

UNIT – I

INTRODUCTION TO STRATEGIC HRM

Strategic Human Resource Management: Meaning, Benefits and Other Details | HRM

Strategic Management

Strategic management is the process of formulating, implementing and evaluating business strategies to achieve organisational objectives. Cunningham' has defined strategic management as a manner by which organisations plan to deal with the various aspects of management like problem perception, divergent thinking, substantial resources, decisions making, innovations, taking risks and facing uncertainty.

Meaning of strategic HRM:

Human Resource Management

The best way to understand strategic human resources management is by comparing it to human resource management. **Human resource management** (HRM) focuses on recruiting and hiring the best employees and providing them with the compensation, benefits, training, and development they need to be successful within an organization. However, strategic human resource management takes these responsibilities one step further by aligning them with the goals of other departments and overall organizational goals. HR departments that practice strategic management also ensure that all of their objectives are aligned with the mission, vision, values, and goals of the organization of which they are a part.

Strategic Human Resource Management

Strategic human resource management is the practice of attracting, developing, rewarding, and retaining employees for the benefit of both the employees as individuals and the organization as a whole. HR departments that practice strategic human resource management do not work independently within a silo; they interact with other departments within an organization in order to understand their goals and then create strategies that align with those objectives, as well as those of the organization. As a result, the goals of a human resource department reflect and support the goals of the rest of the organization. Strategic HRM is seen as a partner in

organizational success, as opposed to a necessity for legal compliance or compensation. Strategic HRM utilizes the talent and opportunity within the human resources department to make other departments stronger and more effective.

Importance of Strategic HRM

When a human resource department strategically develops its plans for recruitment, training, and compensation based on the goals of the organization, it is ensuring a greater chance of organizational success. Let's think about this approach in relation to a basketball team, where Player A is the strategic HR department, and Players B through E are the other departments within the organization. The whole team wants to win the ball game, and they all may be phenomenal players on their own, but one great player doesn't always win the game. If you've watched a lot of sports, you understand that five great players won't win the game if each one of those five great players is focused on being the MVP.

That's not how a basketball team wins, and it's not how an organization wins either. A team wins when its members support each other and work together for a common goal. Player A, our strategic HR department, must work with players B, C, D and E, our different organizational departments. They must run plays that they have planned out beforehand, assist when necessary to help another player get the basket, and compensate for the weaknesses of one in order to create a stronger team as a whole. When a team works together to reach that common goal, only then can they be truly successful.

You could also look at strategic HRM as the team captain or coach, as his or her responsibilities are a little bit different from those of the other players. Human resources departments are charged with analyzing the changes that need to occur with each 'player' or department and assisting them in strengthening any weaknesses. **Strategic human resource management** then is the process of using HR techniques, like training, recruitment, compensation, and employee relations to create a stronger organization, one employee at a time.

Strategic HRM, therefore, is concerned with the following:

1. Analyse the opportunities and threats existing in the external environment.

2. Formulate strategies that will match the organisation's (internal) strengths and weaknesses with environmental (external) threats and opportunities. In other words, make a SWOT analysis of organisation.
3. Implement the strategies so formulated.
4. Evaluate and control activities to ensure that organisation's objectives are duly achieved.

Benefits of strategic management:

The strategic HR framework aims to leverage and / or align HR practices to build critical capabilities that enable an organisation to achieve its goals. Strategic management offers both financial and non-financial benefits to an organization which practices it.

Fred R. David' has listed the following benefits that strategic management brings for an organization:

1. Allows identification, prioritization and exploitation of opportunities.
2. Provides an objective view of management problems.
3. Represents a framework for improved co-ordination and control of activities.
4. Minimizes the effects of adverse conditions and changes.
5. Allows major decisions to better support established objectives.
6. Allows more effective allocation of time and resources to identified opportunities.
7. Allows fewer resources and lesser time to be devoted to correcting erroneous or adhoc decisions.
8. Creates a framework for internal communication among personnel.
9. Helps to integrate the behaviors of individuals into a total effort.
10. Provides a basis for the clarification of individual responsibilities.
11. Gives encouragement to forward thinking.
12. Provides a co-operative, integrated and enthusiastic approach to tackling problems and opportunities.
13. Encourages a favourable attitude towards change.
14. Gives a degree of discipline and formality to the management of a business.

Role of HRM in strategic management:

We have already mentioned that strategic business plan is formulated to achieve competitive advantage. From this specific strategy for each functional area viz., marketing, finance, production operations and human resources need to be drawn in alignment with strategic business plan to carry out the organisational plan.

In other words, the formulation of organisational strategy is integrative with the formulation of functional strategies. Here, human resource strategy assumes more importance because it provides human resources for other functional areas also.

Lengnick Hall and Lengnick- Hall in this respect argue in 'Strategic Human Resource Management' that reciprocal interdependence between an organisation's business strategy and human resource strategy underlines the proposed approaches to the strategic management of human resources.

This suggests that we must recognize that human resources integrally affect the overall strategy of an organisation. With this in mind, we are now discussing the integrative role played by human resources in the strategic management of an organisation.

Strategic human resource planning:

Human resource planning is a process that identifies current and future human resources needs for an organization to achieve its goals. Human resource planning should serve as a link between human resource management and the overall strategic plan of an organization. Ageing workers population in most western countries and growing demands for qualified workers in developing economies have underscored the importance of effective human resources planning.

As defined by Bulla and Scott, human resource planning is 'the process for ensuring that the human resource requirements of an organization are identified and plans are made for satisfying those requirements'.^[1] Reilly defined workforce planning as: 'A process in which an organization attempts to estimate the demand for labour and evaluate the size, nature and sources of supply which will be required to meet the demand.'^[2] Human resource planning includes creating an

employer brand, retention strategy, absence management strategy, flexibility strategy, talent management strategy, recruitment and selection strategy.

The planning processes of most best practice organizations not only define what will be accomplished within a given time-frame, but also the numbers and types of human resources that will be needed to achieve the defined business goals (e.g., number of human resources; the required competencies; when the resources will be needed; etc.).

Competency-based management supports the integration of human resources planning with business planning by allowing organizations to assess the current human resource capacity based on their competencies against the capacity needed to achieve the vision, mission and business goals of the organization. Targeted human resource strategies, plans and programs to address gaps (e.g., hiring / staffing; learning; career development; succession management; etc.) are then designed, developed and implemented to close the gaps.

These strategies and programs are monitored and evaluated on a regular basis to ensure that they are moving the organizations in the desired direction, including closing employee competency gaps, and corrections are made as needed. This Strategic HR Planning and evaluation cycle is depicted in the diagram below. Human resource planning is the ongoing process of systematic planning to achieve the best use of an organisation's most valuable asset – its human resources. The objective of human resource (HR) planning is to ensure the best fit between employees and jobs, while avoiding workforce shortages or spares. The three key elements of the HR planning process are forecasting labour demand, analysing present labour supply, and balancing projected labour demand and supply.

Implementation stages

1. Assessing the current HR capacity

- Develop a skills catalog for your employees so that you have a clear understanding of what your staff currently holds. This employee catalog should include everything from volunteer activities to certifications, of all degrees not just topics pertaining to their

particular position. These catalogs can be assessed to deem whether or not an employee is ready to add more responsibility, or to forecast the employee's future development plans.

2. Forecasting HR requirements

- This step includes projecting what the HR needs for the future will be based on the strategic goals of the organization. Keep in mind you will need to also accommodate for external challenges that can affect your organization.
- Some questions to ask during this stage include:
 - Which jobs will need to be filled in the upcoming period?
 - What skill sets will people need?
 - How many staff will be required to meet the strategic goals of our organization?
 - Is the economy affecting our work and ability to appeal to new employees?
 - How is our community evolving or expected to change in the upcoming period?

3. Gap analysis

- During this step you will observe where your organization is currently, and where you want to be in the future. You will identify things such as, the employee count, and the skills evaluation and compare it to what will be needed to achieve your future goal. During this phase you should also review your current HR practices and identify what you are doing that is useful and what you can add, that will help you achieve your goal.
- Questions to answer in this stage include:
 - What new jobs will we need?
 - What new skills will we need?
 - Do our present employees have the necessary skills?
 - Are employees currently aligned to their strengths?
 - Are current HR practices adequate to meet our future goal?

4. Developing HR strategies to support the strategies of the organization.

- There are 5 HR strategies that you can follow to meet your organizational goals.
 - Restructuring strategies

- This includes reducing staff, regrouping tasks to create well-designed jobs, and reorganizing work groups to perform more efficiently.
- Training and development strategies
 - This includes providing the current staff with training and development opportunities to encompass new roles in the organization
- Recruitment strategies
 - This includes recruiting new hires that already have the skills the organization will need in the future.
- Outsourcing strategies
 - This includes outreaching to external individuals or organizations to complete certain tasks.
- Collaboration strategies
 - This includes collaborating with other organizations to learn from how others do things, allow employees to gain skills and knowledge not previously available in their own organization.

How Does HRM Influence Organizational Performance?

- Effective HRM systems increase an organization's ability to meet its goals, enhance its ability to grow and manage change, and increase employee engagement, effort, and performance.
- Managing HR helps organizations with strategic risk, operational risk, financial risk, and compliance risk.

The most effective HRM systems are based on solid research, identifying and implementing best practices, and aligning the HRM system with organizational goals and environmental realities.

TABLE 1-2 What Effective HRM Systems Do

- Improve organizational efficiency
- Contribute to revenue growth
- Increase employees' understanding of their responsibilities and how they relate to the organization's mission, business strategy, and goals
- Develop and enhance employee capabilities and talents to enable strategic execution and goal attainment
- Equitably link rewards to responsibility level and performance
- Promote the efficient and effective utilization of employees' skills and knowledge
- Increase employee engagement, effort, and performance
- Increase the organization's ability to manage change
- Decrease an organization's legal liability for compliance with employment laws