

## STRATEGIC HUMAN RESOURCE MANAGEMENT: A RESEARCH OVERVIEW

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### **Abstract:**

*The field of Strategic Human Resource Management (SHRM) has burgeoned over the past thirty years. Over this time there has been a shift towards a strategic concept- which posited workers as 'assets' rather than 'costs'. These 'human resources' were reconceptualised as a key source of competitive advantage. As such, these assets were to be treated seriously: selected with care, trained and developed, and above all, induced to offer commitment. The concept of 'human capital' came to the fore, and in the decades following these developments, research output has been voluminous. Whereas an operational decision might be confined to a one-off interaction with an employee (for example, how to handle a particular appraisal interview) and may require some tactical skill, SHRM is concerned with the wider issues and usually involves making choices about matters which will have longer-term consequences and will affect the success or otherwise of the business. The concept of strategic human resource management is considered indispensable, as it requires the human resources policies and practices to be linked with the strategic objectives of the organizations. In other words, in order to achieve the desired goals and objectives, it is essential for organizations to ensure that policies and practices formulated are in accordance to the goals and objectives. The main areas that are taken into account in this research paper include meaning and Significance of strategic human resource management, models of strategic management and benefits of strategic management.*

**Keywords:** Human Resources, Models, Objectives, Organizations, Resources, Strategic Human Resource Management

### **1. Introduction:**

Strategic Human Resource Management: A Research Overview, authored by global research leaders, provides an expert summary of this crucial element of organic national performance. This new short form book develops the argument that one of the crucial elements of organizational performance is the way work is organized in skill and talent packages both within an organization's boundary and across global competency clusters. Secondly, it focuses on current and emergent challenges. The 'package' of HR approaches has changed over time and patterns can be observed. This new volume pays special regard to the HR implications arising from radically altering contexts – economic, social, and technological.

This concise volume covers crucial themes of lasting interest, and as such is essential reading for business scholars and professionals.

State of the Art in Business Research presents short form books which provide an expert map to guide readers through new and rapidly evolving areas of research. Each title will provide an overview of the area, a guide to the key literature and theories, and time-saving summaries of how theory interacts with practice.

As a collection, these books provide a library of theoretical and conceptual insights, and exposure to novel research tools and applied knowledge, that aid and facilitate in defining the state of the art, as a foundation stone for a new generation of research.

## **2. Mapping the field of strategic human resource management**

Human Resource Management (HRM) has become the predominant term to describe the theory and practices relating to the way people are managed at work. In previous times (and indeed even now in some places) other terms have been used which, in varying degrees, broadly correspond. These other terms include personnel management, personnel administration, people management, employee relations, human capital management, industrial relations and employment management. Each of these terms reflects the diverse antecedents of HRM and they also reveal aspects of the different ideologies associated with these approaches. For example, some early forms of personnel management had a ‘welfare’ parentage, others carried traces of a social psychological ‘human relations movement’ history. Each of these traditions reflected a primary focus on individuals and small groups. Conversely, the terms ‘industrial relations’ and ‘employment relations’ reflect the collectivist (pluralist) approach to management-worker relations which, at times and in places.

The term ‘Strategic Human Resource Management’ (SHRM) is used to emphasise the strategic character of a particular approach to talent and organization management – though some commentators would argue that HRM itself is inherently strategic in nature. Hence, the terms HRM and SHRM are often used interchangeably.

This reconceptualization coincided with the emergence of the ‘resource-based view’ in the strategy domain. Emphasis was given to the importance of maintaining a link between business strategy and human resource strategy. The human resource approach displaced ‘personnel management’ and gave emphasis to the importance of establishing both vertical and horizontal alignment in HR policies and practices.

Influential new models and frameworks were developed including the Harvard Model, which established a flow from environment to business strategy and to human resource choices and onwards to out-come. ‘Empirical research traced how major mainstream companies and public sector organizations were responding to these ideas. The role of general managers and line managers alongside human resource and a personnel specialist was assessed.

## **3. Defining the field**

Based on a review of SHRM theorizing and research, defined SHRM as ‘the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals. They noted that this entails vertically linking the strategic management process to HRM practices, and horizontally creating coordination and congruence among those HRM practices. They then noted that the major variables of concern in SHRM are the determinants of decisions about human resource practices, the composition of the human capital resource i.e. skills and abilities the specification of required human resource behaviours, and the effectiveness of these decisions given various business strategies and/ or competitive situations.

It is important to emphasise that currently the term ‘Human Resource Management’ is used in two different ways. In one usage, which we can term the generic, it is used to encompass all of the forms of employment management in its infinite variety. In this first sense it is just a new label for personnel management or employment management in general. But there is a second usage. In its second form the term has at times denoted a particular approach to employment management. Thus, the term in this second sense refers to one of the many ways of managing

labour and is used to demarcate it from other ways. Not surprisingly, the existence of two different usages has caused considerable confusion in the academic literature with commentators often talking at cross-purposes.

#### **4. Theory and practice**

As currently conceived, HRM is constituted by both research and practice. These two are related but they are not the same. It is a truism that practice often differs from theory in the sense that everyday practices do not always live up to some theoretically-derived prescription of an ideal or a 'best' way. But the practice-research distinction can be exaggerated. Much research in human resource management is simply the identification and cataloguing of practice. For example, they include statistical and descriptive summarise of the state of play with regard to what human resource specialists do, how they are distributed, what influence they exercise, and so on, which are research-based mirrors of practice. The same can be said for those examples of HR research which draw a picture of recruitment and selection practices, appraisal methods, reward systems and the like. This type of research reflects practice. It is descriptive.

But, there is another type of research which seeks to identify 'good practice' and even 'best practice'. This type tries to identify the causal links between context, practices and outcomes. For example, this goes beyond describing what HR professionals do and moves on to study the impact of what they do on key outcomes such as employee well-being or business performance. Theory then, explains why these outcomes might occur by building conceptual frameworks. As a result, it follows that in many instances, actual practice will often differ from 'theory'. Yet additionally, many practitioners pay regard to research when seeking to develop their practice and so theory and practice can become closer as a consequence.

#### **5. The nature of strategy in HRM**

A strategic approach to HR could normally be expected to include elements such as: a longer-term perspective; a concern with big issues that go beyond operational detail; an approach which scans, and factors-in, relevant information about the environment and about changes within it; the construction of policies which seek to align HR practices to the needs of the business often expressed as mission, vision, strategy or goals; and the construction of HR policies which bring each of the elements of HR into mutual, reinforcing, alignment. Thus, decisions in relation to recruitment and selection priorities should be consistent with priorities in the areas of goal-setting, performance management, reward, training and development, and promotion and exit.

SHRM is concerned with both policies and practices. Ideally, this work in tremendous but appropriate policies can be undermined by poor practices, and conversely, good practice may, to some extent, compensate for defective policies. It is a field which comprises practice, prescription and empirical study. Although one might desire and assume a strong connection between these, in reality, there is sometimes a considerable disconnect between these three elements.

An important question is who generates HR strategy? It might be a specialist HR Director and team but not all organisations have these. Even if the senior business team have created a separate HR function (in the form of a unit or department), it is possible that they may not necessarily involve all big decisions in this area to that department. Indeed, the choices about whether to have such an HR department can be seen as one of the strategic decisions we are talking about here.

Research evidence suggests that key integrated business decisions (which include HR and finance and marketing strategies) are formulated by executive groups (not Boards) and that the members of these groups multitask and are most effective when they adopt a business orientation and not a functional orientation. A business orientation ‘makes strategic decision makers comfortable to deal with issues outside their business function’

Definitions include the idea that ‘business strategy’ is: The determination of the basic long-term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for those goals.

Thus, from one perspective, strategy requires systematic rational assessment of contexts and resources.

Some approaches to doing strategy focus mainly on finding the optimal space or location in a market. So, these approaches tend to look outwards to the characteristic features of a market such as price, quality and the distinctiveness of offers for goods or services.

A business strategy (and by extension an HR strategy) that focuses more on utilising internal resources than on locating the best market position is known as ‘the resource-based view’ (RBV). Analysts’ were mainly talking about business strategy but their approach has profound implications for HR. The re focusing on internal resources is an approach which is closely aligned to the idea of an HRM strategy because it gives emphasis to the importance of leveraging resources to gain a competitive advantage. As noted above, it regards labour as assets rather than in the conventional accounting view as costs. And, of course, one implication of this is that one tends to invest in and to nurture assets, whereas one normally tends to try to cut costs. This idea of the workforce as assets gets to the heart of many approaches to SHRM. It involves seeking to build human capability and to gain competitive advantage from workforce skills, creativity and commitment.

## **6. Why is SHRM important?**

The arguments relating to the importance of SHRM 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 new 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 that stress the importance of the resource-based view or of the role of knowledge and the importance of organization capability. 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 mean that opportunities are missed and that other resources are wasted.

## **7. Contingency and frameworks**

In contrast to the best practice considered in the what is required is a skillful alignment between HR policies and various organisational and contextual characteristics. Thus, best fit approaches can be located within this category. The word ‘contingency’ here refers to those theories which explain organisational behaviours and outcomes as highly dependent on some inner or outer environmental variable such as country, technology, organisational size or industry type or the fit with a particular business strategy. In some versions of contingency theory (the more deterministic ones) the interpretation would seem to challenge the idea of strategic choice. In

less deterministic versions, strategic choice occurs when HR policies and practices uniquely align to a particular business strategy.

## **8. Types of contingency frameworks**

Below we summarise three main types of contingency model which link HR strategy to different ways of thinking about context (environment). The three types are: linking SHRM to business strategy; linking SHRM to business life-cycle; linking SHRM to strategy and structure.

## **9. Linking SHRM to business strategy**

It is sometimes argued that an HR approach is only ‘strategic’ if it ‘fits’ with the organisation’s product–market strategy and if it is proactive in this regard. Most of the theorists in this category draw on Porter’s distinction between innovation, quality-enhancement or cost-reduction strategies Linking SHRM to business life-cycle.

The business life-cycle approach essentially seeks to tailor human resource policy choices to the varying requirements of a firm at different stages of its life-cycle, i.e., from business start-up, through early growth and maturity, and eventually on to business decline. At each stage a business might be hypothesised to have different priorities. These different priorities, in turn, require their own appropriate human resource strategies. There are a number of examples of the life cycle or ‘stages’ approach at the start-up stage, new enterprises require recruitment and selection strategies that quickly attract the best talent; reward strategies that support this by paying highly competitive rates; training and development strategies that build the foundations for the future; and employee relations strategies that draw the basic architecture and put in place the underlying philosophy for the new business.

Under mature conditions, the emphasis in HRM is upon control and maintenance of costs and resources. Hence, the recruitment and selection stance might be geared to a gradual introduction of new blood into vacant positions created by retirements. There might also be a policy of encouraging enough labour turn over so as to minimise the need for compulsory lay-offs. Meanwhile, the pay and benefits policy is likely to be geared to a keen control over costs. Training and development might be expected to have the maintenance of flexibility and the adequate provision of skill levels in an ageing workforce as their priority.

## **10. Linking SHRM to organizational strategy and structure**

The most noted example of the strategy/structure linkage of contingency theory is the work. Their model shows a range of ‘appropriate’ HR choices suited to five different strategy/structure types, ranging from single product businesses with functional structures, through diversified product strategies allied to multi-divisional organisational forms, and on to multi-product companies operating globally. For each of the five types of situation, the key HR policy choices in the spheres of selection, appraisal, reward and development, are delineated.

For instance, the HRM strategy of a company following a single-product strategy with an associated functional structure is likely to be traditional in appearance. Selection and appraisal may well be conducted in a subjective fashion, and reward and development practices may veer to the unsystematic and paternalistic.

By way of contrast, a company pursuing a diversification strategy and operating with a multi-divisional structure is likely to be characterised by a HR strategy driven by impersonal, systematic devices which are adaptable to the different parts of the organisation. Reward systems are likely to be formula-based with a tendency towards a focus on return on investment and

profitability. Selection, and even appraisal, may be found to vary between the different constituent business divisions.

## 11. Conclusion

- That strategy can be emergent as well as planned. Either way, it can be assessed and evaluated in terms of its efficacy and appropriateness to labour and product market conditions.
- Ad hoc decisions and responses which lack consistency may risk inefficiencies and waste.
- HR strategy normally has to validate itself in terms of its contribution to the wider organisational mission. In the body of research which has tried to clarify the performance outcomes arising from the deployment of strategic human resource practices. These outcomes may be behavioural in the sense, for example, of higher employee commitment or firm outcomes in the shape of higher productivity or even higher profitability.

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