Moving Towards Horizon: Aligning strategy with HRM

Dr. Richa Mishra,

Assistant Professor, Lucknow Public College of Professional studies
Email: mishra.richa1@yahoo.com

INTRODUCTION

In an organisation, while developing strategic plans, the management team ensures that the plans for each of the resources are developed in conjunction with each other. This is due to the fact that the resources are interdependent of one another. The interdependence means that the result of whatever is planned for and acted upon with one resource will have an influence on the plans of another resource. Thus, the management team and the HR professional must understand the link between the three resources and how best to develop strategic plans for each resource. Fig- 01 (below) shows a pie chart of the same three critical resources. This picture shows that each resource is equal in importance and is connected to each of the other. The outside circles demonstrate that each is driven by its own operational plan which in turn is driven by the organization's strategic plan which is driven by the organization's mission and vision.

Three Critical Resources: Interdependence and Influence on Strategic Planning

Fig. – 01

Over the entire development cycle, it doesn't matter which resource the management team begins to develop first. Each could be developed separately, but before a strategic plan is finalized there needs to be a match of the requirements of each to the other. Organizational effectiveness is achieved when there is alignment between the technology, finance, and human resource strategic plans, and these plans are focussed towards achieving the mission of the Organisation as a whole. The management team is accountable to the organization's stakeholders to utilize and manage the three critical resources in a responsible manner. As the management team identifies the extent to which these resources viz. technology, the money, or the people will be used, the impact on one another is calculated. Finally, this impact analysis is included in the development of the strategic plans for each resource. As a result, the final strategic plan for the organization culminates in an integrative outcome.

Some reasons to include **HR (Human Resource)** in the planning process (as well as in meetings of top management) are being enlisted below:

1. **Induction (Selection and Staffing)**: When goals are set, it's people who work to fulfill those goals. Having the right people in the right places is vital,

and if new hiring is to occur, finding the right people is equally vital. HR folks are usually on top of the employee market, and decisions will be more effective if HR knows firsthand the clear direction of the company. They can immediately speak to any potential conflicts between what a company wants and what is truly realistic in HR terms, thus helping ensure the plans are workable right from the start.

2. **Organizational Development**: Strategic planning often encompasses change in workplace systems or processes. Although individual departments are likely aware of the status of their own departments, HR folks are often aware of group initiatives and changes that has occurred company-wide. Accordingly, they will be able to speak to OD (other departmental) issues with unique insights on how changes may impact systems and processes already in place.

3**. (Retention) Training & Development**: Research shows that only 20% of the workforce has the skills that will be required ten years from now. That means training and development are guaranteed to be needed at some point of the strategic growth process. Again, HRD (human resource Development) folks will be able to speak instantly to any issues, and possibly provide input that could help a company achieve its goals faster.

Review of literature

Resource-based theory posits that competitive advantage and the implementation of plans is highly dependent and the implementation of plans is highly dependent upon an organisation`s basic inputs, including its human capital[1] (Wernerfelt, 1984; 1986, 1991, 2001; Peteraf, 1993; Boxall, 1996; Hitt, Bierman, Shimizu, and Kochchar, 2001).

Strategic planning should also incorporate the Human resource necessary for accomplishing its Goals[2] (Mesch, Perry, and Wise, 1995; Perry and Mesch, 1997).

HRM (human resource management) can contribute to the strategies and strategic planning process of the organization in different ways. HRM functions like performance evaluation, human resource planning, employee selection, training and wage management should be designed according to the strategic plans of the organization. Most of the organizations prefer to integrate their HRM systems with their strategy implementation process[3] (Greer, 1995). Human resource planners have started to learn the techniques of strategic planning and have assumed a more proactive role in promoting strategic thinking in the human resources area and have extended the personnel function beyond the limits of its traditional activities[4] (Miles & Snow, 1984). Nowadays, it is a common belief in both the business and the academic world that the human resources of an organization can be a source of competitive advantage, provided that the policies for managing people are integrated with strategic business planning[5] (Panayotopoulou et. al, 2003).

A typical way to approach strategic HRM is to define it as “bridging” the concept of business strategy and HRM. Strategic HRM focuses on the point that there should be a link between a firm’s strategy and the utilization of its human resources. According to this perspective, people management can be a key source of sustained competitive advantage[6] (Karami et. Al., 2004, p. 50). The main rationale for strategic HRM thinking is that by integrating HRM with the business strategy, rather than human resources strategies being a separate set of priorities, employees will be managed more effectively, organizational performance will improve and therefore business success will follow. Strategic HRM has a clear focus on implementing strategic change and growing the skill base of the organization to ensure that the organization can compete effectively in the future. Strategic human resources departments are future oriented and operate in a manner consistent with the overall business plan in the organization[7] (Holbeche, 2004) Whether the organization choose to compete through lower product prices or through a strategy based on differentiation, all HRM functions should be designed according to the needs of the organization and support the strategic planning process. If the business is focused on low operational costs, then

HR strategy should also mirror that strategy by automating processes and introducing high levels of employee self-service. However, differentiated organizations rely on people to create value, so "a human capital management" strategy should be the priority [8] (Foster, 2010).

Strategic HRM has a clear focus on implementing strategic change and growing the skill base of the organization to ensure that the organization can compete effectively in the future[7] (Holbeche, 2004).

Research in literature suggests that a major key for long term profitability is a clear strategy for being better than competitors, along with a highly effective workforce that carries out that strategy. With regard to HRM in organizations, there are actually two types of strategy. One is competitive business strategy which focuses on choices and actions about how to serve the needs of customers. The other is HR strategy which focuses on choices and actions concerning the management of people within the organization. These two types of strategy must work together to ensure high organizational effectiveness[9] (Stewart & Brown, 2011).

Human performance becomes increasingly variable in jobs of high complexity so it is obvious that HRM should play a major role in improving the quality of strategic management process[10] (Boxall & Purcell, 2003).

Initially, HR planning is critical to an organization's strategic plan through systematically matching the interests, skills and talents of the workforce with long-term goals and opportunities in the organization[11] (Nixon, 2011).

Table: 1 Traditional HR versus Strategic HR

	Traditional HR	Strategic HR
Responsibility for HR	Staff specialists	Line managers
Focus	Employee relations	Partnerships with internal and external customers
Role of HR	Transactional change follower and respondent	Transformational change leader and initiator
Initiatives	Slow, reactive, fragmented	Fast, proactive, integrated
Time horizon	Short-term	Short, medium, long (as necessary)
Control	Bureaucratic roles, policies and procedures	Organic and flexible
Job design	Tight division of labour, specialization	Broad, flexible, cross-training teams
Key investments	Capital, products	People, knowledge
Accountability	Cost center	Investment center
Source: Mello, 2011, p. 158.		

As per the above Table -1 it can be easily inferred that there has been a vast shift in the role of HR and its practices.

Synergy: strategy with HRM

HRM functions and practices are the infrastructure elements of strategic business process. Organizations should strategically utilize these infrastructure requirements to gain competitive advantage, particularly through their human resources and human resource management practices. Infrastructure requirements consist of those functions and activities are necessary for effective management of an organization's human resources.

Strategic approaches to recruitment are rare but recruitment is a strategic opportunity indeed. Ideally

recruitment should not simply be a question of filling gaps, instead should be proactively focused on bringing the specific kind of skills and experiences in the organization especially those which cannot be built from within.

If there is a clear purpose behind recruitment instead of mere replacement, Besides recruitment, efforts to retain qualified employees should also be considered as a part of an overall career management strategy - driven by the business strategy[7] (Holbeche, 2004). Attracting and retaining individuals with the skills related to the core competencies of the organization are key HR activities directly relevant to organizational capability[12] (Khandekar & Sharma, 2005).

HRM & Business strategy in the advance era

HR executives' involvement in strategic management was not always associated with firm

Performance, their involvement had a substantial effect when the firms pursued an innovation strategy for which skilled employees were a critical source of core competence[13] (Kim & Sung-Choon, 2013).

To manage innovative workforce effectively, traditional HRM practices, such as work systems, HR flows, rewards and employee influence, have to be renewed to be in line with the innovative strategy of the organisation. "HRM innovation" seeks a model that pays attention to the dynamic character of various types of innovations – not just cost reduction or quality – in organizations, that is in line with an innovation oriented organizational strategy supported by deliberately chosen (HRM) policies and practices at all relevant levels[14] (Leede & Looise, 2005).

Importance of Aligning HRM with strategy

Human resources are the valuable and unique assets of organizations for gaining competitive advantage in today's challenging environments. The organizations which can select and retain qualified employees with the needed skills can be successful today. HRM practices are important for selecting and retaining these qualified employees. Designing these HRM functions and practices in a strategic way and according to the needs of employees can help organizations to attract and retain these workforces.

SHRM (strategic Human Resource Management) = Strategy + HRM

The emergence of SHRM, concerned with the relationship between HRM and strategic management of the organization, was a paradigm shift in the business arena. The strategic business partner model emphasized the proper integration or fit of HR practices with the business strategies of the organization, to generate a competitive advantage. To perform successfully, the roles of business partner and change agent under SHRM, the HR practitioner must be highly knowledgeable, multi-skilled and acquire core competencies like business knowledge, strategic visioning and global operating skills, credibility and integrity, internal consulting skills, among others"[15] - I. James (2010).

Research Hypotheses

This research will examine three main directional hypotheses on the basis of which the conclusion will affirmed:

H1–There is a relation between strategic aspect, human resource management and organizational knowledge creation capability in Indian public organizations.

H2–There is a relation between organizational knowledge creation capability and organizational innovation in Indian public organizations

H3 – There is a relation between workforce characteristics and organizational knowledge creation

Capability, business decisions, market research which are one of the most crucial parts of Business strategy and HRM in Indian public organizations.

Material & Methodology

A secondary data method had been used. It is one of the most commonly applied methods of data collection using standardized measurement tools. As

this research is an applied one, so correlation method was used for analyzing results.

Target Population

The statistical society includes: managers, vice presidents, HRM managers and employees in Indian public organizations. Multilevel sampling method was used in six provinces in which public organizations were chosen as the research samples.

Data Collection Method

To differentiate the configurations of HRM four data sets were designed: moreover, to analyze workforce characteristics (human capital, employee motivation and employee turnover) an organized data set was collected and for organizational knowledge creation capability as well as organizational business strategy, two different data sets had been designed.
To determine validity, these data sets were distributed among a few industrial experts and for determining the reliability, Cronbach`s Alpha was conducted, the result of which was 88 %proving the result`s validity and reliability as acceptable

Data Analysis Method

The appropriate data analysis tools have been used, including, descriptive statistics (E.g. mean, standard deviation) and Pearson correlation.

Results

The results of analyzing hypotheses are summarized in Table 02 below. Overall it supported the hypothesized relationships between HRM configurations and business strategy for an overall development of the organisation. Moreover, the proposed relationships between the workforce characteristics and organizational knowledge capability were approved according to the results. Additionally the results suggested that the workforce characteristics mediate the relationship between the SHRM configurations and organizational knowledge capability. Finally there was a strong support for the proposed relationship between organizational knowledge creation capability and organizational innovation as well as the relationship between strategic human resource management and organizational innovation too.

Table: 2 The Results of Hypotheses Analysis

Research Hypotheses	Sig(2-tailed)	Pearson correlation	Hypotheses result
H1	0.000	0.458	accepted
H2	0.000	0.368	accepted
H3	0.000	0.537	accepted

Discussion, Conclusion and Findings

To function as a strategic business partner and successfully execute the new critical and challenging responsibilities, human resource professionals need to possess the relevant strategic skills or core competencies. Investments shall be made to recruit and select the best workers that are shown to be related to higher levels of work experience among core employees in the paper. In addition, if organizations do not have the enough resources to invest in all configurations, they should clearly identify which form of workforce characteristics is more important and invest in the appropriate configuration. The data showed that the greater use of commitment configuration is significantly related to higher levels of employee motivation. It appears that organizations can effectively increase

employee's willingness to contribute their effort and knowledge by tying compensation and performance evaluations to performance and by providing internal growth opportunities. Moreover, this study suggests that organizations can increase their ability to act and adapt by attracting employees who have greater knowledge and skills built through work experience which is another part of evaluation under business strategy. On the other hand, Organizations can increase access to non-redundant information and ideas when their employees are motivated to share their knowledge. Further, organizations are also likely to increase productive combinations and exchanges when they establish a field of social exchange. Thus, organizations can increase their knowledge creation capability by building a workforce with a high level of relevant work experience, motivating employees to share their knowledge and retaining employees who have key knowledge and skills, which is one of the responsibilities of HRM. Finally, the results showed significant relationships and required alignment between organizational Business strategy and its Human resource Management to sustain long term organizational success and guarantee their survival in future competitive markets.

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