

STRATEGIC HUMAN RESOURCE MANAGEMENT IN A CHANGING AND TURBULENT ENVIRONMENT : ALIGNING HRM PRACTICES WITH BUSINESS STRATEGY

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ABSTRACT

The primary objective of this paper is to highlight the proactive role the HR function of an organization has to shoulder in an increasingly turbulent environment. It should stop being reactive and frame policies consistent with strategy. The HR department should be able to build critical organizational capabilities that can provide a competitive edge. Focusing on emerging knowledge and skills should be the prerogative while identifying staffing needs. Alignment of staffing to changing business needs requires more than ever the alignment of business strategy with human resource strategy. Staffing practices must move beyond matching individuals to immediate job requirements, and begin considering what skills, aptitudes, and behavioral styles are most compatible with future organizational objectives and directions. The successful implementation of a business strategy requires a unique set of employee behaviors and attitudes and a set of human resource policies that will bring out those.

Introduction :

Speed of technological innovation, increasing global competitiveness, increasing customer choice and increasing shareholder demands mandate that firms must innovate and improve to stay alive and prosper (Ulrich & Brockbank,2005). Amidst this, there is an increasing need for the HRM function to be proactive in organizations. Developing an integrative business strategy - human resource linkage requires a concentrated and multi-dimensional effort. If developed in its true spirit it will help in bringing about a fit between internal capabilities and marketplace needs. The strategic proactive dimension of HR will be evident when it succeeds in creating value than its competitors (Brockbank,1999) . It will be manifested in a great measure when HR can dictate competitive rules and command monopoly position. HR will be recognized as proactive only when the organizations acknowledge the importance of people to the business by including them in the very philosophy of the company .Strategically reactive HR helps implement business strategy. As noted by (Buller ,1998)“HR *reacts* to strategic initiatives but does not influence them, and although the firm's top managers believe that HR is important to the success of the

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business, they do not see HR as a strategic business partner.”To be strategically proactive HR needs to contribute to different functional areas. In a scenario of escalating competition and lesser corporate resources all functions are asked to produce tangible evidence of the value they add and the contribution they make to the growth of the organization (Yeung & Berman, 1997). If HR can help build critical organizational capabilities it can stand test to its proactive role and help offer meaningful and measurable contributions to an organizations development. This can best be done by linking external human requirements with internal capabilities. People are identified in such organizations as the drivers of growth and this result in translating soft business issues into hard business results (Yeung & Berman, 1997). Different businesses need different people. Focusing on emerging knowledge or skills required for future success will enhance the competitive advantage of the firm. A conscious attempt has to be made to link HR policies and strategy. Take for example the compensation system. If it's focus is on attracting and selecting employees who posses the requisite skills and need no training then compensation systems will be geared towards rewarding short term results only. This myopic perspective is the malady afflicting many organizations. In a rapidly changing environment, the staffing policies should be forward looking, framed to recruit talent that can be easily moulded to meet the complexities that confront them. Strategic role of the HR department will come into sharp focus when they begin to address increased complexity in their internal and external environment. The HR practices should be driven by the needs of the external environment. These days we can attribute the decline in global competitiveness in part to the neglect of human capital Hitt, et al.(1994). One instance has been the decline in the allocation of funds for training and development activities. There has been a reduction of investment to develop human resources too. HR has moved from being operationally reactive to being strategically proactive Yeung et al.(1996). It is in instances as this that the HR team needs to be at the forefront, taking decisions that enrich the human resources of the organization, build the required competencies that help them confront change both from within and external to the organization. The strategic role of the HR becomes more pronounced in transforming the perspective of organizations to treat employees as worthwhile investment instead of as cost. Strategic HRM in this context will involve adjusting personnel systems to organizational needs and also the complex processes that integrate strategy-structure-culture and change (Henry & Pettigrew,1992).

Shift of emphasis towards people development:

The decline in internal boundaries with the dismantling of functional barriers and greater decentralization has infused greater flexibility in organizations. The shift towards better resource management, need to monitor costs closely and the emergence of SBU's might require bringing people across functions together or through cross-boundary relationships. The challenge for organizations is to evolve strategies, which are in line with international challenges and manage human resources in this context. An integrative linkage should be established with strategic planning and HR functions. These companies have mission statements that support business strategy and strongly work under the assumption, that new businesses require different kinds of people with different skills and a different performance ethic.

Staffing actions typically include:

Recruiting and developing the talent required to meet future capability requirements.

Adjusting overall staffing and associated costs to match business requirements

Assessing talent in an organization to the highest value work that they can perform

Enhancing capacity of talent to perform higher work value through, training, education and job related development

Retraining redeploying, or (decruiting) employees capabilities who are not likely to fit future needs, in a way that is fair and respectable" (Bechet & Walker,2002)

The staffing function can play a vital role in helping companies attract and retain top talent who can provide a competitive edge. Attention and care devoted to staffing can help companies gain a competitive advantage. Staffing practices must move beyond matching individuals to immediate job requirements, and begin considering what skills, aptitudes, and behavioral styles are most compatible with future organizational objectives and directions. The development of aggregate human level capital and measurement of their effectiveness, derived from individual differences should be the focus of SHRM (Polyhart,2006). Focus on traditional recruitment and selection practices is unlikely to increase strategic value. The recruitment drives of companies should be aligned to business strategy and focus should be on diversity, and acquiring the best talent at all levels through a deviation from nonconventional sources. As Stephen Jobs of Apple computers once noted, "Innovation has nothing to

do with how many R&D dollars you have It's not about money. It's about the people you have, how you're led, and how much you get it." An analysis of 136 non-financial companies by these authors demonstrated that along with other factors such as size , industry and even profits, the value the firm placed on human Resources , the way it rewarded its people were significantly related to profitability(Pfeffer & Veiga, 1998). If people are to be considered as a source of competitive advantage then each and every one of them should be treated as valuable from an organizations point of view. This contradicts with the present dynamic scenario where the dynamic business environment makes organizations to adopt 'buy HR strategies'.

In the words of Clieaf (1992) “Strategic leadership is determined by three business drivers. These drivers are the intended business strategy, the stage of organizational development and complexity of the business, and the critical success factors. In order to become linked to the future needs of the business, executive search and executive resource planning must be aligned with these business drivers and the organization's mission.”

Effective selection criteria:

Alignment of staffing to changing business needs requires more than ever the alignment of business strategy with human resource strategy. The strategic human resource perspective indeed supports the alignment of HRM functions and activities with the overall strategic goals of the organization Ferris et al.(1999). The same authors said, that in highly turbulent environment as we are in right now flexibility of HRM systems is very crucial for achieving fit of employee and organizational capabilities.HRM practices and systems that endow the firm with capabilities to adapt fast to changing environments should be considered. A firms recruiting decisions must bring about a globally integrated work-force and recruit people who are capable of creating cultural synergy.(Adler & Bartholomew:1992) Job analysis- a procedure that captures the behaviors and activities performed by present incumbents of the job must reflect more than immediate job requirements. Miles and Snow outline how variations in product market strategies are also likely to evolve into differences in the dominant organizational coalitions, so that, for instance, effective human resource departments in defender firms are likely to allocate more of their resources to identifying and nurturing production and finance specialists than are human resource departments in other types of organizations (Olian & Rynes,1984).

Organizations which are more innovative and want to be the first to innovate and

be in the market they may hire more experienced individuals with a high tolerance for ambiguity and willingness to take risks. Differences in strategy, structure and work processes will influence the knowledge skills and abilities sought in the staffing process. Standardized mechanisms will not be of use in rapidly changing environments. When firms are organized into project teams hiring decisions are more likely to be made by groups than by individuals. This may require more involvement of the line managers. The results of a study suggest that the staffing practices of top management be tied to the nature of the business because different aspects of business demand different behaviors from the individuals running them (Schuler & Jackson, 1987). True to this statement, an innovative competitive strategy, may entail selecting highly skilled individuals, giving employees more space to take their own decisions, investing more in human resources. A study on the changing skills and knowledge of the IS profession highlighted the need to first identify the forces that have driven the changes. The results of that study identified the following 1) the changing technologies 2) the changing business environment 3) the changing role of IS in organizations (Lee & Trauth, 1995). SHRM will have to develop measures for different types of critical Knowledge and skills required in alignment with business strategy. There is also an increasing need today to align each and every functional department with business problems so that everyone has at a particular point of time a common challenge to confront. This leads us to conclude that with changing knowledge and skill requirements there has to be a change in the staffing policies too! The use of effective staffing practices might benefit most organizations regardless of varying internal and external contingency factors (Schuler and Jackson:1987). An organization will be at a high risk if a highly skilled executive is hired but this individual does not have the motivation, values and cognitive power to integrate organizational development with business complexity (Clieaf,1992).

Developing employee role behavior for competitive strategies

Another area which justifies the need to link HRM practices and competitive strategy arises out of the lacuna to develop other role behaviors than knowledge skills and attitude's required on the job. Lets evaluate the employee role behaviors for a competitive strategy of innovation and the corresponding HRM practices adapted from Schuler & Jackson(1987)

Employee Role Behavior	Employee profile
a high degree of creative behavior	Selecting highly skilled individuals
a longer-term focus	Greater investment in human resources
a relatively high level of cooperative interdependent behavior	Job designs that foster team work
a moderate degree of concern for quality	Setting standards
a greater degree of risk taking	Giving employees more discretion
a high tolerance of ambiguity and unpredictability	allowing and even rewarding occasional failure

Source : Schuler & Jackson:1987

This exhibit tends to highlight the fact that a strategy of innovation has significant implications for Human Resource Management. It involves a conscious attempt to rethink previously held beliefs about job classifications by making it more flexible and enriching (Schuler & Jackson,1987). SHRM is called upon today to detect trends and signals early enough regarding the state of organizational effectiveness compared to the increasing competition new measurements for human capital, employee retention, and self-commitment have to be provided (Svoboda & Scroder:2001). For this the need of the hour is the creation of HR leaders who can work in a challenging business environment , requires improving its image as an employer of choice. A transformation of the HR function requires a radical upgrading of talent of HR professionals too as we move towards a boundary less globally linked organizational model. In the face of global competition the focus is on soft issues with greater emphasis on creativity, speed and innovation. In this scenario the orientation has shifted to the drivers of the top line and the emphasis is on values, culture, vision, leadership style and risk taking behavior (Kedia & Mukherji,1999). The successful implementation of a business strategy requires a unique set of

employee behaviors and attitudes and a set of human resource policies that will bring out those(Arthur,1994). In a survey of 50 firms by Adler & Bartholomew(1992), it was found that the firms found themselves to be global on overall business strategy , financial systems, production operations and marketing except Human Resource Systems

This brings us again to an important question : How capable are a firms' human resource systems of recruiting, developing, retaining and using globally competent managers and executive? HR must move beyond traditional services towards decisions about human capital. One implication is that of talent segmentation-identifying where human capital makes the biggest difference to strategic success (Boudreau & Ramstad,2005). Competencies that are forward looking can be used to translate strategy into job-related and individual skills and behavior that people can develop and organizations can nurture in support of change Vakola et al.(2007) .As the culture of life-time employment is slowly giving way, strategic thinking , innovation and creativity and business sense are seen as critical requirements for succeeding in almost any kind of job there arises a need for strategic human resource management practices, to develop new competencies. Talking about HR value proposition Ulrich (1998), feels that when HR professionals align practices with the requirements of the internal and external stakeholders successfully then HR is said to create value. In terms of a long term sustainable value, an organization's capabilities are the deliverables from HR's efforts (Ulrich & Brockbank,2005). In a dynamically competitive environment today , qualities such as efficiency, collaboration, talent and speed are not the only capabilities an organization may require (Ulrich & Brockbank,2005). The ability to seek out key executives whose perspectives and competencies match future needs is rapidly being considered to be strategic (Clieaf,1992). The phrase strategy and structure (strategy follows people-was coined by Jack Welsh) follow people have emerged as watchwords in leading organizations . Employees require new competencies and and perspectives if they are to adapt to a rapidly changing environment.

NEW CHALLENGES for SHRM from the literature reviewed

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| 1. Shorter Business Cycles | } | Svoboda & Scroder : 2001 |
| 2. Rise of Network economy | | |
| 3. Increasing rate of Creative destruction | | |
| 4. Decreasing sustainability of competitive advantages | | |
| 5. E-Business Shareholder value | } | The Mckinsey Quarterly, 2001 |
| 6. Dissimilar consumer demands | | |
| 7. Talent Management | } | Sullivan.S.E.:1999 |
| 8. Boundaryless Careers | | |
| 9. Transferable Portable skills | | |
| 10. Career concerns on inter firm transitions | | |
| 11. Employment relationships | } | Kedia & Mukherjee : 1999 |
| 12. Countries as competitive battlegrounds | | |
| 13. Emphasis on soft issues | } | Kiessling & Harvey : 2005 |
| 14. Heterarchy | | |
| 15. Entrepreneurial spirit | | |
| 16. Subsidiary initiatives | | |
| 17. Cross-functionalism | } | Ulrich & Brockbank, 2005 |
| 18. Technology | | |
| 19. Economic & regulatory issues | | |
| 20. Workforce demographics | | |
| 21. GLOBALISATION | | |

Implications for future research:

Arthur (1994) is right in his observations that “empirical evidence demonstrating the predictive value of the strategic human resource perspective, however, has not been forthcoming. Conceptual typologies abound in this literature, hut empirically based taxonomies of human resource strategies are rare. As a result, basic hypotheses concerning the implications for firm performance that flow from the strategic human resource perspective have generally not been tested”. Research into Global Human Resource Management is is difficult to pursue as the fit between culture and strategy

is difficult to quantify (Kiessling & Harvey,2005). Strategic Global Human Resource Management, research has become ever more difficult as the focus repeatedly turns to emerging markets because they constitute the major growth opportunity in the evolving world economic order. This brings us to an important question , what are the competencies required for HR professionals. Lot of research articles themselves focus on the need for a makeover, change and transformation of HR's focus, manner of functioning and the skills they need to acquire.

Conclusion:

One important lesson that can be gathered is that Human Resources function will be looked upon to help deliver superior performance in an environment of change and turbulence. The influence of HR department will increase as its energies become more focused on strategic contributions and less on administrative and clerical tasks Connolly et al.(1997). But the important question is whether the HR professionals can assume this herculean task and make this strategic contribution. Are they ready and prepared for a change? In fact a number of top organizations today are enriching the depth of knowledge in HR to tighten their ties to corporate strategy and to communicate their ability to effectively steer the organization to the top management echelon. The goal is to transform HR from a transaction oriented department to one where HR is working in partnership with managers to solve problems by giving more accountability.

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