

# AN INTRODUCTION STRATEGIC HUMAN RESOURCE MANAGEMENT

Timeframe:	Minimum of 20 hours
Learning outcomes:	<ul style="list-style-type: none"> <li>• Review human resource systems and management trends that best inform successful business practices</li> <li>• Formulate a strategic human resource planning process and align it with business strategy and business plans</li> <li>• Incorporate all relevant legislation within current human resource management paradigms</li> </ul>
Recommended Textbook	<ul style="list-style-type: none"> <li>• Chapters 1, 2, and 12 in McKenna, E. and Beech, N. 2014, <i>Human Resource Management</i>, 3<sup>rd</sup> ed., United Kingdom: Pearson Education Ltd.</li> </ul>
Recommended reading:	<ul style="list-style-type: none"> <li>• Ananthram, S., Nankervis, A. and Chan, C. 2013, 'Strategic human asset management: Evidence from North America', <i>Personnel Review</i>, 42 (3), 281–299.</li> <li>• Gallup Inc. 2013, 'The state of the global workplace', <a href="http://www.gallup.com">www.gallup.com</a>, <a href="http://www.gallup.com/strategicconsulting/164735/state-global-workplace.aspx">http://www.gallup.com/strategicconsulting/164735/state-global-workplace.aspx</a> (accessed 27 January 2014).</li> </ul>
Section overview:	<p>In our opening section, we consider the definitions of strategic human resource management (SHRM) and strategic human asset management (SHAM). Then, consistent with current management, we locate SHRM within the paradigm of Systems Thinking.</p> <p>This is followed by texts on current SHRM trends highlighting the significance of employee engagement, which remains a theme throughout this module.</p> <p>This section closes with an overview of the integration of SHRM in the strategic planning framework and process.</p>

## What is Strategic Human Resource Management (SHRM)?

Strategic Human Resource Management (SHRM) is a discipline that bridges the gap between traditional human resource management and strategic management. As the definitions point out, the division between the two disciplines is, of necessity, much closer now.



**Strategic human resource management:** "A distinctive approach to employment management which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce using an array of cultural, structural and personnel techniques."

(Salaman, Storey and Billsberry, 2005)

**Strategic human resource management** can be defined as "the linking of human resources with strategic goals and objectives in order to improve business performance and develop organisational culture that fosters innovation, flexibility and competitive advantage."

(Sinha, 2013)

Adopting these views, and other similar views, on human resource management means that the human resource (HR) function is a strategic partner in the development of organisational strategies and the implementation of those strategies through the HR functions of, for example: recruitment, performance management, and training and development.

Consequently, it is argued that SHRM takes a more long-term (and, in some instances, global) view rather than merely focussing on the day-to-day issues.

A second view on SHRM is given by Pfeffer and Sutton (in McKenna and Beech, 2014:19) — 'evidence-based management'. Evidence-based management is about improving decision-making that impacts on employees. Consider their three arguments:

1. First, ideologies and 'gut feel' should be minimised. Robust and current research must inform SHRM decisions. Consider that Maslow's ideologies may no longer be relevant for the complexities that surround Generation Z employees. Refer to **Appendix 1**, where we provide a synopsis of generational theories. Pfeffer and Sutton (*ibid*) argue that managers make false assumptions about, for example, what motivates people and then act on those false assumptions.
2. Secondly, there should be a commitment to hearing the 'truth'. By this they mean SHRM practitioners must be able to access the opinions of employees and gather perceptions on decisions made — even if those perceptions are negative. The company DaVita has its own 'town hall meetings' where employees are invited to offer input and comment on decisions.
3. Thirdly, they argue that evidence-based management should lead to better decision-making but considers that it is not possible to make 'perfect' decisions. To do so might take too long and consume too many resources notwithstanding the changes in the environment that take place in the interim. They suggest viewing the process as ongoing. This argument reflects the realities of management and is consistent with the concept of continuous research and learning.



## Task Questions

1. What is the status of SHRM when organisations fall prey to severe economic downturn? Using the definition provided by Sinha (2013) and the 'evidence-based management' approach of Pfeffer and Sutton (in McKenna and Beech, 2014:19), debate the value of these approaches under such extreme conditions.
2. Companies worldwide engaged in draconian budget-cutting and staff reductions, employing excessive short-term thinking (and arguably non-strategic cost cutting) to survive the aftermath of the 2008 economic downturn. Some HR professionals felt that they were forced out of the loop while their companies undertook organisation-wide transformation to survive the economic crisis. Brainstorm other environmental factors that could cause a company to lose sight of SHRM.

SHRM emphasises the need for flexibility — the ability to react and adapt quickly to changes in an organisation's environment. Over and above this, SHRM is concerned with quality management, including high-calibre employees who are flexible and can enable sustained competitive advantage (McKenna and Beech, 2014:20).

## SHRM — A Systems Thinking Approach

SHRM takes a systems approach to the analysis and management of organisations (Regenesys, 2013; McKenna and Beech, 2014) — the different parts of the organisation function effectively together and move cooperatively toward the overarching strategic goals. Most notably, the HR systems (e.g. recruitment, performance management, etc.) must pull in the same direction to be effective, efficient and add value.

The systemic view considers the broader macro and near micro issues (international, national, regional, and industry-related) as well as the internal issues (organisational, team and individual). This is consistent with 'Porter's Five Forces' representing the external view (external/ competitive forces) and the 'resource-based view' of the organisation (internal/ competency-based).

Refer back to your module on Competitive Strategy to review your understanding of Porter's Five Forces and the resource-based view.

**FIGURE 1: EXTERNAL AND INTERNAL ENVIRONMENTS**



In the external environment, organisations must locate and attract the best talent optimally (e.g. in terms of time and cost) to achieve their strategic goals; in the internal environment organisations must retain and develop the talent (again using the optimal amount of resources in terms of time and cost to achieve strategic goals).



### Task Questions — Mini Case Study

You are the HR practitioner at one of the biggest construction companies in South Africa. There is a dire shortage of knowledgeable, experienced and competent civil engineers who also understand contract management. These engineers earn 'top dollar'. Not only do local construction companies compete for this talent, but international companies entering the African market are also headhunting these professionals.

The challenge does not end there — in your company you have several top class engineers, but you do not have enough and you are concerned that the engineers you have may be lured away. Notwithstanding all of this, the strategic goal of your company is to grow its market share in Africa. To do this your company will have to price contracts very keenly. This does not help you, especially when you know that you will have to pay above-average salary packages to recruit the right type of engineers to carry out contracts across Africa — the conditions are tough and unpredictable, and only the best engineers will do.

#### Task Questions:

1. Using the simple scenario described above, discuss the external and internal issues and then brainstorm possible strategic human resource actions that you could take to help the organisation achieve its strategic expansion goals.
2. Given this scenario, discuss why HR should have been involved with strategic decision-making five years ago. What might you have done then to ensure that your company was better placed to achieve its strategic expansion goals now?
3. What have you learned from this simple scenario? How does this make you think differently about a long-term and strategic view of HRM?

## Distinctive Features of SHRM

The list of distinctive features of SHRM in the literature is far-reaching. We have selected some of these to facilitate thoughtful discussion and prompt analysis and evaluation of the case studies in your recommended textbook and in this study guide.

The distinctive features of SHRM include, *inter alia* the following (McKenna and Beech, 2014:10–11):

1. Employees are the assets that achieve the strategic goals of the organisation.
2. The uniqueness of human resources is recognised (potentially limitless).
3. National history and culture are acknowledged as influential in shaping SHRM practices (refer to **Appendix 2** for a synopsis of South African labour law; use the South African scenario to reflect on the impact that legislation, for example, might have on SHRM in South Africa) and these need to be understood in the various locations in which the organisation operates.
4. Corporate culture is compatible with (must be matched to) the requirements of organisational strategies.
5. Seeking commitment (engagement) of employees to the organisation is considered far more valuable than forcing compliance to the demands of the organisation.
6. The reciprocal value-system of 'commitment' binds employees to the organisation and vice versa (this *mutuality* is bound up in the psychological contract; for example, management offers challenging and meaningful tasks and the employee reciprocates with loyalty and commitment).



"Mutuality can be a tender creature ...but in a climate of mutuality, the cause of commitment is advanced resulting in both improved productivity and the development of people."

(McKenna and Beech, 2014:11)

7. SHRM practitioners recognise that commitment alone by employees does not achieve strategic goals — competence is required (and these competences change over time).
8. A climate of consent features prominently and it is considered wise to pursue inclusive/participative decision-making relating to organisational and job design.
9. The role of trade unions is recognised in representing collective interests; however, a culture of respecting the rights of management to liaise directly with individuals and groups within the organisation must also be recognised.
10. A coherent set of HR policies and procedures targeted toward effective organisational performance is a prerequisite to achieving organisational goals (the integration of HR policies and procedures and organisational objectives must be pursued).
11. A 'fertile' environment supporting individual creativity and energetic endeavours must be created and maintained.

The table below also serves to highlight the distinct features of strategic HRM, in this case, as compared to Traditional HRM.

**TABLE 1: STRATEGIC VERSUS TRADITIONAL HRM**

Dimensions of Analysis	Strategic HRM	Traditional HRM
<b>Planning and strategy formulation</b>	Participates in formulating overall organisational strategic plan and aligning HR functions with company strategy	Is involved in operational planning only
<b>Authority</b>	Has high status and authority (executive level)	Has medium status and authority
<b>Scope</b>	Is concerned with all managers and employees	Is concerned primarily with hourly, operational and clerical employees
<b>Decision making</b>	Is involved in making ongoing strategic decisions	Makes operational decisions only
<b>Integration</b>	Is fully integrated with other organisational functions, e.g. marketing, finance, production	Has moderate to small integration with other organisational functions
<b>Coordination</b>	Coordinates all HRM activities	Coordinates some HR functions

(Grobler, Wörnich, Carrell, Elbert and Hatfield, 2006)



### Task Questions

1. Critically evaluate your own organisation against each of the eleven features of SHRM selected from McKenna and Beech (2014) above and those provided in **Table 1**. What is significant in your evaluation?
2. Consider McKenna and Beech's (2014:11) statement, "This [*mutuality*] refers to HRM policies that provide mutual goals, mutual influence, mutual respect, mutual rewards, and mutual responsibility." Provide examples to support this assertion. Reflect critically on the implications of this assertion in your organisation.
3. Carry out your own research into the concept of 'mutuality'. What is the strategic advantage (or possible disadvantages) of applying this principle to HR practice?