AFRICA CENTER FOR PROJECT MANAGEMENT

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COURSE: POST GRADUATE DIPLOMA IN HUMAN RESOURCES MANANGEMENT

1. **What is strategic human resource management? Using your organization as a case, to what extent is the integration of human resource strategies with business strategies practical?**

Introduction;

Definitions; -

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 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.

Besides the above Strategic Human Resource Management is known as;-

Strategic human resource management (SHRM) is, indeed, one of the most momentous concepts in the field of business and management today. The idea of SHRM is to promote high performance workplaces and human capital management. SHRM can be defined as the linking of human resources (HR) with organisations' strategic goals and objectives so as to improve business performance and develop organisational culture that nurture innovation, flexibility and competitive advantage. In an organisation, SHRM means accepting and involving the HR function as a strategic partner in the formulation and implementation of the company's strategies through HR activities such as recruiting, selecting, training and rewarding personnel. It basically centers on HR programs with long-term objectives i.e. instead of focusing just on internal HR issues, the major focus is on addressing and solving problems that affect people management programs in the long run. Therefore, the primary goal of strategic HR is to increase employee productivity and to identify key HR areas where strategies can be implemented in the long run to improve the overall employee motivation along with productivity. Strategic orientation of human resource management (HRM) is important for all organisations irrespective of its size and domain. It simply requires the alignment of every HR function with business strategy. It establishes relationship between HRM and strategic management of the organization and facilitates the HRM to change its image as a "cost center" to that of a "strategic business partner". Thus, the SHRM can be defined as the organisations action plan to align HRM with strategic business objectives so that the competitive advantage can be achieved through its skilled, committed and well-motivated workforce.

Modern organizations operate in a very competitive environment. The organizations compete for the best human resources, capital, technology, market share etc. This competition is characterized by a continuous change in customer tastes, fashions and needs. In order to cope with such changes and with the struggle to win customers, managers need highly flexible but robust human resource management strategies so that they can pursue, gain and sustain the existing and emerging competitive advantage. Strategic Human Resource Management (SHRM) is necessary for all types of organizations, that is, public or private, local or foreign, small, medium or large. The only difference lies in the nature and scope of such strategies.

Meanwhile Many scholars define strategic Human Resource Management in different ways that may be seen as below;-

The first is from Harrison (1993: 36) who defines strategic human resource management as:

An overall and coherent long term planning and shorter term management, control and monitoring of an organization's human resources so as to gain from them the maximum added value and best position them to achieve the organization's corporate goals and mission.

This definition is about decision making and the process involved in terms of putting decisions into action. The main focus here is on planning for human resources, putting management systems in place so that staffing functions maximize the use of people as required by the organization. In other words, strategic human resource management exists only if the future of the organization is set and human resource strategies are developed and used to realize the future through the present. An aspect of short- term management control and monitoring is necessary for the realization of the mission and goals.

Chaturvedi, in Karadjova-Stoer & Mujtaba (2009) consider strategic human resource management as 'linking human resource with strategic goals and objectives in order to improve business performance and develop organizational culture that fosters innovation and flexibility'. This definition is derived from both resource dependency and strategic management theories within the environment where success of the organization is based on the ability to develop the most robust business strategy, coupled with having the right people to pursue it. However, it is important

to note here that the word 'business' also covers transactions for profit.
Therefore, the achievement of the desired future for the organization is seen in terms of the ability to manage employees as the only resource that can mobilize and manage other resources. Therefore, failure to make the right decisions about people management leads to failure of the future of the organization.

Walker (1992) is more interested in the means rather than the end of strategic human resource management. The author points to the need for linking such means with the strategic component of the organization, thus strategic human resource management is about the methods of aligning the management of human resource with the strategic content of the business.
The general understanding derived from this definition is that staffing functions (recruitment, selection, placement, appraisal, rewards etc), which are used as a means of managing people should be directly linked to the strategic choice of the organization. Such choice could be growth, survival, merger, closures, diversification etc.

Bhatia (2007: xiii) supports the same conceptualization of linking organizational strategy with people management by defining SHRM as:

The overall direction the organization wishes to pursue in order to achieve its goal through people as a strategic resource for the achievement of competitive advantage. From this perspective, the goal is to generate strategic capability by ensuring that the organization has talented, skilled, committed, and well-motivated staff.

From the above definitions and scope of strategic human resource management, it is tempting to suggest that as much as it is not possible to come up with a comprehensive definition of strategic human resource management that will not be too wordy and confusing, or too short to give a clear picture of the strategic issues involved, human resource management could also be defined as the process of managing the workforce such that the organization achieves a sustained competitive advantage over others. Here, market forces are the drivers for strategic decision-making processes and implementation of staffing functions. In this case, strategic human resource management is both a proactive and reactive management process that transcends organizational life span.

To what extent is the integration of human resource strategies with business strategies practical?

Strategy – is a plan or pattern that integrates an organization's major goals, policies and action into a cohesive whole (Quinn 1991). By drawing from strategic management literature, Bhatia (2007) looks at strategy in terms of a statement of the direction in which an organization wants to go and what it wants to become. However, human resources must shape this direction. Therefore, as organizations become strategic, the same strategic decisions on managing people become necessary. Strategic decisions are decisions that determine the overall direction of the organization. Fombrun *et al*. (1984) regards strategy as a process through which the basic mission and objectives of the organization are set, and the process through which the organization uses its resources to achieve its objectives.

Other scholars relate strategy to a competitive advantage. For example, Miller (1989) defines strategy as encompassing those decisions and actions that concern the management of employees at all levels in the business and that are directed towards creating and sustaining a competitive advantage. Human strategies like production, financial, marketing and others should be integrated with business strategy in order to establish operational linkages. Although strategic integration between business strategy and human resource strategy is desirable, it has not been an easy task. Indeed, American and British firms have experienced disjointed and at many times side-lined human resource strategies in the overall organizational management process (Storey 1992 in Harrison 1993). In assessing the utility of strategic fit to the performance of the organization and the overall improvement of human resource management functions, Green *et al.* (2006) concludes that the organizations that vertically aligns and horizontally integrates human resource functions and practices, perform better and produce more committed and satisfied staff than is the case with the organizations which do the opposite. Vertical alignment refers to the alignment of human resource practices to the organizational context in order to support specific organizational objectives. Characteristics of vertical alignment include:

- The top management incorporating human resource plans, requirements and activities during the establishment of the organization's direction,
- Top level managers being trained to integrate all levels of the organization's management hierarchy and functional departments into the organization decision making process and
- The human resource department being fully integrated into the strategic planning process.

Horizontal integration is the degree to which specific human resource practices are orchestrated in a coherent and consistent manner to support one another in the best way possible and to integrate with other departments. The following are the characteristics of horizontal integration.

- The human resource department works hard to maintain corporate partnership with individual managers,
- The human resource department regularly checks with other departments to identify organizational training needs and
- The human resource department supports departmental managers in carrying out critical human resource management functions as part of their core functions and activities.

Therefore, the corporate strategy should set the agenda for human resource strategy in the following key areas:

1. ***Mission***

This concerns setting the future of the organization. What will the organization be like, serving which purposes and to what extent? This will provide some indicators on the quantity and quality of staff that will be required to effectively transform the functioning of the organization to that level. This will form the basis of the human resource mission.

2. ***Organizational culture***

Organizational culture could mean different things to different people because it depends on individual interpretation. We do not see the world around us in the same way and hence our interpretations of reality are different. An organization's culture develops itself over a long time. Handy (1993) describes an organization culture as deep seated beliefs, values, norms, attitudes about the way work should be organized, authority exercised, people be managed, degree of in formalization, obedience by subordinates, punctuality, adherence to rules and regulations etc. This framework is useful guidance in the process of developing human resource policies, regulations, and procedures in order to avoid possible contradictions between the established organizational culture and people management at lower levels.

3. ***Human resourcing***

The process of human resource acquisition will depend on business strategy. For example, if new production lines are to be installed in three years' time, there is no doubt that new skills will be required. Plans have to be made including training and recruitment so that there are qualified staffs of the right size to manage the new production line. The same will apply to service provision whether in the private or public sector organizations.

4. ***Commitment***

As we noted in the first chapter, commitment to the organization cannot start at the bottom of the ladder. Employees have to see, feel, and believe that the top management is committed to making the organization the best place for them to work. Business strategies have to indicate that top management commitment in order to create enabling environment for human resource management strategies.

5. ***Productivity***

Productivity is an indicator of how best resources are utilized in the organization**.** Business strategy has to set out performance targets, standards and measurements. This will form the basis for developing strategies for acquiring the right skills, numbers and performance management as well as reward systems.

6. ***Employee relations***

The relationship between the employee and the management as well as the relationships between employees themselves also depends on business strategy. For example, if a business's future is not promising, it will certainly affect working relationships. Strategies have to be developed in order to avoid grievance and disputes that could become very costly to the organization. Such strategies could include work-sharing arrangements, introducing work shifts, voluntary retirement, part time job arrangements and similar action.

This can only be possible if every HR function is also strategically aligned.

1. **Strategic human resource planning**

Human resource planning (HRP) is a process of analyzing and identifying the need for and availability of HR so that the organisation can meet its objectives. The need for HRP is to reduce the significant lead time between recognition of job requirement and getting a qualified person to fill that need. This means HR is required to have an idea of the job market and how it can match to hiring needs as no organization can meet its goals without recruiting talented workers. Hiring, indeed, is an important aspect of HRP, as it provides the doorway for bringing in new employees and choosing individuals suited to the company's culture and requirement. During hiring, the HR department looks for an applicant who specifically fits the job criteria or someone who is the most versatile individual. However, today HRP is viewed as a strategic operational process and its focus has shifted from traditional Hiring and Staffing to towards forecasting and succession planning that can handle different contingencies which intern impacts the success of business operations. Effective HRP can reduce turnover by keeping employees apprised of their career opportunities within the company. The success of HRP depends on how meticulously the HR department can integrate effective HRP with the organization's business planning process. Strategic human resource planning (SHRP) is based on close working relationships between HR department and line managers. SHRM can be defined as a deliberate attempt of HR deployment to empower the organization to meet organizational goals, objectives and consistencies. Succession planning plays an important role in strategic alignment if HRP. Through succession planning organisations recruit skilled employees, develop their knowledge, skills, and abilities further, and prepare them for advancement or promotion into ever more challenging roles. This process ensures that employees are constantly developed fill each needed role. So, that a talent pipeline is maintained.

2. **Strategic recruitment and selection**

The core responsibility of recruitment and selection processes is "identifying the right pool of talent for establishing the right candidates". Earlier, recruitment and selection was considered as traditional function with standard approach where the focus was on person–job fit. However, now, organisations are aiming at person–organisation fit and, therefore, applicants are selected against organizational characteristics rather than job-specific criteria. Today, choosing the correct employee is, indeed, essential to the development an effective SHRM system.

Strategic recruitment and selection (SR&S) can be defined as strategic integration of recruitment and selection with long-term business objectives so that strategic demands of the organisations can be translated into an appropriate recruitment and selection specification. In this, the alignment of candidate's objective and business's objective has become must. However, not all the job positions in the company are strategic and are not critical for the business operation. The strategic recruitment is focused only on the key job positions in the organization. It is focused on the hiring of the job positions needed for the accelerated growth of the business. The strategic recruitment can be a separate process from the usual recruitment process for the mass job positions.

3. **Strategic training and development**

Increasingly high performing organizations today are recognising the need to use best training and development practices to enhance their competitive advantage. Training and development is an essential element of every business if the value and potential of its people is to be harnessed and grown. By definition, training and development refers to the process to obtaining or transferring knowledge, skills and abilities needed to carry out a specific activity or task. Strategic positioning of training and development directly promotes organizational business goals and objectives. Key business challenges require that organisation thoughtfully gauge their market position and determine the talent, skills and knowledge to be successful. By adopting a strategic approach to training and development rather than an unplanned and ad hoc one, training and development initiatives become more targeted, measurable and effective. The strategic training and development (ST&D) is all about identifying, designing and delivering training programmes to employees to make them capable of delivering in accordance with business strategy. In addition, the evaluation of the outcomes to check the effectiveness of the training programme based on planning to determine whether the training was effective to its contribution to the business strategy.

4. Strategic performance management

Traditional performance management systems often fail to deliver desired business objectives because communications from the top are not always clearly understood further down the line, leading to a mismatch between corporate strategy and how it is translated into targets at a team or individual level. Then, if the business goals and strategy and the employee motivation and culture are not in harmony, results certainly suffer. This missing link can be complemented by the strategic performance management (SPM) approach. Top management must address how they actually want to manage performance? What targets must be met and by when? And how do they want managers and employees to work to achieve them? It is important not only to identify HR competencies in accordance with the business needs and develop selection and development practices to secure those competencies but also to evolve and implement a performance evaluation plan that links the performance of the employees to the strategic goals. It is certainly essential to have strategically linked compensation system to improve firm performance and to retain employees with required competencies. SPM creates this link between the strategy and culture of an organization and its ability to manage employees' performance to have direct impact on business performance. SPM is actually about strategy implementation to deliver value by delivering the desired outcomes in accordance with business strategy. SPM link the individual's objectives and performance management, driving the skill and capability requirements and ensure its alignment to the core values of the organisation.

5. Strategic compensation and reward management

The main objective of compensation policy is to give the right rewards for employee performances, their skills, competencies, their knowledge and experience to attract and retain them. It is again certainly an important motivator to reward the employees for their market worth and also for achievement of the desired organisational results. However, the traditional compensation and reward system alone cannot ensure the fulfilment of the business objectives. Strategic compensation and reward management (SCRM) facilitate the alignment of compensation and reward policy with business, which can be achieved by taking a data-driven approach so that the pay and benefits are allocated to only those positions and workers that produce the greatest return. One of the healthier ways to motivate employees and reward the stellar performers is to have variable pay rewards system based upon the individual and team performance to their contribution towards the achievement of organisations business objectives.

2. **Explain how you would introduce strategic human resource management systems in an organization. Examine the possible challenges**.

Definition: The **Strategic Human Resource Management** is concerned with the development of HR strategies intended to direct the employees' efforts towards the business goals.

Strategic Human Resource Management Process

1. **Scanning the Environment:** The process begins with the scanning of the environment, i.e. both the external and internal factors of the organization. The external environment encompasses the political, legal, technological, economic, social and cultural forces that have a great impact on the functioning of the business. The internal factors include the organizational culture, hierarchy, business processes, SWOT analysis, industrial relations, etc. that play a crucial role in performing the business operations.

The role of the HR department is to collect all the information about the immediate competitors – their strategies, vision, mission, strengths, and weaknesses. This can be done through the resumes being sent by the candidates working with the other rivalry firm. Through these, HR professionals can identify the workforce, work culture, skills of the staff, compensation levels, reasons for exit and other relevant information about the competing firm.

2. **Identify Sources of Competitive Advantage:** The next step in the strategic human resource management process is to identify the parameters of competitive advantage that could stem from diverse sources as product quality, price, customer service, brand positioning, delivery, etc.

   The HR department can help in gaining the competitive advantage by conducting the efficient training programmes designed to enrich the skills of the staff.

3. **Identify HRM Strategies:** There are major four strategies undertaken by an organization to enrich the employees capabilities:

   a) ***Learning as Socialization:*** This strategy includes the techniques as training courses, coaching sessions, education programmes to ensure that the employees abide by the rules, value and beliefs of an organization and are able to meet the performance targets.

   b) ***Devolved Informal Learning:*** This strategy helps in making the employees aware of the learning opportunities and the career development.

   c) ***Engineering:*** This strategy focuses on creating and developing communities of practice and social networks within and outside the organization.

   d) ***Empowered Informal Learning:*** Through this strategy, the HR department focuses on developing the learning environment such as knowledge about the new processes, designing of new work areas and the provision of shared spaces.

4. **Implementing HR Strategies:** Once the strategy has been decided the next step is to put it into the action. The HR strategy can be implemented by considering the HR policies, plans, actions and practices.
5. **Monitor and Evaluation:** The final step in the strategic human resource management process is to compare the performance of the HR strategy against the pre-established standards.

   At this stage, certain activities are performed to evaluate the outcomes of the strategic decision: establishing the performance targets and tolerance levels, analyzing the deviations, executing the modifications.

Thus, to have an effective HR strategy the firm follow these steps systematically and ensures that the purpose for which it is designed is fulfilled.

Besides that, *Louise Allen who is a director of HR consultancy Cedar International, explained development of Strategic Human resource management in as below*

Aligning business and HR needs

The business' goals – that is its strategic imperatives – sit at the heart of any HR strategy and in order to align business and HR needs one key question must to be answered, "Can your organisation's internal capability deliver its business goals?"

This is where HR receives most criticism. The function is frequently accused of failing to fully understand its business, goals and strategy for achieving these goals, and its business model and how it delivers to its customers. For those who already understand the demands of their business, it is easy to identify where the business has strong core competencies and where the business is weakest.

Sometimes these weaknesses are related to essential systems or processes, but more often – and significantly for HR – these weaknesses relate to the quality of the workforce, its motivation and ability to deliver organisation performance. Taking steps to understand your business and where it has competitive advantage is an essential first step towards determining the key HR interventions that form the basis of an HR strategy.

2. Developing your HR strategy

Deeper knowledge and understanding of your business goals and business model can identify potential threats and opportunities in the quantity and quality of human resource required by your organisation. This in turn identifies the key components of your HR strategy and the virtuous circle of providing whatever your organisation needs for success.

It is also critical that the HR team has a high level of expertise in aligning major HR interventions and their relevance to business performance. This calls for expert HR thinking and identifies the requisite interventions and, equally important, how they fit together to leverage organisation performance.

If there is a strong need for the organisation to develop its management capability, for instance, should you align your compensation strategy to reinforce this objective? If the organisational structure defines the accountabilities clearly at every level of the organisation, is your HR team selecting and developing against them? This is joined-up HR at work.

Another concern for HR is when it should make strategic interventions. Easy, it either follows your business cycle, or is triggered by other key events such as a merger, an acquisition or a change in business direction.

3. Organisational performance

Organisational performance is the process by which business goals and objectives are cascaded and managed across and down an organisation. It provides a link and rationale for all other HR activity and, in addition, the greatest opportunity to directly impact business success, enhancing HR's reputation and contribution.

HR needs to create and install a robust performance management process that sets out performance objectives for all levels of staff within a business. This is an opportunity to develop line managers' skills in being able to disseminate and set stretch targets for their business.

A critical part of this process is a robust performance review process, which gives people feedback about what has been achieved – what people have done well and not so well.

The third element is a personal development review process where individual strengths and weaknesses are identified for the purposes of assessing and meeting organisational development needs.

4. Organisational design and structure

Organisational design is the shape, size and structure of the organisation required to meet customers' needs. It reflects the management processes that drive the business model and determines organisational agility and flexibility. These processes can be a source of competitive advantage or sources of frustration, unnecessarily absorbing time, cost and resources.

Decisions affecting the shape, size and cost of the organisation will be aligned with the business strategy. It should be relatively easy to see whether an organisation invests in marketing, sales or manufacturing, for instance, and whether the organisation is maximising its work flow capability.

As people experts, the role of HR is to add value to the structure and operation of the business. Structural weaknesses offer an opportunity to revamp any part of the organisation by identifying and making appropriate changes, reductions in size or cost; or improvements to the quality of the operation.

Conversely, structural strengths are a signal to the HR team to reinforce organisational competence.

5. Strategic resourcing

Achieving clarity throughout the organisation's structure is critical in order for resourcing strategies to work well. If the organisation is transparent about its key roles and accountabilities, this will define the skills and knowledge required to undertake the work and determine strategic resourcing requirements.

Deciding on your resourcing strategy means identifying a number of critical components. These range from the processes needed to determine resourcing needs, the processes to attract the right people and the processes for assessing and selecting the right people. HR has a strong traditional involvement in all of the above. In addition, it is essential to ensure each stage of the resourcing activity is aligned and in direct response to the strategic imperatives.

Another important component determining the effectiveness of any resourcing strategy is the need to create a 'recruitment brand' – how the image (or brand) of the organisation appears to the recruitment market can either support or undermine the success of a resourcing strategy.

6. Organisation development

If strategic resourcing is about providing a pipeline for importing external talent, then an organisation's development strategy is the way in which the HR team decides what changes and improvements need to be made to the current workforce.

Usually these responses work at three levels – the individual, team and organisation – and all are geared to achieve high levels of organisational performance. It requires a close examination of the strategic imperatives and clarity about the capabilities to execute it.

Development responses will aim to increase business skills, the application of business skills (sometimes called competencies) and the behavioural elements – all of which contribute to an organisation's effective performance. It is important at an individual level, particularly for senior people, that they feel their development needs are agreed and that they are provided with the skills to do their jobs.

At a team level, it defines individuals' ability to work with others flexibly and align individual and team skills and activity to business goals – all of which ensure that the organisation is equipped to deliver its goals.

7. Compensation and benefits

Often called reward strategy, the purpose of compensation and benefits systems is to align the performance of the organisation with the way it rewards its people, providing the necessary incentives and motivation required for an organisation to deliver its goals.

Its components are a combination of base pay, bonuses, profit sharing, share options, and a range of appropriate benefits, usually based on market or competitor norms and the organisation's ability to pay. Typically, the components of an organisation's reward strategy will reflect the particular performance culture of a business.

There is evidence that organisations see compensation as a strategic management lever and are increasingly experimenting with new practices – team bonuses, for example, aimed at improving team performance or skills/behaviour payments to upskill the workforce or reinforce culture or behaviour change. A company's reward policy in particular benefits from clarity about which other elements of the HR strategy it aims to support.

8. Organisation culture

Culture is usually described as the “way we do things round here” – the way the organisation acts, reacts and interacts. The trend in the last 10 to 15 years has been to align organisational behaviour more strongly with customers’ needs, creating customer-facing units and customer-sensitive behaviours. This has been as a direct result of the increased competition around product, quality, prices and packaging. In re-aligning an organisation’s culture there can be real benefit and competitive advantage through improved service.

HR teams which are closely involved with the organisation’s cultural ambitions can lead these initiatives through their knowledge of organisation psychology such as describing new behaviours and work styles; and through their skills in organisational development and being able to provide development solutions to deliver the improvements.

Examine the possible challenges

Challenges in Strategy Implementation

All too often, law firms dedicate substantial internal and external resources to a strategy development process, but ultimately, fail to move the firm in the direction identified or realize the benefits of their investment. Why is it that so many firms fail in strategy implementation? The most common reasons include:

- **Insufficient partner buy-in:** In conducting strategic planning, firm leaders and partners involved in the process develop a strong understanding of the business imperative behind the chosen strategy and the need for change in order to achieve partner goals. However, partners removed from the process may struggle to identify with the goals and strategies outlined by firm leaders. These partners may not see a need for change, and without understanding the background and rationale for the chosen strategy, these partners may never buy-in to strategic plan and, as a result, will passively or actively interfere with the implementation process.
- **Insufficient leadership attention**: Too often, law firm leaders view the strategy development process as a linear or finite initiative. After undergoing a resource intensive strategic planning process, the firm's Managing Partner and Executive Committee members may find themselves jumping back into billable work or immersing themselves in other firm matters, mistakenly believing that writing the plan was the majority of the work involved. Within weeks of finalizing the plan, strategies start to collect dust, partners lose interest, and eventually, months pass with little or no reference to the plan or real action from firm leaders to move forward with implementation.
- **Ineffective leadership**: Leading strategy implementation requires a balancing act - the ability to work closely with partners in order to build cohesion and support for the firm's strategy, while maintaining the objectivity required in order to make difficult decisions. Strategy implementation frequently fails due to weak leadership, evidenced by firm leaders

unable or unwilling to carry out the difficult decisions agreed upon in the plan. To compound the problem, partners within the firm often fail to hold leaders accountable for driving implementation, which ultimately leads to a loss of both the firm's investment in the strategy development process as well as the opportunities associated with establishing differentiation in the market and gaining a competitive advantage.

- **Weak or inappropriate strategy**: During the course of strategic planning, the lack of a realistic and honest assessment of the firm will lead to the development of a weak, inappropriate or potentially unachievable strategy. A weak strategy may also result from overly aspirational or unrealistic firm leaders or partners who adopt an ill-fitting strategy with respect to the firm's current position or market competition. Without a viable strategy, firms struggle to take actions to effectively implement the plan identified.
- **Resistance to change**: The difficulty of driving significant change in an industry rooted in autonomy and individual lawyer behaviors is not to be underestimated. More often than not, executing on strategy requires adopting a change in approach and new ways of doing things. In the context of law firms, this translates to convincing members of the firm, and in particular partners, that change is needed and that the chosen approach is the right one.
- ***Evolving Technology.*** From the early days of WWI, technological advances profoundly impacted the airlines, and computerization reduced the time to perform many key tasks, including alerting pilots and other personnel if systems malfunction or other potential problems occurred. However, as with other industries, technological advances in the industry have been easy to duplicate, leveled the playing field, and limited competitive advantages. Today, airline flying is, with rare exception, the safest way to travel, but companies struggle to create a competitive service advantage. Southwest Airlines is a notable exception with its simple online booking process.
- ***Undercutting Each Other in Price Wars.*** The impact of price wars in the airline industry was a major contributor to the industry's demise and has undercut the profitability of the entire industry. Competing companies shaved prices to the point where they were unable to earn a profit and undermined their ability to address safety issues in order to cut costs. As a result, the entire industry has "just broken even" financially for many years—although the past two years have proven to suggest a slight industry recovery.
- ***Delaying Partnering with Employees***. Rather than thinking long term in identifying relationships with employees, industry leadership created lose-lose adversarial relationships leading to bitter disputes. Instead of recognizing their interdependency with employees and seeking mutually beneficial options, the industry delayed acknowledging their need to cooperate with employees to achieve shared goals. Today's two-tiered employment compensation system reflects the infighting occurring in unions and makes hiring excellent employees difficult because of the low entry-level wages provided. Once again, Southwest Airlines's Herb Kelleher was the industry exception by creating a team culture that demonstrated it valued and empowered its employees. Southwest Airlines' employee loyalty and enthusiasm are notable exceptions in an industry where service quality and employee courtesy seems to have seriously eroded.
- ***Attempting to Be Everything***. The larger airlines frequently overestimated their capabilities based upon best-case scenarios. They extended service lines without fully understanding the true costs associated with providing services and without accurately estimating the impacts of competitors on the markets. Rather than sticking with what they did well, airlines took on new tasks with disastrous financial results. Although creating the hub-spoke model became a solution for larger companies, companies like Pan American and Eastern Airlines simply lost their way and were unable to maintain profitability.

- ***Unanticipated Political Factors***. The assumptions of the industry were based upon operating within a stable political environment, but those assumptions changed during both world wars and the Korean War. The single most disruptive force on the airline industry that immediately reduced air passenger travel by 25 percent was the 9/11 terrorist attack, but other political factors, including the 2008 fiscal crisis which affected the entire economy, also hurt the industry.
- ***Economic Factors***. Although the airline industry faced economic booms and busts, the biggest threat was the increased price of fuel. Oil price increases and conflicts in the Mideast have caused significant increases in the cost of fueling airplanes and have made estimating pricing and revenues difficult. Coupled with the pressures to compete financially, companies like TWA and Continental misjudged their economic capabilities and went out of business as a result of their inability to take into account fluctuating costs.
- ***Ineffective Branding***. To most customers, the airline industry is an interchangeable service provider, and company branding for the industry is often indistinguishable for consumers. Southwest Airlines has been the notable exception by providing easy online booking and check-in, a simple boarding process, free baggage service, and no loss of money if one has to cancel or change flights. Otherwise, the attempts of other carriers to generate loyalty by offering frequent business travelers mileage credit benefits, however occasional flyers actually resent the incentive plans as being virtually worthless in value.
- ***Ineffective Corporate Leadership***. Leaders, with the notable exception of Herb Kelleher of Southwest Airlines, seemed to lack a clear vision and a workable long-term strategy. Despite the fact that Kelleher demonstrated that Southwest Airlines could not only enter the industry but be consistently successful for four decades, the airline industry has seen many of its most famous icons fold up shop due to mediocre leadership and failing strategies.

All eight of these factors have had a huge impact on the airline industry and reflect ineffective strategic leadership and inability to respond to conflicting internal and external pressures that have plagued the airlines.

Conclusion

Business leaders of all types are similarly affected by these same eight factors in their own industries. Although there are no simple solutions to facing these problems, successful companies like Southwest Airlines have demonstrated the ability to consistently be profitable despite an overall industry decline by adopting a leadership philosophy that has been based upon matching its strengths with industry opportunities. As the airline industry continues to evolve, the lessons that it has provided to other industries are worth considering in a world economy that has become increasingly competitive.

Besides the eight factors mentioned above, there are several other factors that contribute as challenges to strategic Huma Resource challenges.

- To maintain and develop HR policies, ensuring compliance and to contribute the development of corporate HR policies.
- To develop the HR team, to ensure the provision of a professional HR service to the organization. Manage a team of staff. Responsible for mentoring, guiding and developing them as a second line to the current position.
- To ensure timely recruitment of required level / quality of Management staff, other business lines staff, including non-billable staff with appropriate global approvals, in order to meet business needs, focusing on Employee Retention and key Employee Identification initiatives.
- Provide active support in the selection of Recruitment agencies which meet the corporate standard. Ensure Corporate Branding in recruitment webs and advertisements.
- Develop, refine and fine-tune effective methods or tools for selection / or provide external consultants to ensure the right people with the desired level of competence are brought into the organization or are promoted.
- Prepare information and input for the salary budgets. Ensure compliance to the approved salary budget; give focus on pay for performance and salary benchmarks where available. Ensure adherence to corporate guideline on salary adjustments and promotions. Coordinate increments and promotions of all staff.
- To develop the HR business plan.
- Ensure appropriate communication at all staff levels.
- To maintain and develop leading edge HR systems and processes to address the effective management of people in relation to the following in order to maintain competitive advantage for:

1. Performance Management.
2. Staff Induction.
3. Reward and Recognition.
4. Staff Retention.
5. Management Development / Career Development.
6. Succession Planning.
7. Competency Building / Mapping.
8. Compensation / Benefit programs.

- To facilitate / support the development of the Team members
- To facilitate development of staff with special focus on Line Management
- To recommend and ensure implementation of Strategic directions for people development within

the organization.

- Ensure a motivational climate in the organization, including adequate opportunities for career growth and development.
- Administer all employee benefit programs with conjunction with the Finance and Administration department.
- Provide counsel and assistance to employees at all levels in accordance with the company's policies and procedures as well as relevant legislation.
- Oversee the central HR Administration – employee offer letters salary letters and employment contracts. Approve updated organizational charts on a monthly basis and maintain complete/accurate personnel records.
- Co-ordinate the design, implementation and administration of human resource policies and activities to ensure the availability and effective utilization of human resources for meeting the company's objectives.
- Responsible for Corporate HR function.
- Responsible for overall centralized HR admin function
- Counselling and Guidance cell - provide support to Managers in case of disciplinary issues.

ENVIRONMENTAL FACTORS OF HRM

Many interrelated factors affect human resource management. Such factors are part of either the firm’s external environment or its internal environment. The firm often has little, if any, control over how the external environment affects management of its human resources. In addition, there are certain interrelationships that complicate the management of human resources.

External Environmental Factors comprised of those factors that affect a firm’s human resources from outside the organization’s boundaries.

- **The Labor Force:** The labor force is a pool of individuals external to the firm from which the organization obtains its workers. The capability of a firm’s employees determines to a large extent how well an organization can perform its mission.

- **Legal Considerations:** Another significant external force affecting human resource management relates to federal, state, and local legislation and the many court decisions interpreting this legislation. In addition, many presidential executive orders have had a major impact on human resource management.

- **Society:** Society may also exert pressure on human resource management. If a firm is to remain acceptable to the general public, it must be capable of accomplishing its purpose in line with societal norms. Social responsibility is an implied, enforced, or felt obligation of managers, acting in their official capacities, to serve or protect the interests of groups other than themselves.
- **Unions:** Union is a group of employees who have joined together for the purpose of

dealing collectively with their employer. Although unions remain a powerful force, union membership as a percentage of the nonagricultural workforce slipped from 33 percent in 1955 to 9.5 percent today.

- **Shareholders:** The owners of a corporation are concerned about shareholders. Because shareholders have invested money in a firm, they may at times challenge programs considered by management to be beneficial to the organization.

- **Competition:** For a firm to succeed, grow, and prosper, it must be able to maintain a supply of competent employees. Other organizations are also striving toward that objective.

- **Customers:** Because sales are critical to the firm's survival, management has the task of ensuring that its employment practices do not antagonize the members of the market it serves.

- **Technology:** As technological changes occur, certain skills are no longer required. This necessitates some retraining of the current workforce. The trend toward a service economy also affects the type and amount of technology needed.

- **The Economy:** The economy of the nation—on the whole—and of its various segments is a major environmental factor affecting human resource management. As a generalization, when the economy is booming, it is often more difficult to recruit qualified workers. On the other hand, when a downturn is experienced, more applicants are typically available.

The Internal Environment

Factors that affect a firm's human resources from inside its boundaries are termed as internal environmental factors. The primary internal factors include the firm's mission, policies, corporate culture, management style of upper managers, employees, the informal organization, other units of the organization, and unions.

- **Mission:** The organization's continuing purpose or reason for being. Each management level should operate with a clear understanding of the firm's mission. In fact, each organizational unit (division, plant, and department) should clearly understand objectives that coincide with that mission.

- **Policies:** A predetermined guide established to provide direction in decision making. As guides, rather than as hard and-fast rules, policies are somewhat flexible, requiring interpretation and judgment in their use. They can exert significant influence on how managers accomplish their jobs.

- **Corporate Culture:** The system of shared values, beliefs, and habits within an organization that interacts with the formal structure to produce behavioral norms.

- **Management Style of Upper Managers:** Closely related to corporate culture is the way in which the attitudes and preferences of one's superiors affect how a job is done. This situation deserves special emphasis here because of the problems that can result if the managerial style of upper-level managers differs from that of lower-level managers.

- **Employees:** Employees differ in many ways including their capabilities, attitudes, personal goals, and personalities. As a result, behavior that a manager finds effective with one worker may not be effective with another.

- **Informal Organization:** The informal organization is the set of evolving relationships and patterns of human interaction within an organization that are not officially prescribed. Such informal relationships are quite powerful.

- **Other Units of the Organization:** Managers must be keenly aware of interrelationships that exist among divisions or departments and should use such relationships to their best advantage.

- **Labor-Management Agreement:** Upper management typically negotiates labor-management agreements, but managers throughout the organization must implement the terms of the agreements. In most instances, agreements place restrictions on the manager's actions.

Fig 1.4

3. **By using your own working experience, comment on the statement that ‘the chief executive can support or starve’ strategic human resource management in your own organization.**

4. **To what extent do you think human resource strategies are relevant to third world organizations? Give examples.**

The degree of relevance SHRM has in a country depends on the factors indicated below.

Environmental factors

1. **Economy – the status of poverty**

SHRM requires the support of the countrywide economic environment. Poor countries particularly those in Sub Saharan Africa are preoccupied with problems of hunger, general diseases, HIV AIDS pandemic, water shortages and other basic needs. This situation even affects strategic management in most organizations because senior managers who are expected to be drivers are also part of the wider system trying to make ends meet.

2. **General education and professional skills**

The quality of the workforce depends on the general quality of general and professional education of the country. In the poorer countries, the quality of education is lower and as a result it is difficult to get staff of the required levels of competence needed to develop, drive and sustain business strategies. This is one of the reasons that most international firms resort to hiring unnecessarily expensive expatriates to head strategic positions in an organization.

3. **Technology**

SHRM will work where an organization is able to acquire the best available technology if the business strategy is beyond mere survival. With the exception of strongly emerging countries, which to some extent may not qualify as being third world countries (Taiwan, Hong Kong, Singapore, South Korea, Malaysia, Thailand and even more recently India) the rest of the countries are technologically dependent on the developed countries. Lack of capital required to acquire modern machinery and equipment has been a major setback in modernizing most of the processing industries that are now in the hands of the private sector after many decades of public ownership and mismanagement.

1 Infrastructure

One of the main reasons for the failure of poor countries to attract sufficient foreign direct investment is lack of efficient infrastructure - roads, telephone services, electricity, railways, air and water networks. Even if the organization has excellent business and human resource strategies, with poor infrastructural support, the chance of failure is higher than success. This is a disincentive for devoting time and energy to developing SHRM, particularly in medium and small-scale firms.

4. The extent of urbanization

Organizations located in big cities are more likely to develop and use business strategies than those in semi urban or rural areas. Managers can learn from other firms in the neighborhood, network, get information on time, obtain a well-educated workforce, and get access to emerging markets etc. Urban centers in poor countries are far less comparable to big cities worldwide. Therefore, it is unrealistic to expect business and human resource management strategies in poor countries to work in the same way as they do in developed countries, let alone the existence of these human resource management strategies in the former.

5. Cultural issues

Managing organizations in third world countries is far more influenced by cultural issues than the Western management school of thought on business strategy or human resource strategy was designed to address. After all, the concepts and the language used in human resource management are devoid of cultural diversity, corruption, as well as an obsession for following the rules and regulations (inherited from colonialists) and paternalistic behavioral expectations by society. Others are the meanings attached to concepts such as ‘risk’, ‘deadline’, ‘quality work‘ and many more which do not seemingly fit the context of other countries, although there is quick learning and adapting in the form of imitation in order to catch up with the ‘civilized society’. It is immoral to use corruption as a means for exercising strategies where there are barriers. For example, circumventing corruption to get a business license or tax clearance may prove very costly and at times it may create hostility that may lead to sabotage of the organization from those in powers of position in government.

There is no doubt that most managers in these countries learned their management styles over a few years of college education but they have learned much more from experience which has nothing to do with managing modern organizations. For some, the only experience was from colonial masters where they were employed as clerks, for others it was through working as public bureaucrats, and for the luckiest ones it was through management of public enterprises (already dead and raised to life by private investors) whereby using the rule of thumb was the underlying management philosophy. For decades, managers have been operating in an environment where coming to work late has become normal, working for two instead of eight hours a day is acceptable, staying around with nothing to do is part of a daily programme, stealing company's money and other resources for selfish ends is perceived as a good way of avoiding poverty and embarrassment at old age… the list is ad infinitum. Therefore, new management concepts cited above and many others such as objectivity, honesty, transparency, and commitment to work are as alien as the operating business environment today. Some emerging powerful organizations have realized this limitation and have resorted to recruiting young university graduates so that they can nurture them and develop an appropriate organizational culture.

Although the fresh blood seems to accommodate these new management concepts, paternalism remains a hard nut to crack because it is an integral part of the society. Human resource strategies may be there but favouritism based on family membership, ties to relatives or other members of ones tribe, regional affiliation, and religion seem to hinder effective recruitment and selection, placement, promotion, transfer, rewards, and all other staffing functions. Too few good employment opportunities, poverty and the growing number of family dependents resulting from the HIV AIDS pandemic exacerbate this situation.

Increasing globalization is now pushing poor countries and organizations to adapt to the way of thinking and doing that the developed world uses. The main drivers for change are major world institutions including the World Bank, the International Monetary Fund, and the International Finance Capital and Multinational Corporations. These institutions determine and control capital flows to poor countries in the form of conditions including the production of viable strategic business plans.

Some specific human resource management cases from Africa

The general literature on strategic human resource management in Africa is scant and where available, it is not updated and mainly concludes that strategic human resources hardly exist. The major reasons include lack of colonialists' readiness to prepare African managers to think strategically, a culture that does not promote the spirit of creativity, innovation and risk taking. This is coupled with a long history of the dominance of bureaucratic public enterprises and strong political influence and patriotism (Kamoche *et al.* 2004; Budhwar & Debrah 2004). Now the focus is more on institutionalization of western styles of management through sectorial reforms and the creation of an enabling environment for multinational corporations, which are emerging with some kind of a hybrid management culture.

For example, Swiss port (T) Ltd was established in 2005 as a result of a partnership between the then Dar es Salaam Airport handling Company Ltd of Tanzania and Swiss port International Ltd. The government owns 49% while Swiss port owns 51% of the shares. The company provides passenger ramps, cargo handling, clearing and forwarding services. The intention of this partnership is to make the company a world class ground handling company that commands high quality services and profitability. The mission is to provide reliable, high quality and cost effective airport ground handling and related services in order to increase shareholders' wealth through a highly motivated workforce.

A study by Winsara (2008) shows that although the company has clear vision, a mission and strategic objectives, there were limited use of the strategic approach to human resource management functions and the use of support instruments. For example, the language used in performance appraisal was difficult for an ordinary employee to grasp. The appraisal form, which is an essential instrument in appraisal, was complicated as it was seemingly designed to meet western standards. The mainstream literature on strategic human resource management emphasizes the need to ensure that all employees share and own the organization vision, mission, and objectives in order to secure employees' commitment. At the Swiss Port, ordinary employees expressed dissatisfaction, as they believed that the strategy of the organization had nothing to do with what the staff expected. When one employee was asked how satisfied he was with the job, his answer was: 'How can we be satisfied while all the objectives, missions and vision of the organization are for the benefit of the organization? No simple objective touches an individual.'

Therefore, having a strategic plan, which does not address its implications in terms of human resource management, is likely to fail because it will fail to secure staff commitment needed to accomplish the intended objectives.

The experience from public service in Botswana suggests that it has a fairly well planned system of linking the strategic plan with performance management. Nyamunga (2006) observes that the introduction of the strategic plan brought some clarity in the planning and service delivery at the ministerial level. However, the following challenges were noted: Inadequately defined objectives in some ministries created difficulties in generating appropriate measures because the objectives were interpreted in different ways.

2 Unclear links between the strategic objectives and the annual performance plans created a situation where there was more focus on the operational perspectives than the strategic ones and even general staff performance at lower levels.
3 In some cases, there were no link between the ministerial strategic plans and departmental strategic plans because the departments developed plans without reference to ministerial plans, and this led to operational conflicts and misplacement of resources.

However, by using the balanced score card, the public service links individual objectives, targets, and performance indicators with ministerial and departmental objectives, targets and outcomes. Although the experience has been more about linking strategic plans with individual plans rather than with human resource management as such, nonetheless it is good development towards better human resource management. Its effectiveness will be evaluated when we look at performance management later. The Botswana experience may be attributed to a long relationship of learning with South Africa where the level of education may be higher and practice more Eurocentric management principles than is common in sub Saharan Africa. Also, Botswana is one of the fastest developing economies in Africa. Therefore, historical Eurocentric orientation and a fairly healthy economic environment have had a role to play in the success of strategic management in Africa.

Therefore, there is insufficient evidence to conclude that strategic human resource management in Africa is practiced as academics intended. Common practice has been trying to link corporate strategic objectives with isolated human resource management functions, particularly in the area of performance management.

Recruitment And Selection

The ability to attract and select human resource having the right knowledge, skills, and attitude is an important function of HR. If it is successful in this work, it will be providing support to organization strategy in a big way. Productivity, quality, and service are the most critical issues in any organization and any positive contribution of HR in these areas will be of paramount importance.

Starting with productivity, induction of employees in the production area who are a complete fit with the jobs requirement will result in visible improvements. Improvements will show in planning, processes, supervision, techniques etc. leading to improvement in productivity. This in turn will directly affect the organization profitability. HR in such cases is adding value to the organization.

Similarly, HR through right hiring may add value to the organization in service also. Here if customer satisfaction shows an upward trend and cost of service delivery and rate of errors show a downward trend due to initiatives of recently inducted employees, then again HR is credited with adding value.

Quality is one of the most critical issues for any organization

Improvement in quality positively affects a host of other areas. Just like the loops of a chain, they are connected with one another. Improvement in quality leads to a reduction in production or service cost and, providing customer delight resulting in customer retention. Increase in sales follows thus improving market reputation leading to reduction in marketing expenses which contributes towards improved profitability

It is, however, important to remember that to qualify as a value adding activity, improvements must be shown to have happened in consequence of the activity started by human resource function. In this context, the most important thing is the availability of the correct data and the right interpretation. In every case right measuring tools have to be found and the reasons for improvements are to be correctly determined.

Performance Appraisal and Compensation

Performance Appraisal and Compensation are the most critical areas of HRM. Formulating a system which is fully aligned with organizational strategy, and implementing the same in an objective and transparent manner will not only make the system acceptable but also positively affects the employee's motivation. The system not only enunciates organization's expectations regarding employee's performance. It also helps in employee training and development. Similarly, laying down a sound and fair compensation policy goes a long way in attracting, maintaining, developing and retaining good employees. HR can add, value by proper formulation and implementation of these important functions and thus support organization strategy.

Training and Development

A learning organization is fast becoming a reality. In any organization, continuous learning means growth through learning events and experiences for individual employees as well as teams, and the organization as a whole. HR plays an important role in developing a culture of continuous learning. Identifying, training and development needs and arranging, training and development programs for employees is part of the whole learning process. A system which creates an environment conducive to learning through experience, coaching, mentoring, self-learning as well as through training and development is a must in the learning organization. HR which is the main organizer, director, and controller of learning. It must ensure that actual learning is followed by its application for bringing about improvements in different areas of operations. If that happens, the learning objective is achieved and HR is successful in adding value to the organization.

The Role of HR Function in The Overall Success of the Business

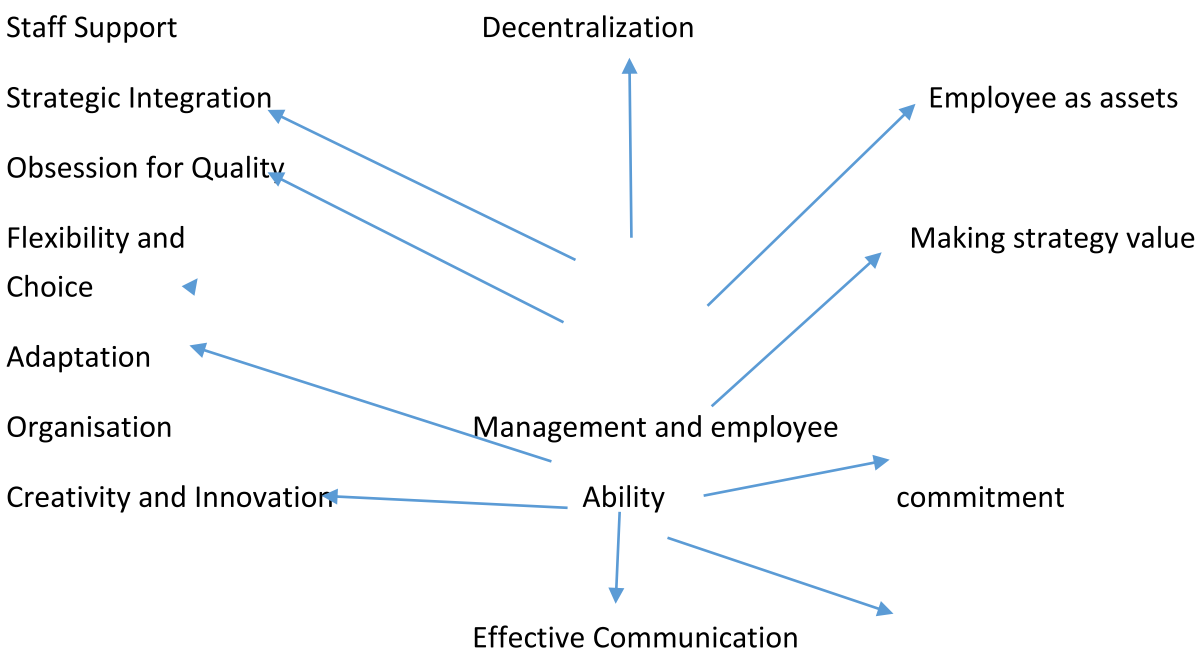
Human capital leverages all the areas of an organization. Therefore, the HR department needs to ensure the human asset is effectively aligned with the strategy determined by the organization. To capitalize on the leverage, organizations need to adopt a new perspective of HR.

The HR systems should be created/adopted in alignment with the organization's strategy. HR must ensure that employees are strategically focused. Every element of HR function, from hiring, compensation, training etc. needs to be developed in order to enlarge the human capital in the organization. When HR is strategic and involved with and/or linked to organizational performance, it plays an important role in the success of an organization. In essence, an organization's competitive advantage is more easily achieved when HR is effectively lined with its strategy.

Alignment between HR activities and strategic planning can be formed by HR. HR must expand beyond administrative function. It must focus more on how it can support the organization in strategic planning and implementation. By increasing the competencies of HR personnel, the department will increase its credibility and be integrated into a strategic role. For that purpose, measuring itself from a business perspective and by the value, it brings to an organization is the key to its elevation to the role of a strategic business partner. Once there is a clear understanding of how HR affects the bottom line from a business / and or strategic point of view. The role of the HR function in the overall success of the organization will become crystal clear.

5. With an aid of a diagram of Strategic Human Resource Management model Discuss organizational ability

there are also contentious debates on whether there is any well-grounded model on strategic human resource management based on a specific discipline (Storey 1989; Hendry 1995; Nankervis et al. 2000; Ismail & Long 2009; Calisken 2010; Inyang 2010). The major differences are areas of emphasis between business strategies as determinants of human resource strategies and hence aiming at 'strategic fit' on one side or a universal approach to making human resource functions responsive to strategic business requirements. The 'universal approach' or people as resource for gaining a competitive advantage are based on the 'resource based theory'. This lack of clarity has led to a model that tries to capture important attributes of strategic human resource management model as depicted in Figure 2.1. The figure displays ten main tenets of strategic human resource management which characterize the philosophical nature of strategic people management and what managers and employees ought to put in place and do in order to excel in a competitive business environment. The description for each tenet is provided below.



Making strategic value choices

Although the model suggests ten strategic variables of human resource management that have to be embodied in systems, practices and competencies in order to guide employees as individuals and teams to higher level performance, managers have to focus on the most valuable aspects, depending on the organizational strategy. For example, an organization that emphasizes creativity and innovation will choose and reward employee behavior that demonstrates risk taking initiatives. That is to say, each of the nine constituents of the model will have different aspects to deal with but managers will have to make decisions and choose systems, processes, programmes or activities with the most strategic value for the individuals, teams and the organization.

Strategic integration

Since HRM is related to other organizational strategies, integration is not only desirable but also necessary to ensure that human resource management decisions are not made for their own sake. HRM policies and procedures need to be linked with an organization's strategy, its objectives and its activities so that performance can be judged in terms of the degree of strategic fit between business strategies and human resource strategies.

Employees as most valuable

No organization can excel without having the right human resources. Experience suggests that human resources are a key factor in attaining a competitive advantage. It needs to be developed through nurturing, coaching, training, respect and love, care, and encouragement, which are key components of motivation packages. The degree to which the emphasis on staff development of both current and future performance requirements is taken into account depends on the position of the organization in its life cycle. The premise that human resources are the most valuable of all resources also presupposes that human resource functions cannot be left to personnel departments alone. There is need to place this function to all functional departments with the human resource manager remaining a team leader. Optimal utilization of this asset requires that there should be deployment of right numbers and skills at the right place at the right time. The old tradition where departmental managers struggled to build their own empires by recruiting and retaining staff no longer holds sway in strategic human resource management.

Emphasis on management of support staff

Along the same logic of valuing human resources, managers are challenged to support staff through various techniques so that the latter can have a sense of belonging, enjoyment from the job, gain confidence in the management, identify with the organization and feel that they own it. Informal interactions, open door policy, coaching and mentoring, attractive employee welfare schemes are some of the techniques used to support staff and make them feel proud of their work and the organization.

Strengthening management and employees' commitment

Commitment at all levels of the organizational structure depends on the perceptions and attitudes of both the management and employees towards each other. Negative perceptions and attitudes are the source of low morale and lack of interest in both the job and the organization. For example, if employees feel that management ignores them when the former attempts to exercise their rights, the level of commitment would be low. Similarly, if the management feel that the workers are lazy and too demanding, they are likely to lose commitment in supporting such staff. However, since in principle, strategic human resource management should be the responsibility of top management, any sign of low employee commitment is the result of poor handling of human resource management issues at the top management level.

Employee commitment can be secured through various techniques. Some are ritualized including organizational songs, slogans, attire or informal gatherings such as cocktail parties etc. Employee involvement in the affairs of the organization through the contribution of ideas, motivation through encouragement, recognition of individual as well as group efforts in accomplishing tasks by rewarding appropriately make a difference in inducing commitment from staff.

Effective communication

Effective communication occurs when a message is received and understood in the same way as the sender intended it. It involves the careful organization of ideas, assessment of the right mode of transmission and the nature of the receiver. Studies have shown that most problems experienced in people management are due to poor communication. Strategic human resource management appreciates the role of communication as a critical tool in day-to-day human resource management. Open channels of communication that build trust and mutual understanding, helping employees to internalize the organization's vision, mission statement, core values, policies, objectives and activities are essential.

Frequent meetings with the top management, departmental and team meetings present the best opportunities for effective communication. Other channels include close interaction between staff and supervisors, billboards, brochures and instruction manuals. Informal communication is very useful in disseminating information if the danger of rumours and gossip is to be contained.

Decentralization for empowerment

Strategic human resource management calls for a decentralization of decision making and problem solving at the lowest levels possible in the organizational hierarchy. That is, allow decisions to be made at the very source of activity. Operational staff and teams are the public face of the organization. Therefore they need power, authority, and motivation to take the right decisions at that level. Organizations with a human resource management culture cannot afford to embarrass themselves in front of a valued customer by failing to conclude business deals simply because a particular manager has to make a minor, unnecessary routine decision.

Flexibility and adaptation

The nature of today's business' success lies in the ability to promptly respond to the unpredictable and fast changing environment. Flexible but robust rules and regulations, flatter organization structures, preference for a multi-skilled workforce, and use of convertible production technologies are some of the strategies used to improve an organization's ability to cope with environmental pressure.

Creativity and innovation

SHRM calls for the management and employees to work together and come up with new ideas that can be put into practice so that new business opportunities can be created. With regards to employees' management, creativity and innovation are required in areas such as pay schemes that are internally fair and externally competitive, job enrichment, enlargement, leadership, team building, retraining, and better employment arrangements.

Obsession with quality

In the language of total quality management, the customer is always right and quality is seen in the eyes of customers. In order to produce the best quality goods and provide the best quality services as perceived by the customer when compared to other producers or suppliers, the organization need staff orientated towards, and a motivation for excellence in quality products and services. Careful recruitment and selection of staff, appropriate training and development programmes, use of quality circles, and performance management systems that reward employees according to contribution are some of the strategies used to build and sustain a culture of quality.

The oval shaped pictorial view of the model and the interaction between variables emphasize the fluidity, complexity and dynamic nature of the SHRM model. For example, effective communication will have a symbiotic multiplier effect on decentralization, employee commitment, creativity, integration etc. To use the language of cybernetics, the 'whole' is greater than the 'sum' of the variables. At the Centre of the model, we have organizational ability to implement each of the requisite strategies. This puts emphasis on the 'doing' rather than the 'talking' and therefore, it might be better to have a strategy of limited quality which is well implemented as opposed to having an excellent one which is almost impossible to implement.

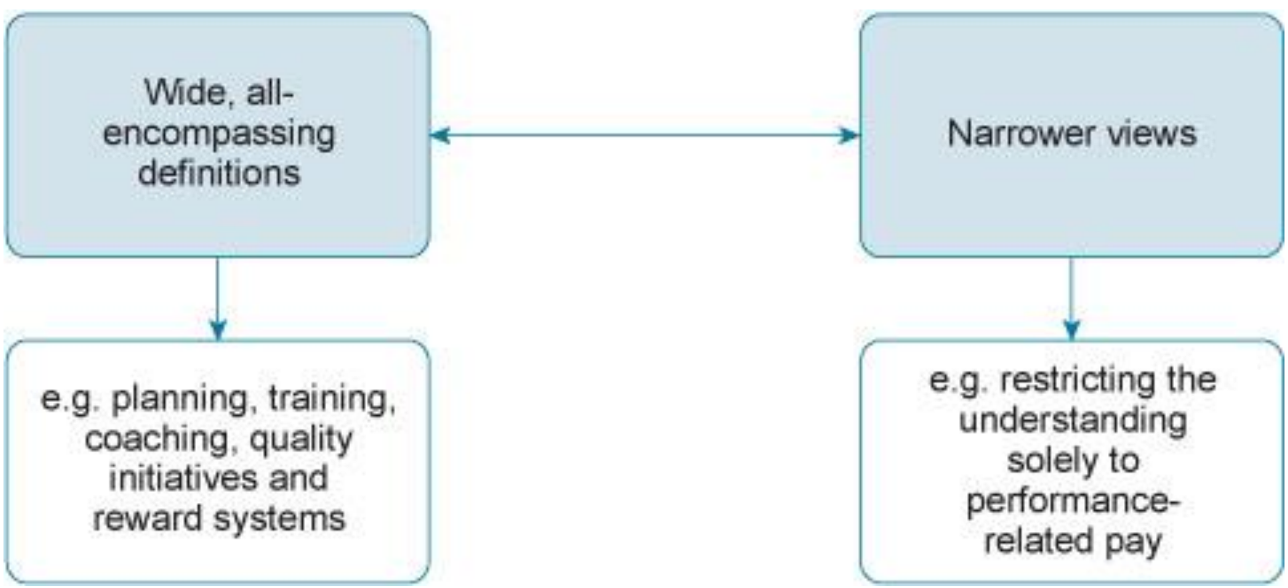
Introducing performance management

Most definitions of performance management suggest that:

- it communicates a strategic vision to the organisation
- it sets individual and departmental targets
- a formal review of performance is involved
- the review process identifies training, development and reward outcomes
- it evaluates and refines the whole performance management process.

Managing individual performance is an issue of strategic importance; **an organisation's purposes are achieved through the sum of individual performances**. Performance management is the means to link the two together; it is concerned with improving the performance of employees so that organisational objectives are achieved.

It could be argued that there is no single view of performance management. In the widest sense it can mean all of the processes directed towards performance improvement in an organisation or the focus can be much narrower, concentrating on initiatives such as performance related pay, bonuses, sales incentives and non-monetary rewards (see Figure 2.2).



There are also different degrees of emphasis on two of the main approaches to performance management:

1. Formal systems of performance using targets, feedback and corrective action.

2. Improving individual performance through personal development and support – a ‘people management’ approach.

The extent to which one or the other is emphasised gives very different experiences of the process. At the heart of performance management is the idea that organisational performance can be improved by designing, in a holistic way, a series of interconnected practices which encourage individual and group performance and link it to organisational goals. These interconnected practices are known as performance management systems.

Regardless of definition or emphasis central features of performance management could be said to include:

- Improving performance. The emphasis on how to achieve this may be on systems and procedures or on personal development and motivation, or a combination of the two

- a range of measures and approaches coordinated to achieve improved performance; this is known as a performance management system (PMS)

- key processes common to nearly all approaches: the setting of targets and objectives, monitoring, performance review and performance improvement

- Managers needing to understand the nature of work in organisations (the inputs, the transformation process and the outputs) to correctly interpret information on performance.

Performance management systems (PMS)

The idea of improving organisational performance is central to management thinking. In competitive markets, businesses need to strive constantly to improve their performance so that they remain viable. In many industries and also many countries too, these pressures have grown as domestic markets have become increasingly open to international competition. In the public and not-for-profit sectors, the growing use of performance benchmarking (that is, comparing performance with best practice in other organisations) has introduced similar pressures. As a result, the measurement and management of performance have become increasingly important preoccupations.

Some of the components of performance management, such as goal setting, appraisal, personal development and performance-related pay may be familiar to you already. What is important is the way they are put together or integrated. It is the integration of the components – horizontal and vertical – which provides a system to manage performance:

- vertical integration is the linkage between corporate goals, departmental objectives and individual target setting
- horizontal integration is the coordination of individual and team goal setting, performance standard definition, communication, monitoring, feedback, analysis of training needs and rewards to bring about the desired performance.

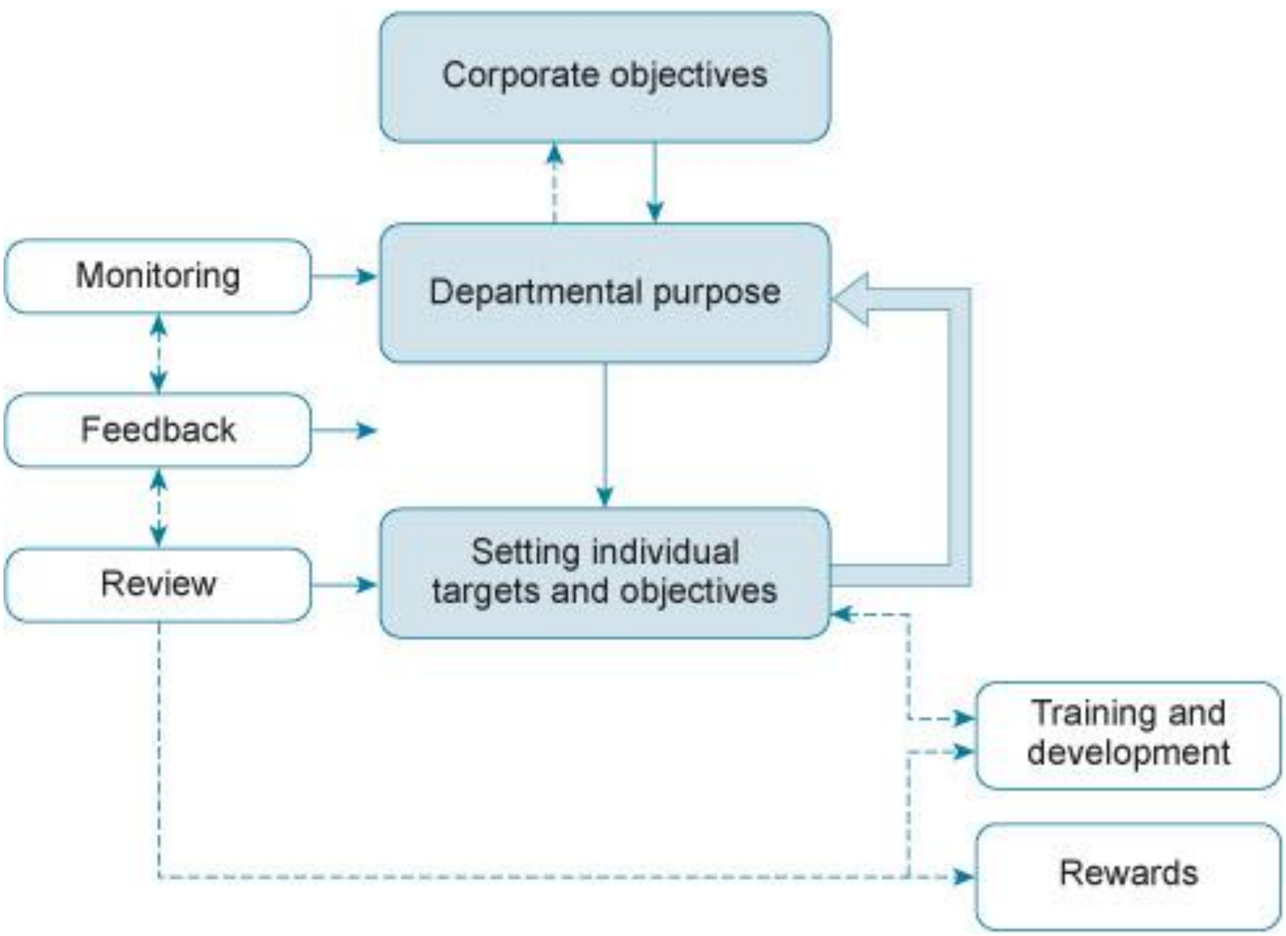


Figure 2.3 Vertical and horizontal integration in action

In an organisation, large or small, each department or section reviews its purposes in relation to the overall business strategy. (Ideally corporate strategy may be amended in the light of feedback from departments!) Individual objectives are then set to achieve the departmental purposes. Following evaluation of performance, performance-related payments may be triggered and/or personal development undertaken. This leads into a further round of objective setting, making the process and ongoing one and not just an 'annual ritual'.

A number of aspects of this model are worth highlighting:

First, in its pure form, performance management assumes an (arguably) overly rational and mechanistic model of management. It draws on the idea of the control loop that you may have met in earlier Open University modules. Central to PMS are the three elements of setting objectives, reviewing performance and revising objectives and plans based on the outcomes of the review. In essence, this is a simple learning model: deviations from given objectives can be detected and corrected in the light of experience.

Second, the model assumes that organisations are unitary; that is, that clear organisational goals can be specified and that these will be shared by others in the organisation. Little allowance is made for the fact that different people and units may have their own interests and interpret organisational goals in different ways, or for the ambiguities and uncertainty of organisational life.

Third, as you will probably notice, many features of the model are not new. At the heart of PMS are the practices of individual performance appraisal, and the related aspects of performance-related rewards and development. However, what the proponents of PMS claim is new is the way in which these different aspects of managing people are linked together to form an interlocking system, along with the way in which units and individual performance are related to the overall strategy.

Unit 1 - Michigan Model

This model would be described as 'hard' HRM because it emphasises treating employees as a means to achieving the organisation's strategy, as a resource that is used in a calculative and purely rational manner. Hard HRM focuses more than soft HRM does on using people as resources and as a means towards the competitive success of the organisation.

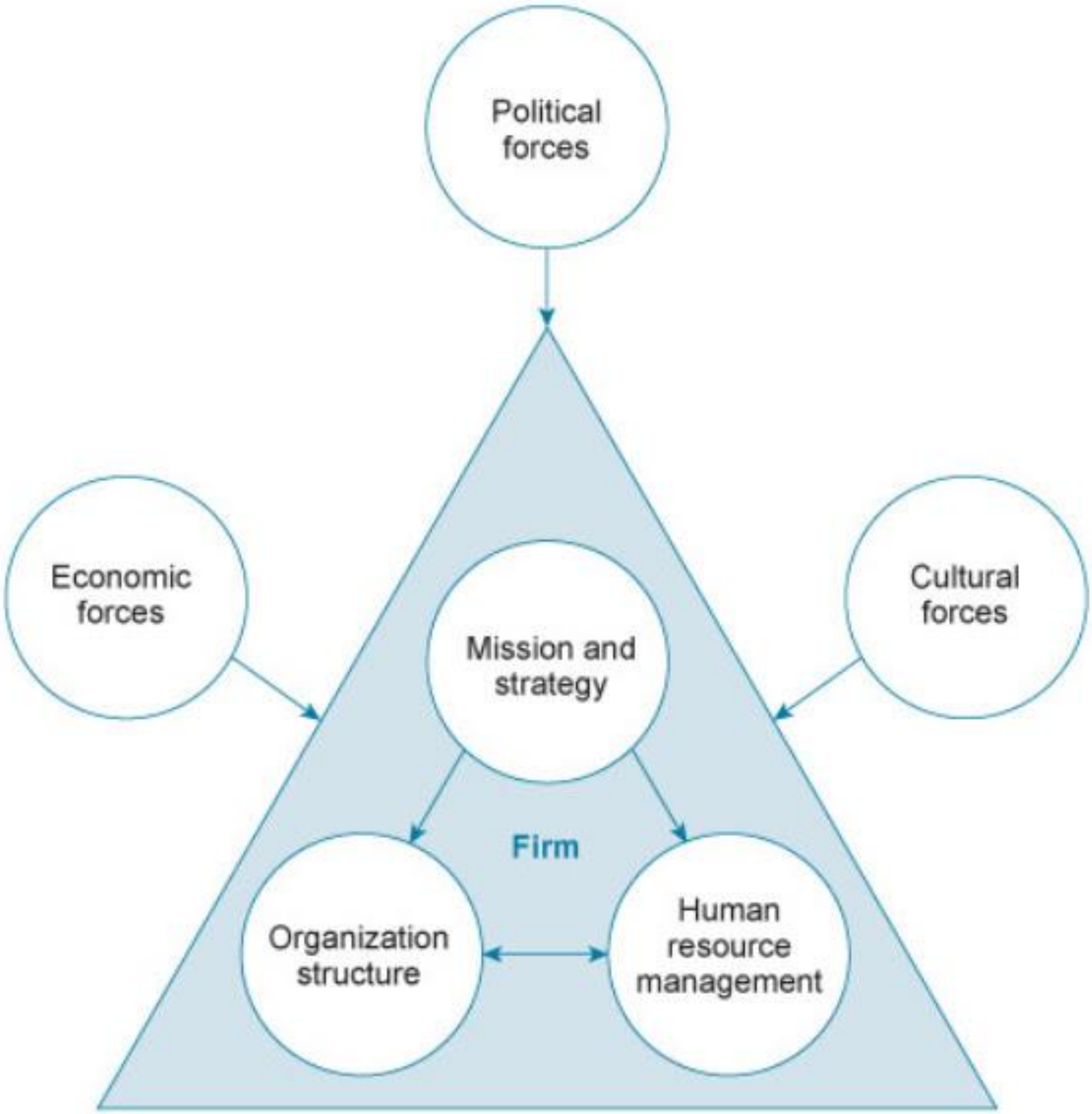
Arguably, the strength and the major limitation of their approach is that it focuses on the organisation and how it can best rationally respond to its external environment. Focusing on the level of the organisation has the advantage of drawing attention to aspects partly under the control of management, such as formal strategy, structure, and preferred culture. On the other hand, attending to the organisational level may lead managers to assume that, through organisational strategy, structure, and HR systems, they have more power than they really have to change individuals and influence the external environment.

Hard HRM assumes that increasing productivity will continue to be management's principal reason for improving HRM.

The authors proposed a framework for strategic HRM that assumes the needs of the firm are paramount. They said in their view organisations exist to accomplish a mission or achieve objectives and that strategic management involves consideration of three interconnected issues. First, the mission and strategy must be considered because these are an organisation's reason for being. Second, the organisation's structure, personnel requirements, and tasks, must be formally laid out, including systems of accounting and communications. Third, HR systems need to be established and maintained because, as the authors state: 'people are recruited and developed to do jobs defined by the organisation's formal structure: their performance must be monitored and rewards allocated to maintain productivity'.

The Michigan model observes the different business strategies and related organisation structures can lead to contrasting styles of HRM in activities such as selection, appraisal, rewards, and development. For example, a single-product company with a traditional functional structure (that is, structured according to the various functions of the business – finance, accounting, marketing, sales, production and operations, personnel, etc.) will select its people on the basis of their expertise in the specific functions. Appraisal of employee performance will be largely informal and administered via personal contact; the reward system will vary unsystematically across the functions and employee development will be limited primarily to the functional area in which the employee works. On the other hand, a company with a multi-divisional structure and a strategy for product diversification may have a very different system of HRM. Selection would be systematic and according to both functional experience and general management ability. The appraisal system would be formal and impersonal based on quantitative criteria such as productivity and return on investment and on qualitative, subjective, judgements about individual performance. The reward system would systematically reward contribution to the diversification strategy, and it is likely that bonuses would be paid according to achievement of profitability targets. Employee development would be more complex and systematic than it would be in a company with a single-product strategy. In the multi-divisional company, employees are accustomed to being periodically transferred to different functions and areas of business. Individual development would be cross-divisional, cross-subsidiary and corporate.

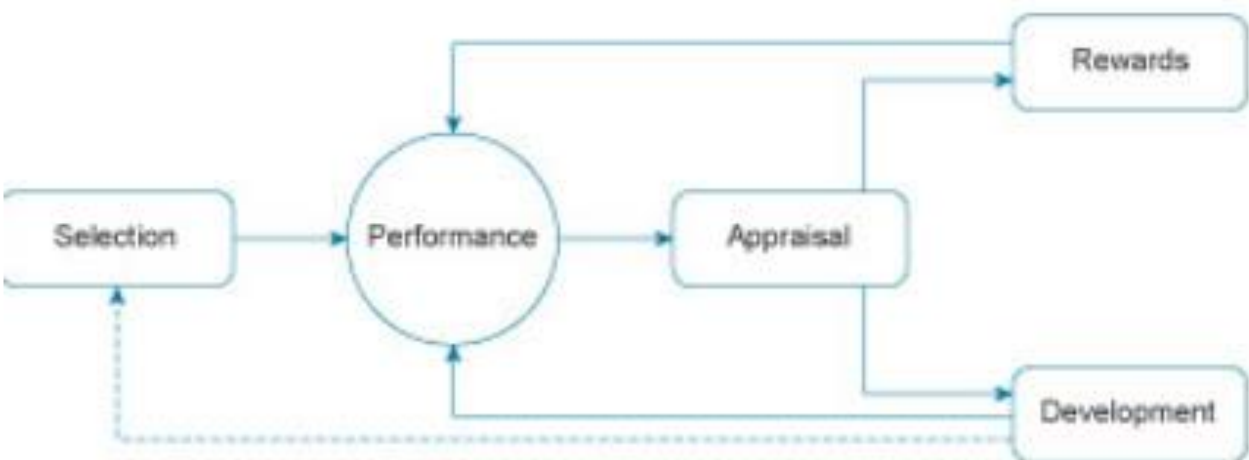
The Michigan model represents the external and internal factors of HRM as a triangle



Finally, the Michigan model argues that within HRM there is a human resource cycle affecting individual and organisational performance (see Figure 2.5). It describes the four functions of this cycle as follows:

Performance is a function of all the human resource components: *selecting* people who are best able to perform the jobs defined by the structure, *appraising* their performance to facilitate the equitable distribution of rewards, motivating employees by linking *rewards* to high levels of performance, and *developing* employees to enhance their current performance at work as well as to prepare them to perform in positions they may hold in the future.

The Michigan model is 'hard' HRM because it is based on strategic control, organisational structure, and systems for managing people. It acknowledges the central importance of motivating and rewarding people, but concentrates most on managing human assets to achieve strategic goals. Subsequent empirical research has not produced evidence of organisations systematically and consistently practicing hard HRM, although a longitudinal study (by Truss et al., 1997) of large organisations (including BT, Citibank, Glaxo, Hewlett Packard, and Lloyds Bank) found that employees were strongly managed towards organisational goals. A company practising hard HRM would have a style of management that treats employees in a calculated way, primarily as means to achieving business goals. Its top management would aim to manage the organisation rationally and achieve a 'fit' between the organisation's strategy, structure, and HRM systems.



Unit 1 - Guest Model

A second 'soft' HRM model came from David Guest in 1987. Guest argued that HRM in the UK should be about designing policies and practices to achieve four main outcomes: strategic integration (planning/implementation); high employee commitment to the organisation; high workforce flexibility and adaptability; and a high-quality workforce. Strategic integration means ensuring that the organisation's business plans are implemented through appropriately designed HR polices and practices. Companies have been criticised for trading HRM and strategy separately, therefore failing to combine HRM with the business strategy.

He proposed that these four HRM outcomes will lead to the desirable organisational outcomes of: high job performance, stronger problem solving, greater change consistent with strategic goals and improved cost-effectiveness, while also reducing employee turnover, absences, and grievances. However, Guest warned that these outcomes will be achieved only if an organisation has a coherent strategy of HRM policies fully integrated into the business strategy and supported by all levels of line management.

Guest's model is similar to the Harvard but has seven HR policy categories instead of four.

Policy formulation and implementation/management of change means establishing HR policy to explicitly identify the nature of the change required in a business and manage the process of change. *Employee appraisal, training and development* involve both informally and formally evaluating employee performance and the need for training and development. Once these have been evaluated, policies must be in place to ensure that timely and appropriate training and employee development occur. Communication systems are the various processes and media that the organisation uses to encourage two-way flows of information between management and employees.

Table 2.1 **Policies for identifying human resource and organisational outcomes**

Policies	Human resource outcomes	Organisational outcomes
Organisational and job design		High job performance
Policy formulation and implementation/management of change	Strategic planning/implementation	High problem-solving
Recruitment, selection and socialisation	Commitment	Successful change
Appraisal, training and development	Flexibility/adaptability	Low turnover
Manpower flows – through, up and out of the organisation		Low absence
Communication systems	Quality	Low grievance level
		High cost-effectiveness i.e. full utilisation of human resources

(Source: Guest, D.E., 'Human Resource Management and Industrial Relations', Journal of Management Studies (1987), 24, 5, September, pp. 503–21, Table 11, p. 516)

Guest described progress in the UK towards HRM as being somewhat slow and 'crab-like'. British trade unions, he wrote, have started to become more positive about HRM and will work more openly and productively with management; however, many senior managers still retain a short-term perspective on their businesses. The result is that many HR initiatives appear to employees to be management fads rather than a genuine long-term commitment to the organisation and its people.

Guest's model constitutes soft HRM for the same reasons that the Harvard model does: both give strong recognition to the needs of employees (for example, motivation and development) in the running of the organisation. Also, both are committed to employees' needs as long as the measures taken to meet those needs remain consistent with the strategy of the organisation and management aims

Unit 1 - Harvard Model

In 1985, Richard Walton published an article in the Harvard Business Review called 'From Control to Commitment in the Workplace', which popularised soft HRM as a distinctive approach to managing human resources. His argument was that effective HRM depends not on strategies for controlling employees but on strategies for winning employees' commitment.

The Harvard model proposes that many of the diverse personnel and labour relations activities can be dealt with under four human resource (HR) categories: employee influence, human resource flow, reward systems and work systems. These are general issues that managers must attend to regardless of whether the organisation is unionised or not, whatever management style is applied, and whether it is a growing or declining business.

Employee influence

Employee influence is the question of how much responsibility, authority, and power is voluntarily delegated by management and to whom. One of the critical questions here is, if management share their influence, to what extent does this create compatibility (the word the authors used is 'congruence') of interests between management and groups of employees? The assumption the authors make is that any influence employees have should be compatible with management's purpose and priorities.

Human resource flow

Human resource flow concerns managing the flow of people into, through, and out of the organisation. This means making decisions on recruitment and selection, promotion, termination of employment, and related issues of job security, career development, advancement, and fair treatment. Managers and personnel specialists, according to the Harvard model, must work together to ensure that the organisation has an appropriate flow of people to meet its strategic requirements.

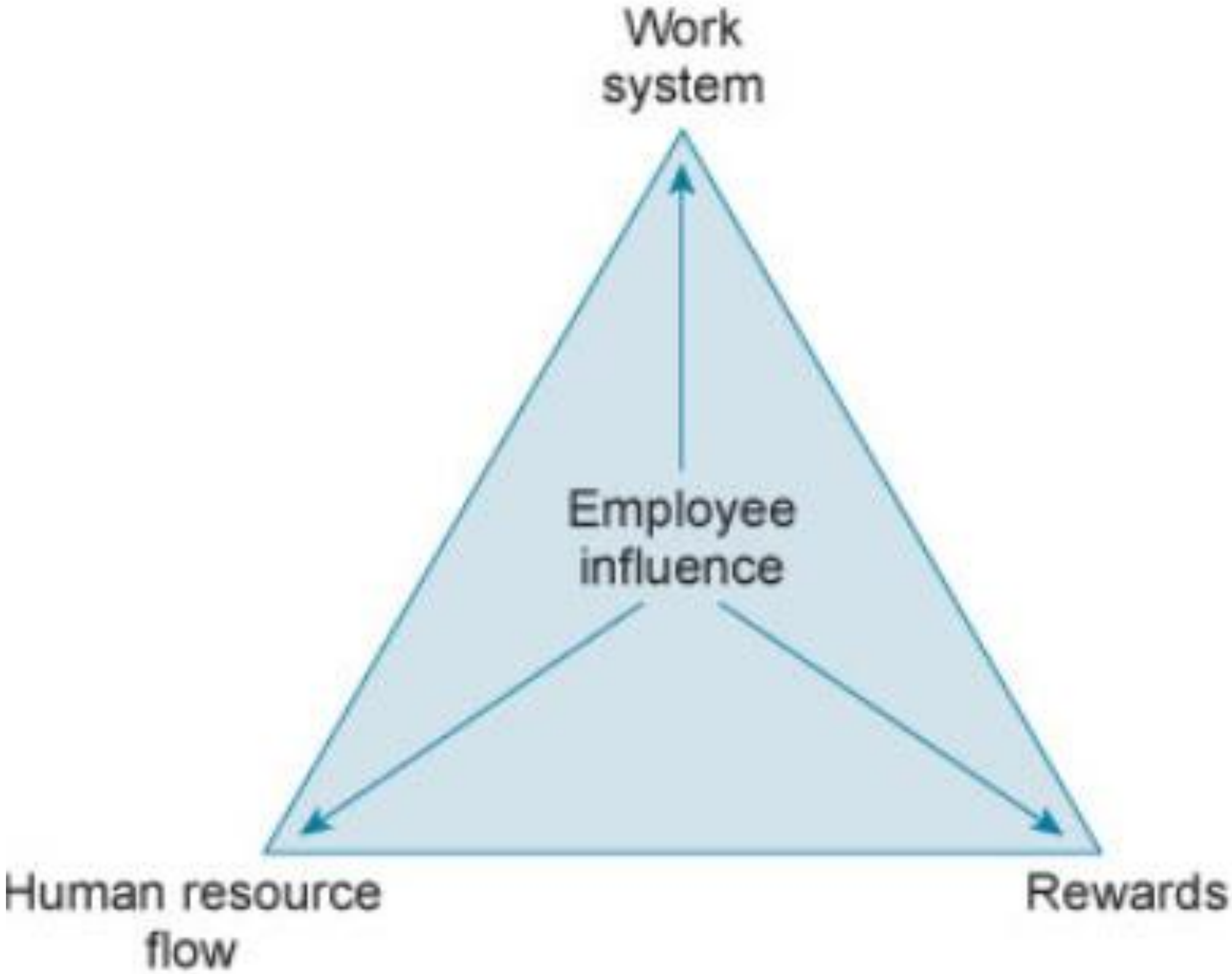
Reward systems

Reward systems regulate how employees are extrinsically and intrinsically rewarded for their work. Extrinsic rewards are tangible pay and benefits: pay, overtime pay, bonuses, profit sharing, pensions, holiday entitlement, health insurance; and other benefits, such as flexible working hours. Intrinsic rewards are intangible benefits and are said to strongly influence employees' motivation, job satisfaction, and organisational commitment. Intrinsic rewards are rewards from the work itself, such as sense of purpose, achievement, challenge, involvement, self-confidence, self-esteem, and satisfaction. The Harvard model recommends that employees should be highly involved in the design of an organisation's reward systems but observes that final decisions, besides meeting employees' needs, must be consistent with the overall business strategy, management philosophy, and other HRM policies.

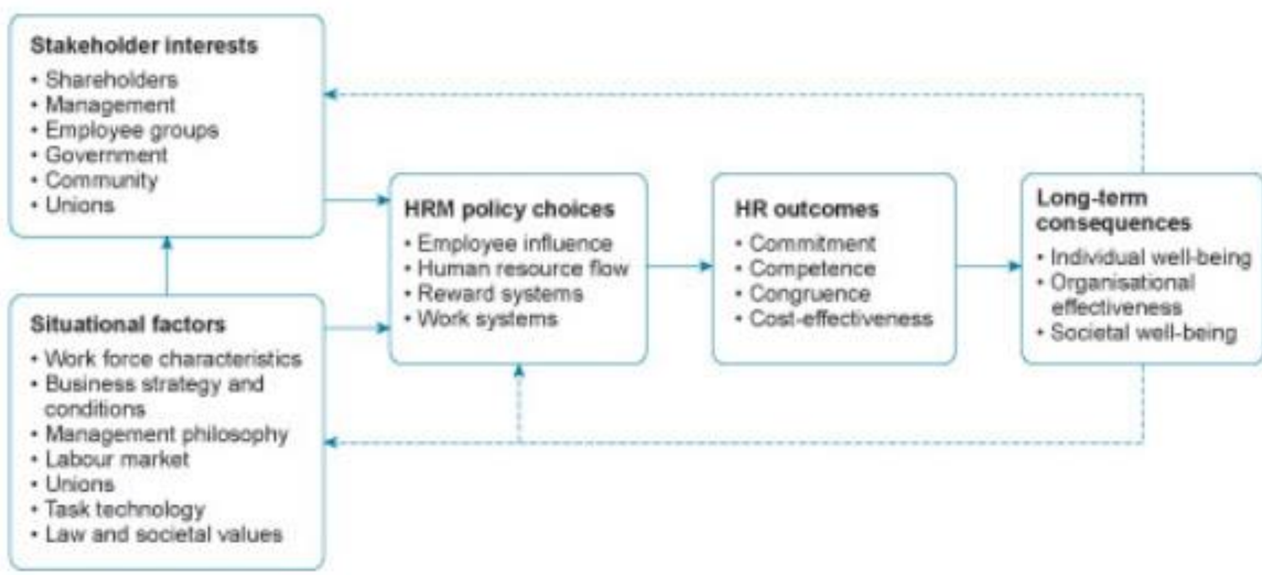
Work systems

Work systems are the ways in which people, information, activities, and technology are arranged, at all levels of the organisation, so that work can be performed efficiently and effectively.

Policies in these four areas must be designed and applied in a coherent manner because, Beer and his co-authors argue, HRM is considerably less likely to be effective where policies are disjointed, made up of odd combinations of past practices, and are ad hoc responses to outside pressures. The four policy areas must satisfy the many stakeholders of the enterprise – for example, shareholders, employees, customers, suppliers, communities, trade unions, trade associations, and government. Employees are major stakeholders of the enterprise and it is the responsibility of managers to establish systems that promote employee influence. Some people would say that managers do not consider enough how to facilitate employee influence: indeed, Beer et al. claim that, of the four issues discussed, employee influence is the central feature of an HR system, as illustrated in the triangle in Figure 2.2.



A further recommendation of the Harvard model is that, when making HRM policy decisions, managers should consider the ‘four Cs’: commitment, competence, congruence (compatibility), and cost-effectiveness. That is, managers should ask to what extent the policies they implement will: enhance the commitment of people to their work and the organisations; attract, retain, and develop people with the needed competence; sustain congruence (compatibility) between management and employees; and be cost-effective in terms of wages, employee turnover, and risk of employee dissatisfaction.



The Harvard model is 'soft' HRM because it concentrates attention on outcomes for people, especially their well-being and organisational commitment. It does not rank business performance or one of the stakeholder interests – for example, shareholders – as being inherently superior to other legitimate interests, such as the community or unions. Organisational effectiveness is represented in the Harvard model as a critical long-term consequence of HR outcomes, but alongside the equally important consequences of individual and societal well-being. An organisation putting this model into practice would therefore aim to ensure that its employees were involved in their work and were able to participate in decision making. HRM policies would be developed and implemented to meet employees' needs for influence, but within the limitation of having to be consistent with the overall business strategy and management philosophy.

Why is SHRM important?

The arguments relating to the importance of strategic human resource management tend to be constructed around the claim that 'people make the difference'. The point being made here is that other resources are available and purchasable (capital, new plant and equipment etc.) on a relatively open market but it is the creative utilisation of these resources and ideas by people (singularly and in combination) which lies at the root of creating a competitive advantage.

These arguments are in some ways similar to those which stress the importance of the resource-based view or of the role of knowledge and the importance of ‘dynamic capability’. **Dynamic capability was defined by Teece et al. as a ‘firm’s ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments’ (1997, p. 516)**. It suggests that intangible assets, including the knowledge and skills of the workforce, can be configured so that traditional routines do not hamper responses to rapidly changing environments. Instead, more flexible, meta-routines can be created which enable organisations to be capable of a higher state of responsiveness to inherently unpredictable forces. Failure to attract, retain and motivate the right numbers and right kinds of people means that opportunities are missed and that other resources are wasted.

HR matters too, it is argued, in the way it can affect customer outcomes – that is the customer experience. The connections that lead from one to the other have been explored by a number of researchers and management consultancies. In Figure 2.1 below, Bowen and Pugh (2009) show the potential linkages across business strategy, employees’ perceptions of human resource management practices, the organisational climates that are shaped considerably by these HRM perceptions and customer outcomes such as satisfaction, quality perceptions, loyalty, and even profitability.

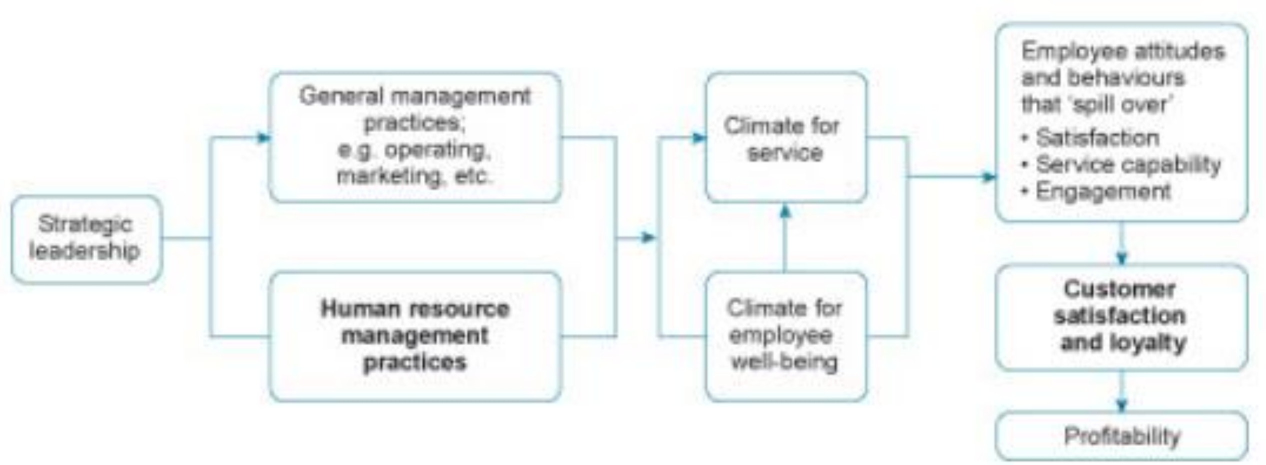
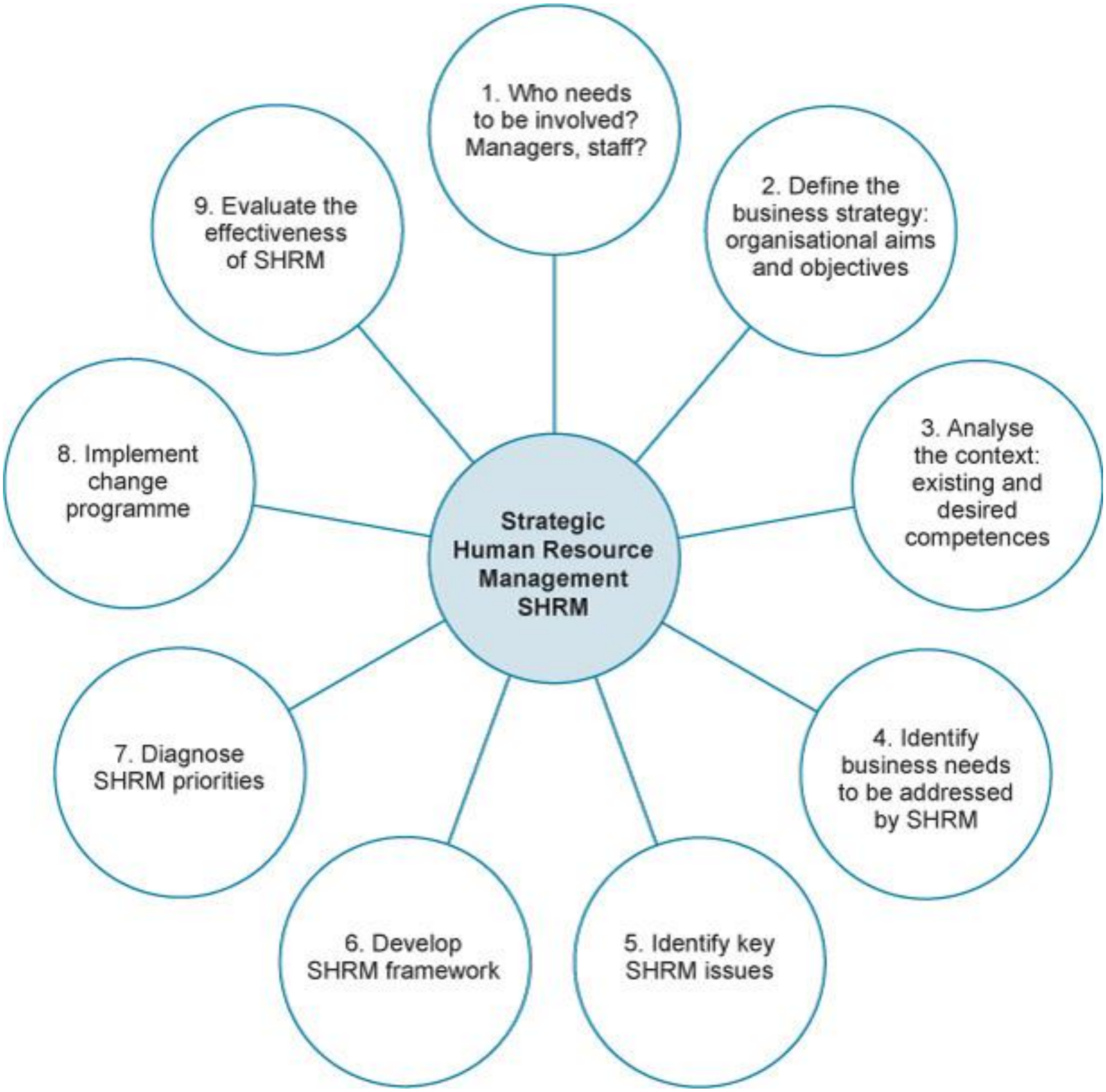


Figure 2.1 A model linking HRM practices and customer outcomes in services (Source: Bowen and Pugh, 2009)

Step 1 - Who needs to be involved?

Before an organisation seeks to develop an HRM strategy there is a need to determine who should be involved. The following questions, suggested by the CIPD, represent a useful starting point:

- Is this the first time strategy is to be formulated or is it an updating of an existing strategy?
- Does a well-defined business strategy or plan already exist? If not, what information can be obtained about business intentions?
- What is the initial assessment of the key issues with which the HR strategy should be concerned?
- What is the initial view of the strategic intent – how are the key issues to be addressed?
- Are the resources available to develop and implement the strategy?
- To what extent is top management sympathetic to the idea of an HR strategy?
- What do top management hope to get out of it and do they recognise the link to business outcomes?
- Will line managers support strategy initiatives and do they have the skills to implement them?
- How are staff generally likely to react to the strategy? Can any difficulties be anticipated and, if so, how can they be dealt with?
- Who should be involved in developing the strategy



Step 2 - Define the business strategy

This is concerned with defining the business aims and objectives. You need to focus on such issues as:

- Are the business aims clear?

- Are the aims shared?
- Who is involved in the establishment of the aims?
- Are the aims consistent?

Step 3 - Analyse the context

In developing the strategy, the CIPD (2004) state '… it is important that not only the provision of the business strategy is considered but also the context in which it is prepared and implemented. This means appreciating the organisation's strengths and weakness and understanding the threats and opportunities it faces. It also means assessing the core competences of the organisation and identifying critical success factors, especially those associated with people.'

You will need to determine the information you already have available to make an assessment of the strength of the organisation and areas for development. You will also need to consider the competencies of the employees. This can be achieved from:

- training needs analysis
- development plans
- performance management data
- job descriptions
- management feedback.

Step 4 - Identify business needs

This is the crucial stage concerned with identifying the business issues that should be addressed by the HR strategy. For example, the agreed business strategy might include plans for an approach to selling, adding quality to the level of service offered, reducing the number of offices or enhancing the role of the current support staff.
In this situation, an HR strategy would need to determine the resourcing implications in terms of:

- job roles
- staff numbers and skills

- training needs
- devise plans to satisfy them.

Step 5 - Identify key HRM issues

The key HR issues are those that directly affect the achievement of business goals. Reflect on the following issues and identify which are important to your organisation at present:

- Communication strategies
- Competence development
- Corporate vision
- Demographics
- Diversity management
- Downsizing
- Employee commitment
- Employee control
- Employee relations
- Empowerment
- Ethics
- Globalisation
- Government and other forms of political regulation
- Leadership development
- Management development
- Mergers, acquisitions and demergers
- Mission statement
- Organisational culture

- Organisational development
- Organisational entry
- Organisational structure
- Performance appraisal
- Performance management
- Political climate
- Quality assurance
- Recognition
- Recruitment and selection
- Reporting relationships
- Resources
- Reward management
- Stakeholders
- Succession planning
- Team working
- Training needs analysis and delivery
- Values

Step 6 - Develop the strategic HRM framework

The strategic framework will define the main strategic goals, their interconnections and their priorities. The links between them will need to be identified so that mutually supporting processes can be developed, for example, performance management processes or human resource development programmes. This will enable priorities to be established. In some cases the strategies will be bundled together. In other cases they might be implemented in sequence on the grounds that there is only so much innovation and change that an organisation can cope with at any one time. However, the evidence suggests that a piecemeal approach to change is not as effective. It is important that interrelationships and sequencing are considered with care and nothing should be done without assessing its consequences for other aspects of the business or

HR strategy.

Step 7 - Diagnosing HRM priorities

When formulating HR strategies, the key questions are:

- What are the key components of the business strategy?
- How can HR strategies support the achievement of the business strategy?
- What are the strengths and weaknesses of the organisation and the opportunities and threats it faces?
- What are the implications of the political, economic, social, technological, legal and environmental contexts in which the organisation operates?
- To what extent is the organisation in a stable or dynamic (turbulent) environment and how will this affect our strategies?
- What is the nature of the corporate culture? Does it help or hinder the achievement of the organisation’s goals?
- What needs to be done to define or redefine our values in such areas as quality, customer service, innovation, team working and the responsibility of the organisation to its employees?
- What do we need to do to increase commitment? How do we communicate our intentions and achievements to employees and what steps do we take to give them a voice (i.e. obtaining feedback from them and involving them in the affairs of the organisation)?
- To what extent do we need to pursue a strategy of high performance or high-commitment management; what would be the main requirements of such a strategy?
- How can we increase the resource capability of the organisation?
- To what extent do existing HR practices meet future business needs? What needs to be done about any gaps or inadequacies?

Step 8 - Change management

The implementation of any HR strategy requires effective change management. There is often a gap between the rhetoric of HR strategies and the reality of what happens subsequently. This is essentially a change management issue. Everyone concerned with implementation needs to be included in a change management programme.
The main features of change management are:

- hard evidence and data on the need for change
- strong commitment and visionary leadership from the top
- clear communication of a vision of a preferable future
- clear understanding of the levers for change in the organisation
- appropriate temperament and leadership from those concerned with managing change
- a learning organisation that creates a climate for change and learns from failures
- participation in the planning and implementation of change by those most affected by it (the aim should be to get them to 'own' the change)
- a reward system that encourages innovation and recognises success in achieving change
- strategies for change that are adaptable (the ability to respond swiftly to new situations and demands, which will inevitably arise, is essential)
- an emphasis on change in behaviour, not enforcing values
- processes, structure and systems designed and aligned to deliver the required changes
- anticipation of implementation problems
- active and visible champions of change
- ongoing communication on why change is essential and how it will affect everyone

Step 9 - Evaluation

The final stage is to evaluate the effectiveness of HR strategies. Is it possible to demonstrate a business case for SHRM?

Personel vs SHRM

From the 1980s, initially in the USA, there developed a further version of people management, known as '**strategic human resource management'** (SHRM) – often just called HRM – in which the 's' of strategic denotes that we are maintaining our focus on the collective rather than the individual level.

SHRM has been characterised by Storey (2007) in a set of underlying principles defined below, which are the beliefs and assumptions of leading-edge HR practitioners.

1. Beliefs and assumptions;

a. That it is the human resource which gives competitive edge.

b. That the aim should be not mere compliance with rules, but employee commitment.

c. That employees should be very carefully selected and developed.

2. Strategic qualities:

a. Because of the above factors, HR decisions are of strategic importance.

b. Top management involvement is necessary.

c. HR policies should be integrated into the business strategy – stemming from it and even contributing to it.

3. Critical role of managers:

a. Because HR practice is critical to the core activities of the business, it is too important to be left to personnel specialists alone.

b. Line managers are (or need to be) closely involved as both deliverers and drivers of the HR policies.

c. Much greater attention is paid to the management of the managers themselves.

4. Key levers:

a. Managing culture is more important than managing procedures and systems.

b. Integrated action on selection, communication, training, reward and development.

c. Restructuring and job design to allow devolved responsibility and empowerment.

Table 1.1 Twenty-seven points of difference between personnel management and SHRM

Dimension		**Personnel and industrial relations (IR)**	**SHRM**
Beliefs and assumptions			

1	Contract	Careful delineation of written contracts	Aim to go ‘beyond contract’
2	Rules	Importance of devising clear rules/mutuality	‘Can-do’ outlook; impatience with ‘rule
3	Guide to management action	Procedures	‘Business-need’
4	Behaviour referent	Norms/custom and practice	Values/mission
5	Managerial task vis-à-vis labour	Monitoring	Nurturing
6	Nature of relations	Pluralist	Unitarist
7	Conflict	Institutionalised	De-emphasised
Strategic aspects			
8	Key relations	Labour management	Customer

9	Initiatives	Piecemeal	Integrated
10	Corporate plan	Marginal to	Central to
11	Speed of decision	Slow	Fast
Line management			
12	Management role	Transactional	Transformational leadership
13	Key managers	Personnel/IR specialists	General/business/line managers
14	Communication	Indirect	Direct
15	Standardisation	High (e.g. 'parity' an issue)	Low (e.g. 'parity' not seen as relevant)
16	Prized management skills	Negotiation	Facilitation
Key levers			

17	Selection	Separate, marginal task	Integrated, key task
18	Pay	Job evaluation (fixed grades)	Performance-related
19	Conditions	Separately negotiated	Harmonisation
20	Labour management	Collective bargaining contracts	Towards individual contracts
21	Thrust of relations with stewards	Regularised through facilities and training	Marginalised (with exception of some bargaining for change models)
22	Job categories and grades	Many	Few
23	Communication	Restricted flow	Increased flow
24	Job design	Division of labour	Team work
25	Conflict handling	Reach temporary truces	Manage climate and culture

26	Training and development	Controlled access to courses	Learning companies
27	Foci of attention for interventions	Personnel procedures	Wide-ranging cultural, structural and personnel strategies

6. How is integration of business strategy with Human Resource Strategy done?

Strategic human resource management (SHRM) is, indeed, one of the most momentous concepts in the field of business and management today. The idea of SHRM is to promote high performance workplaces and human capital management. SHRM can be defined as the linking of human resources (HR) with organisations' strategic goals and objectives so as to improve business performance and develop organisational culture that nurture innovation, flexibility and competitive advantage. In an organisation, SHRM means accepting and involving the HR function as a strategic partner in the formulation and implementation of the company's strategies through HR activities such as recruiting, selecting, training and rewarding personnel. It basically centers on HR programs with long-term objectives i.e. instead of focusing just on internal HR issues, the major focus is on addressing and solving problems that affect people management programs in the long run. Therefore, the primary goal of strategic HR is to increase employee productivity and to identify key HR areas where strategies can be implemented in the long run to improve the overall employee motivation along with productivity. Strategic orientation of human resource management (HRM) is important for all organisations irrespective of its size and domain. It simply requires the alignment of every HR function with business strategy. It establishes relationship between HRM and strategic management of the organization and facilitates the HRM to change its image as a "cost center" to that of a "strategic business partner". Thus, the SHRM can be defined as the organisations action plan to align HRM with strategic business objectives so that the competitive advantage can be achieved through its skilled, committed and well-motivated workforce. This can only be possible if every HR function is strategically aligned.

Strategic human resource planning

Human resource planning (HRP) is a process of analyzing and identifying the need for and availability of HR so that the organisation can meet its objectives. The need for HRP is to reduce the significant lead time between recognition of job requirement and getting a qualified person to fill that need. This means HR is required to have an idea of the job market and how it can match to hiring needs as no organization can meet its goals without recruiting talented workers. Hiring, indeed, is an important aspect of HRP, as it provides the doorway for bringing in new employees and choosing individuals suited to the company's culture and requirement. During hiring, the HR department looks for an applicant who specifically fits the job criteria or someone who is the most versatile individual. However, today HRP is viewed as a strategic operational process and its focus has shifted from traditional Hiring and Staffing to towards forecasting and succession planning that can handle different contingencies which intern impacts the success of business operations. Effective HRP can reduce turnover by keeping employees apprised of their career opportunities within the company. The success of HRP depends on how meticulously the HR department can integrate effective HRP with the organization's business planning process. Strategic human resource planning (SHRP) is based on close working relationships between HR department and line managers. SHRM can be defined as a deliberate attempt of HR deployment to empower the organization to meet organizational goals, objectives and consistencies. Succession planning plays an important role in strategic alignment if HRP. Through succession planning organisations recruit skilled employees, develop their knowledge, skills, and abilities further, and prepare them for advancement or promotion into ever more challenging roles. This process ensures that employees are constantly developed fill each needed role. So, that a talent pipeline is maintained.

Strategic recruitment and selection

The core responsibility of recruitment and selection processes is "identifying the right pool of talent for establishing the right candidates". Earlier, recruitment and selection was considered as traditional function with standard approach where the focus was on person–job fit. However, now, organisations are aiming at person–organisation fit and, therefore, applicants are selected against organizational characteristics rather than job-specific criteria. Today, choosing the correct employee is, indeed, essential to the development an effective SHRM system.

Strategic recruitment and selection (SR&S) can be defined as strategic integration of recruitment and selection with long-term business objectives so that strategic demands of the organisations can be translated into an appropriate recruitment and selection specification. In this, the alignment of candidate's objective and business's objective has become must. However, not all the job positions in the company are strategic and are not critical for the business operation. The strategic recruitment is focused only on the key job positions in the organization. It is focused on the hiring of the job positions needed for the accelerated growth of the business. The strategic recruitment can be a separate process from the usual recruitment process for the mass job positions.

Strategic training and development

Increasingly high performing organizations today are recognising the need to use best training and development practices to enhance their competitive advantage. Training and development is an essential element of every business if the value and potential of its people is to be harnessed and grown. By definition, training and development refers to the process to obtaining or transferring knowledge, skills and abilities needed to carry out a specific activity or task. Strategic positioning of training and development directly promotes organizational business goals and objectives. Key business challenges require that organisation thoughtfully gauge their market position and determine the talent, skills and knowledge to be successful. By adopting a strategic approach to training and development rather than an unplanned and ad hoc one, training and development initiatives become more targeted, measurable and effective. The strategic training and development (ST&D) is all about identifying, designing and delivering training programmes to employees to make them capable of delivering in accordance with business strategy. In addition, the evaluation of the outcomes to check the effectiveness of the training programme based on planning to determine whether the training was effective to its contribution to the business strategy.

Strategic performance management

Traditional performance management systems often fail to deliver desired business objectives because communications from the top are not always clearly understood further down the line, leading to a mismatch between corporate strategy and how it is translated into targets at a team or individual level. Then, if the business goals and strategy and the employee motivation and culture are not in harmony, results certainly suffer. This missing link can be complemented by the strategic performance management (SPM) approach. Top management must address how they actually want to manage performance? What targets must be met and by when? And how do they want managers and employees to work to achieve them? It is important not only to identify HR competencies in accordance with the business needs and develop selection and development practices to secure those competencies but also to evolve and implement a performance evaluation plan that links the performance of the employees to the strategic goals. It is certainly essential to have strategically linked compensation system to improve firm performance and to retain employees with required competencies. SPM creates this link between the strategy and culture of an organization and its ability to manage employees' performance to have direct impact on business performance. SPM is actually about strategy implementation to deliver value by delivering the desired outcomes in accordance with business strategy. SPM link the individual's objectives and performance management, driving the skill and capability requirements and ensure its alignment to the core values of the organisation.

Strategic compensation and reward management

The main objective of compensation policy is to give the right rewards for employee performances, their skills, competencies, their knowledge and experience to attract and retain them. It is again certainly an important motivator to reward the employees for their market worth and also for achievement of the desired organisational results. However, the traditional compensation and reward system alone cannot ensure the fulfilment of the business objectives. Strategic compensation and reward management (SCRM) facilitate the alignment of compensation and reward policy with business, which can be achieved by taking a data-driven approach so that the pay and benefits are allocated to only those positions and workers that produce the greatest return. One of the healthier ways to motivate employees and reward the stellar performers is to have variable pay rewards system based upon the individual and team performance to their contribution towards the achievement of organisations business objectives.

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