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Strategic Human Resource Management

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Strategy and HRM Linkage

Although the importance of a linkage between strategy and HRM had been long recognized most senior managers paid insufficient attention to this aspect in strategy formulation and implementation. Different organisations structured their HRM function vis-a-vis strategic management in different ways. Golden and Ramanujam (1985) propose four types of linkages between strategy and HRM. These are: administrative linkage, one-way linkage, two-way linkage, and integrative linkage. In the administrative linkage phase HR managers have neither the time nor interest in strategic focus and senior managers do not regard employees as among the key success factors in business. The next phase is the one-way linkage, where the link between HRM and strategic management is one sided - often from strategic management to HRM. In this situation HR managers design systems, programmes and practices to implement business plans. The two-way linkage phase entails a dynamic and multi-faceted linkage that is based on a holistic relationship. In the process of integrative linkage, HR managers are an integral part of the senior management team and contribute significantly to strategy formulation and implementation.

Strategic Human Resource Management

Traditionally, in the West, organisations tried to achieve competitive advantage by financial, technological and marketing maneuvering. Human resources were hardly aligned with strategic moves and functioned in isolation. The strategy planners focused more on economic analysis and planning rather than on people aspects in strategy formulation and implementation (Dyer, 1984; Starkey and McKinley, 1993; Tichy, Fombrun, and Devanna, 1982). But economic analysis totally ignores human resources as a strategic leverage and takes human resources for granted at the strategy formulation stage. As a result, problems crop up during the implementation stage.

As against this, strategic HRM necessitates that one moves beyond the economic analysis and planning model to an analysis of HR issues involving values, beliefs, morale, commitment, competencies and capabilities of employees. Since in the ultimate analysis competitive battles are won or lost on the basis of the actual behavior of employees in different business activities; their commitment, productivity, innovation, dedication to customer satisfaction, and quest for quality determine the winners and the losers. An organisation loses its competitive advantage when its distinctive competencies are imitated by its competitors - in fact, all distinctive competencies can be imitated by competitors given the time and resources. However, competitive advantage that is achieved through a skilled and motivated work force is probably the most difficult to imitate.

The HR function becomes strategic when it is actively involved in strategy formulation. This means that HR issues get sufficient consideration in the organisational goal setting process as well as its implementation, i.e., mobilization of the right people with the right competencies and commitments towards the strategic goals.

Strategic Challenges before HR Managers

There are some strategic challenges which need the immediate attention of HR managers. These are:

(1) Communication of the corporate vision

(2) Developing a culture of quality and productivity

(3) Creation of learning environment

(4) Transfer of the human resource activities to the line managers

Communication of the Corporate Vision

In order to achieve competitive advantage through human resources an organisation will have to get more of an employee as a person, i.e. greater psychological involvement and higher personal commitment to work than is normally expected of him. Therefore, the major task before HR managers is to get commitment from all employees.

The corporate vision is a motivational instrument, which mobilizes employees to rally behind the organization's goals. A challenging and inspiring corporate vision gives the employees a sense of direction and meaning. They take pride in belonging to the organisation and are therefore ready to commit more of their time, energy and work to achieving the organization's goals. When employees identify themselves with the long-term goals of the organisation and are emotionally tied to them they would be ready to work beyond the normal organisational expectations.

Developing a Culture of Quality and Productivity

Most Indian organisations face the problem of a soft-work culture that exhibits itself in a marginal concern for productivity and quality by employees; there is little concern for the needs of internal and/or external customers; employees fail to perceive the interdependence between the organisational and personal goals. Often personal and family goals take precedence over organisational goals. Not surprisingly, organisational goals are treated casually in such situations. Such a work culture would mean the death knell of any organisation in the new economic and business scenario. Competitive pressures necessitate a change in work culture to one characterized by equality, productivity and customer satisfaction. This three-pronged value system must be owned and practiced by all the members. They must also improve upon them continuously.

HR managers should, therefore, launch a culture change programme in their organisations which aims at changing the employees' deep-rooted values and beliefs about productivity norms, quality standards and customers. The first step in this direction would be to measure the existing levels of quality, productivity and customer satisfaction. The next step would be to set realistic targets for their improvement. The third step is to introduce change with the support of the top management. Lastly, it would be necessary to communicate information about the different facets of change to all employees.

Often, it is seen that while employees change their behavior in the desired direction, they are unable to sustain this change for too long. This is not unexpected as initially there is enthusiasm for and high expectations from the `change programme', but when these expectations are belied, employees revert back to their old behavior. Therefore, continuous education, training and development, as well as provision of opportunities to use what is learnt, will go a long way in sustaining the culture of quality and productivity.

The role of HR managers is not restricted to the development of a quality and productivity culture within their organisations, but extends to assisting vendor organisations to improve their quality and productivity. This is because unless quality components and parts are supplied by the vendors, an organisation cannot improve the quality of its products. Therefore, vendors should also be quality conscious and cost effective. This may be achieved in two ways. Firstly, HR managers can help vendor development managers in educating the employees of the vendor organisations to achieve the requisite quality and productivity standards. Secondly, they can assist them in developing quality systems and productivity improvement programmes. In both these endeavour, HR managers would need to work in tandem with the managers responsible for dealing with the vendor organisations.

Senior HR managers will also have to be concerned with the cost of human resources as several Indian organisations are either overstaffed or lack the requisite manpower. It is necessary that organisations maintain high stand of quality and productivity with low labour cost.

Creation of a learning environment

Organisational learning is not restricted to only knowing but also involves creating knowledge and utilizing it to bring about a change in the organisational functioning. There are two components of organisational learning - one, knowledge acquisition and creation; second, its implementation. Creation of knowledge is possible at all levels of an organisation because every human being is capable of understanding and improving. Unfortunately, unlike their Japanese counterparts, Indian companies failed to involve the workers and supervisors in the organisation learning process. Middle managers were made responsible for maintenance activities instead of being encouraged to innovate or facilitate learning in the organisation. The responsibility of organisational learning was restricted entirely to the top management, which had little time for it.

In the present context it has become necessary for HR managers to promote a learning environment where every employee learns, creates knowledge, and improves management systems and practices. They would need to create systems in which employees are encouraged to take risk, and experiment, and where it is acceptable to fail and commit mistakes; where improvement and learning are valued as integral parts of work life. This is not an easy task, for before such a learning environment can be created concerned efforts have to be made to change the static, risk-averse, passive and non-involved behavior of employees.

Importance of Strategic HRM

People are something India has plenty of. But any CEO's biggest problem is getting the right people. In the era of liberalization, globalization, free competition, total quality, cross-cultural alliances, mergers & acquisitions, and fast changing equations of power, the competition for people is twice as intense as the battle for customers. This makes Managing People Strategically an imperative today.

SHRM is the process of changing an organisation, stakeholders outside it, groups inside it, and people employed by it so that they possess the required competencies and are able to use them effectively. It focuses on the HRD effort, defined as the coordinated learning activities undertaken by HRD practitioners, operating managers and employees, to support business plans.

Strategic Management of human resources is imperative because:

- The exclusive source of knowledge for organisations is people.
- Only people communicate knowledge resources across the organisation.
- Only people can convert knowledge into efficient action.
- Every successful operation is the competent and strategic deployment of people and their knowledge.
- It moves the thinking away from an inward focus to an outward-inward focus.
- It forces managers to think in terms of organisation-industry-environment interface.
- It is necessary to sustain the competitive advantage through employees.
- It is essential for an organisation to survive in terms of productivity, quality, efficiency, speed, effectiveness, technology, customer and customer delight, skill development.

SHRM involves analysis of HR issues like values, beliefs, morale, commitment, and competencies. The extent of presence of these traits makes the essential difference between winners and losers. It addresses the following key issues:

- Job responsibilities must facilitate personnel development.
- Business strategies must consider HR issues.
- All HR strategies should flow from business strategies and plans.
- Change management must energize and inspire people at all levels.

Organizations frequently forget the returns that investments in people post: the more you invest in people, the exponentially greater your rewards. Like good writing is simply putting the right words in the right place, good management is placing the right people in the right jobs.

If thought generates knowledge, the credo of tomorrow's corporations is clear. It knows. And, therefore, it is. But knowledge to today's - and tomorrow's- business enterprise is not the understanding of the unchanging, as Plato thought it was. It is not the perception of agreement and disagreement between two ideas, as philosopher John Locke would have it. It is, actually, a combination of know-what, know-why, and know-how, as embedded in the consciousness of the only entity capable of producing and processing it, i.e., People.

What the rail road was to 19th century enterprise, what the assembly line was to 20th century manufacturing, knowledge is proving to be just that to 21st century business. As the driving force behind the new economy, it is powering corporations towards ways of doing business that they never thought possible. And as the most important determinant of the distinctive way in which every organisation operates, it has become a factor of production today. As per management guru Peter F. Drucker. "Knowledge is the only meaningful resource today". For, access to other resources is no longer limited. Capital flows freely across borders, unerringly seeking out companies that need it. Technology is available to CEOs who cannot grow it - for the right price. Raw materials are free to be transported across the globe. Information is available to anyone who wants to flag it down on the digital highways. Aware of his importance to the corporation's objectives, the individual now looks upon his employment with a company as an opportunity to test his own knowledge and apply it to his work. Compelled to meet the demands of each of its employees even as it copes with the bewildering reality of free competition, total quality, cross-cultural alliances, merges and acquisitions, and fast-changing equations of power, corporate sector is realizing the importance of people in the new paradigm of business.

KNOWLEDGE LEADS TO COMPETITIVE EDGE

Just where, then, can a corporation hope to get an edge over its rivals? The answers: innovation in the market. Originality of service. And a deep understanding of customer needs that goes beyond the articulated wishes which market surveys yield. Only one factor could provide all the three abilities: knowledge. And its only source is people. Increasingly, the real value addition is knowledge. As we move towards a knowledge-based society; the knowledge worker is becoming crucial. Organisations that have world-class ambitions will need to nurture knowledge workers. What makes knowledge - and, by extension, people - the most vital resource for corporations, however, is not merely its importance in generating competitive edge, it is also its scarcity.

Significantly, people are also the only resource that corporates cannot move freely across boundaries. What they're doing, therefore - as Japanese management guru Kenichi Ohmae points out - is to leverage their access to information, capital, and technology to break the old concepts of national business, and set up operations anywhere in the world that it wants to. And one of the most important considerations for the emerging global, boundary-less corporation is the local availability of top-class intellectual capital.

In the past, it was role of the strategist within the company - typically, the CEO and the top management - to set the corporate objectives which the processes were meant to contribute to. In itself, none of the processes approached the company's goals directly; the combined effect, however, was meant to add up towards that end.

Today, CEOs are aiming each of their processes directly at customer satisfaction - be the customer external or internal. So what determines the course that a particular activity - from taking an order to assembling, from responding to a complaint to dispatching a truck of products to the dealer - takes is knowledge: about the customer's needs; about the company's capabilities; and crucially, about the ways in which the second can be leveraged to meet the first. It is the greater demand being made by customers that's making people increasingly important. Because they are both the source and the conduit of knowledge, it is people who lie at the heart of the core functions of the corporation, as well as of the management initiatives that are shaping its operations. As per Adi B. Godrej, "All corporates strengths are dependent on people".

GOOD PRODUCT DEPENDS ON HUMAN RESOURCES

Companies that compete on the strength of their products have no choice but to use people as the source-spring for winning concepts. Relying on the genius of the inventor - or the reverse engineering skills of the technical, as corporates did in the past, is no longer enough. To be sure, product improvements can be generated by people independent systems that convert articulated and implicit customer expectations into specific features. But breakthrough products can be created only through intensive, planned human efforts that systematically scrutinize the realm of ideas - many of them originating in strictly people related activity such as laboratory research. Indeed, the development of a successful product depends crucially on using knowledge as a core competence of the corporation.

QUALITY MANUFACTURING DEPENDS ON HUMAN RESOURCES

The more hi-tech dominates the shop floor, the more crucial today is the role of people in manufacturing. Adam Smith's production model for division of labour, where each individual repeated a micro-task endlessly, has been made defunct by the delegation of all repeatable tasks to automation. Sure, today's most modern factory employs far fewer people than its predecessor, but each of them is a vital resource, which cannot be replaced by any other. Contemporary manufacturing practices are assigning entire tasks to teams or workers on the shop floor, leaving them free to share precise responsibilities among themselves. Thus, the unique contribution of each team-members is crucial to the performance of that team. Ultimately, therefore, a company's manufacturing will be more effective than its rivals', not because of an intrinsic difference in technology, but because its people are using the technology more cleverly.

EFFECTIVE MARKETING DEPENDS ON HUMAN RESOURCES

To convert customers from wandering experimenters to loyalists, companies are being forced to improve the quality of contact with them. Marketers are enveloping their clone-prone products in layers of unique services in order to introduce new and exciting forms of customer interacting. And the quality of the service component, so crucial in generating customer value, is naturally determined by the ability of the individuals delivering it. In fact, as companies focus on customer satisfaction, the marketing imperative is to build relationships between the company and the buyer, using a variety of services. For, with technology and selling tools both freely available even as the customer refuses to be swayed by brand image alone, the only area where companies can still hope to improvise without being initiated immediately is service. And, as the proportion of services in the global economy climbs, people are becoming the principal instrument to delight the customer.

EFFECTIVENESS OF MANAGEMENT TECHNIQUES DEPENDS ON HUMAN RESOURCES

The management initiatives that corporates are taking in response to today's imperatives are bringing people squarely centre stage. The doctrine of core competence that CEOs are using to exit from business that they have no competitive advantage in involves identifying the fundamental strength of the corporation. Corporates are discovering that their core abilities lie not in particular products or product categories, but in unique expertise. Or, the knowledge pool and skills of their people. Similarly, companies are being driven by younger competitors to disown their inefficient methods - legacies from a competitionless past - and re-engineer their business. And they're realizing the re-engineering will not succeed unless the right people with the appropriate set of skills are in place to manage the new process, Equally important, re-engineered processes will bring no improvement unless CEOs ensure that their people's mindsets are re-engineered too. In other words, it is a corporation's people who will make or break the application of hot management tools.

Recognizing this, successful techniques are focusing directly on people instead of technologies or processes, operating on the principle that devising systems for getting the best out of people will automatically maximize corporate performance. So companies are deploying their people in teams on the shop floor and in the manager's cubicles, using them to solve problems innovatively and meet stretch targets. Simultaneously, they're wielding the principle of empowerment: pushing decision making for every task down the line to the people closest to that particular task. The motive of course is to ensure that the knowledge resource of each individual is applied directly to the tasks they have to perform.

SUCCESS OF ORGANIZATIONAL STRUCTURE DEPENDS ON HUMAN RESOURCES

Transcending tautologies, CEOs are demonstrating that new organisational forms - capable of coping with today's management initiatives- depend on people for their success. To be sure, any corporate structure is a pattern for deployment of people. But the new configurations or the corporations that are emerging share one common objective: make the best possible use not only of technology, systems, or capital, but also of human resources. For instance, in their attempt to orient every action in the organisation towards the customer, corporations are dismantling vertically functional departments and replacing them with horizontal, cross-functional, and process-centric teams. The objective: assign ownership of each process to a group of people, making them responsible for its success or failure to ensure that it meets its target. As a result, the onus of performance is no longer on rigid systems, but on the resourcefulness, initiative, and responsibility of the process-owners.

Even as they become pivotal to business processes, people are beginning to play another indispensable role in the life of the corporation: spreading its knowledge resources. Today, a corporation's knowledge resources exist in the brains of its people and not all of it can be codified in rulebooks, manuals, and compendia for anyone to access. According to a Benckiser India, "Knowledge can never be static. To each new frontiers of knowledge, people of superior caliber and understanding are essential. And if leveraging your knowledge resources is the only way to win in the new economy, each of your people cannot but be the CEO's most important asset."

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