competitive advantage. The main objective of SHRM is to ensure that the organization has the people with the skills and knowledge it needs to achieve its strategic objectives.

**Reference**

- Rastogi, P 1987,Intelligent Management System(cybernetic analysis of Industrial Organization


Ibid., Price(1997).

Ibid., Budhwar (2000).


<table>
<thead>
<tr>
<th>Time period</th>
<th>Evolutionary HRM</th>
<th>Influences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late 19th Century</td>
<td>Clerical operation</td>
<td>Immigration to the US from all over the world</td>
</tr>
<tr>
<td>Early 1900s - 1930s</td>
<td>File drawer maintenance</td>
<td>Market pressure world war 1, great economic depression</td>
</tr>
<tr>
<td>1930s - 1950s</td>
<td>Unions, role specialization labour</td>
<td>Growth of labour unions, world war 2</td>
</tr>
<tr>
<td>1960s - 1970s</td>
<td>Legal ramification of policies,</td>
<td>Government legislations</td>
</tr>
<tr>
<td></td>
<td>regulatory issues, compensation,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>benefits and appraisal.</td>
<td></td>
</tr>
<tr>
<td>1970 - 1984 HRM, HRD</td>
<td>Strategic business part here, health</td>
<td>Globalization, economic liberalization</td>
</tr>
<tr>
<td></td>
<td>care, cost containment, OD, team work</td>
<td></td>
</tr>
<tr>
<td></td>
<td>and communication</td>
<td></td>
</tr>
<tr>
<td>1984 - strategic HRM</td>
<td>Strategic player, adding value, mergers</td>
<td>IT and communication revolution, globalization continues, emergence of</td>
</tr>
<tr>
<td></td>
<td>and acquisitions, downsizing and</td>
<td>China and India as new centers of economic power.</td>
</tr>
<tr>
<td></td>
<td>diversity</td>
<td></td>
</tr>
</tbody>
</table>

***