

“ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT IN ENHANCING ORGANISATIONAL EFFECTIVENESS”

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Abstract— Strategic human resource management means formulating and executing HR systems – HR policies and activities – that produce the employee competencies and behaviors; the company needs to achieve its strategic aims. Strategic integration is the process of linking human resource management policies and activities to explicit business strategies. This integrating process will aim to match available human resources to the ever changing requirements of the organisation. It will also establish the competencies required at all levels in the organisation to ensure that business strategies are implemented and will then take the human resource development initiatives required to provide those competencies.

Keywords— Strategic planning, strategic integration

I. INTRODUCTION

‘Strategy’ is one of those words that are banded about on management courses, with sometimes not too much care as to the definition. It is derived from the military sphere and this is clear from the dictionary definitions. The Chambers 20th Century Dictionary describes it as ‘generalship or the art of conducting the campaign’, while The Oxford English Dictionary is equally direct – ‘The art of a Commander in Chief’. The two things are clear from this: strategy is certain about leadership, and is more concerned with the broad direction of affairs than detailed implementation. The use of the term strategy has become an increasingly popular addition to the lexicon of the business words and phrases.

II. BUSINESS STRATEGY

In the context of business, strategy is primarily concerned with such matters as what products or services the organisation will offer, to which clients and to which markets they will be offered. In making decisions in these matters, the business strategists are concerned with:

- (i) The whole organisation rather than its parts – i.e. the whole firm rather than particular divisions or departments.
- (ii) The long term rather than the medium or short term – e.g. development of markets rather than initial sales rate.
- (iii) The broad scope of that organisations activities – e.g. to manufacture cars or to manufacture furniture.

III. STRATEGIC MANAGEMENT

Strategic Management involves consideration of the following:

A. Mission and Strategy

An organisation needs a reason for being (mission), and a sense of how to display materials, information, and people to carry it out (strategy).

B. Formal Structure

People and tasks are organized to implement the organization’s strategy. The organisation’s formal structure includes the systems of financial accounting and information dissemination.

C. Human Resource Systems

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.

IV. STRATEGIC MANAGEMENT PROCESS

Strategic planning is a part of the firm’s strategic management process. Strategic planning includes the first four strategic management tasks. It includes evaluating the firm’s internal and external situation, defining the business and developing a mission, translating the mission into strategic goals, and drafting the strategy or the course of action. Strategic management includes the implementation phase. It is the process of identifying and executing the mission of the organisation by comparing the company’s capabilities with the demands of its environment. The following steps are included in the strategic management process:

A. Definition of the Business and its Mission

The fundamental strategic decisions which the managers face are, “Where are we now in terms of the business we’re in, and what business we want to be in?” Then the managers have to choose the strategies – courses of action such as buying competitors or expanding overseas – to get the company from where it is today to where it wants to be tomorrow. Management experts use the terms vision and mission to help define a company’s current and future business. The company’s vision is a “general statement of its intended direction that evokes

emotional feelings in organisation members”. The firm’s mission is more specific and shorter term. It communicates ‘who we are, what we do, and where we are headed’.

B. Perform External and Internal Audits

The strategic plans of the managers are based on the methodical analysis of their external and internal situations. The basic point of the strategic plan should be to choose a direction for the firm that makes sense in terms of the external opportunities and threats it faces and the internal strengths and weaknesses it possesses. For this purpose managers use the SWOT analysis. The managers by using the SWOT analysis identify the company’s Strengths, Weaknesses, Opportunities, and Threats.

C. Translate the Mission into Strategic Goals

The Company’s mission is then translated into the specific goals. For example if the Company’s mission is “to access and act through public/private partnerships to improve energy systems” is one thing; operationalizing that mission for you managers is another. The firm’s managers need long term strategic goals.

D. Formulate a Strategy to Achieve the Strategic Goals

The firm’s strategy is a bridge connecting where the company is today with where it wants to be tomorrow. A strategy is a course of action. It shows how the enterprise will move from the business it is in now to the business it wants to be in, given its opportunities and threats and its internal strengths and weaknesses. A knowledge of and commitment to the strategy helps ensure that employees make decisions consistent with the company’s needs.

E. Implement the Strategy

Strategy implementation means translating the strategies into actions and results – by actually hiring people, building or closing the plants, and adding or eliminating product or product line. In other words, strategy implementation involves drawing on and applying all the management functions.

F. Evaluate Performance

Strategies don’t always succeed. So it becomes necessary to evaluate the performance after the strategy implementation. Strategy control keeps the company’s strategy up to date. It is the process of assessing progress towards strategic goals and taking corrective action as needed. Management monitors the extent to which the firm is meeting its strategic goals and asks why deviations exist.

V. STRATEGIC HUMAN RESOURCE MANAGEMENT

The term HR strategies refers to the specific human resource management courses of action the company pursues to achieve its aims. Strategic human resource

management means formulating and executing HR systems – HR policies and activities – that produce the employee competencies and behaviours; the company needs to achieve its strategic aims.

VI. INTEGRATING BUSINESS AND HUMAN RESOURCE STRATEGY (STRATEGIC INTEGRATION)

Strategic integration is the process of linking human resource management policies and activities to explicit business strategies. This integrating process will aim to match available human resources to the ever changing requirements of the organisation. It will also establish the competencies required at all levels in the organisation to ensure that business strategies are implemented and will then take the human resource development initiatives required to provide those competencies.

VII. ESSENTIALS FOR STRATEGIC INTEGRATION

Following are the essentials for integrating business and human resource strategy:

A. A Coherent Approach

A coherent approach means linking and as necessary coordinating the various techniques available to ensure that added value is obtained from their combined impact. For the coherent approach it is essential that the whole of the top team works together in developing and managing the process. In this situation the human resource professional acts as an enabler and facilitator, providing ideas, drawing the threads together, and helping his or her colleagues to put the ideas into practice. For the integration of business and human resource strategy, it is necessary to follow the coherent approach.

B. Change Management

Human resource strategies should help the organisation to move forward in the direction set by business strategies. They do this first by providing various levers of change through the introduction of integrated resourcing, human resource development, and performance and reward management systems and secondly by seeing that changes are managed properly. Following steps are required for managing change:

- (i) Develop commitment to change through joint analysis of business problems.
- (ii) Develop a shared vision of how to organize and manage for competitiveness.
- (iii) Foster consensus for the new vision, competence to enact it, and cohesion to move it along.
- (iv) Spread revitalization to all departments without pushing it from the top i.e. don’t force the issue, allow departments to find their own way to the new organisation.
- (v) Monitor and adjust strategies in response to

problems in the revitalization process.

C. Flexibility

In each area of human resource management it is necessary to develop flexible structure, climates, systems, and organisation to respond readily to change. Organizations need to embrace the motto 'constancy towards ends but flexibility about means'. Greater functional flexibility must, of course, be achieved within a strategic framework to develop organisation structures which are adaptive and receptive to innovation.

D. Values

Successful companies are value driven, whether those values direct the beliefs and actions of the chief executive officer or whether, preferably, they permeate the whole organisation. Each aspect of human resource management can be enhanced if it is underpinned by a set of values which may refer to such areas as care and consideration for people, customers, enterprise, excellence, financial flexibility, productivity, social responsibility, quality and team work.

E. Commitment

The effectiveness of any aspect of human resource management depends largely upon the extent to which it will increase commitment, motivation, and ultimately performance. A strategy for commitment is therefore necessary to support each aspect of the overall human resource strategy.

F. Strategic Selection

The selection process includes all activities relating to the internal movement of people across positions as well as to hiring. Three strategic concerns are particularly important:

- (i) Design of a selection system that supports the organisation strategy.
- (ii) Monitoring the internal flow of personnel to match emerging business strategies.
- (iii) Matching key executives to business strategies.

G. Strategic Appraisal

The performance appraisal process is the key to an effective human resource system. Companies must develop the human resource system that is supportive of their business strategy because there is a link between such system and the total performance for the firm.

H. Strategic Rewards

The rewards for the employees as should also be in accordance to the business strategy. It includes the salary, bonus, stock options, benefits, and perquisites, promotion, positive feedback from clients etc.

VIII. PROBLEMS OF INTEGRATION:

Following are the problems of integration of

business strategy with HR Strategy:

A. Diversity of Strategic Processes, Levels, and Styles

The different levels at which strategy is formulated and the different styles adopted by organisations may make it difficult to develop a coherent view of what sort of HR strategies will fit the over all business strategies and what type of HR contributions are required during the process of business strategy formulation. In other words it may difficult to focus on HR strategies.

B. Evolutionary Nature of Business Strategy

It may make it difficult to pin down the relevant HR strategies.

C. Absence of Written Business Strategies

The absence of written business strategies adds to the problems of clarifying the strategic business issues which human resource strategies should address.

D. The Qualitative Nature of HR Issues

Business strategies tend, or at least aim, to be expressed in the common currency of figures and hard data on portfolio structure, growth, competitive positioning, market share, profitability etc.

IX. APPROACHES FOR DEALING WITH PROBLEMS OF INTEGRATION:

It may be difficult for the HR strategist to overcome the serious problems of integration but the attempt should be made and the following approaches are available:

A. Understand How Business Strategy is formed

The HR strategist should take pains to understand the levels at which business strategy is formed and the style adopted by the company in creating strategy and monitoring its implementation. It will then be easier to focus on those corporate or business unit issues which are likely to have HR implications.

B. Understand the Key Business Issues

The key business issues which may impact on HR strategies include:

- (i) Intentions concerning growth or retrenchment, acquisitions, mergers, investments, disinvestments, diversification, product/market development.
- (ii) Proposals on increasing competitive advantage through productivity, improved quality, customer service, cost reduction.
- (iii) The perceived need to develop a more positive, performance oriented culture.

Business strategies in these areas should not be over influenced by HR factors. HR strategies are, after all, primarily about making business strategies work.

C. Establish Methods of Linking Business Strategy

and HR Strategy

Business and HR issues influence each other, and in turn influence the corporate and business unit strategy. It must be remembered, however, that in establishing those links account must be taken of the fact that strategies for change have also to be integrated with the changes in the external and internal environment.

X. HUMAN RESOURCES STRATEGIC CHALLENGES:

Following are the HR strategic challenges:

- (i) In formulating the HR strategies, there is a need to support corporate productivity and performance improvement efforts. With the globalization of the world economy, competition has soared, and with it the need to continually improve organisational performance.
- (ii) Employees play an expanded role in employer's performance improvement efforts. Indeed all the elements we associate with high performance organisations such as technology based production and team based organisation require extra ordinarily high levels of employee competence and commitment.
- (iii) Human resource must be more involved in designing not just executing the company's strategic plan. Strategy formulation was traditionally a job for the company's operating managers.

XI. IMPLEMENTATION OF STRATEGIC HUMAN RESOURCE MANAGEMENT:

The following steps are proposed as guidelines to help in implementing the strategic human resource management:

A. *Step 1: Set Priorities*

The first task is the for the human resource function to clarify its own priorities based on the audit's findings. Then on the basis of a technical, political, cultural assessment of the corporation, it should determine whether it was a good time to launch a major change activity. If the decision to go ahead is made, the group would have to set its priorities for change and develop a technical, political, and cultural set of strategies for managing the transition.

B. *Step 2: Get the Mandate from the Senior Management*

The next step entails getting a new mandate from senior management concerning the human resource department's role in the organisation. If the senior management refuses to support the proposed move into managerial and strategic activities, it would be politically destructive for the department to make a major change in this direction. The audit could be used as a means of bringing the problem to senior

management's attention. The data feedback could give them a handle on the problem.

C. *Step 3: Get Staff Commitment and Development*

Once the scope of senior management's mandate is set, the total human resource staff would have to be brought on board. The audit would have to be thoroughly reviewed with them, and the management strategy shared and understood. At this stage a combination of educational and problem solving process would be useful. The staff could use the audit review as a means of buying into the change strategy and of becoming educated about operational, managerial, and strategic issues. The human resource staff should then become involved in developing ways to manage the transition.

D. *Step 4: Set Strategy for Working with Clients and Users*

Groundwork must be laid with clients and users who would have to deal with any changes in the human resource organisation's operation. One approach might be to provide them with summary feedback from the study showing them what the audit found and how the human resource department plans to improve its operation and upgrade its services. It would be best for the staff to work out political issues involving clients as they arise. It will be important, however, to monitor clients over a period of time by re-administering the portions of the audit that collected data from them, and generating ongoing market research information and performance data on the effectiveness of the function.

E. *Step 5: Set up a Development Plan for the Organisation*

To help the human resource department staff during the transition, the development plan should probably follow the proper sequence steps.

XII. STRATEGIC ROLES OF HUMAN RESOURCES:

The following strategic roles are played by the human resources in the present scenario:

A. *Strategy Execution Role*

Today the human resource managers fulfill two basic strategic planning roles i.e. strategy execution and strategy formulation. Strategy execution is traditionally the heart of the HR manager's strategic planning job. Top management formulates the company's corporate and competitive strategies. Then, it formulates broad functional strategies and policies. The company's HR strategies should be derived directly from its company wide and competitive strategies. While performing this role, the basic rule which is followed is that the HR department's strategies, policies, and activities must make sense in terms of the company's corporate and competitive strategies and they must support those strategies.

B. *Strategy Formulation Role*

While execution is important. Human resources increasingly play an expanded strategic planning role today. In the recent years, human resources traditional role in executing strategy has expanded to include working with top management to formulate the company's strategic plans. This expanded strategy formulation role reflects the reality faced by the most of the firms today. Human resources help top management in the formulation of strategy in a variety of ways. Externally, human resource management is in a unique position to supply the information regarding the competitive intelligence, which is useful in the process of strategic planning. Some other information supplied by the department of human resources, which is useful in the strategic planning are as follow:

- (i) Competitor's Incentive Plans
- (ii) Opinion Survey Data from Employees
- (iii) Customer Complaints
- (iv) Information about pending legislation such as labour laws and mandatory health insurance.

XIII. HUMAN RESOURCES SCORECARD APPROACH:

Human resource function is ultimately judged by the management on the basis whether it creates the value for the firm where "value creation" means the measurable contribution in the achievement of the company's strategic goals. Human resources help in creating value by engaging in the activities that produce the employees' behaviour according to the company's needs for the achievement of its strategic goals. HR scorecard is often used by the managers for the measurement of the effectiveness and efficiency in producing the desired employees' behaviour which leads to the achievement of the strategic organisational goals.

The HR scorecard is a concise measurement system. It shows the quantitative standards, or 'metrics' the firm uses to measure HR activities, and to measure the employee behaviours resulting from these activities, and to measure the strategically relevant organisational outcomes of those employee behaviours. In so doing, it highlights, in a concise but comprehensive way the casual link between the HR activities, and the emergent employee behaviours and the resulting firm wide strategic outcomes and performance.

XIV. INFORMATION FOR CREATING AN HR SCORECARD:

Following information is required for creating the HR Scorecard:

A. *Company's Strategy*

The personnel involved in the creation of scorecard must know what the company's strategy is because the strategy will determine what the important employee behaviours and strategically important organisational outcomes are, and how the organisational performance will be measured by the organisation.

B. *Casual Links*

The personnel involved in the creation of scorecard must understand the casual links between the HR activities, the employee behaviours, the organisational outcomes, and the organisation's performance.

C. *Metrics*

The personnel involved must have metrics, he or she can use to measure all the activities and results involved, specifically the HR activities, the emergent employee behaviours, the strategically relevant organisational outcomes, and the organisational performance.

XV. PROCESS IN USING THE SCORECARD APPROACH:

In using the HR scorecard approach to create a strategic result oriented HR system, the seven steps are followed, which are as follows:

A. *Define the Business Strategy*

Creating the strategy oriented HR system starts by defining the company's strategic plans. Ideally senior HR managers' insights regarding the human resources in their own company and in those of the competitor provide valuable planning input. Similarly their insights regarding how HR practices and deliverables can improve the firm's performance can help top management, develop a superior strategic plan.

B. *Outline the Company's Value Chain*

To achieve its strategic goals, the business should engage in strategically required activities and should also determine the employees' behaviour required for each activity. For this purpose the value chain analysis can be used because it identifies the primary activities that create value for the customers and the related support activities. Outlining the company's value chain shows the chain of essential activities. This can help the managers better understand the activities that drive performance in their company. In other words, it is a tool for identifying, isolating, visualizing, and analyzing the firm's most important activities and strategic costs.

C. *Identify the Strategically Required Organizational Outcomes*

Every company must produce critical, strategically, relevant outcomes if it is to achieve its strategic goals. After analyzing the firm's value chain, the manager in this step now identifies and specifies the strategically relevant organisational outcomes.

D. *Identify the Required Workforce Competencies and Behaviours*

In this step it is analyzed that "What employee competencies and behaviours must our employees exhibit if the company is to produce the strategically relevant organisational outcomes, and thereby achieve its strategic goals?" Competencies and behaviours such as personal accountability, working proactively, motivation, courteous behaviour, and commitment

drive organisational performance by producing strategically relevant organisational outcomes.

E. Identify the Strategically Relevant HR System Policies and Activities

Once the HR manager knows what the required employee competencies and behaviours are, the manager can then turn to the task of identifying the HR activities and policies that will help to produce these employee competencies and behaviours. In this step, HR system policies and activities are identified, which will enable us to produce those workforce competencies and behaviours.

F. Design the HR Scorecard Measurement System

After choosing strategically required organisational outcomes, and employee competencies and behaviours, and specific HR system policies and activities, the measurement criterion is identified. Deciding on the proper measures or metrics requires considerable thought. The HR scorecard is crucial in this measurement process. It is a visual and computerized model that shows the quantitative standards or 'metrics' the firm uses to measure. Benefits of using HR scorecard are:

- (i) HR scorecard measures the HR activities, employees' behaviour resulting from these activities, and the strategically relevant organisational outcomes of those employees behaviour.
- (ii) It highlights in a comprehensive way the casual links between the HR activities and the emergent employees' behaviour and the resulting firm wide strategic outcomes and performance.
- (iii) It helps the HR manager demonstrates how HR contributes to the company's strategic and financial success.

G. Periodically Evaluate the Measurement System

The HR manager should not assume that the various measures and links of HR scorecard will always stay the same. Perhaps reducing grievances is

not having the assumed effect on raising the morale. Therefore, the HR manager should periodically evaluate measures and links, to make sure that they are still valid.

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