

# Research Proposal on Strategic Human Resource Management

## **Title**

*"The key aim of Strategic Human Resource Management is to give an Organization a Competitive Edge".*

## **Aim**

By conducting this research we shall try to understand the resultant competitive edge to an Organization through SHRM and how it is different and a better approach to Human Resource Management, traditionally known as Personnel Management.

## **Objectives**

1. To explain how traditional HRM is more about transactional activities.
2. To analyze the proactive approach of Strategic HRM.
3. To explain the benefits of SHRM to the organization over HRM.

## **Research Questions and Hypothesis**

1. Is there a relationship between Strategic human resource management and competitive edge of the company?

Ans: yes, there is a significant relationship between Strategic human resource management and competitive edge of the company.

2. Is there a relationship between traditional human resource management and strategic human resource management?

Ans: yes, there is a significant relationship between traditional human resource management and strategic human resource management.

3. Is there a relationship between financial upliftment of a company and strategic human resource management?

Ans: yes, there is a significant relationship between financial upliftment of a company and strategic human resource management.

### **Background**

By conducting this research we shall make an attempt to find how the effectiveness of SHRM and to develop the relationship between SHRM and competitive edge of an Organization. We shall also include in our research the emergence of SRHM from traditional Personnel Management approach prior extensively used in organizations.

Definition:

"The linking of human resources with strategic goals and objectives in order to improve business performance and develop organizational culture that foster innovation, flexibility and competitive advantage". For an Organization, SHRM means viewing HR function and accepting it as a strategic partner of the business, partner in formation and implementation of business strategies through HR activities like Recruitment and Selection, Training, Performance Appraisal, etc. (Armstrong, Michael (2006)).

Recently, Human Resource Management is no more an administrative activity. Today, an HR manager has more responsibilities than in older days. HR department works as a strategic partner of the organization and adds to the competitive advantage of the company. Because of Globalization, we have to make sure that HRM is handled smartly. Globalization has resulted into mixed demographics of workforce, sudden changes in business context, and changes in the concerns of business from profit centric to growth centric, technological changes and many others that a company goes through. (Devana, Fombrumm, & Tichy, 1981; Wrightt, 1998).

In today's time, for any company to succeed and achieve a competitive edge over the other, it is important for the HR department to not only look into the administrative aspect and transactional activities relation to the job, but also formulate strategies for business in sync with its goals. If this is not done, the company will sooner or later lose its relevance. There has been a considerable financial upliftment of the organization where there is an alignment between Human Resource Management systems and Organizational goals (*Huselid and Becker, 1997*). Along with other roles, HR now plays a role of company's strategic business partner (Ulrich, 1998). A company automatically reached excellence and high performance where the HR practices are strongly aligned to stated strategies of the company (*Young and Scott, 1996*).

## **TWO WAY VERTICAL FIT**

According to this approach, the HR has to align its activities such that it results in achievement of goals of the business. Not only this, but HR plays a vital role in formulating and implementing such strategic goals and activities. (*Golden and Ramanujan, 1985*). A role of a strategic partner to the business is played by the Human resource Department. Today, a proactive role is played by the Human resource department/ manager. HR is expected to formulate strategic alternatives for future (*Brockband, 1999*). HR is now expected to make changes in the organization by forecasting imminent changes in the external environment. HR is also expected to change with the changing trends and make necessary changes in culture, make suggestions for mergers and acquisition by studying market scenarios, stay updated with the changing market, etc. HR should not restrict itself to routine activities of recruitment and selection, payrolls and other administrative activities. Unlike before, HR has a more proactive role to play. It is expected to make policy decisions based on global perspective and make suggestions for formulating strategies. This does not mean HR is free from traditional role of administrative activities. Today, HR is more responsible for strategic decisions along with transactional activities. (*Hendry and Pettigrew, 1990*)

### **Literature Review**

SHRM is considered to be a broader approach to traditional HRM because here, the HR links the broader strategic goals of the organization with its activities. (Singh, 2003). Today, the HR formulates a performance appraisal system for identifying the level of performance of each employee based on the competencies for that job and whether that performance is resulting into achievement of the final business goals. Earlier, the HR used to just identify the competencies of the job which were in turn determined by the requirements of the company. Also the performance appraisal system is efficiently backed by a strong reward plan. Rewards are distributed to the employees who are outstanding performers and have helped in increasing the organizations efficiency. This acts as a motivational force in retaining a competent employee. To attract and retain the right talent, the organization should come up with a proper reward or compensation plan. It not only helps in motivating the employee to give his 100% but also improves the overall culture of the company (Lawler, 1984).

There are numerous external and internal factors that influence the strategy formulation of a company. These are the PEST (Political, Economical, Social and Technological) factors (Formbrun (1984). The organizationa should have all the communication support to get information about changes in these factors. An organization's smooth functioning is strongly influenced by economical growth; changes in demographics of workforce, political changes, growth in substitute market, etc. these factors have a strong influence on the business and so it is vital to have an alignment of HR with the possible changes.

There are two categories in which we can further divide external factors which influence competitive business strategy formulation and strategic HRM (Lengnick, Hall, 1988). A competitive strategy formulation is greatly influenced by industry development and structure, economic growth, scope of product and market, competitor's advantage, etc. Labor market, labor laws, skills and competencies of labor, economic conditions and changes in culture are some important external factors that affect the Human Resource strategy formulation (Lengnick, Hall, 1988).

HR strategies are formed for long term as well as short term. Primarily, goal fulfillment of the organization is the main focus of formulating short term business strategies. Short term goals of the company are achieved by formulating such strategies. Here, the HR performs a reactive role.

But, in the long run, HR has to develop long term strategies to achieve business goals. For this the HR needs to make rational decisions on recruitment, training, career paths, career development, designing reward systems, etc. (Lundberg, 1985). Strategy formulation would require the HR to take a close look on factors like the prevalent culture, style of leadership by the CEO and current conditions of business. Factors like history of the organization, vision and mission, financial investments, technological investments, laws, rules and regulations, unions, etc. determine culture and leadership style. The anticipated environmental conditions and condition of industrial growth greatly influence these business conditions. How well the current business strategies work in the current scenario, helps in determining the future business strategies (Lundberg, 1985).

To attain a competitive edge through HR, it is important for HR to add to it many competencies to raise its level from the current role of administrator. HR should have many other competencies apart from its general role of handling payrolls, recruitment, grievance handling, insurance and medical claims processing like sound knowledge of the business activities, dealing with strategic issues, should be able to measure its own contribution to the business growth, etc (Huselid and Becker, 1999). Some obstacles viewed by Tony Rucci that hinders the proactive role of HR are:

- Lack of ability of the HR professional to study the market.
- Risk averse nature of the HR professionals.
- Low confidence in implementing an innovative approach.

Lack of support from the management who feels no need for HR to take a role of strategic business partner acts many a times as an obstacle to a proactive by the HR and acting as a strategic partner (Devanna et al., 1981). It is with the help of

line managers that HR can implement Strategic Human Resource Management (Ulrich, 1998). Line managers can share the responsibility of HR of handling grievances of floor employees to free the HR to take up strategic role. Hence, HR should closely work with the line managers and keep them in loop. As line managers work in direct touch with the employees, they are better exposed to the problems faced by these employees and hence they can bring a better solution to their problems. This will help the HR to get more time for its strategic role.

### **Difference in the role of SHRM from traditional role of HR**

#### **Difference in Scope**

The role of HR is limited in comparison to the broader role of strategic human resource management.

HR was earlier expected to play a reactive role to support the managers to carry out the activities to achieve the goals of the organization. So, HR was involved in transactional activities like recruitment and selection, manpower planning, preparing job description and job evaluation, patrols, appraisals of employees, etc. SHRM has a broader role to play. They help the employees to understand their potential and develop it, growth of employees is vital to them, provide strong leadership and guidance, bring about positive change in culture, bring transparency in communication process, etc. this does not stop them from concentrating on the transactional activities which were earlier undertaken by them. It only means that the expectations from HR have been increased (Brockband, 1999).

#### **Difference in Approach**

HR used to place a lot of importance on policies and procedures, established rules, etc. these policies and procedures were developed by HR then, and it also made sure that rules were followed throughout the organization. But, with changing role of HR from HRM to SHRM, the efforts have shifted from policy following to fulfillment of organizational goals and now HR is ready to bend rules and policies to see that these goals are achieved. (Lawler, 1984).

### Difference in Nature

Nature of management followed by HR is reactive and that followed by SHRM is proactive. Functioning of business was not the area of HR in earlier days. HR had no interaction with any department. It functioned independently. There was a minimal interaction between HR staff and other departmental staff. It had a reactive approach to the changes in the external environment and strategies were only implemented to match and cope up with the changes. In contrast to this, the SHRM approach has a strong integration with the strategies of the company and it is proactive in aligning the workforce of the company with achievement of business goals. (Lengnick, Hall, 1988). HR rewarded employees based on their performance, whereas SHRM first establishes the standard of performance and then based on their performance in relation to the standard, they employee is rewarded, punished, promoted, demoted or placed on training.

### Difference in Application

HR was just confined to its administrative activities and had no involvement in core business or line managers. Earlier HR had no knowledge of business functioning and was not even expected to know the market scenario and trends. But, SHRM not only is integrated to core business strategies but also help in formulating strategies for future. The role of formulating HR strategies which was the main domain of HR earlier, now is carried out by the line managers and operational managers in co-ordination with the HR. (Lengnick, Hall, 1988)

### **Research Methodology**

Here, quantitative methods would be deployed since it is a source of collecting in depth information and also helps in comparison of different aspects and over a period of time. Questionnaires would be designed which would be presented to CEOs and Managers or organizations for collecting data. Such data would help us in

determining the effectiveness of Strategic Human Resources Management and how it helps in achieving competitive edge.

## **Data Collection**

### Sampling

It is very important to make a careful choice of our sample, since a wrong choice would lead to incorrect result of our research. Sample should include inputs from a variety of industry and mostly from medium size organizations where they have a proper HR department.

We shall make use of simple random sampling where such respondents would be chosen from population of organization size of 500 and more employees and where they have shifted from traditional HR practices to SHRM.

### Sample Size

It has been decided to conduct a research on at least 25 organizations with employee strength of more than 500 employees and from different industries. Since the population would be heterogeneous, it will help us to justify the effectiveness of SHRM over traditional HRM.

### Data Analysis

Once the data is collected by the way of interviews, such data has to be analyzed to come to the conclusion of effectiveness of Strategic Human Resource Management and its contribution to achieving a competitive edge. Statistical tools like linear and multiple regressions will be used to derive the relationship between the SHRM and the resultant competitive advantage to the organization.

## **Ethical Consideration and Issues**

Interaction with participants would be done after prior appointment and approval from the respective managers of the organization. Questions would not be forced



upon them to answer. Rather the purpose of our study would be explained to them to make them more comfortable to reply.

Their consent will be taken before publishing the findings and if they demand, an element of confidentiality would be maintained.

The data would be collected in the form of soft copy of their answer sheets and would be saved in a separate folder which can be easily accessed.

### **Time Frame**

<b>Activity</b>	<b>No. of Days</b>
Selecting sample	15 days
Selecting sample size	10 days
Preparing questionnaires	10 days
Meeting Managers	30 days
Analyzing data	15 days
Storing data	10 days
Preparing a final report	20 days
<b>Total</b>	<b>110 days</b>

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