



STRATEGIC HUMAN RESOURCE MANAGEMENT PROBLEMS AND PROSPECTS

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Abstract

A major challenge for Strategic Human Resource Management research in the next decade will be to establish a clear, coherent and consistent construct for organizational performance. This paper describes the variety of measures used in current empirical research linking human resource management and organizational performance. Implications for future research are discussed amidst the challenges of construct definition, divergent stakeholder criteria and the temporal dynamics of performance. The concept of performance information markets that addresses these challenges is proposed as a framework for the application of multidimensional weighted performance measurement systems.

Keywords Performance, Research, Human Resource, HR, Problem, Practice, Market, Model

Introduction

Human Resource Management is the most happening function as of now. This is because people offer competitive advantage to a firm and managing people is the domain of HRM. An organization enjoys comparative advantage when it is the only one which can offer a product at a price and at quality which its competitors cannot do so. People lend competitive advantage in several ways. Firstly, they offer skills, capabilities, systems practices, speed, language bonding and behaviors, which help execute firm's strategies successfully. Strategy implementation cannot be done by physical resources such as technology buildings, machines and materials. It is the people who can craft strategies and execute them effectively. Secondly, by aligning human resources plans to business plans, HR managers are becoming strategic partners. HR professionals work with line managers to identify HR practices that help accomplish business strategy.

In fact, some in the popular business press have characterized HR departments as bureaucratic wastelands and suggested doing away with them (Stewart, 1996). Consequently, HR practitioners have become preoccupied with demonstrating the value of the HR function, particularly through showing its impact on firm performance (Pfeffer, 1997; Ulrich, 1997). Fueled by this practitioner concern, recent academic research has attempted to demonstrate the impact of HRM on firm performance. Not surprisingly, first attempts at empirical linkage looked in areas of HRM that were already the most brightly lit by prior research. Early in this stream, research linked individual HR practices such as training (Russel, Terborg & Powers, 1985) selection (Terpstra & Rozell, 1993) appraisals (Borman, 1991) and compensation (Milkovich, 1992) to firm financial performance. Huselid's (1995) work linking an index of HR practices to both financial and market outcomes and MacDuffie's (1995) study linking bundles of HR practices to productivity and quality exemplified a progression toward examining the link between systems of HR practices and performance.

Third, innovation is the key to competitive advantage, fortunes of several companies have been revised thanks to innovation. Fourth, HR function seeks to convert an adverse situation into an opportunity. HR then gets trapped in a policy role, mediating employee grievances, monitoring compliance with employment laws and enforcing codes of conduct. Fifth, organizational designs do not remain static over a period of time. Environmental changes compel organizations redesign their structures. Finally, HR executive is becoming an effective change agent. Change management is critical to the success of any firm and marks a difference between winners and losers, while winners anticipate and prepare themselves to adapt and assimilate the change. Losers are overtaken by events, ruminate over the events and are left behind. Business adopts three general response types to face change; initiatives, processes and cultural adaptations.

Human resources play a very crucial role in the development of an economy. They serve this purpose that foster the growth of an economy, first, they serve as suppliers of labour and second they create demand for whatever is produced in an economy. As Arthur Lewis observed "there are great differences in development between countries which seem to have roughly equal resources, so it is necessary to enquire into the difference in human behaviour." It is often felt that though the exploitation of natural resources, availability of physical and financial resources play prominent role in the growth of modern economies, none of these factors is more significant than efficient and committed man power. A nation with abundance of physical resources will not benefit itself unless human resources make use of them. Infact, human resources with right attitude are solely responsible for making use of national resources and for the transformation of traditional economies into the modern industrial and knowledge economies.



HRM has certain important objectives and certain supporting functions to realize those objectives. To name a few:

- To be ethically and socially responsible to the needs and challenges of the society while minimizing the negative impact of such demands upon the organizations.
- To recognize the role of HRM in bringing about organizational effectiveness.
- To maintain the department's contribution at a level appropriate to the organizational needs.
- To assist employees in achieving their personal goals, at least in so far as these goals enhance the individual's contribution to the organization. Some of the supporting functions are legal compliance, human resource planning, appraisal, training compensation union-management relations etc.

Objectives

- To analyse the role of strategic HRM in the modern era
- To understand the various steps involved in strategic management.
- To throw some light on barriers to strategic management.
- To discuss about the importance of SHRM.

Research Design

The present paper is purely based on secondary sources and therefore it is analytical in nature.

Statement of the Problem

The present paper tries to analyze the evolution of HRM in India and also the steps involved in strategic management and barriers to SHRM. It throws some light on steps involved in strategic management. HRM has gained much importance in this era of globalization. The history of development of HRM can be seen in the writings of Koutilya in the 400BC. In its modern sense it has developed only since 1920. During these years there have been considerable changes in both science and practice of HRM.

Human resources management deals with management of people in an organization. It is dedicated to develop a suitable corporate culture. HRM is proactive rather than reactive. It always examines as to what is to be done rather than waiting to be told what to do about recreating, paying or training people.

The field of HRM has recently seen the human resources that it selects, trains and retains move from a supportive to a strategic role in organizations. This occurred because in strategic management sources of competitive advantage was no longer sought in external, but in internal environment of a firm, namely in its resources, particularly its human ones. Accordingly the field of HRM reconsidered its own role, resulting in the emergence of new distinct discipline, termed strategic HRM (Wielemaker and Flint 2005).

Strategic Human Resource Management

Before we understand strategic HRM, let us try to understand a strategy. According to Chandler "strategy can be defined as the determination of basic long term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources for carrying out these goals".

James B. Quinn defines a strategy as, "The pattern and plan that integrates organization's major goals, policies and action sequences into a cohesive whole."

William F. Glueck believes that "a strategy is a unified, comprehensive, and integrated plan designed to ensure that the basic objectives of the enterprise are achieved."

By the analysis of these definitions, a strategy can be understood as a way of achieving objectives and mission. It includes determination and evaluation of alternative paths to achieve an organization's objectives and mission.

The strategic management is systematic, long term planning that positions an organization within its external environment. In this era of globalization, every company having twin objectives of cost minimization and profit maximization needs strategic management, as it helps in forecasting changes well in advance and take advantage of the opportunities and to reduce the risk. Better strategies help in better performance, better allocation of resources, gaining a sustainable competitive edge, to have a holistic approach to business problems and integrated approach to decision making process.

SHRM views human resources as assets for investment and the management of human resource as strategic rather than reactive, prescriptive and administrative. The definition of SHRM highlights two important dimensions that distinguish it



from traditional HRM. Vertically, it links HR practices into the strategic management process of the firm and horizontally, it emphasizes that HR practices are integrated and support each other (Andersen, Cooper and Zink 2007).

SHRM involves certain basic steps which can be explained as follows:

- Vision, Mission and objectives of the company, which needs to be defined by the company.
- External Environmental Analysis where in opportunities are dealt with.
- Internal Environmental Analysis where company's strengths and weaknesses are analysed.
- Revising organizational direction where in thorough scanning of internal and external environment is done to reaffirm direction.
- Formulation of alternative strategies based on available options.
- Selecting the best strategy.
- Strategy implementation.
- Strategic evaluation.

Model of strategic HRM can be explained as follows. It presents six variables.

- Resource based perspective that explains practices that provide competitive advantages such as, unique allocation of firms resources, organizational culture and core competencies.
- Behavioural view which explains practices designed to control and influence attitudes and behaviours.
- Cyber-netics systems which explain the adoptions or removal of practices on the basis of feed back on contributions to strategy.
- Transaction cost that explains why firms use control systems like performance evaluation and reward systems.
- Institutional/political forces which explain in-appropriate performance evaluation system that may exist because of organizational inertia rather than rational decision making.
- Resource dependence and power variable explains practices caused by power and political influences like legislation, unionization, control of resources and expectations of social responsibility.¹⁰

Ruona and Gibson have explained that 21st Century HR requires factors like increased centrality of people to organizational success, focus on whole systems and integrated solutions, strategic alignment and impact, capacity for change which demands the development and implementation of structures and processes that facilitate incremental change. Strategic HRM has gained importance for the organizations in recent years because human resource is considered as the human capital. HR Departments are playing a strategic role and so HR functions are integrated with the mission, vision and strategies of a company.

The need for managing the employees strategically in the 21st century also requires the management and the organization structure to be more flexible. The work system has started to change with autonomous work groups with high qualified workforces, outsourcing some of the operational HR functions downsizing, delaycring, employee participation to the decision systems, highways for the high qualified human resources, virtual and network organizations.¹²

Barriers to SHRM

The concept of SHRM despite looking convincing and essential, several barriers operate in the way of organizations that want to bring in strategic orientation of their HR functions. The barriers can be explained as follows.

- The organizations adopt a short term mentality and focus on current performance. But the shareholders expect quick rewards and executives need to line up to these expectations. The employees expect quick rewards based on their performance but management might wait.
- Inability of HR executives to think strategically. They are unable to update their knowledge with technical advancements.
- Many of the Senior Managers lack appreciation for the value of HR and its ability to contribute to the organization from a strategic perspective.
- Some functional managers see themselves as HR managers as well and are concerned more with technical aspects of their area of responsibility than human aspects.
- Problem of quantifying many of the outcomes and benefits of HR programmes.
- Human assets are not owned by organizations and therefore, are perceived as a higher risk investment than capital assets.
 - HR may be resisted because of the incentives for change that might arise.



Importance of SHRM

The main aim of any organization is financial success. Human Resource strategy is one of the means to achieve this. Even though finance and technology are important assets, people are required to make effective and efficient use of them. SHRM helps in providing services to the intended group or groups in the most cost-effective way, in the most satisfactory manner and serving the majority of the target groups especially in non-profit organizations.

Future of SHRM

Proponents of SHRM generated tremendous interest on the subject. Many organizations implemented it and a few lamented ineffective implementations. As the world of business becomes more complex and challenging, SHRM will continue to grow in importance in the success story of the organizations, as long as people continue to play pivotal roles.

Conclusion

The present paper has tried its best to throw some light on steps involved in SHRM and barriers to SHRM. It also tries to look into the future of SHRM. The economic development of any country as a matter of fact depends on its population, where both quality and quantity play a very dominant role. But for a long time organizations did not give much importance for the quality aspect of labour. In many of the production units only the physical labour was considered as the most important contributor. But the concept of globalization has brought in a wave of change in the whole world and the human resources are considered to be the precious resources that make the difference in almost every economic activity. Even though the concept of HRM can be seen in the writings of Koutilya during 400 BC in India, it could develop into its full shape only during 80's when a separate ministry called Human Resource Development was set up in India. Since then India has seen many major changes in the field of HRM. In almost every firm and Industry, we find a department to look into the matters of human resource development. In this fast era of computers each individual thinks of quick rewards for whatever is done. So also organizations. Many of them adopt short term policies which yield quick result as they have to please their stake - holders who are naturally their share holders who expect quick rewards; even the employees expect quick rewards for their performance. Many a time HR executives may not think strategically as their knowledge may be limited to particular areas only. In many organizations professionalism is lacking in the field of HRM as functional managers see themselves as HR Managers. Cost benefit analysis of all the programmes may not be possible. Even today there is a belief that among investment, investment in human assets is risky. But it can be said without any doubt that wherever we go, whatever we do, human face is the beautiful one that motivates everyone.

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