UNIT -2 STRATEGIC HUMAN RESOURCE MANAGEMENT (SHRM)

Structure

2.0   LEARNING OUTCOME

Study of this Unit will enable you to:

- Understand strategic human resource management;

- Bring out aspects and main features regarding its application; and

- Discuss the major approaches to strategic human resource management and feature its main models;

2.1   INTRODUCTION

Globalisation has put pressure on governments and businesses to carry out structural alterations or adjustments, diversify businesses, specialise processes, optimise 'efficiency,' sustain and augment productivity, maintain competitive edge all in the face of increasing cost constraints. There is need for economical utilisation of human capital through right capacity building strategy for desired organisational performance.

To cut costs, unplanned retrenchment of human resource has become a frequent though by no means a desirable organisational practice. Strategy should be evolved to maximise the utility of the HR function. HRM management per se may not be targeted or specific enough to achieve desired accuracy of policy. For example how targeted are employee benefit policies? What is the impact on

productivity? What modifications are needed? Corelations based on empirical analyses would need to be drawn

Therefore, combining human capital regulation with overall business strategy; economising operations to maximise 'efficiency,' is what is understood in common parlance as strategic human resource management.

Strategic human resource management is relevant to all organisations- public or private, irrespective of form, *hierarchic* or *networked fluid or command-control etc.* SHRM has both *policy* and *operative* aspects. Understanding of SHRM ranges from a *'reactive'* management field where human resource management is a tool with which to implement strategy, to a more *proactive* function in which HR activities can actually create and shape organisational strategy. Human resource management being an architectonic activity may not be targeted or specific enough to achieve desired levels of accuracy and *economy* in policy making and implementation. There is therefore need for strategic human resource management for cost effectiveness of HR programmes.

Hence, SHRM is predicated on two fundamental assertions. *First,* an idea that an organisation's human resources are of critical strategic importance; that the skills, behaviours and interactions of employees have the potential to provide both the foundation for strategy formulation and the means of strategy implementation. *Second,* the belief that firms' HRM practices are instrumental in developing the strategic capability of its pool of human resources. (Colbert, 2004). New perspectives continue to emerge on Strategic Human Resource Management (SHRM). The SHRM debate has progressed from considering how personnel management differs from HRM to exploring how HR can lead to more sustainable competitive advantage.

Strategic human resource management entails integrating HR practices with discrete specific strategy formulated or articulated towards identified 'end'(intermediate-end or 'mean' or desired 'value') through "hierarchic purposive behaviour" directed towards pursuit of 'final value' or 'organisational goal' through intermediate ends as perceived by Simon. Such 'end' or intermediate 'end' (also mean) is articulated academically (since public administration is cooperative rational action) and implemented through strategic decision making regarding. For instance, cost reduction or better public relations would form an identified 'end.' Human resource practice would need to be weaved into organisational strategy and implemented by means of specific strategies crafted towards identified 'end'. Organisational functioning would thus proceed as a coherent linear with each sub-policy integrally linked with overall policy till the objective is reached. SHRM is therefore contingent on (a) identification of end, (b) articulation of strategy, and (c) integration of sub strategies into the whole i.e. organisational policy. The important issue is to find ways of integrating HR strategy with organisational strategy to achieve desired economy in operations.

Key concerns in strategic human resource management therefore are listed as: aligning resources with strategies; making strategies adaptable to new courses and new strategic directions; and periodic renewal of strategic human as well as organisational resources with a view to sustaining competitive advantage for the organisation.

Wide array of questions addressed in strategic human resource management are recounted as follows: (Colbert, 2004)

- "What is the effect of HR practices on the development of a firms' human resources;

- Which HR practices lead to greater organisational performance;

- To what degree does that depend on a firm's strategy;

- How does it ensure that its individual HR practices 'fit' with one another or does 'fit' at all matter in HR practice?; and

- Must the attributes of a firms' base of human resources always align with *a priori* strategy, or can its stock of skills, knowledge and interactions drive strategic direction?"

SHRM is recognised as universal academic discipline, currently in need of a theoretical framework to impart universality to its principles. (Colbert, 2004). The key constructs and central debates in SHRM, as discussed by Colbert (2004) have grown out of the above questions, viz. best practice vs. fit, horizontal and vertical fit, fit versus flexibility, control exerting versus creativity enhancing aspects of HR systems, single dimensional and multivariate effects and appropriate theoretical frames. This will be elaborated later in the unit.

2.2 SCOPE OF STRATEGIC HUMAN RESOURCE MANAGEMENT (SHRM)

The range of activities and themes encompassed by SHRM is complex and goes beyond the responsibilities of personnel or HR managers into *all aspects of managing people* and focuses on 'management decisions and behaviours used, consciously or unconsciously to control, influence and motivate those who work for the organisation; in other words its human resource' (Purcell, 2001). Mabey, Salaman and Storey (1998) have studied the subject from four distinct perspectives:

1. The social and economic context of SHRM, including factors in the internal (corporate) and external environment that influence the development and implementation of HR strategies;

2. The co-relation between SHRM and business performance, emphasising the measurement of performance;

3. Management style and the development of new forms of organisation; and

4. The relationship between SHRM and the development of organisational capability, particularly knowledge management.

Before we move any further, it shall be better to understand fully the concept of *strategy* because it is from here that the idea of strategic human resource management (SHRM) emerges.

2.2.1 The Concept of Strategy

A strategy is a *pattern* or a *plan* that integrates an organisation's major goals, policies and action sequences in a coherent linear of decisions. A well-formulated strategy helps allocate an organisation's resources optimally into a unique and viable matrix based on relative internal competencies, shortcomings, anticipated changes in the environment, and contingent moves by intelligent opponents (game theory)

The concept of strategy is not a simple one. "Strategy" can have a number of implications. It can be described either as:

- A plan, or a similar idea; viz. direction, guide, course of action; or

- A pattern that provides for consistent behavior over time; or

- A perspective on an organisation's fundamental way of doing things; or

- A ploy or a specific "maneuver" intended to outwit an opponent or a competitor.

Evolution of Strategy

Strategy is basically a "military" term. However, it is not in this sense that it has implications for human resource management.

It was Peter Drucker who pointed out the importance of strategic decisions in 1955 in his book, *The Practice of Management*, in which he defined strategic decision as "all decisions on business objectives and on the means to reach them".

However, the importance of the concept was not fully realised until pioneers like Alfred Chandler (1962) and Michael Porter (1980) developed what could be regarded as the *Classical Approach*. This involved the use of formal and systematic design techniques based on quantifications, focused externally and concentrated on long-term plans, not being much concerned with implementation and also more or less ignoring the human element. Later writers emphasised the human and qualitative aspect of strategy. They saw 'strategy' as essentially *evolutionary,* as revealed in 'organisational behaviour' as part of organisational processes rather than something endogenous or of external or formal design. Others developed the concepts of distinctive competences and resource-based strategy. More recently, academics have stressed both implementation as well as *planning aspects of policy.*

This shift in thinking has been 'from *strategy,* to *structure* and *systems,* to *purpose, process* and *people'*. It is the later development, represented by this shift that represents the modern thinking on the subject.

Chaffee (1985) considers that academically, strategy is viewed in three distinct but sometimes conflicting ways, as, *linear strategy*, *adaptive strategy*, and *interpretative strategy.*

(a) Linear Strategy: The linear model has been used by most researchers. It focuses on planning and forecasting of likely events. Sequence of events is traced through past and present activities to its logical culmination in the 'value' or 'end' to be achieved in the future. The 'end' reached or desired is the 'organisational 'goal' to be reached through a well networked matrix of strategies and "hierarchic purposive behaviour" in pursuance of it.

(b) Adaptive Strategy: The second model is described as the adaptive strategy model and is most closely associated with the idea of 'strategic management'. This model focuses on means and is largely concerned with achieving 'fit' of a strategy with respect to internal and external factors. Public and Private organisations have to devise strategies to adjust to the changing variables in the environment to maintain organisational 'relevance,' and organisational efficiency, expressed in favourable cost benefit ratio and 'effectiveness,' or internal and external equilibrium attained by adaptation to the external 'flux'

and internal consistency of policies regarding motivation, inducement of employees towards willing cooperation.

(c) Interpretative Strategy: Interpretative model represents a minority view. It sees strategy as a *metaphor* and, therefore, not as something measured or measurable but rather, as something perceived in qualitative terms. Strategy is the visible tip of the iceberg, representing the underlying factors or the underpinning theme of organisational philosophy. This concept is more representative as there is a reflection of long- term objectives, which are glimpsed through the microcosm of specific strategies. Interpretative strategy is observational and deductive as inferences are drawn from organisational purpose and culture, precisely, the organisation's overall mode of functioning.

There could be conflict between linear, adaptive and interpretative concepts of strategy. Reconciliation may not always be practicable or possible in that short term and long term objectives may not always be congruent.

Mintzberg (1998) has identified ten 'schools' of strategy research which have developed since strategic management emerged as a field of study during the 1960s:

1.   The Design School; where strategy is perceived as a process of conception through a choice of alternatives. All contextual and contingent factors are taken into account in arriving at choice(s).

2.   The Planning School; whereby strategy is construed a formal process and a deliberate planned construct. Strategy making is put in a temporal perspective in that it is seen as evolving gradually out of a series of steps.

3.   The Positioning School; by which strategy is perceived as an analytical process; contingency of situations is taken into account in framing suitable strategies.

4.   The Entrepreneurial School; which looks upon strategy as a visionary process. There is a perception of the future and actual strategising depends on assessment of vulnerability and feasible risk taking.

5.   The Cognitive School; which opines that strategy is a mental process. It is conceived in the mind of the strategist and the degree of success attained in practice depends on the quality or level of cognition of the individual strategist. Stress is unmistakably on the quality of human capital employed at strategic positions by an organisation.

6.   The Learning School; where strategy is conceived as an evolving concept; as constantly growing and developing through the impact and interplay of internal and external forces and factors. There is a suggestion of the 'organic' view in that organisational activity is seen as dynamic, as constantly evolving, growing and rediscovering new dimensions and through interactive strategy.

7.   The Power School; views strategy as a process of negotiation resulting in an L.C.M (least common denominator) through interplay of relevant forces and factors where bargaining power of the interest or pressure groups is a factor of consequence. 'Design' sequence or stage of the decision making process (Simon, 1957) entails exploration of

possibilities which are articulated as administrative norms and proffered as inputs by interested parties to policy design.

8. The Cultural School; whereby strategy is perceived as a reflection of organisational culture or mode of functioning (whether hierarchical or team, directive or participatory). Strategy is perceived as a dependent variable. The functioning of the enterprise determines what kind of strategy is adopted or considered desirable and feasible under a given set of circumstances.

9. The Environmental School; which looks upon strategy as a 'reactive product' (responsive to stimuli from the environment). Environment is the independent variable here and strategy the dependent variable.

10. The Configuration School: whereby strategy is perceived as a process of transformation from the actual to the desired state of affairs. There is reference to organisational 'architecture' here as, organisational design (structural configuration) involving segmentation; division and coordination are altered in the desired way through the instrumentality of and for the purpose of strategy. Organisational functioning is thereby imparted required direction. Synthesis of strategy emerges which cannot be foreseen.

Formulating Strategy

Formulating strategy requires defining intentions (strategic intent) allocating and matching resources to opportunities (resource-based strategy), achieving thereby, '*strategic fit*' or balance with respect to organizational strategy. The effective development and implementation of strategy depends on the strategic capability of the organisation, which includes not only *determining strategic goals* but also *developing and implementing* strategic plans employing strategic management.

Let us now try to clarify the meaning of each of the above mentioned variables:

1. Competitive Advantage;
2. Strategic Intent;
3. Resource-based Strategy;
4. Strategic Fit;
5. Strategic Capability; and
6. Strategic Management

The concept of *Competitive Advantage* plays an important part in the theory of strategy. Competitive advantage arises when a firm creates added and unique value for its customers. A firm selects markets in which it can excel and presents a moving target in front of its competitors by continually improving upon its own position.

Strategic Intent refers to the leadership position the organisation wishes to achieve through articulation of motives and establishes a clear criterion by which progress towards its achievement has to be measured.

The concept of *Strategic Fit* implies that in order to maximise competitive advantage a firm must match its capabilities and resources to the opportunities and constraints in the external and internal environments.

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Resource-Based Strategy means, *strategic capability* of a firm depends on practicability, or its resource capability, especially distinctive resources that fetch it competitive advantage. Barney proposes four criteria for deciding whether a resource can be regarded as a distinctive capability:

a. It must result in value creation for the customer;

b. Its presence should be a distinguished rarity, compared to the competition;

c. It should be non-imitable and should have; and

d. Non-substitutability.

Strategic Capability is a concept that refers to the ability of an organisation to develop and implement strategies that help achieve and sustain competitive advantage. It is based on a deep understanding of the competitive environment, the resource base and potential of the organisation and the values that engender commitment from stakeholders of the organisation.

Strategic Management

Strategic management is operationalisation of the concept of strategy. Strategic management refers to the managerial decisions that establish the context of organisational functioning, guide internal activities and determine the path of organisational long term performance (Stahl and Grisby, 1991). It involves anticipating changes in the environment and developing proper responses. Strategic management can be regarded as a continuing process, consisting of a sequence of activities beginning with strategy formulation, advancing through strategic planning, implementation and review and culminating in revision and updating policy. In practice, the logical sequence is not always followed. The objective of strategic management is to make managers look ahead and plan accordingly. The concern is with broader issues in organisational functioning.

Strategic management is thus explained as:

- A set of decision and actions resulting in the formulation and implementation of strategies designed to achieve the objectives of an organisation (Pearce and Robinson, 1988); and

- Concerned with policy decisions affecting the entire organisation, the overall objective being to position the organisation to deal effectively with its environment.

Strategic human resource management may be described as the linking of human resource strategy with strategic goals and objectives in order to improve business performance and foster an organisational culture of innovation and flexibility.

Strategic management deals with both *ends* and *means*. As 'end', it gives a vision of how things are likely to shape up. As 'mean', it shows the path of the vision's realisation in practice.

Strategic management is therefore, visionary management which is concerned with creating and conceptualising ideas about the future of the organisation. It is also empirical management, in that it decides how in practice it is going to get there, bearing in mind that organisations function in an environment of change and adaptation.

2.2.2 Aspects of SHRM

Strategic human resource management (SHRM) includes;

1. All those activities *affecting the behavior of individuals* in their efforts to formulate and implement the *strategic needs* of business. (Schuler, 1992)

2. The pattern of *planned human resource deployment* and *activities* intended to enable the organisation to achieve its goals. (Wright and McMahan, 1992)

3. That part of the management process that specialises in the *management of human capital*. It emphasises that employees are the primary resource for gaining sustainable competitive advantage, that human resource activities *need to be integrated with corporate strategy*, and that human resource specialists help management meet *both efficiency and equity objectives*. (Tracey, 1994).

2.2.3 Features of SHRM

Features of strategic human resource management could be inferred as mentioned below:

- *Organisational level* - Because strategies involve decisions about key goals, major policies and the allocation of resources, they tend to be formulated at the top;

- *Focus* - Strategies are business-driven and focus on 'organisational effectiveness'; people are seen primarily as resources to be managed towards the achievement of strategic business goals; and

- *Framework* - Strategies by their very nature provide a unifying framework that is broad, contingency-based and integrative. They incorporate a full complement of the HR goals and activities designed specifically to fit extant environments and be mutually reinforcing and synergistic.

2.2.4 Application of SHRM

The degree to which the concept of strategic human resource management is applied within an organisation, its form and content vary in organisations. It is understood that organisations may be so preoccupied with survival tactics and managing the here and now of organising that perhaps unwisely, they miss an articulated corporate or business strategy to plan for human resource management. In these circumstances, which are typical of many organisations in the UK, where a 'short-term' perspective has prevailed, strategic human resource management cannot be practiced. Strategic approach to human resource issues is possible only in an environment where there is a strategic long- term approach of corporate or business strategy. In many organizations, planning the human resource function fulfils primarily an administrative and service role and is not involved in strategic matters.

Mintzberg argues that strategies which are actually carried through in practice show unintended features, which he terms *'emergent strategies'*. This might

result from poor strategic thinking, poor implementation or even, a sound state of realism. It reflects the view that strategic management should not be confined to the top echelons in an organisation. Emergent strategy rarely comes from the top, but rather from bright ideas and initiatives emerging from local levels which are found to work in practice and then adopted.

Modern technology allows us to develop organisations, which are differentiated, allow for local flexibility and autonomy but are highly integrated at the same time. (Price, 2004). In modern organisations, HR strategy is supported by information technology in the form of human resource management information systems and workforce management systems.

2.2.5 Implications of SHRM

Academically, the area of enquiry is interdisciplinary and as a practical craft, integrative. Understanding of the political and economic 'environment of constraints' as well as the internal sociological dynamics of the organisation, specifically the psychological underpinnings to human behaviour at work, are important in strategic human resource management.

SHRM has the following distinct implications:

1. The use of planning to maximise advantage from human resource management;

2. A coherent approach to the design and management of personnel systems based on employment policy and manpower strategy underpinned by 'philosophy'; and

3. Human resource management activities and policies are aspects of explicitly formulated business strategy.

SHRM implies accepting the HR function as integral to the formulation of the companies' strategies and implementation of the same through specific human resource processes viz. recruiting, selecting, training and rewarding personnel.

To clarify further, whereas strategic human resource management recognises HR's partnership role in the strategising process, the term HR strategies refers to specific HR policies or practices undertaken or pursued towards clearly formulated aims. These goals (like any other objectives) need to be expressed preferably in quantifiable terms so that outcomes can be measured. However, strategic HR objectives go beyond simplistic calculations and control of staff numbers and overall cost control. Strategic thinking incorporates ethical and legal considerations, which have complex implications for the achievement of a wide range of business objectives. A few are listed below.   .

(a) *Equity:* Applicants and employees should be treated fairly to minimise complaints or negative publicity.
(b) *Consideration:* There should be consideration for individual circumstances and aspirations while taking strategic decisions which affect the security, prospects and self-respect of employees.
(c) *Commitment:* Commitment and motivation of employees should be secured as a priority issue. Staff tends not to be committed to organisations, which are not committed to them.

(d) Working Conditions: Safe, healthy and pleasant conditions enhance well-being, minimise stress and improve efficiency. Physical and social working

conditions determine work efficiency significantly and need to be included in strategy.

2.3 LITERATURE ON SHRM

SHRM like any other stream in public administration and business administration is inter-disciplinary. Academic disciplines and paradigms involved directly and indirectly in the area of strategic human resource management are catalogued by Colbert (2004) thus:

-Organisation theory including institutional theory, contingency theory, configurational approaches, transaction cost analysis, behavioural perspectives; and, organisational learning.

Wright and McMahan (1992) lament the absence of a theoretical paradigm in strategic human resource management. Practical advice or presentation of empirical data to the management may not make for good theory or even practice. Lack of a strong theoretical foundation potentially undermines the ability of both practitioners and researchers in the field to optimise human resource utilisation in support of strategy. Rich integrated theoretical frameworks help focus and organise research efforts and enable the evolution of the practice of HR management into a truly strategic discipline. (Colbert, 2004)

Becker and Gerhardt (1996) raised the question of research, and the level at which it should be taken up; whether at the level of HR principles, policies or practices. They answer it by advocating an '*architectural*' approach for understanding the effects of HR system components on organisational outcomes. Desired organisational outcome should be articulated and principles, practices and policies designed in the direction of accomplishing the stated objective. For example, employees' participation in decision making would demand conducive practices, team work, participative management principles, horizontal coordination, flexible span of control, nature of supervision, etc.

As far as research in strategic human resource management is concerned, there is need to emphasise *creativity over control* and tackle the *ambiguity and complexity* of dealing with the human element. According to Colbert, the right approach would be to perceive organisations as 'organic' (analogy from biology) complex systems with a view to tapping intangible resources and making latent potentialities manifest.

As an area of academic research and policy science, R&D (research and development) is very much at the focus of SHRM. SHRM literature, presently, is not prescriptive enough to impart genuine academic credibility to the area of enquiry. Some even regard it as redundant. They feel that managements need to *act* and not waste time strategising; or rather derisively, strategy itself may not be 'strategic' enough to merit so much attention. However, the opinion has not gained ground and empirical researches show that in the present environment of competitiveness, information and communication revolution, strategising is imperative, since customers, employees and employers almost equally share knowledge resource. Hence, "where customers or buyers get smarter everyday and business processes and systems more homogenous, strategy will be crucial in securing competitive edge for organisations" (Carr, 2004)

The aim of researchers is to avoid mere observational judgments and promote *empiricism* in order to impart legitimacy to policy recommendations regarding strategic human resource theory and practice and to make the area of enquiry, objective and rational. It is felt however, (Colbert, 2004) that *ad- hoc researches* need to be replaced with a more *integrative,* theoretical framework to build genuine database or 'policy science' for more rational 'choice' function in actual decision- making situations.

2.4   APPROACHES OF SHRM

Authors have attempted to provide more analytical frameworks for strategic human resource management. Delery and Doty (1996), for example, distinguish between three different theoretical frameworks:

(a) *Universalistic;* where some HR practices are believed to be universally effective. This approach proffers common, standard, individual HR practices, and treats them as principles claiming verifiability and consistent applicability. Scholars contend that it errs in oversimplifying organisational reality since it does not explain complex system interactions and has a rather "isomorphic" than "differentiating" effect (Colbert, 2004).

(b) *Contingency;* where effectiveness of HR practices is taken as dependent on organisation's strategy, systems interaction and 'achievement of 'vertical fit' regarding policies. It goes beyond simple linear causal relationships for prescription of HR practices and allows for interaction effects and varying inter-variable-relationships (system interaction effects) during strategy formulation. The stress is on achieving 'vertical fit' or integration of policy through hierarchic levels and its consistent alignment with strategy. The idea of 'horizontal fit' envisions HR practices as "*hanging together as a coherent self-reinforcing system."(*Colbert, 2004*)*

(c) *Configurational;* where there is believed to be synergistic or mutually reinforcing relation between HR practices and strategy that are crucial for enhanced performance, whereby, researchers gather data regarding "multiple dimensions of organisations such as strategies, structures, cultures and processes into typologies of ideal types" and treat the types as independent variables. This approach therefore gives *patterns* of HR practices that together form an internally consistent whole. Ideal type model building is attempted, whereby few possible system configurations are developed. It then correlates patterns with performance. However, configurational approach confines real life possibility into two or three system types which might not in practice cover real life possibilities (Colbert, 2004)

Wright and Snell's (1998) model of SHRM aims to achieve both *fit* and *flexibility*. They emphasise distinction between HRM practices, skills and behaviour in relation to strategy on the one hand, and the issue of tight and loose coupling of HR practices and strategy on the other.

The Best Practice Approach

This approach is based on the belief that there exists a set of best HRM practices which potentially lead to superior organisational performance. Perhaps the best known set is Pfeffer's (1994) list of the seven HR practices in successful organisations.

(a)   Employment Security: This implies employee security in the face of exigencies like economic downturns or the strategic errors of senior management on which they have little or no control. It is fundamental to the implementation of such high-performance management practices as selective hiring, extensive training, information sharing and delegation. Companies are unlikely to invest in the screening and training of employees who are not expected to stay long enough for the firm to recoup its investment. And if the policy is to avoid lay-offs, the company will hire sparingly.

(b)   Selective Hiring: Selective recruitment is needed to minimise training costs. Organisations should look for people with the right attitude, values and cultural attributes that may be hard to inculcate by training. Management should also be able to predict the employee's performance and the likelihood of the employee remaining with the company for a long time.

(c)   Self-Managed Teams: These are a critical component of high-performance management systems. They:

   (i)   Substitute peer-based control for hierarchical control of work;

   (ii)   Lessen tiers in hierarchy; and

   (iii) Permit employees to pool their ideas in order to produce better and more creative solutions to work problems.

(d)   High Compensation Contingent on Performance: Compensation offered to employees is made contingent on organisational performance, for example, gain sharing or profit- sharing can be related to individual or team performance or even unique or particular individual skills.

(e)   Training: Virtually, all descriptions of high-performance work practices emphasise the role of training in providing needed skills and creating a motivated workforce that has the knowledge and the capability to perform required tasks.

(f)   Reduction of Status Differentials: The fundamental premise of high-performance work systems is that organisations should be able to tap ideas, skills and efforts of its employees. For this to be possible, status differentials should not be emphasised to the detriment of team spirit in an organisation.

(g)   Sharing Information - This is an essential component of high-performance work systems for two chief reasons. *First,* the sharing of information on the firm's financial performance and business strategies sends a positive message across to employees that they are valued. *Second,* even motivated and trained people cannot contribute to organisational performance if they do not have information on important aspects of performance and training in interpreting and using that information.

Many scholars do not subscribe to the 'best practice' theory. They believe that the notion of a single set of best practices has been over stated.

Purcell (1999) has also criticised the best practice or the universalistic view by pointing out the inconsistency between beliefs in best practice on the one hand

and the resource-based view (RBV) on the other, since the former focuses on intangibles, including HR that allows a firm to perform better than its competitors and the latter on treating people as 'resource'. While the former emphasises generalist perspective to achieving high performance, the latter targets specific resources. He asks; "how the universalism of best practice can be squared with the view that only some resources and routines are valued because of being rare and imperfectly imitable?"

In accordance with the contingency theory, it is difficult to accept that there is any such thing as a universal best practice. What works well in one organisation may not necessarily work well in another because it may not fit its strategy, culture, management style, technology requirement or working practice. As Becker (1997), remarks, 'organisational high-performance work systems are highly idiosyncratic and must be tailored carefully to each firm's individual requirement in order that it achieves optimum results.' But knowledge of best practice as long as it is known what makes it best practice, should inform decisions on what course of action should be adopted by the organisation, and Becker and Gerhar (1996) argue that the idea of best practice underlies the choice of practices as opposed to practices themselves. It is more a choice criterion rather than the characteristic of practices in an organisation.

Best Fit

For the reasons given above, 'best fit' is considered more appropriate than best practice'. This is not to say that 'good practice or 'leading-edge practice', (practice that does well in one successful environment) should be ignored. *Benchmarking* has its uses as a means of identifying areas for innovation or development practice applied to good effect elsewhere. But having learnt what works and what does not work in similar situations, the organisation has to decide what general policy should be adopted and what lessons can be learnt to make the adopted idea fit its own particular strategic and operational requirements. The requirement is an analysis of the business needs of the organisation within its own particular context, (culture, structure, technology and processes) indicating clearly what has to be done. Thereafter, it maybe useful to adopt a mix of various 'best practice ingredients', to develop an approach which applies practices that are appropriate in a way that is conducive to identified business needs.

However, there are problems with the best-fit approach, as stated by Purcell (1999), who, having rubbished the concept of best practice proceeded to do the same for best fit. The search for a contingency or matching model of HRM is limited by the difficulty of modeling all contingent variables, the difficulty of showing their interconnections, and the way in which changes in one variable impact others.

In Purcell's view, organisations should be less concerned with best fit and best practice, and be more sensitive to the processes of organisational change to 'avoid being trapped in the logic of rational choice'. It may be notable, that 'rational choice' argument does not always apply in real life situations.

A strategy's success therefore depends on combining "vertical" or external fit with "horizontal" or internal fit. A firm with better HR practices should have higher levels of performance, provided it also achieves high levels of fit with its competitive strategy.

This brings out the importance of "bundling," that is, the development and implementation of several HR practices in unison so they are inter-related, complementing and reinforcing each other. The process is referred to as the use of 'complementarities' or the adoption of a 'configurational mode'

Implicit in the notion of 'bundle' is the idea that practices within bundles are interrelated and made internally consistent, and that the impact on performance is positive, because of the overlapping and mutually reinforcing effects of multiple practices.

One might argue that the logic in favour of 'bundling' is a straightforward one. Since employee performance is a function of both ability and motivation, it makes sense to have practices aimed at enhancing both. Thus there are several ways in which employees could be made to acquire the required skills to augment 'ability' and administer multiple incentives to enhance, induce and reinforce motivation. A study by Dyer and Reeves (1995) of the various models listing HR practices that create a link between HRM and business performance revealed that activities appearing in most successful models, were involvement, careful selection, extensive training, and contingent compensation.

On the basis of his research in flexible production manufacturing plants in the United States, MacDuffie (1995) noted that flexible production mode gives employees a much more central role in the production system. They have to resolve problems as they arise, that is, at the level at which they appear in the line, which means they have to possess both the conceptual grasp of the production process and the analytical skills to identify the root cause of problems. But multiple skills and conceptual knowledge developed by the workforce in flexible production organisations would be of little use unless workers are motivated to contribute in both mental and physical capacities. Such willing effort will only be applied by workers if they 'believe that their individual interests are aligned with those of the company, and the company would make a reciprocal investment in their well-being. Flexible production techniques have to be supported by high-commitment human resource practices like employment security and good pay, which if neglected, create barriers between the management and workers. Company investment in building worker skills through training and positive reinforcement also contributes to this psychological contract of 'reciprocal commitment'. Research indicates that plants using flexible production systems and human resource practices into a system integrated with production and business strategy out perform plants using more traditional mass-production systems in case of both productivity and quality.

The aim of '*bundling*' is to achieve coherence in organisational practice. Coherence is attained when a mutually reinforcing set of HR policies and practices is developed which contributes to the attainment of organisation's strategies, for matching resources to organisational needs, improving performance and quality and, in commercial enterprises, achieving competitive advantage.

In a sense, strategic HRM is holistic in that it is concerned with the organisation as a total entity and addresses what needs to be done across the organisation as a whole to achieve corporate strategic objectives. It avoids isolated programmes and techniques and ad- hoc development of HR programmes.

David Guest (1989), in his set of propositions for HRM, stresses the idea that strategic integration is about the ability of the organisation to ensure that the various aspects of HRM are coherent. One way of looking at the concept is to say that some measure of coherence will be achieved if there is an overriding strategic imperative or driving force such as customer service, quality, performance or the need to develop skills and competences, and this initiates various processes and policies designed to link together and operate as one integrated policy to deliver certain specific results. For example, if the driving force were to improve performance, competence-profiling techniques could be used to specify recruitment standards, in identifying learning and development needs, and indicating the standard of behavior or performance required. The competence framework would be used as the basis for human resource planning and development activities. The same could also be incorporated into performance management processes in which the aim is primarily developmental and in which competence is used as a criterion for reviewing behavior and assessing learning and development needs.

The major problem with the 'bundling' approach is deciding the best way to relate different practices. There is no evidence that one 'bundle' is generally better than the other, although the use of performance management practices and competence framework are the two ways typically adopted to provide for coherence across a range of HR activities. There is no conclusive proof that bundling actually improves performance.

The general models describing the best practice, best-fit and configurational approaches, provide a useful conceptual framework, which can help in the analysis and development of strategic HRM practices. The other models analysed in this Unit, are prescriptive and should be treated with caution. They describe best practices under various headings. This may be of interest and be helpful to practitioners looking for a starting-point in the development of a people management and development strategy, but for reasons given earlier; 'best practice' approach suffers from limitations. Best fit is perhaps more helpful as it allows for the influence of distinctive business strategies such as specific sector strategies and adjustment to market or economic forces.

Any one or a combination of these approaches would prove helpful in the development of strategy although emerging consensus favors what has become known as the 'high-performance management' approach. But it will still be necessary to consider how such an approach or any other model is likely to be most appropriate in particular organisational circumstances.

Resource Based View

Strategic human resource management is an extension of the Resource Based View (RBV) of competitive advantage of a firm or an organisation. (Colbert, 2004) Proponents of RBV argue that sustained competitive advantage originates in an organisation's resource base thereby drawing attention to the internal workings of an enterprise. Strategic human resource management, therefore, emphasises the role of the manager. Optimising human and material resource comes under the functions of the executive.

RBV has helped build a productive theoretical bridge between the fields of strategy and HRM. It has been an integrative framework for optimising use of human material resources for sustained competitive edge. (Barney, 1991)

2.5   MODELS OF SHRM

There are a number of models within the rubric of prescriptive and descriptive, which within the framework of the concept of strategic human resource management form various approaches to the concept's theoretical development and practical implementation. First, there are those that refer to general approaches to strategic human resource management; second, there are those that prescribe particular approaches to the practice of strategic HRM, namely, resource capability, high –performance management (high performance working), high-commitment management, and high- involvement management.

The models of SHRM are either prescriptive or descriptive. As per Guest's model of 1987, HRM can be derived empirically and conceptually from analyses of individual practices overtime leading to testable propositions and finally, prescription of policy. There are four key elements or goals of strategic human resource management, as identified by Guest. These are: (1) *integration; (2) commitment; (3) flexibility,* and *(4) quality.* Guest's model however takes little account of contextual circumstances such as impact of situational and environmental factors on organisational practice. The other major paradigm is *functionalism,*   which draws upon functionalist sociology propounded by Comte. It follows the positive tradition adapting biological concepts to sociology. Anthropologists Malinowski and Radcliff Brown (1952) emphasised social order, stability and continuity of the 'organic whole'; the chief argument is that society holds together underpinned by the notion of purposive rationality. Transporting the concept to organisational life, hence functionalism aims at the establishment of objective knowledge. The purpose of HRM accordingly is to sustain organisational coherence by way of integration between sections constituting an organisation through strategy.

The High-Performance Working Model

High-performance working involves the development of a number of interrelated approaches which together impact favourably on the performance of the firm in areas like productivity, quality, and levels of customer service, growth, profits, and delivery of increased shareholder value. This is achieved by 'enhancing the skills and engaging the enthusiasm of employees' in goal accomplishment. The starting point is leadership vision and benchmarking to create momentum and identify direction for measuring progress constantly. It involves structural and cultural stipulations to that end. Guest suggests that the main drivers of support system or culture are:

- Decentralised decision- making, especially at the cutting edge level so as to constantly renew and improve offers or services made to customers or people in general;

- Development of people -capacities through induced learning at all levels, with particular emphasis on self-management and team capability to enable and support 'performance improvement' and enhance 'organisational potential';

- Performance, operational and people management processes are aligned to organisational objectives to build trust, enthusiasm and commitment towards the direction or course of action adopted by the organisation.

- Fair treatment of those who leave the organisation mid-course, and engagement with the needs of the community outside the organisation. This is an important component of trust and commitment based relationships, both within and outside the organisation; and;

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

In the United States, this approach is described as the use of high-performance work systems or practices. The characteristics of a high-performance work system have been defined by the United States Department of Labour (1993) as:

- Careful and extensive recruitment, selection and training;

- Formal system for information sharing with individuals who work in the organisation;

- Clear job design;

- High-level participation process;

- Monitoring attitudes; and studying behaviour;

- Regular performance appraisals;

- Properly functioning grievance redress system; and

- Promotion and compensation schemes that provide for recognition and financial reward for high performing members of the workforce.

High-performance working involves the adoption of high-performance design methods. These require certain steps in a logical sequence; as stated below:

- Management clearly defines what it needs by way of new methods of working and articulation of results expected;

- Management extends success parameters in that it continually sets goals and standards for enhanced success;

- Multi-skill acquisition is encouraged. Encouragement and training are provided for employees to acquire new skills;

- Equipment is selected that can be used flexibly and allows easy handling for optimising the socio-technical system (aspect of organisation);

- Establishment of self-managed teams or autonomous work groups for better human relations;

- Adoption of supportive rather than autocratic style (this is most difficult part of the system to introduce) of leadership to support innovation and initiative on the part of employees;

- Support systems are provided that help teams function effectively as operating units;

- The new system is introduced with care through employee involvement and communication programmes for employee empowerment;

- Training is based an objective assessment of training needs;

- Payment system is designed with employee participation to 'fit' employee needs as well as those of the management;

- Payment is related to team performance (team pay) but with provision for skill-based pay for individuals; and

- In some cases, 'peer performance review' process is used which involves team members assessing one another's performance as well as the performance of the team as a whole.

The High-Commitment Management Model

One of the defining characteristics of HRM is its emphasis on the importance of enhancing mutual commitment among co-contributors. High-commitment management may be described as a form of management that aims at eliciting commitment so that behavior is primarily self-regulated rather than controlled by sanctions and pressures applied by the management and relations within the organisation are based on high levels of trust.

Ways to achieve high commitment are:

- Development of leadership through training, with premium on commitment as highly valued characteristic at all levels in the organisation;

- A high level of functional flexibility abandoning potentially rigid job descriptions;

- Reduction of hierarchies and de-emphasis of status differentials;

- A heavy reliance on team infrastructure for disseminating information (team briefing), designing and distributing work (team working) and problem solving (quality circles);

- Understanding job design as an area of management craft to provide intrinsic satisfaction to workers;

- A policy of no compulsory lay-offs and permanent employment guarantees with the possible use of temporary workers to withstand fluctuations in the demand of labour;

- New forms of assessment and payment systems; more specifically, merit pay and profit sharing; and;

- High degree of involvement of employees in the management of quality.

The High-Involvement Management Model

While commitment might still suggest subjugation, this model is more democratic in approach, in that it involves treating employees as partners in the enterprise whose interests are respected and who have a voice in matters concerning or relating to them. There is focus on communication and participation with the aim of creating 'climate' in which continuing dialogue between managers and the members of their teams is continually maintained in order to reiterate or revise expectations as the case may be and consistently share information on the organisation's mission values and objectives. This establishes full mutual understanding of what is desired by both the management and workers and also establishes the means of managing and developing employee potential to ensure target accomplishment through better

involvement across the region. Specifically, the following structural and functional attributes are desired.

- 'On line' work teams;

- 'Off-line' employee involvement activities and problem solving groups;

- Job rotation;

- Suggestion programmers; and

- Decentralisation of quality efforts.

Clear evidence emerges from the above recount that high-involvement work practices result in superior performance although there might be tremendous variance in actual application. High - involvement work practices have a clear and demonstrated effect on productivity. The effect is 'large' enough to be of economic consequence and significance to the organisations that adopt these 'new practices'.

2.6   CONCLUSION

The key derivatives from this discussion are:

- Strategic human resource management implies linking HR practices with organisation's strategy

- There is need for a theoretical framework for SHRM research and theory building;

- SHRM is interdisciplinary. Systems and contingency paradigms can be gleaned from the literature on SHRM.

- As a practical philosophy, its driving force is efficiency, that is more revenue, less cost

- It is also qualitative as it stresses on augmenting quality of human resource and ethical practice

- It imparts economy and coherence to organisational functioning.

2.7   KEY CONCEPTS

Cognition: Cognition is defined as the psychological result of perception, learning, and reasoning. Cognition has wider oranisational climate ramifications as on positive cognition depends organisational survival and health. Cognition develops over time with education and training. Development of 'positive cognition' on the part of people is a part of organisational strategy. Negative cognition can lead to impairment of employee capacity and also adversely affect his attitude towards colleagues and organisational ethics in general.

Fit: A strategy is successful if it 'fits' with other decisions in an organisation, in terms of compatibility between

demand and supply, resource use, result oriented ness and integration with wider organisational functioning. Organisational policy has to move forward in a concerted way in that, integrating decisions taken at different policy and operating levels. A strategy is 'fit' if it answers the aforesaid requirements.

Strategic: The word Strategy is used to denote targeted ness of a policy or a measure. As against 'general' policy, strategic planning or policy involves systematic, result oriented and methodical activity on the part of organisations towards 'pre- determined 'or preset goals or ends. Strategy has to be continually assessed for relevance in face of contingent environmental factors as per the needs of the situation.

2.8   REFERENCES AND FURTHER REDING

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2.9   ACTIVITIES

1.   Discuss the contribution of SHRM in an organisation.

2.   Explain main models of SHRM.

3.   Discuss the chief approaches of SHRM.