

EVOLUTION OF SHRM

The evolution of SHRM are summarised here:

1. From Personnel Management to HRM:

Traditionally, it was the initial stage to perform the HR functions in the managerial set up in the form of personnel department. There were mainly the functions of staffing and maintaining the labour relations at every sphere of organisational set up. The personnel management was more centralise and bureaucratic with some old and traditional approaches. It was not viewed as involved in the competitive or strategical areas of business. Before the year 1970, the emergence of HRM as replacement for personnel management was taken up. The main task of HRM is to ensure the achievements of organisational goals through the commitment of people and it is often believed in that HRM is just a more modern term as compared to the traditional personnel management.

2. From HRM to SHRM:

For the last four decades, it was the dynamic and competitive business environment resulting from globalisation has led top managerial cadres to bring a new focus on HR to be organised and managed. It was a basic perception that how the HRM managed and contributes to the effective role and performance of organisation. Now the HR function has to develop more dynamic and strategical viewpoints. The late 1980th and early 2000s witnessed an integrated approach was developed between HRM and business strategy. More attention was given on the relationship of HRM with the strategic management of organisation. In the 21st century the HRM has the approaches of HR cognition, HR learning, knowledge of HR, network of HR and HR development within the purview of strategic managerial scenario.

It was the proactive role of HRM which have concerned with organisational effectiveness, strategical framework, behavioural aspects, resource utilisation, capacity development and change environment. Since the HR provide and contribute a lot of different competitive advantages to the organisation, it is needful to integrate HR practices with the emergence of new strategical viewpoints of corporate business areas. With the emerging role of strategic planning of HR, integrated approach of HR systems, strategical business environment and new avenues of organisational effectiveness was emerged. There has been a dynamic shift from the concept of HRM to Strategic Human Resource Management.

Strategic human resource management is the process of linking the human resource function with the strategic objectives of the organization to improve performance. Attracting and keeping talented and skilled employees is one of the most important challenges organizations face in today's dynamic business world. No strategy, no matter how well designed, will work unless the organization has the right people, with the right skills and behaviors, in the right roles, motivated in the right way and supported by the right leaders. A company can develop a competitive advantage through the skills and competencies of its people. So to be successful more value must be given to people.

“Strategic human resource management means formulating and executing human resource policies and practices that produce the employee competencies and behaviours that the company needs to achieve its strategic aims.”- Gary Dessler

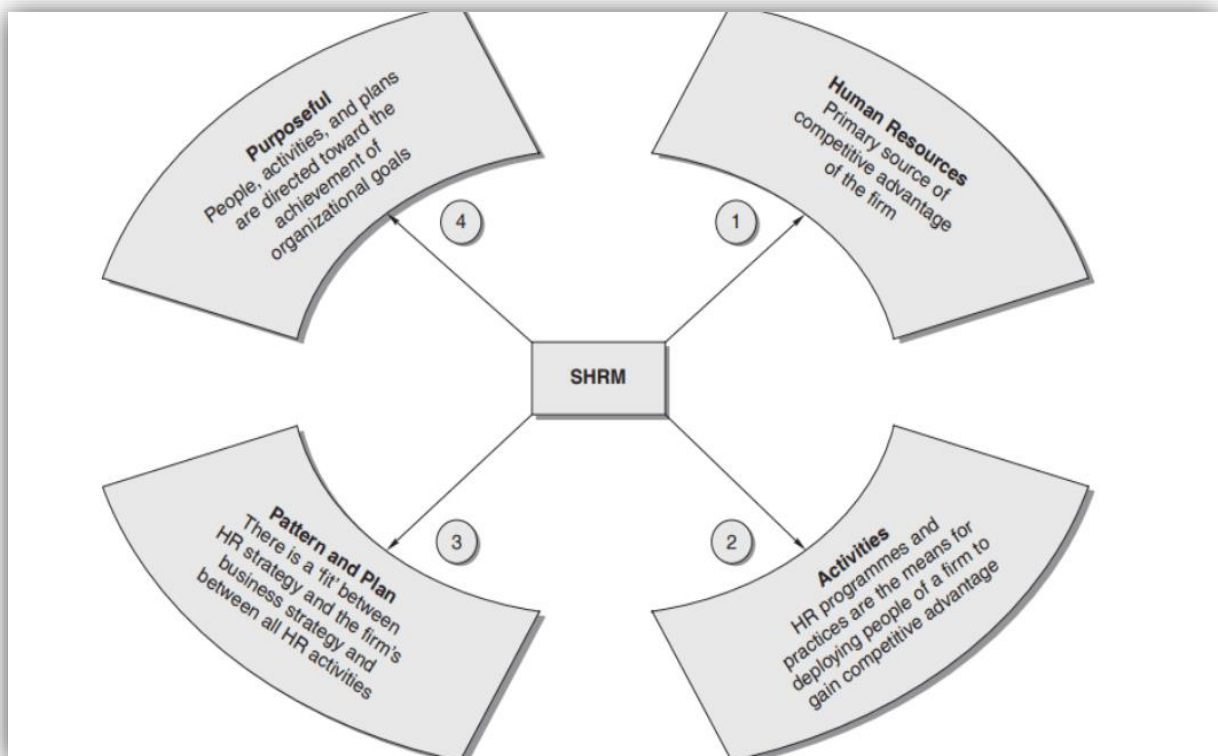
NATURE OF SHRM

- ❑ **Long-term Focus:** As business strategies have a long-term orientation, therefore, focus of SHRM is also long-term probably more than one year
- ❑ **Associated with Goal-Setting:** SHRM is highly related with setting of objectives, formulation of policy and allocation of resources and it is carried out at all levels of top management.
- ❑ **Interrelated with Business Strategies:** There is an interrelation between business strategies and SHRM. E.g. it gives significant inputs when business strategy is formulated, and human resource strategies (like recruitment, staffing, training and performance appraisal)
- ❑ **Fosters Corporate Excellence Skills:** SHRM considers employees as the strategic potential of the organization and on that basis makes effort to differentiate the organization from its competitors present in the markets. It also promotes learning of modern skills

COMPONENTS OF STRATEGIC HUMAN RESOURCE MANAGEMENT:

This definition implies the following four components of SHRM:

1. It focuses on an organization's human resources (people) as the primary source of competitive advantage of the organization.
2. The activities highlight the HR programs, policies, and practices as the means through which the people of the organization can be deployed to gain competitive advantage.
3. The pattern and plan imply that there is a fit between HR strategy and the organization's business strategy (vertical fit) and between all of the HR activities (horizontal fit).
4. The people, practices, and planned patterns are all purposeful, that is, directed towards the achievement of the goals of the organization.



OBJECTIVES OF SHRM

- (a) Plan for manpower requirements for its business located in national and international markets.
- (b) Conduct scientific selection and appointment of employees for business operation of right type and right in number.
- (c) Train the employees on technology in use and working procedure for developing their skills and knowledge.
- (d) Place the employees at jobs according to their areas of specialization.
- (e) Provide opportunities for the employees deserving on the scientific basis.
- (f) Compensate employees according to their skills, experience and contributions.
- (g) Maintain employees motivated, satisfied and cooperative in organisation.
- (h) Improve industrial relations, industrial peace and harmony at workplace.
- (i) Encourage employees for their cooperation, commitments and higher performance at work.
- (j) Contribute through manpower in improvement of organisational performance and organisational effectiveness in business.
- (k) Contribute in profitability, progress and image of the organisation.
- (l) Stay competitive and effective in business for growth and excellence in global market.

IMPORTANCE OF STRATEGIC HUMAN RESOURCE MANAGEMENT

1. Identifying and analysing external opportunities and threats that may be crucial to the company's success.
2. Provides a clear business strategy and vision for the future.
3. To supply competitive intelligence that may be useful in the strategic planning process.
4. To recruit, retain and motivate people.
5. To develop and retain highly competent people.
6. To ensure that people development issues are addressed systematically.
7. To supply information regarding the company's internal strengths and weaknesses.
8. To meet the expectations of the customers effectively.
9. To ensure high productivity

Relationship Between Strategic Human Resource Management & Corporate Strategy

1. Alignment with Business Goals: SHRM involves aligning HR practices, such as recruitment, training, performance management, and compensation, with the strategic objectives of the organization. This alignment ensures that HR activities support the larger goals of the company, such as growth, innovation, market leadership, etc.

2. **Competitive Advantage:** Effective SHRM can lead to a sustainable competitive advantage. When an organization's HR practices are tailored to attract, develop, and retain the right talent, it can create a workforce that is capable of delivering superior performance and innovation. This, in turn, can set the company apart from its competitors.
3. **Talent Management:** SHRM emphasizes the importance of managing talent strategically. This involves identifying critical skills and competencies needed for the organization's success and then recruiting, developing, and retaining employees who possess these attributes.
4. **Change Management:** As organizations evolve and adapt to changing market conditions, their HR strategies need to adapt as well. SHRM helps organizations manage change effectively by ensuring that HR policies and practices can flexibly support shifts in corporate strategy.
5. **Employee Engagement:** Engaged employees are more likely to be committed to the organization's goals and perform at their best. SHRM focuses on creating an environment that fosters employee engagement and motivation, which directly contributes to the achievement of corporate objectives.
6. **Performance Management:** SHRM emphasizes the importance of a performance management system that aligns individual goals with the organization's strategy. This ensures that employees' efforts are directed toward activities that contribute to the company's overall success.
7. **Leadership Development:** Effective SHRM involves identifying and nurturing future leaders within the organization. Developing a strong leadership pipeline is crucial for implementing corporate strategies and ensuring long-term success.
8. **Innovation and Adaptability:** SHRM supports the development of a culture of innovation and adaptability by encouraging continuous learning, skill development, and knowledge sharing among employees.
9. **Globalization and Diversity:** As organizations expand globally, SHRM helps manage the complexities of a diverse workforce and varying cultural contexts. It ensures that HR practices are sensitive to local cultures while still supporting the overall corporate strategy.

HR as a Factor of Competitive Advantage

This is the "why" behind SHRM. How can HR practices create a sustainable edge over competitors?

The Resource-Based View (RBV) of the Firm:

This is the dominant theoretical framework for understanding this. The RBV argues that competitive advantage comes from a firm's unique internal **resources and capabilities**, rather than just its market position.

For a resource to provide a **sustainable** competitive advantage, it must be:

1. **Valuable:** It must help the firm exploit opportunities or neutralize threats.
2. **Rare:** It must not be possessed by many other competitors.
3. **Inimitable:** It must be difficult for competitors to copy.

4. **Non-substitutable:** There cannot be equivalent substitutes for the resource.

How HR Meets the RBV Criteria:

- **Valuable:** A highly skilled, motivated, and flexible workforce is incredibly valuable in executing any strategy.
- **Rare:** A unique company culture (like Google's innovative culture or Southwest Airlines' fun-loving, customer-focused culture) is rare. The specific combination of talent, skills, and motivation in your workforce is unique to your firm.
- **Inimitable and Non-substitutable (The "Causal Ambiguity" Argument):** This is the key. A competitor can copy a single HR practice (e.g., your bonus plan or your training manual). However, they **cannot easily copy the entire, interconnected HR system** and the social relationships that make it work.
 - **Example:** Southwest Airlines' advantage comes from the complex *interaction* of its hiring for attitude, intensive training, flexible job roles, strong culture, and profit-sharing. A competitor trying to copy just one piece won't get the same result. The cause of the success is "ambiguous" because it's embedded in a complex social system.

Human Capital as a Strategic Asset:

Employees and their skills are not owned by the company in the same way a machine is. They can leave. Therefore, the competitive advantage comes not just from *having* talented people, but from creating an **HR system that attracts, motivates, and retains** them better than anyone else.

Challenges of Strategic HrM:

Though SHRM looks convincing and essential, challenges are many.

The first big barrier relates to the tendency of most organisations to adopt a short-term (immediate future) focus and aim at current performance. This is no surprise since stakeholders, particularly shareholders, expect quick rewards and executives need to live up to these expectations. Employees expect quick rewards based on their performance but management might wait.

The second barrier relates to the inability of HR leaders to think strategically from a business perspective. They are unable to go beyond their area of operation. Their knowledge about general business functioning, their awareness about technological advancements and their ability to convince colleagues in other department are limited.

The third barrier is that most senior managers lack appreciation for the value of HR and its ability to contribute to the organisation's sustainable growth. Accepting HR as a true strategic partner is still an evolving concept.

The fourth barrier is that some functional managers see themselves as HR managers as well and are concerned more with technical aspects of their areas of responsibility than the human aspects. With more and more line managers filling-up HR positions in many organisations, there is a risk of lack of appreciation for the HR role in the firm. As stated earlier, every line

manager is an HR head too. But in reality, the finance controller, for example, fails to see beyond cash inflows and outflows, so also the operations executive who is obsessed with inputs, outputs and the conversion process.

The fifth barrier to strategic HR is the problem of quantifying many of the outcomes and benefits of HR programmes. It is believed that many of the outcomes of HR function are abstract-felt, but not seen. In an environment where firms operate under pressure, what attracts everyone's attention is an activity that contributes to the bottom line.

The sixth barrier to strategic HR is the fact that human assets are not owned by organisations and, therefore, are perceived as a higher risk investment than capital assets. Particularly, in a highly competitive environment where key executives are poached from rivals, there is a tendency to invest less in employees than in technology and information, which are more proprietary. This mindset and approach prevents organisations from realising the fact that it is the people who invent technology and it is human brains behind revolution in informatics; and it is a competitive advantage to invest in people. How can such firms adopt strategic approach to human resources?

The seventh barrier is that strategic HR may be resisted because of the insensitivity towards change that might arise. Taking a strategic approach to HR may mean making drastic changes in the firm's architecture. Not many executives are prepared to accept such drastic changes.

The eighth, barrier to SHRM relates to the concern arising from non-availability of HR professionals to staff themselves in HR departments, consequent to integration of HR function with business strategy. HR managers may be required to spend more time with top executives, travel extensively and organise endless brainstorming sessions to formulate and implement HR strategies. Loss to the HR department becomes gain to the top management.

The ninth barrier includes failure to understand the sustainability needs of the business, inadequate assessment of the environmental and cultural factors. Often current fads or an ill-digested analysis of best practices that do not fit the organisation's requirements are pursued blindly without evaluating their relevance and acceptance within the organisation's unique culture. These problems are compounded when insufficient attention is paid to practical execution problems, the important role of line managers in implementing strategies, and the need to have established supporting processes for the initiatives (e.g. performance management to support performance-based pay).

Tenth, there is enough disconnect between the HR team and the employees. The disconnect should not be allowed to escalate by distancing from employees in the guise of bigger role in strategy management.

Eleventh, HRM is under siege. An executive from any other department can be asked to head the HR department; any HR activity can be outsourced; line managers carry out HR functions; and start-up businesses have no respect for HR professions.