

SHIV SHAKTI

International Journal in Multidisciplinary and Academic Research (SSIJMAR)

Vol. 6, No. 1, February 2017 (ISSN 2278 – 5973)

“Definition and Stages of evolution of HR Strategies”

Indira Sharma

Academic Associate at IIM Indore,

PrabandhShikhar,

Rau- Pithampur Road, Indore (MP),

Phone- 0731-2439666

Email Address- indiraraosharma@gmail.com

Dr. Manmeet Singh

Faculty at Medi-Caps Institute of Technology & Management,

Pigdamber road, Indore (MP),

Phone- 0731-4259650

Email address- manmeetsingh9@gmail.com

Impact Factor = 3.133 (Scientific Journal Impact Factor Value for 2012 by Inno Space
Scientific Journal Impact Factor)

Global Impact Factor (2013)= 0.326 (By GIF)

Indexing:



“Definition and Stages of evolution of HR Strategies”

Abstract

This paper seeks to review the literature on HR Strategies with special reference to the stages of evolution of HR Strategies and establish a relation between Strategic Human Resource Management (SHRM) and HR Strategies. It aims to explain the importance and role of HR Strategies and determining the research gap in this area. The paper intends to provide a conceptual review of the past literature in the areas of evolution and definition of HR Strategies. The main limitation of this review is that the study is completely based on secondary source of review no primary study is done. Thus, the study does not provide any empirical evidence to support the literature of the article. All the provided literature is written based on the findings gained from the previous studies. This study can increase the knowledge of the evolution and definition of HR Strategies. This will help in the formulation and implementation of HR Strategies in any organization which will in turn enhance the effectiveness of the managers. This in turn can help the organization to operate at high efficiency. The study helps the scholars orient their research in HR Strategies by providing them a better understanding of the construct. Also provides a ray of direction in which the field is going and what are the existing gaps.

1.1 Introduction:

The changing and competitive environment is creating more challenge to the industries resulting into unstable than ever before. Manufacturing industries are thus seeking to gain competitive advantage at all cost and are turning to more innovative sources through HRM practices (Sparrow, Schuler, & Jackson, 1994). Human Resource being prime source of competitive advantage, distinctive competencies can be obtained through highly developed employee competence, distinctive organizational cultures, management process and systems. The organization's human resource management policies and practices must fit with its strategy in its competitive environment. The primary action of human resource management is to translate business strategies into human resources principles and practices.

From the above literature it can be concluded that HR Practices have a significant impact on the organizational effectiveness and performance. External business environment strongly influence HR Practices, which calls to change the existing practices. Since the change is quite rapid and inevitable, hence the change should be handled in a proactive manner in order to keep up with the organizational performance and outcomes. This calls for the integration of HR Practices with the business strategy. This emerged the new phase of HR known as Strategic Human Resource Management (SHRM).

2.1 Strategic Human Resource Management (SHRM)

The concept of SHRM became popular in the 1980s with the development of two models viz. the Matching model and the Harvard model. These models proposed the integration of strategy and HRM. Jackson and Schuler (2000) contented that HR is seen as “potential contributor to the creation and realization of the organization’s mission, vision, strategy and goals”. Schuler (1992) concluded that, SHRM is largely concerned with ‘integration’ and ‘adaptation’. Its purpose is to ensure that HRM is fully integrated with strategy, HR policies are coherent and HR practices are accepted by line managers. Gradually, SHRM started becoming more popular. Researchers defined SHRM in different ways. Some of them are:

Definitions of Strategic Human Resource Management (SHRM):

Table 2.1: Definitions of Strategic Human Resource Management (SHRM)

Source	Definition
Ulrich (1997)	The process of linking HR practices to business strategy.
Wright and McMahan (1992)	An outcome, the pattern of planned HR deployments and activities intended to enable a firm to achieve its goals.
Snell, Youndt, and Wright (1996)	Organizational systems designed to achieve sustainable competitive advantage through people.
Miller (1987)	Those decisions and actions which concern the management of employees at all levels in the business and which are related to the implementation of strategies directed towards creating and sustaining competitive advantage.

Theoretical Framework of Strategic HRM (SHRM) has been often used as the basic framework for the investigation of HR strategy and firm performance. SHRM has three different perspectives viz; universalistic, contingency, and configurational. Different perspectives are explained as under:

Universalistic perspective: Universalistic perspective calls for “best practices,” which implies that some HR practices are always better than others. Accordingly, firms that adopt these practices will see better performances. Within this school of thought, seven practices have been consistently identified as strategic HR practices (Osterman, 1987; Sonnenfeld&Peiperl, 1988): internal career opportunities; training systems; appraisals; profit-sharing plans; employment security; voice mechanisms, including formal grievances systems plus participation in decision making; and the degree to which jobs are tightly or narrowly defined. Despite its criticisms, many researchers have supported the universalistic predictions (Abowd, 1990; Gerhart&Milkovich, 1990; Leonard, 1990; Terpstra&Rozell, 1993).

Contingency perspectives: Contingency perspectives entail that an organization needs to adopt specific HR policies and practices for different strategies.

Configurational perspectives: Configurational perspectives in SHRM are concerned with how patterns of multiple, planned HR deployments and activities achieve the organization’s goals.

Becker & Gerhart, (1996) suggested that an organization must develop an HR system that achieves both horizontal and vertical fit. ***Horizontal fit*** refers to the internal consistency of the organization’s HR policies or practices, and ***vertical fit*** refers to the congruence of the HR system with other organizational characteristics, such as a firm’s strategy. Numerous authors (Arthur, 1992; MacDuffie, 1995; Miles & Snow, 1984) have attempted to develop prior typologies of effective HR strategies and link the performance of HR systems to firm strategy.

Key theoretical contributions under Strategic Human Resource Management (SHRM):

Table 2.2: Chronological representation of key theoretical contributions under Strategic Human Resource Management (SHRM):

Reference Study	Key Contributions
Wright and McMahan (1992)	SHRM is primarily focused on the pattern of planned HR deployments and activities which are intended to help organizations to achieve their objectives.
Wright and McMahan (1992) Bennett et al. (1998)	An effective SHRM requires the effective integration of all phases of the strategic planning process with human resource practices.
Huselid et al. (1997)	SHRM includes employee participation and empowerment, communication, team based work design, and development of managers of the organization.
Whitener (1997)	SHRM is more important than technical HRM in bigger companies.
Singh (2003)	SHRM has significant relationship with firm performance.
Purcell and Hutchinson (2007) Paauwe (2009)	SHRM impacts employee's beliefs and behaviour's.
Morris and Snell (2010)	SHRM, policies and practices when mutually reinforced, create a strong impact on organizational goals.
Azmi (2010)	Identified four constructs of SHRM viz. HRM-Strategy Fit (HSF), HR Roles-Position Fit (HRF), HRM Intra- functional Fit (HIF), HRM-Cross-functional Fit (HCF).

From the above literature it can be concluded that SHRM is a pattern of planned HRM activities (HR policies and practices) intended to achieve the organizational goals. It is necessary to integrate all the phases of planning process for effective SHRM. It includes employee participation and empowerment, communication, team based work design, and development of managers of the organization, integration among these practices leads to effective SHRM in turn enhances the firm performance. The pattern of decisions regarding these policies and practices are termed as HR Strategy (Bamberger et al., 1996).

3.1 Link between SHRM and HR Strategy:

SHRM and HR Strategy are closely related to each other. Bamberger & Meshoulan, (2000) contented that SHRM is not unrelated to HR strategy. Indeed, the formulation and enactment of an HR strategy is designed to “link HR policies and practices with the strategic goals and objectives of the firm” (Truss & Gratton, 1994) is a key element of SHRM. Thus, if SHRM is the process by which organizations seek to link the human, social, and intellectual capital of their members to the strategic needs of the firm, espoused HR strategy is the road map that organizational leaders use to secure that link, and emergent HR strategy is the road actually travelled.

3.2 Evolution of HR – HR Becoming a More Strategic Function

HR since its emergence is continually evolving in different forms. HR is continually transforming to accommodate the various changes in order to be effective and match the requirements of the era.

The emergence of HR was started during Industrial revolution in eighteenth century. In this era labours were considered as bonded labour and no importance was given to labourers. The labour conditions were also very poor. With the advent of industrialization in nineteenth century collective unionization was introduced resulting into the emergence of new HR term called Industrial Relations. Gradually, with the corporate growth another term known as Personnel management was introduced. Here labours were considered as human and their personnel issues like absenteeism, welfare were considered. After certain period of time and rise of MNC's the personnel management was failing to manage all the issues related with the labours. Thus, with additional functions a new term was introduced known as People management. In this phase of evolution of HR the labours were considered as professional workforce. Further, due to technological revolution people management was deteriorating in satisfying the functions of HR. Thus a new term Human Resource Development (HRD) was introduced, were the labours were considered as important stakeholders in business. With the introduction of globalization HRD was not satisfying all the functions of HR. Thus, Strategic Human Resource Management was introduced, were the HR was considered as the intellectual asset. Figure No. 3.1 is the schematic representation of Evolution of HR.

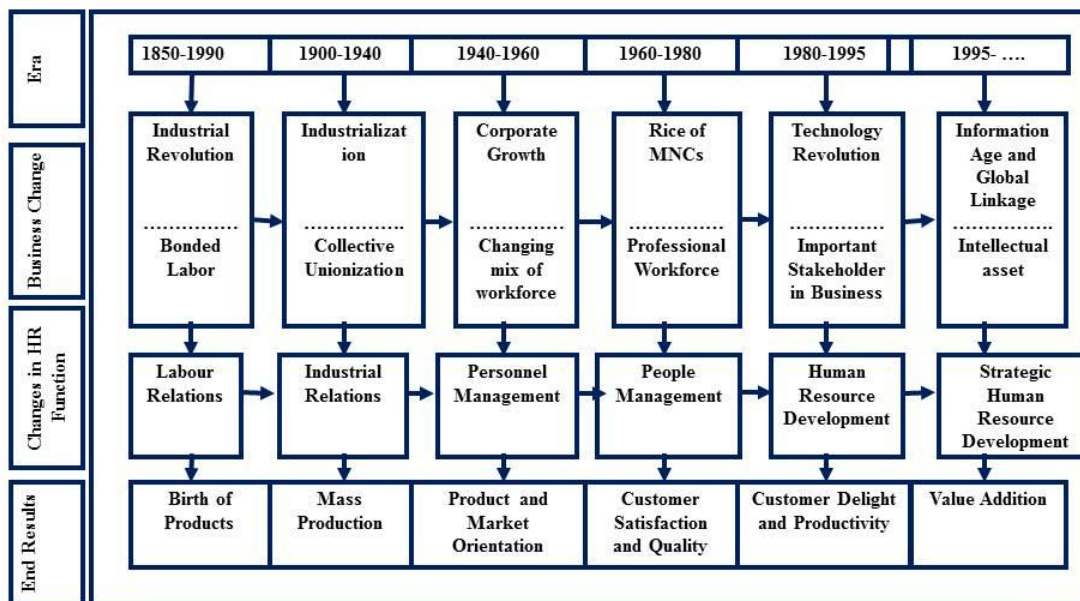


Figure: 1.7 Evolution of HR: HR Becoming a More Strategic Function

Source: Chandra and Kabra (2000)

4.1 HR Strategy:

With the changing dynamics, the HR Practices are becoming more strategic in nature hence there is greater need for HR Strategy. HR Strategy means accepting the HR Practices as a strategic partner in the formulation of the company's strategies as well as in the implementation of those strategies through HR activities such as recruiting, retaining, motivating, rotating and rewarding personnel. Strategy formulation is concerned with making decisions with regard to defining the organization's vision and mission, establishing long term and short term objectives to achieve the organization's vision and selecting the strategy to be used in achieving the organization's objectives. Strategy implementation is concerned with aligning the organization structure, systems and processes with the chosen strategy.

Strategy is defined as a unified, comprehensive and integrated plan beneficial to the organization in certain contingencies and to achieve organizational goals (Jauch and Glueck 1988). As it is said that the right person on the right job gives a better outcome, thus the

attainment of corporate goals is only possible with an effective and motivated human resource. They recognized the importance of appropriate human resource strategies, policies and practices for effective and efficient achievement of organizational goals.

Miles and Snow, 1978 conceptualized HR strategy as an outcome, the pattern of decisions regarding the policies and practices associated with the HR system.

Bamberger and Fiegenbaum, (1996) suggested that there exists a difference between the firm's "espoused" HR strategy and its "emergent" strategy. Their assumption was based on the fact that strategy at any level, regarding any organizational system is not the outcome of a rational, explicit, and top-down process. Instead, it is a negotiated order (Strauss, Schatzman, Ehrlich, Bucher, & Sabshin, 1963), shaped by the political manipulation of those interests and institutions likely to be affected by the outcomes of the strategic decision-making process.

According to Bamberger and Fiegenbaum, (1996) **Espoused HR strategy** is the pattern of HR-related decision made but not necessarily implemented. It is often explicated as part of "corporate philosophy" or included as a central component of a managerial "mission statement" **Emergent HR strategy** is the pattern of HR-related decisions that, although perhaps never made explicit, have in fact been applied, i.e., the theoretical principles negotiated for people-related policies and practices in use (Bamberger and Meshoulam, 2000). Thus, HR Strategies are basically related to the implementation of decisions to achieve the desired organizational goals.

4.2 Definition of HR Strategies:

Emanoil and Nicoleta (2013) defined HRM strategies as:

- the assembly of major objectives and modalities of attaining them, of HRM concerning the optimal utilization of human resources in the long run, in order to ensure the efficiency of the organization and of the benefits of each of its members
- the assembly of the objectives, policies, programs and fundamental decisions through which it is possible to determine, for a long period of time, the general direction of the evolution and viability of HRM through the harmonization of the relations between employers and employees, meant to guarantee productivity and efficiency increase within the organization

- a mixture of significant activities, substantiated and elaborated by HRM in the long run, directed to the effective utilization of human resources, in order to attain the goals of the organization and to satisfy the needs of the employees
- a distinct field of the strategy of the organization's management through which HRM strategy envisages in the long run recruiting, selecting, training and developing the employees' performances, their motivation and responsibility in order to efficiently attain the goals of the organization
- the mission, namely the long term commitment aims and modalities of HRM through the specific involvement of the other resources of the organization in order to attain its objectives.

Several researchers have defined HR Strategies in different ways. The Classification of the definition of HR strategies is as follows:

Table 4.1: Classification of the definition of HR strategies

References	Definition of HR Strategy
Fombrun, et al. (1984)	The process which are typically concerned with devising ways of managing people which will assist in the achievement of the organizational objectives.
Pettigrew (1986)	A subject which is more likely to be in the breach than the observance.
Dyer and Holder (1988)	Decisions concerning major HR goals and the primary means in pursuit of these goals. Four key ends or goals identified were: Contribution, composition, competence, and commitment.
Butler, et al. (1991)	Firm's deliberate use of human resources to help it gain or maintain an edge against its competitors in the market place.
Lundy (1994)	An outcome which was the pattern of decisions regarding the policies and practices associated with HR system.
Tyson (1995)	Something expressed through philosophies, policies and practices in order to manage its employees.
Bamberger et al (1996)	The pattern of decisions regarding the policies and practices associated with the HR system.
Ulrich(1997)	HR strategy is the outcome: that is, the agenda for the HR

	system, defining “the mission, vision and priorities of the HR function”.
Koys (2000)	"Mission statements," "philosophy statements" and other formal documents like HR Practices

Thus, the working definition of HR Strategy derived from the above definitions is “HR Strategy is a pattern of decisions (i.e. the behavioural part) regarding the policies and practices use of HR or co-ordinated set of actions aimed at managing people with objective of achieving the organizational goals.

5.1 Managerial Implications of the study

Strategic management is vital to manage the changing environment and HR strategy is the major component of strategic management. Researchers explicated the importance in various ways, which is described as under:

Becker, (1954) through his human capital theory suggested that Human Resource should be managed strategically like other economic assets (e.g. land, machinery) because of the knowledge, skills, and abilities that people bring to organizations also have the economic value to organizations. Williamson, (1981) contended that strategic approach to HRM can minimize the costs involved in controlling internal organizational exchanges.

Eisenhardt, (1989) suggested that the strategic approach to HRM provides significant returns to the firm. Strategic Management involves employees to manage the required change in the organization. Employee behaviours are considered significant in the successful implementation of strategy. Thus, it becomes necessary to implement better HR Strategies in the organization to attain the required employee behaviours.

Baron and Kreps, (1999) contended that the adoption of a strategic approach to HRM allows a firm to adopt more streamlined governance systems.

Thus, it can be concluded thatSHRM play a major role in attaining organizational goals and strategies in the changing environmental conditions and an effective SHRM requires a better formulation and implementation of HR Strategy, as HR Strategy is the core of SHRM.

.....

References:

- Bamberger & Fiegenbaum (1996) Human resourcestrategy: formulation, implementation and impact.Sage Publication, Inc.
- Abowd, J.M. (1990). Does performance-based managerial compensation affect corporate performance? *Industrial and Labor Relations Review*, 43, 52-73.
- Arthur, J. (1992). The link between business strategy and industrial relations systems in American steels minimills. *Industrial and Labor Relations Review*, 45(4), 488-506.
- Azmi F T (2010), "Devolution of HRM and Organizational Performance: Evidence from India", *International journal of Commerce and Management*, Vol. 20, No. 3, pp.217-231.
- Bamberger & Meshoulam 2000; Human resource strategy: formulation, implementation and impact Sage Publication, Inc.
- Bamberger, P. and Fiegenbaum, A. (1996), “The role of strategic reference points in explaining the nature and consequences of human resource strategy”, *Academy of Management Review*, Vol. 21 No. 4, pp. 926-58.
- Bamberger, C. M., Schulte, H. M., & Chrousos, G. P. (1996). Molecular determinants of glucocorticoid receptor function and tissue sensitivity to glucocorticoids. *Endocrine reviews*, 17(3), 245-261.
- Baron, J. N. & Kreps, D. N. (1999). *Strategic human resource management: Framework for general managers*. New York: John Wiley & Sons.
- Becker, B. (1954). Decrease in intraocular pressure in man by a carbonic anhydrase inhibitor, Diamox: a preliminary report. *American journal of ophthalmology*, 37(1), 13-15.

- Bennett, N., Ketchen, D. J. & Schultz, E. B. (1998). An examination of factors associated with the integration of human resource management and strategic decision-making. *Human Resource Management*, 37(1), 3-16.
- Butler, J.E., Ferris, G.R., & Napier, N.K. (1991). *Strategic human resources management*. Cincinnati, OH: South-Western.
- Chandra, A., & Kabra, S. (2000). *Human Resource Strategy, Response Book*.
- Dyer, L. and G.W. Holder. (1988). A strategic perspective of human resource management. In L. Dyer and G.W. Holders (Eds), *Human resource management: Evolving roles and responsibilities*, 1-45. Washington, DC: American Society for Personnel Administration.
- Eisenhardt, Kathleen M. 1989. Building theories from case study research. *Academy of Management Review* 14(4): 532–550.
- Emanoil, M., & Nicoleta, M. S. (2013). Defining aspects of human resource management strategy within the general strategy of the modern organization. *Annals of the University of Oradea. Economic Science Series*, 22(1), 1526-1535.
- Fombrun, C. Tichy, N.M and Devanna, M.A (eds) (1984). *Strategic Human resources management*, New York. Wilen.
- Gerhart, B., & Milkovich, G.T. (1990). Organizational differences in managerial compensation and financial performance. *Academy of Management Journal*, 33, 663-691.
- Huselid, M. A., Jackson, S. E., & Schuler, R. S. (1997). Technical and strategic human resource management effectiveness as determinants of firm performance. *Academy of Management Journal*, 40(1), 171–188.
- Jackson, S. E. & Schuler, R. S. (2000). *Managing human resources: A partnership perspective*. Cincinnati, OH: South-Western College.
- Jauch, L. R., & Glueck, W. F. (1988). *Business policy and strategic management*. McGraw-Hill.
- Koys J Daniel (2000), “Describing the Elements of Business and Human Resource Strategy Statements”, *Journal of Business and Psychology*, Vol. 15, No. 2, pp. 265-278.
- Leonard, J.S. (1990). Executive pay and firm performance. *Industrial and Labor Relations Review*, 43, 13-29.

- Lundy. O (1994); from personnel management to strategic human resource management. *The International Journal of Human Resource Management* 5(3):667-720.
- MacDuffie, J. P. (1995). Human resource bundles and manufacturing performance: organizational logic and flexible production systems in the world auto industry. *Industrial and Labor Relations Reviews*, 48, 197–221.
- Miles, R. E. and Snow, C.C. (1984), “Designing strategic human resource systems”, *Organizational dynamics*, Vol. 13.
- Miles, R.E. and Snow, C.C. (1978): *Organizational Strategy, Structure, and Process*. New York, McGraw-Hill.
- Miller, P. (1987) 'Strategic Industrial Relations and Human Resource Management - Distinction, Definition and Recognition', *Journal of Management Studies*, 24(4): 347-61.
- Morris, S., & Snell, S. (2010). The evolution of HR strategy: adaptations to increasing global complexity. In A. Wilkinson, N. Bacon, T. Redman, S. Snell (Eds.), *The SAGE handbook of human resource management* (pp. 84-99). London: Sage.
- Osterman, P. (1987). Choice of employment systems in the internal labour market. *Industrial Relations*, 26, 46-67.
- Paauwe, J. (2009) HRM and Performance: Achievement, Methodological issues and prospects. *Journal of Management studies* 46(1).
- Pettigrew, T. F. (1986). The intergroup contact hypothesis reconsidered.
- Purcell, J., & Hutchinson, S. (2007). Front-line managers as agents in the HRM-performance causal chain: Theory, analysis and evidence. *Human Resource Management Journal*, 17, 3–20.
- Schuler, R. S. (1992). Strategic human resources management: Linking the people with the strategic needs of the business. *Organizational Dynamics*, 21 (1), 18-32.
- Singh, K. (2003). Strategic HR orientation and firm performance in India. *International Journal of Human Resource Management*, 14(4), 530–543.
- Snell, S. A., Youndt, M. A., & Wright, P. M. (1996). Establishing a framework for research in strategic human resource management: Merging resource theory and organizational learning. *Research in personnel and human resources management*, 14, 61-90.

- Sonnenfeld, J.A., & Peiperl, M.A. (1988). Staffing policy as a strategic response: A typology of career systems. *Academy of Management Review*, 13, 588-600.
- Sparrow, P., Schuler, R. S., & Jackson, S. E. (1994). Convergence or divergence: human resource practices and policies for competitive advantage worldwide. *International Journal of Human Resource Management*, 5(2), 267-299.
- Strauss, A., Schatzman, L., Ehrlich, D., Bucher, R., & Sabshin, M. (1963). The hospital and its negotiated order. *The hospital in modern society*, 147(169), b52.
- Terpstra, D.E., & Rozell, E.J. (1993). The relationship of staffing practices to organizational level measures of performance. *Personnel Psychology*, 46, 27-48.
- Truss, C. & Gratton, L. (1994). Strategic human resource management: a conceptual approach. *The International Journal of Human Resource Management*, 5(3), 663-86.
- Tyson, S. (1995). *Human resource strategy*. London: Pitman Publishing.
- Ulrich, D. (1997). *Human resource champions*. Boston, MA: Harvard Business School Press.
- Whitener, E. M. (1997). The impact of human resource activities on employee trust. *Human Resource Management Review*, 7, 4, 389–404.
- Williamson, O. E. (1981). *The Economics of Organization: The Transaction Cost Approach*. *American Journal of Sociology*, 87, 548-577.
- Wright P and McMahan G C (1992), “Theoretical Perspectives for Strategic Human Resource Management”, *Journal of Management*, Vol. 18, No. 2, pp. 295-320.