



# INTEGRATED INSTITUTE OF PROFESSIONAL MANAGEMENT

## Our Accreditations



## Our Standards



# Strategic Human Resource Management

# Learning outcomes

- On completing this course you should be able to define these key concepts. You should also understand:
- The conceptual basis of strategic HRM
- How strategy is formulated
- The resource-based view and its implications
- The significance of the concepts of ‘best practice’ and ‘best fit’
- The practical implications of strategic HRM theory
- The fundamental characteristics of strategy
- The aims of strategic HRM
- The three HRM ‘perspectives’
- The significance of bundling

# Strategic HRM

Strategic  
Mgt

Plus

Human  
Res. Mgt

# Strategic Management Defined

- ‘Strategic management is the set of decisions and actions resulting in the formulation and implementation of strategies designed to achieve the objectives of an organization.’
- Its purpose is to: ‘elicit the present actions for the future’ and become ‘an action vehicle – integrating and institutionalizing mechanisms for change’. The concept of strategic management is built on the concept of strategy.

# The concept of strategy

- Strategy is the approach selected to achieve defined goals in the future.
- Strategy is: ‘The determination of the long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out those goals.’

## Three fundamental characteristics of Strategy.

- First, it is forward looking.
- Second, the organizational capability of a firm (its capacity to function effectively) depends on its resource capability (the quality and quantity of its resources and their potential to deliver results).
- The third characteristic of strategy is strategic fit – the need when developing HR strategies to achieve congruence between them and the organization's business strategies within the context of its external and internal environment.

# The Formulation of Strategy

- The formulation of corporate strategy is best described as a process for developing a sense of direction, making the best use of resources and ensuring strategic fit.
- It is a logical, step-by-step affair, the outcome of which is a formal written statement that provides a definitive guide to the organization's intentions.

# Strategic HRM defined

- Strategic HRM is an approach that defines how the organization's goals will be achieved through people by means of HR strategies and integrated HR policies and practices.

# Aims of strategic HRM

- The fundamental aim of strategic HRM is to generate organizational capability by ensuring that the organization has the skilled, engaged, committed and well-motivated employees it needs to achieve sustained competitive advantage. It has two main objectives:
- First to achieve integration – the vertical alignment of HR strategies with business strategies and the horizontal integration of HR strategies.
- The second objective is to provide a sense of direction in an often turbulent environment so that the business needs of the organization and the individual and collective needs of its employees can be met by the development and implementation of coherent and practical HR policies and programmes.

## The Resource-based View (RBV) of strategic HRM

- To a very large extent, the philosophy and approaches to strategic HRM are underpinned by the resource-based view. This states that it is the range of resources in an organization, including its human resources, that produces its unique character and creates competitive advantage.

# Components of RBV

- The human capital pool comprised of the stock of employee knowledge, skills, motivation and behaviours.
- The flow of human capital through the firm – the movement of people and of knowledge.
- The dynamic processes through which organizations change and/or renew themselves.

# The significance of the resource-based view

- It highlights the importance of a human capital management approach to HRM and provides the justification for investing in people through resourcing, talent management and learning and development programmes as a means of enhancing organizational capability.

# Strategic fit

- Strategic fit refers to the two dimensions that distinguish strategic HRM:
- *First, vertically, it entails the linking of human resource management practices with the strategic management processes of the organization.*
- *Second, horizontally, it emphasizes the coordination or congruence among the various human resource management practices.*

# Perspectives on strategic HRM

- The universalistic perspective – There is a universal relationship between individual ‘best’ practices and firm performance.
- The contingency perspective – in order to be effective, an organization’s HR policies must be consistent with other aspects of the organization. The primary contingency factor is the organization’s strategy. - ‘vertical fit’.
- The configurational perspective- emphasizes the importance of the pattern of HR practices and is concerned with how this pattern of independent variables is related to the dependent variable of
- organizational performance. Configuration is ‘the structures, processes, relationships and boundaries through which an organization operates.’

# Elements of best practice approach

- 1. employment security;
- 2. selective hiring;
- 3. self-managed teams;
- 4. high compensation contingent on performance;
- 5. training to provide a skilled and motivated workforce;
- 6. reduction of status differentials;
- 7. sharing information.

# The best fit approach

- The best fit approach is in line with contingency theory.
- It emphasizes that HR strategies should be congruent with the context and circumstances of the organization.
- ‘Best fit’ can be perceived in terms of vertical integration or alignment between the organization’s business and HR strategies.
- There are three models, namely: lifecycle, competitive strategy, and strategic configuration.

# Strategic configuration

- Another approach to best fit is the proposition that organizations will be more effective if they adopt a policy of strategic configuration by matching their strategy to one of the ideal types defined by theories such as those produced by Miles and Snow (1978).
- This increased effectiveness is attributed to the internal consistency or fit between the patterns of relevant contextual, structural and strategic factors.

# Types of Organizations

## Miles and Snow (1978)

- Prospectors, which operate in an environment characterized by rapid and unpredictable changes. Prospectors have low levels of formalization and specialization and high levels of decentralization. They have relatively few hierarchical levels.
- Defenders, which operate in a more stable and predictable environment than prospectors and engage in more long-term planning. They have more mechanistic or bureaucratic structures than prospectors and obtain coordination through formalization, centralization, specialization and vertical differentiation.

# Types of Organizations

## Miles and Snow (1978)contd.

- Analyzers, which are a combination of the prospector and defender types. They operate in stable environments like defenders and also in markets where new products are constantly required, like prospectors. They are usually not the initiators of change like prospectors but they follow the changes more rapidly than defenders.
- Reactors, which are unstable organizations existing in what they believe to be an unpredictable environment. They lack consistent well-articulated strategies and do not undertake long-range planning.

# The lifecycle best fit model

- The lifecycle model is based on the theory that the development of a firm takes place in four stages: start-up, growth, maturity and decline.

# Best fit and competitive strategies

- Three strategies aimed at achieving competitive advantage are;
  1. Innovation – being the unique producer.
  2. Quality – delivering high quality goods and services to customers.
  3. Cost leadership – the planned result of policies aimed at ‘managing away expense’.

# ‘Bundling

- ‘Bundling’ is the development and implementation of several HR practices together so that they are inter-related and therefore complement and reinforce each other. This is the process of horizontal integration, which is also referred to as the use of ‘complementarities.
- The aim of bundling is to achieve high performance through coherence,

# Coherence

- Coherence exists when a mutually reinforcing set of HR policies and practices have been developed that jointly contribute to the attainment of the organization's strategies for matching resources to organizational needs, improving performance and quality and, in commercial enterprises, achieving competitive advantage.

Congratulations