Chapter 1: Concept and context of SHRM

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Concept and context of SHRM

About HRM

The concept of human resource management (HRM) has generated a lot of interest among academics and practitioners alike since its emergence in the mid-1980s. The overall purpose of HRM is to ensure that the organization is able to achieve success through people. Ulrich and Lake (1990) point out the importance of HR systems in an organisation when they say: 'HRM systems can be the source of organizational capabilities that allow firms to learn and capitalize on new opportunities'.

Storey (1989) believes that HRM can be regarded as a ‘set of interrelated policies with an ideological and philosophical underpinning’. He suggests four aspects that constitute the meaningful version of HRM:

1. A particular constellation of beliefs and assumptions;
2. A strategic thrust informing decisions about people management;
3. The central involvement of line managers;
4. Reliance upon a set of ‘levers’ to shape the employment relationship.

There have been many theoretical models of HRM that have been proposed to aid the understanding of the field and many are constantly being envisioned.

One of the first models proposed to understand HRM was the Matching model of Fombrun et al (1984). They held that HR systems and the organization structure should be managed in a way that is congruent with organizational strategy (hence the name ‘matching model’).

According to this model, the typical human resource cycle is generally understood to consist four generic processes or functions that are performed in all organizations. These are:

1. Selection - matching available human resources to jobs or procuring such resources
3. Rewards - the reward system is one of the most under-utilized and mishandled managerial tools for driving organizational performance'. It must reward short- as well as long-term achievements, bearing in mind that 'business must perform in the present to succeed in the future'.
4. Development - developing high-quality employees

This is by no means a comprehensive list of HR functions but is merely a generic common one that lists the functions required in most if not all organisations. Depending on the industry and organisation, the HR functions also include retention and exit management of employees, facilitation of understanding about the organisational
culture and its assimilation by employees, management of workforce diversity, ensuring ethical treatment and well being of employees among others.

Another of the many models of HRM proposed by the academia is the Harvard framework of Beer et al (1984). The Harvard model believes that HRM had two characteristic features:

1. line managers accept more responsibility for ensuring the alignment of competitive strategy and personnel policies;
2. personnel has the mission of setting policies that govern how personnel activities are developed and implemented in ways that make them more mutually reinforcing.

Thus, this model emphasises ‘A longer-term perspective in managing people and consideration of people as potential assets rather than merely a variable cost’. It also underscores the view that HRM primarily belongs to line managers.

All models have their own strengths and weaknesses and are generally found to be normative in the sense that any and all models need to be customised in order to be rendered suitable for implementation by practitioners. However, it is important to note that this diversity and variety does not detract from the need for the underlying concept of HRM. There is only a difference of opinion regarding the exact definition, scope and role of HRM in different situations.

Thus, the need for HRM is understood to be indispensable in today’s work organisations. However, the importance of the role of HRM in strategy formulation and its implementation is a relatively new concept and as such needs to be clearly understood in order to better understand the nuances of this relationship. But in order to do so we must first understand about the underlying concept of strategic management and how it manifests in the corporate world.

Understanding strategic management

The word ‘strategy’, derives from the Greek noun strategus, meaning ‘commander in chief’. The development and usage of the word suggests that it is composed of stratos (army) and agein (to lead). In a management context, the word 'strategy' has now come to denote a specific pattern of decisions and actions undertaken by the top management of the organization in order to accomplish performance goals. Wheelan and Hunger (1995) define strategic management as ‘that set of managerial decisions and actions that determines the long-run performance of a corporation’. Hill and Jones (2001) take a similar view when they define strategy as 'an action a company takes to attain superior performance'. This indicates that the aim and objective of strategic management is more long term and performance oriented. In other words, this indicates that the field of strategic management looks at the long term bottom line impact of managerial decisions and actions.

Strategic management is considered to be a continuous activity that requires a constant adjustment of three major interdependent poles: the values of senior management, the environment, and the resources available. In both the descriptive and
prescriptive management texts, strategic management appears as a cycle in which several activities follow and feed upon one another. The strategic management process is typically broken down into five steps:

1. Evaluation of organisation’s mission and goals
2. SWOT analysis of the organisation with respect to the environment
3. Strategy formulation
4. Strategy implementation
5. Strategy evaluation.

The first step in the strategic management model begins with senior managers evaluating their position in relation to the organization’s current mission and goals. The mission describes the organization’s values and aspirations; it is the organization’s very reason for existence and indicates the direction in which senior management is going or wishes to go. Goals are the desired ends sought through the actual operating procedures of the organization and typically describe short-term measurable outcomes.

The second step involving SWOT analysis of the environment looks at the internal organizational strengths and weaknesses and the external environment for opportunities and threats. The factors that are most important to the organization’s future are referred to as strategic factors and can be summarized by the acronym SWOT - Strengths, Weaknesses, Opportunities and Threats.

The third step of Strategic Formulation involves senior managers evaluating the interaction between strategic factors and making strategic choices that guide managers to meet the organization’s goals. Strategies are formulated at the corporate, business and specific functional levels. The term ‘strategic choice’ raises the question of who makes decisions and why they are made. The notion of strategic choice also draws attention to strategic management as a ‘political process’ whereby decisions and actions on issues are taken by a ‘power-dominant’ group of managers within the organization. Child (1972) validates this interpretation of the decision-making process when he says: When incorporating strategic choice in a theory of organizations, one is recognizing the operation of an essentially political process, in which constraints and opportunities are functions of the power exercised by decision-makers in the light of ideological values. In a political model of strategic management, it is necessary to consider the distribution of power within the organization. According to Purcell and Ahlstrand (1994), we must consider ‘where power lies, how it comes to be there, and how the outcome of competing power plays and coalitions within senior management are linked to employee relations’. The strategic choice perspective on organizational decision-making makes the discourse on strategy ‘more concrete’ and provides important insights into how the employment relationship is managed.

Strategy implementation, fourth step in the process, is an area of activity that focuses on the techniques used by managers to implement their strategies. In particular, it refers to activities that deal with leadership style, the structure of the organization, the information and control systems, and the management of human resources. Many of the established management consultants and academics emphasize that leadership is the most important and difficult part of the strategic implementation process.
The last step Strategy evaluation is an activity that determines to what extent the actual change and performance match the desired change and performance.

The strategic management model depicts the five major activities as forming a rational and linear process. It is, however, important to note that it is a normative model, that is, it shows how strategic management should be done rather than describing what is actually done by senior managers (Wheelen & Hunger, 1995). As we have already noted, the notion that strategic decision making is a political process-- implies a potential gap between the theoretical model and reality.

**Concept of strategic human resource management**

SHRM as a concept is very difficult to pin down with a definition and as such there have been as many attempts at its definition as there are points of view about it. Some define it as: 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 (Storey, 2001). While others have taken a more system oriented view like Boxall and Purcell (2003) do when they describe ‘Human resource management (alternatively employee relations or labour management) includes the firm’s work systems and its models of employment. It embraces both individual and collective aspects of people management. It is not restricted to any one style or ideology’. Some have simplified it with the opinion that Strategic HRM focuses on actions that differentiate the firm from its competitors (Purcell, 1999).

Just like strategic management, SHRM can also be understood by the three underlying concepts of competitive advantage, distinctive capabilities and strategic fit.

**Competitive advantage:** As already discussed above, human resources are a ready source of sustained competitive advantage. This is so because by their very nature human resources are individuals with various backgrounds, experiences and motivations and are thus unique and individual in their own right. No employee can perfectly dissociate from their identity and personal life and hence bring one or more aspects of it to the workplace with them. This makes them unique and thus inimitable. This uniqueness receives a boost when the personalities and idiosyncrasies of the employees are in line with organisational values and culture. This boosts the sustainability of the competitive advantage that the human resource represents.

**Distinctive capabilities:** In terms of human resources, the distinctive capabilities of an organisation can be thought to primarily refer to the knowledge, skills, expertise and commitment of the employees. This means that if the organisation is aware of the unique capabilities of its human resources or has in fact proactively collected such resources for their capabilities then they can harness these for strategic gains. SHRM advocates that these distinctive capabilities be strategically acquired or developed with planned efforts in order to gain sustained advantage over long term.

**Strategic fit:** Even the best plants would fail to produce if they are put in a hostile environment without support for long. Similarly, even the most carefully chosen human resources will not provide any permanent results if they are misfit in the organisation or
simply have no place in the long term strategy of the organisation. It is very crucial for the right capabilities to be nurtured in order to promote maximal realisations of opportunities in the external environment while minimising the threats. The right capabilities are those that play on the strengths of the individuals as well as the organisation and ignore the weaknesses of the same. This is the strategic fit between the human resources and organisational strategy which needs to be managed in order to efficiently practice SHRM.

**IMPORTANCE AND RELEVANCE OF SHRM**

Strategic Human Resource Management has been, and remains, one of the most powerful and influential ideas to have emerged in the field of business and management during the past twenty-five years. It has had implications and applications in all spheres of management. Policy makers at government level have drawn upon the idea in order to promote ‘high performance workplaces’ and ‘human capital management’. Within business corporations, the idea that the way in which people are managed could be one of, if not the most crucial factor in the whole array of competitiveness inducing variables, has become a widely accepted proposition during this period.

The idea of SHRM is to promote high performance workplaces and human capital management. SHRM can be defined as the linking of human resources (HR) with organisations’ strategic goals and objectives so as to improve business performance and develop organisational culture that nurture innovation, flexibility and competitive advantage. In an organisation, SHRM means accepting and involving the HR function as a strategic partner in the formulation and implementation of the company’s strategies through HR activities such as recruiting, selecting, training and rewarding personnel. It basically centers on HR programs with long-term objectives i.e. instead of focusing just on internal HR issues, the major focus is on addressing and solving problems that affect people management programs in the long run. Therefore, the primary goal of strategic HR is to increase employee productivity and to identify key HR areas where strategies can be implemented in the long run to improve the overall employee motivation along with productivity.

Strategic orientation of human resource management (HRM) is important for all organisations irrespective of its size and domain. It simply requires the alignment of every HR function with business strategy. It establishes relationship between HRM and strategic management of the organization and facilitates the HRM to change its image as a “cost center” to that of a “strategic business partner”. SHRM pertains to not just one or two but all the dimensions of traditional HRM and each of these dimensions needs to be looked through the eyes of strategic management in order to truly understand not just the concept SHRM but also the practitioner's view of the same.

**DIMENSIONS OF THE ROLE OF SHRM**

Other lesson notes will discuss each of the major dimension and its role and relationship with SHRM in detail. However, given below is a brief overview of few of the selected dimensions to aid better understanding of the concept of SHRM as viewed by managers.
SHRM and Performance

SHRM is all about long term gains made in the bottom line through strategic alignment and sustained competitive advantage. This requires optimal performance in order to succeed. Performance, in an SHRM context, is not just a dimension as in traditional HRM where the HR manager monitors the appraisal and uses it to facilitate other functions. Performance, in a strategic context, is the very bedrock of success for indeed any efforts to gain strategic advantage will always fall short of success in the face of suboptimal performance. Also it is very important to note here that when a firm plans its HRM strategically then not just performance of individual employees or teams but the whole performance management system needs to be aligned with the strategic planning and overall business goals. It is when there is true congruence in the performance management systems and the overall strategy of the organisation that the best benefits of SHRM can be gained.

SHRM and Leadership

SHRM has been understood as a top-driven practice. The very concept of managerial leadership permeates and structures the theory and practice of work organizations thereby influencing SHRM a great deal. Most definitions of managerial leadership reflect the assumption that it involves a process whereby an individual exerts influence upon others in an organizational context. Within the literature, there is a continuing debate over the alleged differences between a manager and a leader: managers develop plans whereas leaders create a vision (Kotter, 1996). Paradigms like 'transformational leadership' and 'charismatic leadership' may be explained by understanding the prerequisites of the resource-based SHRM model. Managers are looking for a style of leadership that will develop the firm’s human endowment and, moreover, cultivate commitment, flexibility, innovation and change.

There are explicit links between learning, leadership and organizational change. Thus, it would seem that a key constraint on the development of a resource-based SHRM model is leadership competencies. Apparently, 'most re-engineering failures stem from breakdowns in leadership' (Hammer & Champy, 1993). In other words, the 'transformational' leadership is all about empowering the workers. These models emphasise that the psychological contracts of the employees and their relationships with the organisation can be manipulated by a successful leader. The employees when thus manipulated to believe that they owe the organisation for empowering them and they are a part of the ‘family’ are more likely to adhere to strategic directives than those who feel alienated or underappreciated by the leadership. This does not mean that the power structures at workplace are much different but effective strategic leadership can shift the focus of employees towards a long term mutually beneficial outlook thereby aiding the bottom line.

SHRM and Workplace learning

Existence and exploitation of distinctive capabilities is one of the basic underlying concepts of strategic management. Formal and informal work-related learning has come to represent a key lever that can help managers to achieve the substantive HRM goals of commitment, flexibility and quality (Beer et al., 1984; Keep, 1989). From a managerial
perspective, formal and informal learning can, it is argued, strengthen an organization's 'core competencies' and thus act as a lever to sustainable competitive advantage - having the ability to learn faster than one's competitors is of the essence here. There is a growing body of work that has taken a more critical look at workplace learning. Some of these writers, for example, emphasize how workplace learning can strengthen 'cultural control' (Legge, 1995), strengthen the power of those at the 'apex of the organization' and be a source of conflict when linked to productivity or flexibility bargaining and job control (Bratton, 2001). Thus, it is very important to understand and orient the learning systems towards the planned strategic outcomes. Failure to ensure availability of competent workforce at strategically critical points is a recipe for disaster that needs to be avoided at all costs.

**SHRM and Industrial relations**

Worker commitment is firmly embedded in the SHRM model as a requirement for gaining sustained competitive advantage. Many argue that there is a contradiction between the objectives of the SHRM model and trade unions. In the prescriptive management literature, the argument is that the collectivist culture of trade unions, defined by their 'them and us' attitude, is not aligned with the HRM's goal of high employee commitment and the individualization of the employment relationship. He critics argue that 'high-commitment' HR strategies are designed to provide workers with a false sense of job security and to obscure underlying sources of conflict inherent in capitalist employment relations. While on the opposite end of the spectrum, other scholars have argued that trade unions and the 'high-performance-high-commitment' HRM model cannot only coexist but are indeed necessary if any high performance work system is to succeed.

**SHRM and Diversity**

There is a lot of diversity in today's workplaces. Diversity can be cultural, geographical and even ethical. The corporate world is marked by the prevalence of multinational organisations today. This phenomenon is increasing as the proverbial distances in the business world shrink each day. This, however, brings its own set f issues. The employment relationship is necessarily shaped by national systems of employment legislation and the cultural contexts in which it operates. Thus, as the corporate world is becoming more globalized, variations in national regulatory systems, labour markets and institutional and natural contexts are likely to constrain or shape any tendency towards 'convergence' or a 'universal' model of best HRM practice. This has necessitated a need for the management to move from international HRM towards a more comparative HRM.

International HRM has been defined as 'HRM issues, functions and policies and practices that result from the strategic activities of multinational enterprises and that impact the international concerns and goals of those enterprises' (Scullion, 2001). Of considerable interest to HR academics and practitioners is the question of the extent to which an HR strategy that works effectively in one country and culture can be transplanted to others. International HRM tends to emphasize the subordination of national culture and national employment practices to corporate culture and HRM practices (Boxall, 1995). This can lead to potential disasters when such presumptions
backfire. It is hardly fair to expect managers and workers in culturally different places like Mexico, Chile, India, Pakistan, South Africa and elsewhere to accept the underlying ideology and embrace the HRM paradigm prevalent in the USA. Indeed, recent comparative research suggests that there are significant differences between Asian, European and North American companies with regard to HR strategies (Brewster, 2001; Kidd et al., 2001; Scullion, 2001). A diligent HRM system should seek to explain the patterns and variations encountered in cross-national HRM rather than being simply a description of HRM institutions and HR practices in selected countries. For any strategy to succeed, it is imperative that the implementation be excellent. Implementation needs actual people. Thus any SHRM initiative is dependent on people for its success and thus it should be sensitive to and aligned with the diversity inherent in work.

Thus, the SHRM can be defined as the organisations action plan to align HRM with strategic business objectives so that the competitive advantage can be achieved through its skilled, committed and well-motivated workforce. This can only be possible if every HR function is strategically aligned.

Context of strategic human resource management

No man is an island*. The same is true for any entity that interacts with the world we live in and organisations are no exceptions. Indeed organisations are much more complex systems that not only interact with the external environment but also the internal environment as well. Thus, the context in which SHRM needs to be understood has to be considered at the two levels of external and the internal.

On an external level, there are many factors that may govern or influence the environment in which an organisation functions. Some of the aspects of the factors are evident like most of those mentioned below while some are not immediately apparent in their influence.

1. Technological factors
2. Economic factors
3. Sociocultural factors
4. Politico-legal factors:

Technological factors: The existing technological know-how and the rate of advancement and innovation in the same is an important influencer of strategy as is the rate at which the old technology is rendered useless or uncompetitive. One such example is that of the software industry where the rate of both innovation and obsoletion has accelerated at an exponential pace and innovative turnarounds are measured in number of years if not months instead of decades. The impact of technology on businesses is nothing new. Industrial revolution is a testament to this statement. Assembly lines and then automation paved the way for future prosperity at the cost of present of many. Automation, robotics, advanced technical tools not only changed the key skill requirements for roles across organisations they also rendered many previously valuable roles obsolete. Worker resentment is directly proportional to their fear of change and insecurity. As such the SHRM practice needs to carefully align expectations with strategic goals and plan to manage the expected changes in order to prevent backlash and promote acceptance of changes.
**Economic factors:** The cost of factors of production and their impact on market needs to be factored in any robust strategy. Also the macro economical indicators are important sources of precious information for strategists. Global economic trends and national economic conditions both can substantially influence the business strategy of any organisation. There are international platforms like the World Trade Organisation and the World Bank which wield considerable influence over nations too. The economies of the world are no longer independent but are increasingly interdependent as was evident in the overall struggle against decline faced by the leading world economies in the face of economic recession in USA. Costs of production too are mostly driven by international markets and as such as susceptible to international events. The resources available in the global village of business today are also much different than those of the past with improved transportation and communication. The increased ease of mobility of all resources including HR has the potential to be both greatly advantageous if managed well as well as detrimental if ignored. Thus any robust strategy needs to consider economic factors in order to be successful.

**Sociocultural factors:** The world is changing rapidly and so are societal norms and cultures. This dynamism if further aided by the multicultural workplaces of today that are a direct consequence of globalisation. This necessitates the need for factoring in values and attitudes of society in general and workforce in particular when contemplating any strategy. This has also been highlighted in the context of diversity many times. As culture is a dynamic entity in itself, the influx of foreign elements of other cultures brought in by the global exposure, ease of communication and multiethnic workforce has only added to this dynamism. Societal norms are changing especially acceptance of previously marginalised sections of society like women and minorities in workplaces has changed drastically with increasing focus of equal participation being important to the image as well. Organisations are seen going beyond the legal requirements to court society’s good opinion regarding the same. With increased global communications and presence of social media, organisations can no longer afford to antagonise the society in which they exist.

**Politico-legal factors:** Any business is subject to the local laws and governing bodies. This influence is further compounded when we take into account the fact that globalisation means nations also interact at a business level and there may be political and legal pressures or requirements that put constraints on the freedom of business across political borders. Trade agreements and trade sanctions between nations are an example of such constraints that may impact strategy of organisations located in member nations. There are global forums that dictate the rules of business at the international level and all organisations must account for these potentialities in their strategy. At local level too, the increased exposure to information and global practices has led to changing political and legal dynamics. Governments are also much more conscious of their duties and failure to deliver. Transparency in governance has led to openness in policy making and this has been driven towards a more inclusive attitude that has resulted in several changes in how the businesses used to interact with the political bodies. Protective laws have also forced many a organisation to adapt or perish.
Thus, the external environment is fraught with potholes that can pull down any strategists who are not prepared for such contingencies. These factors are also not in control of the organisation and as such can only be addressed in the contingency plans of strategists. The factors that are somewhat in their control are the internal factors.

In the context of internal organisational environment, any strategic intervention, SHRM is no exception to this, needs to be aligned with its internal drivers. In the context of SHRM, it needs to be aligned with each and every system of human resources. This is so because implementation of any strategy is always going to happen at a human level and if there is no buy-in created for the strategy or if the strategy if in contrast to the existing systems then there are going to be clashes which hamper growth and success. Thus, the organisations need to align their entire employee life cycles around the strategy. The four most common systems are

1. Selection/Promotion/Placement
2. Compensation and rewards
3. Development
4. Appraisal

Strategies require distinctive capabilities in turn demand that the best fit of each role be identified and made available whether through transfer, promotion or selection. They also require that the strategic resource be then nurtured and suitably rewarded to implement the strategy. Development of resources aids in customisation of resource skill-sets to organisational requirements and enhances the inimitability or uniqueness of the skills leading to increased sustainability of competitive advantage. The appraisal process is indeed the most critical of all from the implementation perspective as this is the process that can provide valuable feedback information about the success of strategy and pave the way for corrective measures or contingencies to be enacted well in time.

Thus, the context is crucial to any strategic initiative and SHRM practice too needs to be seen in the context of its external and internal environments and include the same in its formulation of strategies.

Conclusion

In this lesson, we reviewed the concepts of HRM and strategy. We briefly discussed the concept of strategic management in general before moving onto the topic of strategic human resource management. The concept of SHRM is an amalgamation of the concepts of HRM and strategic management. SHRM, we found, should be long term, top driven and oriented towards bottom line. It aims at harnessing the inherent inimitability of skilled human resources to generate a difficult to duplicate and thus sustained competitive advantage. The three part concept of strategy comprising of competitive advantage, distinctive capabilities and strategic fit lends itself well to a human resource based interpretation for this very reason. SHRM has not only the potential to revolutionise the business but it is also essential for any organisation that seeks to strategically plan and direct its future. Strategic outlook is necessary for each and every dimension of human interaction and needs to be carefully formulated with respect to each. All the strategy in world may be rendered useless if an organisation fails to take into account the performance or the trade unions or other equally important
aspects of HRM. It is also critical to note the context in which SHRM exists. Externally, the technological, economical, sociocultural and the politico-legal factors need to be considered and internally each and every HR system including but not limited to the Selection/Promotion/Placement, Compensation and rewards, Development, and Performance appraisal needs to be aligned with organisational objectives and overall corporate and business strategy in order to create a robust strategic initiative that will stand the test of time and change.

After understanding the concept of SHRM and the context in which it exists, we will now take a look at how the corporate strategy interacts with the concept and practice of SHRM in detail in the second lesson.

References
Chapter 2: Corporate Strategy of SHRM

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About corporate strategy

Corporate strategy describes a corporation's overall direction in terms of its general philosophy towards the growth and the management of its various business units. It refers to decisions on what business to enter, what businesses to retain in the portfolio and those to exit from. It specifically directs attention at how the corporate office can add value to the diverse businesses in the portfolio so that their value as a part of the corporation exceeds the value they would have as free-standing businesses (Armstrong, 1994). Such strategies may determine the types of business a corporation wants to be involved in and what business units should be acquired, modified or sold. Thus, this strategy addresses the fundamental question, 'What business are we in’?

Devising a strategy for a multidivisional company involves at least four types of initiatives:

1. establishing investment priorities and steering corporate resources into the most attractive business units
2. initiating actions to improve the combined performance of those business units with which the corporation first became involved
3. finding ways to improve the synergy between related business units in order to increase performance
4. making decisions dealing with diversification.

Corporate strategies as described above are expected to operate at a broad level and are more fundamental in their outlook. They are operationalised through business strategies which are more practically oriented towards achieving the objectives of the corporate strategies. If a corporation has just one business, there is no difference between corporate strategy and business strategy.

Business strategy focuses on achieving competitive advantage on a sustained basis. Organisations may take different approach to achieve the same. Superior efficiency, superior quality, superior customer responsiveness and superior innovation are all considered to drive competitive advantage in different ways. Companies achieve these drivers of competitive advantage through the creation of distinctive competencies. Some academics consider four modes of strategic orientation: defenders, prospectors, analyzers and reactors. Defenders are companies with a limited product line and management focus on improving the efficiency of their existing operations. Commitment to this cost orientation, makes senior managers unlikely to explore new areas. Prospectors are companies with fairly broad product lines that focus on product innovation and market opportunities. These sales orientations makes senior managers emphasize 'creativity over efficiency’. Analyzers are companies that operate in at least two different product market areas, one stable and one variable. In this situation, senior managers emphasize efficiency in the stable areas and innovation in the variable areas. Reactors are companies that lack a consistent strategy-structure-culture relationship. In this reactive orientation, senior management's responses to environmental changes and pressures thus tend to be piecemeal strategic adjustments.
Distinctive competencies are built through resources and capabilities. Capabilities are a company's skills at coordinating its resources and using them productively. These capabilities get embedded in an organisation’s routines and processes. By their very nature, capabilities are more difficult to copy or imitate as they are often the result of a complex interaction between the structure, systems and values of an organisation. Though, it is sometimes difficult to explain post facto how exactly a capability was created, it is possible for an organisation to take deliberate actions to create capabilities. Competing companies within a single industry can choose anyone of the above four types of strategy. But they then need to adopt an appropriate combination of structure, culture and processes consistent with that strategy in response to their environment. The different competitive strategies influence the 'downstream' functional strategies and the deliberate actions taken to create resources and capabilities spring from these functional strategies of the organisation.

Functional strategy pertains to the major functional operations within the business unit, including research and development, marketing, manufacturing, finance and HR. This strategy level is typically mostly concerned with maximizing resource productivity and addresses the question, 'How do we support the business strategy?'

Thus, it is at this functional level that the HRM policies and practices are expected to support the business strategy goals. After all, as someone aptly stated, 'A good business strategy is always informed by people factors'.

Types of corporate strategies

Corporate strategies are driven by long term organizational goals and the environment in which the organisation operates. There are mainly three types of corporate strategies commonly found in the strategic management literature viz. growth strategy, stability strategy and renewal strategy.

Growth strategy

A growth strategy is when an organization expands the number of markets served or products offered, either through its current business(es) or through new business(es). Because of its growth strategy, an organization may increase revenues, number of employees, or market share.

Growth platforms are specifically named initiatives selected by a business organization to fuel revenue and earnings growth. Growth platforms may be strategic or tactical. Strategic growth platforms are longer-term initiatives for high-scale revenue increases. Generic examples of commonly selected strategic growth platforms include pursuit of specific and new product areas, entry into new distribution channels, vertical or horizontal integration, and new product development. With growth strategy, types of commonly associated business level strategies are:

Horizontal integration strategy - The merger or acquisition of new business operations. An example of horizontal integration would be Apple entering the search-engine market or a new industry related to laptops and smartphones.
**Vertical integration strategy** - Integrating successive stages in the production and marketing process under the ownership or control of a single management organization. An example might include a gas-station company acquiring a oil refinery.

**Diversification strategy** - A corporate strategy in which a company acquires or establishes a business other than that of its current product. Diversification can occur either at the business-unit level or at the corporate level. At the business-unit level, diversification is most likely to involve expansion into a new segment of an industry in which the business already competes. At the corporate level, it generally means entrance into a promising business outside the scope of the existing business unit.

**Market Penetration strategy** - Market penetration occurs when a company penetrates a market in which current products already exist. This strategy generally requires great competitive strength, a strong brand, or both, as most market penetrations demand actively taking market share from current incumbents. It is an aggressive and often risky approach to growth.

**Market Development Strategy** - Market development strategy entails expanding the potential market through new users or new uses for a product. The strategy is best accomplished through identifying unique niche needs in a specific type of user and filling those needs. Market research is critical in development strategies. New users can be defined as new geographic segments, new demographic segments, new institutional segments, or new psychographic segments.

**New Product Development strategy** - In business and engineering, new product development (NPD) is the process of developing, researching, and bringing a new product to market. A product is a set of benefits offered for exchange and can be tangible (that is, something physical you can touch) or intangible (for example, a service, experience, or belief). Identifying new needs or new ways of filling them and developing a new process or product that accomplishes this aim are the goal of this growth strategy. NPD requires investment in research and development, usually over the long term, and extensive trial and error.

**Renewal strategy**

Renewal strategy is a direct response to performance issues in an organisation. Managers need to develop strategies that address declining performance. A corporate renewal strategy is a response to a decline in the corporation's performance. If customers start buying less of a company's products, or the company has unexpected cost increases for materials and labor, the corporation can create a strategy to alleviate these problems. Another corporation can buy out a poorly performing firm, and use a corporate renewal strategy to make it more productive.

The status-quo is no longer acceptable and high level strategic interventions are required. The two main types of renewal strategies are retrenchment and turnaround strategies.

A corporation does not have to be bankrupt or incur a loss to use a corporate renewable strategy. A turnaround strategy can involve purchasing a competitor, especially if the competitor has useful patents or popular products. The corporation has
more options available if it implements its renewal strategy before other negative events happen, while it can still take out loans and attract new stockholders. Management can use a corporate renewal strategy while the business is still profitable to make sure it stays profitable. When the corporation has multiple divisions, the turnaround strategy considers the future profitability of each division. If a division is losing money now, but it has the potential to earn high profits in the future, the corporation can fix the problems with that division. The corporation can sell off unprofitable divisions with less future income potential. This is retrenchment strategy and maybe useful in 'cutting one’s losses short'. Retrenchment strategy is often used in order to cut expenses with the goal of becoming a more financially stable business. Typically the strategy involves withdrawing from certain markets or the discontinuation of selling certain products or service in order to make a beneficial renewal. Retrenchment strategies are harder to implement in some industries. A manufacturing company has to pay for equipment repair, maintenance, and energy bills to continue making new products, so it is difficult for the company to reduce its expenses.

Stability strategy

A stability strategy is a corporate strategy in which an organization continues to do what it is currently doing. Examples of this strategy include continuing to serve the same clients by offering the same product or service, maintaining market share, and sustaining the organization’s current business operations. The organization does not grow, but does not fall behind, either.

This strategy is actually an overarching term for many sub-strategies that an organisation follows in times where focussed growth and renewal are not its primary concerns. The strategies that an organisation follows when it seeks to consolidate or exploit its strengths are a part of this group. We discuss below few of the strategies that can be pursued by a stable organisation in order to ensure its future growth and stability.

Global Strategy

Global strategy, as defined in business terms, is an organization’s strategic guide to pursuing various geographic markets. A global strategy can be used for the following benefits among others:

Cost Leadership - A global strategy may be appropriate in industries where firms face strong pressures to reduce costs but weak pressures to respond locally; globalization therefore allows these firms to sell a standardized product worldwide. By expanding to a broader consumer base, these firms can take advantage of scale economies and learning-curve effects because they are able to mass-produce a standard product that can be exported.

Market Expansion - Differentiation strategies also enable economies of scope, either fulfilling different needs in different markets with a similar series of products, or developing new products based upon the needs and consumption habits of a new market. Differentiation as part of a global strategy will often require localization, as organizations must adapt to consumer tastes better to compete in the new country. For
example, Coca Cola tastes different depending on the country where it is bought because of differences in local preferences.

Sourcing - Other popular and primary strategic reasons for globalization include building supplier relationships, improving access to raw materials (unique to a given region), and cutting costs by using other regions’ specializations. Starbucks sources coffee beans from all over the world, as climate dramatically affects the type and quality of the bean. The globalization strategy of Starbucks is hugely dependent on global sourcing, and strategic managers must carefully monitor this process for costs and benefits.

Global strategies require firms to coordinate tightly their product and pricing strategies across international markets and locations; therefore, firms that pursue a global strategy are typically highly centralized.

With global markets in mind, strategic managers must expand their perspective and use varied models to generate different strategies for different places. Managers must conduct a cost/benefit analysis to identify which country actually offers the best profit potential. These analyses are how strategists incorporate global concerns into strategic management.

Cooperative Strategy

A strategic alliance is a relationship between two or more parties to pursue a set of agreed-upon goals or to meet a critical business need while remaining independent organizations. This form of cooperation lies between mergers and acquisitions and organic growth.

Partners may provide the strategic alliance with resources such as products, distribution channels, manufacturing capability, project funding, capital equipment, knowledge, expertise, or intellectual property. Strategic alliances allow each partner to concentrate on its own best capabilities, learn and develop other competences, and assure adequate suitability of resources and competencies.

Upper management is tasked with the partner assessment and developing complex interactive strategies when entering a strategic alliance. Aligning stakeholders from different businesses and ensuring the costs do not outweigh the benefits requires careful managerial consideration. It is also essential to align alliance objectives with the overall corporate strategy.

A carefully planned and executed cooperation strategy has a high potential for delivering synergistic gains for all involved parties.

E-Business Strategy

In the emerging global economy, e-business has become an increasingly necessary component of business strategy. The integration of information and communications technology (ICT) has revolutionized relationships within organizations and among
organizations and individuals. E-business methods enable companies to link their internal and external data-processing systems more efficiently and flexibly, to work more closely with suppliers and partners, and to better satisfy the needs and expectations of customers. E-business refers to a strategic focus with an emphasis on the functions that occur using electronic capabilities. E-business involves business processes that span the entire value chain: electronic purchasing and supply-chain management, electronic order processing, customer service, and business partner collaboration.

E-business enhances three primary processes:

1. Production processes including procurement, ordering and replenishment of stocks; processing of payments; electronic access to suppliers; and production control processes
2. Customer-focused processes including promotional and marketing efforts, Internet sales, customer purchase orders and payments, and customer support
3. Internal management processes including employee services, training, internal information-sharing, video-conferencing, and recruiting. Electronic applications enhance information flow between production and sales forces to improve sales-force productivity. It improves the efficiency of work-group communications and electronic publishing of internal business information.

This is a strategy that is a must for any organisation in today’s technological environment.

Consolidation Strategy

Consolidation occurs when two companies combine to form a new enterprise altogether, eliminating competition and creating broader economies of scale or scope.

Mergers and acquisitions (M&A) is an aspect of corporate strategy dealing with the buying, selling, dividing, and combining of different companies and similar entities that can help an enterprise grow rapidly in its sector or location, or acquire new sectors or locations. Because of the costs involved, consolidation is a very high-level strategic decision. The logic driving consolidation is the creation of economies of scale, economies of scope, new locations, new technology, or some other form of increased competitive capacity. Other motives for merger and acquisition that may not add shareholder value include diversification, manager overconfidence, empire-building, and management compensation. Though it may seem that acquisition is more of a turnaround strategy, it is not so from the perspective of the acquirer. For any merger or acquisition to be considered, the organisation must first be stable on its own.

Link between corporate strategy and HRM
Recognition of the link between corporate and business strategies and strategies related to the people function is not new. McKinsey's 7-S framework that emphasised the need for the alignment of seven organisational variables (superordinate goals, strategy, structure, systems, staff, skills, and style) for organisational effectiveness is about twenty years old (Krishnan, 2005). Thus, business strategy, more or less, guides HR strategy in a strategic environment. This is not to suggest that strategic human resource management stems solely from the organisation’s business strategy. The two must inform one another. The way in which people are managed, motivated and deployed, and the availability of skills and knowledge, should all shape the business strategy. It is now increasingly common to find business strategies that are inextricably linked with, and incorporated into, strategic HRM, defining the management of all resources within the organisation. Individual HR strategies, however, may be shaped by the business strategy. Most organisations today recognise that people are what drive value, which is why human capital is often referred to as a business’ most important asset. Individuals’ knowledge, skills and abilities are assets which the organisation should invest in and leverage to create sustainable value for the organisation and its various stakeholders. The intangible value of an organisation relating to the people it employs is gaining recognition among accountants and investors, and its implications for long-term sustained performance is now generally accepted.

In the 21st century HR is no more a departmental function. It is a core process determining the viability of your strategies. Strategies fail if they are not supported by the appropriate human resource. For corporate, business and HR strategies to be integrated well, it is apparent that the top management, business heads and HR professionals need to work closely with each other. This requires a different set of tasks for the HR managers than the traditional HRM requires. Some of them are:

1. HR professionals must spend more time and effort understanding the business environment and the key strategic issues faced by the company
2. HR professionals must get more involved in the nitty-gritty’s of the business, i.e., in operational details and issues
3. HR professionals must move towards taking an integrated look at the people in the organisation, bridging the gap between HR and IR
4. HR professionals must see themselves as knowledge workers and facilitators of knowledge flows within the organisation
5. HR professionals need to change from a support paradigm to a value creation paradigm

We have discussed many possible corporate strategies in this lesson earlier. We now need to understand how the overall strategy interacts with the HR strategy. We will try to understand the same for each major strategic outlook. But before we proceed to discuss each case, it is very important to keep in mind that any practical application of strategic management and SHRM deviates significantly from theory and as such these discussions are only to give conceptual clarity to the reader and not to act as guidelines or aids for practical implementation.
Growth strategy and SHRM

A growth strategy is that when an organization engages in pursuit of specific and new product areas, entry into new distribution channels, vertical or horizontal integration, or new product development. This requires intense input from the HR perspective as it is concerned exploring new areas or systems. A strategic HRM perspective in this case can help an organisation better prepare its implementers viz. the managers and employees, to better set their future expectations and also better equip themselves for thriving in the coming changes. The exact SHRM initiatives will vary with the exact combination of strategies employed and also the environment. We will discuss each growth strategy listed earlier on a theoretical level but the actual practical application varies significantly due to dynamic factors not the least of which is the environment.

Horizontal integration strategy and SHRM - Horizontal integration is the process of a company increasing production of goods or services at the same part of the supply chain. A company may do this via internal expansion, acquisition or merger. Any of these options has major HR implications and as such a suitable SHRM initiative should preempt the needs of whichever option the organisation undertakes. Competencies of HR in this case would be to manage the employee expectations of change and equip themselves and others to be best prepared for adjusting to it. Change must be presented as an opportunity instead of threat.

Vertical integration strategy and SHRM - Vertical integration is a strategy where a company expands its business operations into different steps on the same production path, such as when a manufacturer owns its supplier and/or distributor. In following this strategy, the organisation again enters into related but different work. The domain is same but the perspective of a supplier and receiver is different anywhere. This difference in perspectives can lead to change resistance if not managed well. SHRM in such a scenario must plan and account for appropriate resource availability as well as change management.

Diversification strategy and SHRM - Diversification can occur either at the business-unit level by exploring a new segment or at the corporate level by exploring outside the current scope of business. Thus, there is significant change of domain possible in diversification. SHRM needs to plan and account for this change and its impact. The HR themselves should also don the ‘change agent’ cap and help equip line managers and employees for the tasks ahead. This may include preparing for upgradation or acquisition of suitable resources.

Market Penetration strategy and SHRM - This strategy generally requires great competitive strength, a strong brand, or both, as most market penetrations demand actively taking market share from current incumbents. Thus, the focus of the SHRM should be to enhance these facets of the organisation while ensuring that the core resources necessary for successful strategy are amply provided for or planned.

Market Development Strategy and SHRM - This strategy is best accomplished through identifying unique niche needs in a specific type of user and filling those needs.
This requires presence of skilled and experienced resources. The SHRM tasks here is more of human capital management.

New Product Development strategy and SHRM - New product development is the process of developing, researching, and bringing a new product to market. This strategy requires investment in research and development, usually over the long term, and extensive trial and error. This makes it primarily dependent on the human resources for its success. The SHRM initiative should focus on creating a culture of innovation and availability and retention of skilled resources over a long term for this strategy to yield maximum gains.

Renewal strategy and SHRM

Renewal strategy is a direct response to performance issues in an organisation. The status-quo is no longer acceptable and high level strategic interventions are required. There is inevitable change eminent in this situation and the role of SHRM is to facilitate this change management. At times of crisis or major environmental shift, it is the goodwill and commitment of employees that can be a major source of resilience. Such goodwill and commitment can not be engendered through a confrontational human resource policy. Transparency and fairness on a continuing basis are essential to create the reservoir of goodwill that makes employees willing partners in organisational transformation.

Stability strategy and SHRM

In these strategies, the SHRM initiative and the HR role is not heavily involved with change management but more focussed on being the enabler and the employee champion.

Global strategy and SHRM - Primary strategic reasons for globalization are to build supplier relationships, to improve access to raw materials, and to cut costs by relying on other regions’ specializations. Thus, this strategy involves a lot of inter-cultural interaction and can backfire if handled poorly. Creation of cultural sensitivity and adjustability is a key factor that may influence its success. The role of SHRM is to anticipate the required behavioural changes and to ensure that the HR managers are well enabled to facilitate the creation of appropriate human resource pool.

E-business strategy and SHRM - In the emerging global economy, e-commerce and e-business have become increasingly necessary components of business strategy and strong catalysts for economic development. As such a major role of SHRM is to enable the organisation equip itself with resources equipped with the correct skills and to create a culture that promotes these new technologies.

Cooperation strategy and SHRM - This strategy aims for a synergy where each partner hopes that the benefits from the alliance will be greater than those from individual efforts. Partners may provide the strategic alliance with resources such as products, distribution channels, manufacturing capability, project funding, capital equipment, knowledge, expertise, or intellectual property. The alliance often involves technology transfer (access to knowledge and expertise), shared expenses, and shared risk. This indicates that the knowledge residing in the human resources is a key variable
for cooperation and thus needs to be strategically managed through a well planned SHRM initiative.

Consolidation (or M&A) strategy and SHRM - Because of the costs involved, consolidation is a very high-level strategic decision. All stakeholders in both organizations should be consulted, and agreements will often take many months or years to conclude. Cultural conflicts between two different organizations are not uncommon, as the mission, vision, and values of the individuals and groups within them are likely to differ. Managing this type of change strategically is complex and rife with conflict. Mismanagement during these processes can minimize the potential synergistic gains and reduce the efficacy of the new strategic plan. Thus, SHRM is of utmost importance in this strategy’s success.

For corporate, business and HR strategies to be integrated well, it is apparent that the top management, business heads and HR professionals need to work closely with each other.

Strategic HRM can be seen as the means through which human capital is converted into organisational value. Human capital evaluation is useful in that it provides information about the current and potential capabilities of human capital to inform the development of strategy. Business success will be achieved if the organisation is successful in managing this human capital to achieve this potential and embed it in products and services that have a market value. Strategic HRM could then be viewed as the defining framework within which these evaluation, reporting and management processes take place and which ensures that they are iterative and mutually reinforcing.

Examples from the business world

The American steel manufacturer, Nucor, is an excellent example of a company that has integrated its human resource strategy tightly with other functional strategies to create inimitable capabilities and drive competitive advantage. Nucor’s competitive advantage is based on cost leadership. It achieves this through all the four building blocks – efficiency, quality, innovation and responsiveness. At the base is a well-matched human resource strategy. Nucor hires goal-oriented, self-reliant people who are motivated by striving for continuous improvement that yields them increasing monetary compensation. Since the production of quality steel depends on teamwork, workers within the plant are eligible for substantial incentives based on the output of their group. But, plant manager's compensation depends not only on the performance of the plant they are managing, but of the company as a whole – this is to provide an incentive to transfer best practices and innovations to other parts of the organisation. To keep costs down, it has very few layers, all managers travel by economy class, and even frequent flier miles are used by the company. Nucor builds small plants, close to locations where there is demand for its products – this is to reduce transportation costs, but also to be more responsive to its customers. Every time it has to build a new plant it assembles an in-house group to build it so that it can take advantage of its learning from earlier projects as well as prevent diffusion of its innovations to others.

Nucor undertakes little research and development on its own, but maintains close links with technology suppliers the world over and keeps a close watch on
developments that could affect its competitiveness. It is willing to experiment with new technologies that have been proven at the pilot plant level by using its plant design skills to scale these technologies up to a commercial scale. (Krishnan, 2005)

McKinsey and Company is a good example of a differentiator. It offers premium management consulting services to clients internationally. This is a case in which people are really at the core of the value proposition. McKinsey hires the best people out of the top business schools (and in recent years, engineering and other disciplines as well). To ensure that it can have a steady inflow of such new talent, it follows an “Up or out” policy; associates who don’t make the grade have to leave the firm after a few years. Yet, this policy has not created an army of embittered ex-McKinseyians. This is because of the extensive feedback McKinsey employees get almost from the day they enter the firm, as also the close mentoring by senior McKinsey partners. McKinsey puts tremendous emphasis on the credibility and integrity of its performance measurement and feedback system because they have recognised that this is critically important to running a meritocracy. And it doesn’t hurt business either – many McKinsey assignments come through the McKinsey alumni network who are often senior managers in large corporations. (Krishnan, 2005)

In the context of Indian corporate world, HR has gained centrestage in traditional business houses which were exposed to global competition for the first time in the last few decades. The focus has increased on the value addition aspect that a corporate house brings to each of its constituent business. This focus on corporate strategy has led to an increased scrutiny of various business functions as well.

Most groups have focused on HR as an area for change – the Aditya Birla group and the RPG group are two examples of prominent business houses that have made visible and substantive interventions in the HR arena towards increasing professionalisation, independence in operational decision-making, greater transparency in performance measurement, and market-linked compensation. Some groups like the Tatas recognised early that HR initiatives were a powerful way for the group to create value – the creation and running of the TMTC; the Tata Administrative Service; support for XLRI; and an industry renowned graduate engineer training scheme at Tata Steel and Telco. (Krishnan, 2005)

References

Chapter 3: Evolution of Strategic HRM and its relationship with the Resource-based view of firm

-Dr. Savita Rastogi

The concepts of Personnel Management and Human Resource Management

The need to manage the workers has been around as long as there have been workers. The need for a separate entity dealing with the issue, however, arose with the advent of industrial progress that made delegation necessary in the face of ever increasing workloads on line managers and ever increasing worker expectations. Initially, personnel management came into being with the primary focus on the administrative aspects of worker interactions and to ensure that the work policies dictated by the management were smoothly implemented. The role was more concerned with the practical and utilitarian aspects of a worker's interface with management and was not considered to be a main player. It was a functional role that had to be fulfilled and had no strategic importance at all.

Some believe that modern human resource management evolved from this view of personnel management (Storey, 1989; Legge, 1995) whereas others (Guest, 1989) are of the opinion that human resource management and personnel management are just two names for one and the same thing. According to Storey (1989), the comparison of human resource management and personnel management literature yields slight differences between their definitions. They believe that while personnel management is more individualistic in the sense that it focusses on the day to day practical aspects of an employee's work life, human resource management is more functionally oriented in the sense that its purpose is to facilitate the business goals through its management of human resources.

The nomenclature of the two also suggests personnel management looked at employees as personnel who worked with resources to produce results whereas human resource management in its very name acknowledges that employees too are resources that are available to an organisation. It increases the worth attached to the notion of employees and duly recognises that their input is at least as much, if not more, critical than that of other resources deployed by the organisations.

Concepts of human resource management and strategic HRM

The growing competition due to immense globalisation, most organizations have begun to recognise that their human resources are an incredible source of competitive advantage in the current scenario. Human resource departments have evolved from being a simple functional role to become 'strategic partners' responsible for the direct contribution to organisation's objectives.

Strategic human resource management (strategic HRM) is a relatively new field, which has evolved out of the parent discipline of human resource management. Walker (1992) defined Strategic HRM as "the means of aligning the management of human
resources with the strategic content of business” and Boxall (1996) expressed the view that “the critical concerns of human resource management are integral to strategic management in any business” (Armstrong, 2006)

Organisations which invest in their human resources as their strategic and sustainable competitive advantage are the most successful ones. They recognize their personnel as the soul of their business. In addition, they adopt a set of practices and innovative technologies which are designed to develop, deploy and connect employees with professional skills and knowledge in order to achieve business priorities which represent the performance at an individual level (performance management) and as a consequence of that, the business performance.

Strategic HRM in any organization means the ultimate acceptance of its functions in the formulation and implementation of its strategies. In particular, objectives of strategic HRM are recruiting, selecting, training and rewarding personnel to increase the capacity of a business to execute its strategies.

Strategic HRM helps the organization in achieving its objectives by;

1. Training the managers to effectively handle subordinates
2. Creating awareness regarding the importance of various means of effective communication
3. Planning an efficient and most importantly fair rewarding system
4. Preventing the phenomenon of square pegs in round holes
5. Maintaining motivational levels of employees at an optimum
6. Taking appropriate steps to counter tardiness, absenteeism and high turnover
7. Aligning employee goals with the organization
8. Quantifying the contribution of employee costs to the total costs of the organization and taking steps to optimize them
9. Proactively identify the strategic needs of the organization

Evolution of strategic HRM

The full concept of human resource management emerged in the mid-1980s against the background of the populist writers on management who flourished in that decade. Many produced lists of the attributes that they claimed characterized successful companies. These popular ‘school of excellence’ writers may have exerted some influence on management thinking about the need for strong cultures and commitment but there was no real clarity in the concept provided.

According to Legge (1995), the concept of human resource management has gone through three stages:

1. The initial concepts developed by American writers in the 1980s.
2. The take-up of these comments by British writers in the late 1980s and earlier 1990s who were often sceptical about the reality beyond the rhetoric and dubious about its morality.
3. The assimilation of human resource management into traditional personnel management.

Some experts believe that there are two variations of human resource management namely the 'soft' and the 'hard' model. Truss (1999) states that 'soft' and 'hard' models of human resource management are "diametrically opposed along a number of dimensions". On the other hand some like Armstrong (2006) opine that the two models cannot be distinguished precisely. This seems to be true for at least some theoretical dimensions such as strategic integration. From a practical perspective, the lines are much more blurred with most practical implementations of the concept having a liberal mixture of elements of both.

Some aspects of the basic philosophy of 'soft human resource management' can be traced back to the writings of McGregor (1960) who, as mentioned by Truss (1999), even used the terminology 'hard' and 'soft' to characterize forms of management control. McGregor's theory X essentially describes the 'control' model of management as described by Walton (1985), while McGregor's theory Y emphasizes the importance of integrating the needs of the organization and those of the individual the principle of mutual commitment. Let us first consider the theoretical outline of these two concepts.

In 'hard' human resource management models people in organisations are a business resource and economic factor among others (Guest 1989; Legge 1995). People are regarded as human capital in which the organisation invests, and from which the organisation expects return on its investment to achieve competitive advantage. Employees are seen as a resource to be utilized and, at the same time, as a cost to be minimised. The emphasis on 'hard' models is on "quantitative, calculative and business-strategic aspects of managing the headcounts resource" (Storey 1989).

'Hard' models are strongly focused on the strategic integration of human resource management with business goals (Legge 1995). They highlight management interests and regard employees as a means to achieve organisational objectives. Therefore, people are resources to be strictly directed and controlled through quantitative performance management and HR databases.

'Soft' models stress the human aspect of the human resource (Guest, 1989; Truss, 1999). In 'soft' human resource management employees are "valued assets" and a "source of competitive advantage." (Legge 1995). They are regarded as capable and worthy. Direct forms of supervision, pressure and control as are typical for 'hard' human resource management models and conventional personnel management are not considered as correct practices.

The Harvard model hinges on a multiple stakeholders theory whereas the Warwick model is a contextual model hinging on a political and change process theory and that the New York model is a contingency model hinging on a variation of the strategic matching theories.

The Harvard model of human resource management sees employees as resources. However, they are viewed as being fundamentally different from other resources as they cannot be managed in the same way. The stress here is on people as human resources.
...i.e. are not like any other resources as the former can be motivated or demotivated, they can cooperate with management or resist it. They can think, create, imagine, plan, learn, feel emotion and perform a huge number of tasks.

The model postulates that human resource management emphasises that employees are critical to achieving sustainable competitive advantage, that HR practices need to be integrated with corporate strategy and that the specialists help organisational controllers to meet both efficiency and equity objectives (Bratton & Gold, 2001).

The Warwick model on the other hand consists of inner and outer context and places more emphasis on strategy. However, Hendry and Pettigrew (1992) argue that the Warwick model is based on the Harvard model only that the former concentrates more on strategy. Both are the same in that regard they argued. The Warwick model has business strategy content, while the Harvard model has business strategy in situational factors. The Harvard model has task-technology in the situational factors part whilst the Warwick model has task-technology in the inner context.

The New York model on the other hand (which happens to be a variation of the strategic matching theory) sees human resource management as a menu of strategic choices to be made by HR executives intended to promote the most effective role behaviours that are consistent with the organisational strategy. Proponents of this model were Schuler and Jackson (1987) who stated that the strategic choices to be made by executives include Planning Choices, Staffing Choices, Appraisal Choices, Compensation Choices and Training and Development Choices.

Strategic HRM is essential an integrated process that aims to achieve 'strategy fit'. A strategic HRM approach produces HR strategies that are integrated vertically with the business strategy and are ideally an integral part of that strategy, contributing to the business planning process as it happens. Walker (1992) defines strategic HRM as 'the means of aligning the management of human resources with the strategic content of the businesses.

Vertical integration helps in ensuring that the organisation has the best skilled, committed and well-motivated workforce which it needs to achieve its business objectives. This can be attained by linking HR strategies to basic competitive strategies. As defined by Porter (1985), these are innovation, quality-enhancement and cost leadership. Some of the steps involved are:

1. To develop the required skills of its employees
2. Allowing occasional failure
3. Giving them more discretion - using minimum controls (empowerment)
4. Providing more resources for experimentation;
5. Assessing performance on the basis of its potential long-term contribution.

Horizontal integration is accomplished by developing a well-knit range of interconnected and mutually reinforcing HR policies and practices. This may be achieved by the use of share process, such as competence analysis, which provides a
common frame of references and performances management, which is concerned with role definition, employee development and reward.

**Approaches to implementing strategic HRM**

Strategic HRM models demonstrate how an organization links its business strategies and HR function to achieve its goals. Although, strategic HRM adopts resource based philosophy, there are three different models described in literature viz. Control based, Resource based and Integrative model.

Control based approach generally deals with control of workplace and direct monitoring of employee performance. According to this approach, HR strategies and management structure are used as instruments and techniques to enhance labour productivity and thereby increasing profitability.

Resource based approach satisfies the human capital requirements of the organization (Armstrong, 2006). It was observed by Bratton and Gold (2001) that sustained competitive advantage is not achieved by external market position but careful assessment of their own skills and capabilities that competitors cannot copy. Main objective of this approach is improving resource capability and effective utilization of resources to achieve the goals set by the organization. Within this model there are three different approaches by which organization can implement strategic HRM practices (Armstrong, 2006). They are called High performance management approach, High commitment management approach and High involvement management approach and are focussed on performance, commitment and involvement as the names suggest.

The integrative approach is an amalgamation of the above two and seeks to obtain the benefits of both the approaches. Ulrich (1997) stated strategic HRM as an outcome of mission, vision and priorities of HR department. Strategic HRM is identified in three levels namely Strategic, Managerial and operational level. Strategic level looks to the long term future, Managerial level looks at the mid-term and the operation level looks at the short term focus. Different models and approaches help understand the functionality of strategic HRM and how organizations are able and keen to implement it to achieve competitive advantage.

**Resource-based View of the Firm**

We will discuss the resource based view (resource based view) of firm and its relationship with strategic HRM in detail. First, let us understand the concept of resource based view in relation to the product based view.

For the firm, resources and products are two sides of the same coin. Most products require the services of several resources and most resources can be used in several products. By specifying the size of the firm's activity in different product markets, it is possible to infer the minimum necessary resource commitments. Conversely, by specifying a resource profile for a firm, it is possible to find the optimal product-market activities. 'The traditional concept of strategy (Andrews, 1971) is phrased in terms of the resource position (strengths and weaknesses) of the firm, whereas most of our formal strategic tools operate on the product-market side (opportunities and threats). While
these two perspectives should ultimately yield the same insights, one might expect these insights to come with differing ease, depending on the perspective taken.

According to resource based view proponents, it is much more feasible to exploit external opportunities using existing resources in a new way rather than trying to acquire new skills for each different opportunity. In resource based view model, resources are given the major role in helping companies to achieve higher organizational performance. There are two types of resources: tangible and intangible.

Tangible assets are physical things. Land, buildings, machinery, equipment and capital – all these assets are tangible. Physical resources can easily be bought in the market so they confer little advantage to the companies in the long run because rivals can soon acquire the identical assets.

Intangible assets are everything else that has no physical presence but can still be owned by the company. Brand reputation, trademarks, skills, intellectual property are all intangible assets. Unlike physical resources, brand reputation is built over a long time and is something that other companies cannot buy from the market. Intangible resources usually stay within a company and are the main source of sustainable competitive advantage. Human resources are, however, unique in this regard as when employees leave they take their skills and capabilities away from the organisation.

The two critical assumptions of resource based view are that resources must also be heterogeneous and immobile.

Heterogeneous resources: The first assumption is that skills, capabilities and other resources that organizations possess differ from one company to another. If organizations would have the same amount and mix of resources, they could not employ different strategies to outcompete each other. What one company would do, the other could simply follow and no competitive advantage could be achieved. This is the scenario of perfect competition, yet real world markets are far from perfectly competitive and some companies, which are exposed to the same external and competitive forces (same external conditions), are able to implement different strategies and outperform each other. Therefore, resource based view assumes that companies achieve competitive advantage by using their different bundles of resources. This is certainly true in the context of human resources as each individual is unique.

Immobile resources: The second assumption of resource based view is that resources are not mobile and do not move from company to company, at least in short-run. Due to this immobility, companies cannot replicate rivals’ resources and implement the same strategies. Intangible resources, such as brand equity, processes, knowledge or intellectual property are usually immobile. This assumption is not set in stone in case of human resources and hence sustained effort is needed to retain strategically important resources.

In the resource-based view, the organisation is viewed as a collection of both tangible and intangible resources and capabilities required for succeeding against market competition. In line with human capital theory, resource-based theory emphasizes that investment in people adds to their value in the firm.
Strategic HRM and resource based view

In the search for competitive advantage, strategy researchers acknowledged human capital, intellectual capital and knowledge as critical components. Strategic HRM recognises core competencies, dynamic capabilities and knowledge based view of firm as central to its concept in the sense that these are the aspects of a firm’s HR that can lend it a significant strategic advantage. Resource based view also focuses on these aspects of HR in order to exploit market conditions or opportunities even if they arise unexpectedly.

Though the field of strategic HRM was not directly derived from the resource based view, it has clearly been instrumental in its development. This was largely due to the resource based view shifting emphasis in the strategy literature away from external or environmental factors toward internal firm resources as the source of competitive advantage. Growing acceptance of internal resources as sources of competitive advantage brought legitimacy to HR's assertion that people are strategically important to firm success. Thus, given both the need to conceptually justify the value of HR and the propensity for the strategic HRM field to borrow concepts and theories from the broader strategy literature, the integration of the resource-based view of the firm into the strategic HRM literature was a natural consequence. Over a period of time, the positioning of resource based view within the strategic HRM literature as a foundation for both theoretical and empirical examinations has become firmly entrenched. Within the strategic literature, the resource based view has helped to put "people" (or a firm's human resources) on the radar. Concepts such as knowledge, dynamic capability, learning organizations, and leadership as sources of competitive advantage turn attention toward the intersection of strategy and HR issues.

Developing strategic capability, in other words, achieving strategic fit between resources and opportunities and obtaining added value from the effective deployment of resources is a fundamental aim of resource-based HR strategy. A resource-based approach will address methods of increasing the firm's strategic capability by the development of managers and other staff who can think and plan strategically and who understand the key strategic issues. The resource-based approach is founded on the belief that competitive advantage is obtained if a firm can obtain and develop human resources that enable it to learn faster and apply its learning more effectively than its rivals. Human resources are defined by Barney (1996) as follows: 'Human resources include all the experience, knowledge, judgement, risk-taking propensity and wisdom of individuals associated with the firm.' The strategic goal will then be to 'create firms which are more intelligent and flexible than their competitors' (Armstrong, 2006) by hiring and developing more talented staff and by extending their skills base. Resource-based strategy is therefore concerned with the enhancement of the human or intellectual capital of the firm. This is especially true for the knowledge based enterprises. As Ulrich (1997) comments: 'Knowledge has become a direct competitive advantage for companies selling ideas and relationships. The challenge to organizations is to ensure that they have the capability to find, assimilate, compensate and retain the talented individuals they need.'
A convincing rationale for resource-based strategy has been produced by Grant (1991):

When the external environment is in a state of flux, the firm’s own resources and capabilities may be a much more stable basis on which to define its identity. Hence, a definition of a business in terms of what it is capable of doing may offer a more durable basis for strategy than a definition based upon the needs (eg markets) which the business seeks to satisfy.

Unique talents among employees, including superior performance, productivity, flexibility, innovation, and the ability to deliver high levels of personal customer service, are ways in which people provide a critical ingredient in developing an organization’s competitive position. Barney (1991) noted that the resources which are rare, valuable, inimitable, and non-substitutable can provide sources of sustainable competitive advantages. People also provide the key to managing the pivotal interdependencies across functional activities and the important external relationships. It can be argued that one of the clear benefits arising from competitive advantage based on the effective management of people is that such an advantage is hard to imitate. An organization’s HR strategies, policies and practices are a unique blend of processes, procedures, personalities, styles, capabilities and organizational culture. One of the keys to competitive advantage is the ability to differentiate what the business supplies to its customers from what is supplied by its competitors. Such differentiation can be achieved by having HR strategies that ensure that the firm has higher-quality people than its competitors, by developing and nurturing the intellectual capital possessed by the business and by functioning as a ‘learning organization.

Wright et al. (1994) further distinguished between the firm’s human resources (i.e., the human capital pool) and HR practices (those HR tools used to manage the human capital pool). In applying the concepts of value, rareness, inimitability, and substitutability, they argued the HR practices could not form the basis for sustainable competitive advantage since any individual HR practice could be easily copied by competitors. Rather, they proposed that the human capital pool (a highly skilled and highly motivated workforce) had greater potential to constitute a source of sustainable competitive advantage. In order to constitute a source of competitive advantage, the human capital pool must have both high levels of skill and a willingness (i.e., motivation) to exhibit productive behavior. In contrast, Lado and Wilson (1994) proposed that a firm’s HR practices could provide a source of sustainable competitive advantage. Coming from the perspective of exploring the role of HR in influencing the competencies of the firm, they suggested that HR systems (as opposed to individual practices) can be unique, causally ambiguous and synergistic in how they enhance firm competencies, and thus could be inimitable. Boxall (1996) further expounded on the resource based view/strategic HRM paradigm, suggesting that human resource advantage (i.e., the superiority of one firm’s human resource management over another) consists of two parts. First, it refers to the potential to capture a stock of exceptional human talent “latent with productive possibilities.” and also, human process advantage can be understood as a “function of causally ambiguous, socially complex, historically evolved processes such as learning, cooperation, and innovation.”

Thus, one major task of organizations is the ensuring that the mutuality of interests is managed in order to create a talented and committed workforce resulting in human
capital advantage. Also, they need to develop employees and teams in such a way as to create an organization capable of learning within and across industry cycles to gain organizational process advantage. There is, however, another important aspect of human resources that needs to be kept in front by the strategists. Not all human resources in a firm are of equal strategic value and one strategy may not help optimisation efforts. Also, it is important to note that the human capital pool refers to the stock of employee skills that exist within a firm at any given point in time. This can and does change over time in actual practice and, therefore, must constantly be monitored for its match with the strategic needs of the firm. Another important factor to consider the strategic aspect of human capital pool is that of employee behavior. Distinct from skills of the human capital pool, employee behavior recognizes individuals as cognitive and emotional beings who possess free will and make decisions regarding the behaviors in which they will engage. Firms may have access to valuable human capital, but either through the poor design of work or the mismanagement of people, may not adequately deploy it to achieve strategic impact. This discretionary behavior recognizes that even within prescribed organizational roles, employees exhibit discretion that may have either positive or negative consequences to the firm. Focus of strategic HRM on discretionary behavior recognizes that competitive advantage can only be achieved if the members of the human capital pool individually and collectively choose to engage in behavior that benefits the firm.

People management systems rather than HR practices lend themselves as more beneficial to strategic HRM ideology. Systems point the spotlight on the need to manage multiple practices impacting employees as a whole. And focus on people rather than HR highlights the need to look beyond traditional HR department functions into work aspects like communication, work design, culture, leadership, and a host of others that impact employees and shape their competencies, cognitions, and attitudes. The important aspect of these systems is that they are the means through which the firm continues to generate advantage over time as the actual employees flow in and out and the required behaviors change due to changing environmental and strategic contingencies. It is through the people management systems that the firm influences the human capital pool and elicits the desired employee behavior which is the basic premise for attaining sustainable competitive advantage that strategic HRM seeks.

Thus, the firms should not only ensure that proper skills and behaviours mutually support each other, they also need to put in place appropriate people management systems to align with these and augment them.

Resource based view and strategic HRM thus are enmeshed together from a human resource perspective. The advocacy of need for core competencies and dynamic capabilities is a hallmark of both. Any competency or capability attributed to a firm is invariably grounded in its employees for any action in any organisation can ultimately be traced back to a human decision. Any knowledge in a firm is accumulated by its employees and is used by them too. Though the individual accumulating and using the knowledge may change, it is still the human component that exploits it. Thus, both concepts stand in contrast to the earlier schools of thought which labelled HR as a cost function and made it the scapegoat for cutbacks at the earliest signs of distress.
## Conclusion

Effective systems for managing people evolve through unique historical paths and maintain interdependence among the components that competitors cannot easily imitate. Thus, they are a ready source of competitive advantage. Both strategy and strategic HRM seek to optimally engage these for long term benefits. Resource based view is an approach that advocates the importance of nurturing such resources. The resource based view has significantly and independently influenced the fields of both strategy and strategic HRM. More importantly, however, it has provided a theoretical bridge between these two fields. By turning attention toward the internal resources, capabilities and competencies of the firm such as knowledge, learning, and dynamic capabilities, it has forced strategic planners to invariably acknowledge the importance of understanding and including effectiveness of various specific HR tools and techniques for managing people, and addressing these issues with necessary specificity. This internal focus also has provided the traditionally a theoretical field of strategic HRM with a theoretical foundation from which it can begin exploring the strategic role that people and HR functions can play in organizations (Wright & McMahan, 1992). The resource based view provides the framework from which HR researchers and practitioners can better understand the challenges of strategy, and thus be better able to play a positive role in the strategic management of firms. This interaction should be deeper than simply reading the other’s literature. Once unified, strategy and strategic HRM have the potential to exploit the unique knowledge and expertise of both fields, and synergistically contribute to the generation of new knowledge regarding the roles that people play in organizational competitive advantage.

## REFERENCES


Chapter 4: SHRM and HR: Relationship and challenges

SHRM and its relationship with HR

Strategic HRM is a concept that talks about improving business performance through strategic interventions and these strategic interventions are dependent on people for their implementation. All organizations have to be business-oriented as they each have their own purpose of existence, be it profits, public service or charity. The major concerns of SHRM are to meet the business needs of the organization and the individual and collective needs of the people employed in it. Indeed, CIPD (2016) defines it as, ‘Strategic human resource management (strategic HRM, or SHRM) is an approach to managing human resources that supports long-term business goals and outcomes with a strategic framework. The approach focuses on longer-term people issues, matching resources to future needs, and macro-concerns about structure, quality, culture, values and commitment.’

SHRM and HR definitely are connected in the sense that SHRM may encompass a number of individual HR strategies, for example: to deliver fair and equitable reward, to improve employee performance or to streamline organisational structure. In themselves these strategies are not strategic HRM. Rather, strategic HRM is the overall framework that determines the shape and delivery of the individual strategies, systematically linking people with organisations by integrating HRM strategies into corporate strategies to deliver organisational value. Boxall and Purcell (2003) describe strategic HRM as being concerned with explaining how HRM influences organisational performance. In fact, a considerable amount of research has been conducted recently on how HRM impacts on organizational performance. Ulrich (1997) has observed that: ‘HR practices seem to matter; logic says it is so; survey findings confirm it. Direct relationships between investment and attention to HR practices are often fuzzy, however, and vary according to the population sampled and the measures used’. Thus, there is a need to establish that a clear positive link between HRM practices and organizational performance exists. The fuzziness in this relationship needs to be done away with before we can move forward.

According to Armstrong (2006), the Bath People and Performance Model discussed by Purcell (2003) is quite effective in demonstrating the link between performance and HR. He says, ‘Central to this model is the concept that performance is a function of Ability + Motivation + Opportunity (AMO). On the outside ring, 11 policy or practice areas are identified to feed into and give meaning to AMO. The second crucial feature of the model is the central box – front-line management – which draws attention to the fact that nearly all HR policies are applied through and by line managers. It is these managers who bring policies to life. Organizational commitment, motivation and job satisfaction all lead to discretionary behaviour, which in turn generates performance outcomes, which in themselves contribute to commitment, motivation and job satisfaction’.
Because strategies tend to be expressed as abstractions, they must be translated into tangibles by clearly stating objectives and deliverables. This translation of strategy into actionables is not simple.

The term ‘SHRM’ has been downgraded by many to mean no more than a few generalized ideas about HR policies and at other times to describe a short-term plan.

It is imperative to understand that HR strategies are not just programmes, policies, or plans concerning HR issues that the HR department happens to feel are important. Stopgap arrangements to achieve a short term goal do not constitute strategy. The problem with strategic HRM as noted by many is that, too often, there is a gap between what the strategy states will be achieved and what actually happens to it.

According to Gratton et al (1999), the factors that contribute to creating this gap include:

1. the tendency of employees in diverse organizations only to accept initiatives they perceive to be relevant to their own areas
2. the tendency of long-serving employees to cling to the status quo
3. complex or ambiguous initiatives may not be understood by employees or will be perceived differently by them, especially in large, diverse organizations
4. it is more difficult to gain acceptance of non-routine initiatives
5. employees will be hostile to initiatives if they are believed to be in conflict with the organization’s identity, eg downsizing in a culture of ‘job-for-life’
6. the initiative is seen as a threat
7. inconsistencies between corporate strategies and values
8. the extent to which senior management is trusted
9. the perceived fairness of the initiative
10. the extent to which existing processes could help to embed the initiative
11. a bureaucratic culture that leads to inertia.

HR professionals must learn to be both strategic and operational, focusing on the long and short term. Activities range from managing processes (HR tools and systems) to managing people. Ulrich (1997) proposed a two dimensional model to explain the roles of HR professionals.

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<tr>
<th>FUTURE / STRATEGIC FOCUS</th>
<th>People</th>
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<tr>
<td>Management of Strategic Human Resources</td>
<td>Management of Transformation and Change</td>
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<tr>
<td>Management of Firm Infrastructure</td>
<td>Management of Employee Contribution</td>
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Ulrich’s model of HR roles in strategic context

These two dimensions in conjunction outline the four principal HR roles:
(1) management of strategic human resources
(2) management of firm infrastructure
(3) management of the employee contribution
(4) management of transformation and change.

To understand each of these roles more fully, we must consider these three issues for each of them: the deliverables that constitute the outcome of the role, the characteristic metaphor or visual image that accompanies the role and the activities the HR professional must perform to fulfill the role.

**Role 1: Management of Strategic Human Resources**

The strategic HR role focuses on aligning HR strategies and practices with business strategy. This means that the role of HR in this instance is more of that of a strategic partner and increasing the capacity of business to execute its strategies to ensure their success. This translation of business strategies into HR practices helps a business in three ways. First, the time from the conception to the execution of a strategy is shortened as the business is more adaptable to change. Second, translation of customer service strategies into specific policies and practices helps the business better meet customer demands. Third, effective execution of strategy results in the business achieving financial performance targets. Thus, the deliverable from the management of strategic human resources is strategy execution and this role if consequently given the moniker of ‘strategic partner’. HR professionals become strategic partners when they participate in the process of defining business strategy, when they ask questions that move strategy to action, and when they design HR practices that align with business strategy.

**Role 2: Management of Firm Infrastructure**

Creation of organizational infrastructure has always been a role assigned to the traditional HR function. HR professionals are expected to design and deliver efficient HR processes for staffing, training, appraising, rewarding, promoting, and otherwise managing the lifecycle of employees in the organization. As a caretaker of the corporate infrastructure, HR professionals should ensure that these organizational processes are designed and delivered efficiently. In the context of strategic rhetoric, this role has been relegated to the back seat more often than not. But it is important to note that successful execution of this role ensures strategic success in its own way. The deliverable from the infrastructure role is administrative efficiency and it has been given the moniker of ‘administrative expert’. HR professionals accomplish this administrative efficiency in two ways. Firstly, they ensure efficiency in HR processes and secondly, HR improves overall business efficiency by hiring, training, and rewarding managers who increase productivity and reduce waste. It can be said that the motto of this role is to do ‘more with less’. Thus, HR professionals acting as administrative experts ferret out unnecessary costs, improve efficiency, and constantly find new ways to do things better. This required continual re-engineering of the work processes has led to a new concept viz. shared services. Outsourcing HR activities has also been an attempt at reduction of costs and improvement of quality. Information technology too, has increased the
automation potential of various administrative tasks and this has even more potential efficiency gains in future.

Role 3: Management of Employee Contribution

The employee contributions role for HR professionals encompasses their involvement in the day-to-day problems, concerns, and needs of employees thereby developing this capital. HR professionals aid employees’ cause by linking employee contributions to the organization's success. The deliverables from management of employee contribution are increased employee commitment and competence and the role can consequently be thought of as 'employee champion'. HR function can aid the employees by supporting their competence to do good work and their commitment to work diligently. HR executives can be business partners by paying attention to employee needs, thereby championing their cause and help line managers make them more comfortable in an uncertain environment that is the characteristic of today’s competitive workplaces. This role has undergone the most transformation in the shift from traditional to strategic HR perspective. Employee commitment is no longer predominantly the purview of HR as in the past. Increasing the responsibility is being given to line managers. Thus, line managers are expected to equip themselves with skills needed to respond effectively to employee grievances and employees themselves are expected have the skills to overcome challenges. The role of HR then becomes listening, responding, and finding ways to provide employees with resources that meet their changing skill demands. With employee champions who understand the needs of employees and ensure that those needs are met, overall employee contribution goes up. Employee contribution is a key feature that affects a business’s ability to change, meet customer expectations, and increase financial performance. Employee intellectual capital, in form of competent and committed employees, is a significant appreciable asset that is reflected in a firm’s financial results.

Role 4: Management of Transformation and Change

Transformation entails fundamental cultural change within the firm; HR professionals managing transformation become both cultural guardians and cultural catalysts. Change refers to the ability of an organization to improve the design and implementation of initiatives and to reduce cycle time in all organizational activities; HR professionals help identify and implement processes for change. The deliverable from management of transformation and change is capacity for change and the HR role is that of ‘change agent’. Traditionally, HR professionals have been distant from the change process and even HR systems were viewed as impediments to it. The responsibility for transformation then rests with external consultants, with many firms delegating responsibility for driving change to external consulting firms. External consultants were thought to offer disciplined, objective approaches to transformation, with the competence and confidence to make the change happen. HR executives act as strategic business partners in a transformational context when they facilitate change by helping employees let go of old and adapt to a new culture but at the same time ensure that any proposed change is always grounded in the past. SHRM professionals may need to force or facilitate a dialogue about values as they identify new behaviors that will help to keep a firm competitive over time. The action of change agents include
identifying and framing problems, building relationships of trust, solving problems, and creating and fulfilling action plan. Thus, the competencies related to managing change maybe the most important for success as an HR professional in a strategic context. HR professionals, whether employees or external consultants, who are change agents help make change happen; they understand critical processes for change, build commitment to those processes, and ensure that change occurs as intended.

**Challenges in SHRM**

There is a popular saying that anything worth having is not free. Similarly, somethings as potentially growth supporting as strategic interventions are not without their own challenges. Some of the challenges are inherent in the construct of strategic HRM while others are behavioural and/or environmentally driven. Listed below are few of the challenges that strategic HRM faces:

1. Strategy formulation is informal, politically charged and subject to complex contingency factors. While theory and academic understanding of the concept of strategy may portray it as a rational tool in the hands of management, it is hardly if ever so in reality. There are a lot of factors that subtract from the rationality of this concept.
   a. As with all human behaviour, managerial behaviour is more likely to be uncoordinated, frenetic, ad hoc or fragmented. This directly impacts the rational strategy as a strategy is only as good as its implementers.
   b. Managers are but humans. Hence, managerial rationality is limited by lack of information, time and ‘cognitive capacity’. They do not have unlimited access to time and resources to make the perfectly rational decisions and in actuality it may not be required as well. The concept of bounded rationality talks about such situations.
   c. Also, in practice, individual managers usually have to fiercely compete for resources, status and power within the structure of overall management. They are expected to rationally act in favor of synergistic gains of overall organisation but it is hardly ever done at the cost of their individual gains.
   d. The pursuance of specific strategies can signal changes in power relationships among managers. Having the focus of a strategy on certain department may be viewed as a triumph of that department head over others instead of a rational decision to augment organisational growth.
   e. The dynamic and unpredictable nature of environment, be it internal or external, lends a notable lack of clarity in terms of environmental influences and objectives
   f. Strategic decisions are located within the context of social practice within which it is located and as such they need to be constantly re-
communicated, monitored and reinforced until they become embedded in action

2. Most contingency analysis relies exclusively on external marketing strategies (how the firm competes) and disregards the internal operational strategies (how the firm is managed) that influence HR practices and performance. This can lead to challenges in strategic role of HR in managing contingencies.

3. A major limitation of a simple SHRM model is that it privileges only one step in the full circuit of industrial capital viz. the human resources.

4. The basic premise of the typologies of HR strategy approach is that a dominant HR strategy is strongly related to a specific competitive strategy. This may not always be true as each situation in the real world is unique and theoretical constructs of anything involving human input should always be treated as broad guidelines instead of factual roadmaps.

5. Despite all the planning, one strategic decision and action might, however, undermine another strategic goal. In a market downturn or recession, for example, there is a tendency for corporate management to improve profitability by downsizing and applying more demanding performance outcomes at the unit level. In such cases, achieving the goal of 'close fit' of business and HR strategy can contradict the goal of employee commitment and cooperation.

6. In a pessimistic view of reality, there are external conditions and internal 'structural contradictions' at work that will constrain management action and hence, there is not a "single best way" of managing these contradictions, only different routes to partial failure. This can be the result of a failure to understand the strategic needs of the business or inadequate assessment of the environmental and cultural factors that affect the content of the strategies, and the development of ill-conceived and irrelevant initiatives, possibly because they are current fads or because there has been an ill-digested analysis of best practice that does not fit the organization’s requirements.

7. Any SHRM initiative is bound for failure if insufficient attention is paid to practical implementation problems. If insufficient attention is paid to the important role of line managers in implementing strategies then there is little use in combining all the knowledge and resources to generate the best strategy. For even the most robust strategy will fail when the people actually dealing with the target base (employees) are not properly included in the same.

8. Sometimes, the strategy is good and implementation is thought out but there is insufficient attention is paid to the need to have established supporting processes for the initiative. This is the case when the strategy
calls for performance based pay and rewards but there is no supporting performance management system to provide inputs for the same.

A most fundamental of all challenges that SHRM initiatives face is also the paradox inherent in the multiple roles of HR described above.

Paradox inherent in the Strategic Partner versus Employee Champion Roles

Success in the multiple-role framework requires that HR professionals balance the tension inherent in being a strategic partner on the one hand and an employee champion on the other. As strategic partners with managers, HR professionals partner with managers and are seen as part of management. Taken to an extreme, this may alienate employees from both HR and management. Employees at one company that was moving its HR function into strategic partnership saw the HR professionals, whom they felt provided the only channel through which their concerns were voiced to management, participating in more management meetings, becoming active in strategic planning, and becoming synonymous with management. As a result, the employees felt betrayed and rated the HR function as not meeting their needs.

As employee champions in partnership with managers and employees, HR professionals ensure that the concerns and needs of employees are voiced to management. Taken to an extreme, this may alienate the HR function from management, who may not want to work with HR people whom they see as insensitive to business realities and advocates of employees.

Thus, a conflict arises in the expected role of HR wrt the perspectives or expectations of employees and management. Resolving this conflict requires that all parties-HR, management, and employees recognize that HR professionals can both represent employee needs and implement management agendas, be the voice of the employee and the voice of management, act as partner to both employees and managers. Shaikh (2014) provides a classic example of a successful response to this paradox by quoting Doug Fraiser, who joined the Chrysler board of directors in the late 1970s as part of a plan for employee investment in the firm. When union members challenged Fraiser's new "management" commitment, he retorted with something like, "How can I better meet your needs than by sitting with and influencing management?" To be a successful partner to both employees and management requires that both sides trust the HR professional to achieve a balance between the needs of these potentially competing stakeholders.

When HR professionals are not called on to represent employees' concerns to management, uninformed decisions may be made. It is not uncommon, for example, for merger and acquisition decisions to be made based solely on financial and product/strategic analyses that demonstrate the value of the venture; only after the decision is made is HR asked to weave the two companies together. Sadly, more ventures fail because of cultural and human differences than because of product and strategic differences. Where HR professionals are asked to represent employee and organizational concerns during pre-merger diagnosis, more informed decisions are made about all costs of merger activities, including the merger of cultures and people.
Change Agents versus Administrative Experts

HR professionals must also balance the need for change, innovation, and transformation with the need for continuity, discipline, and stability. This tension between their roles as change agents and as administrative experts yields a number of paradoxes that must be managed. Businesses must balance stability and change. A business must have stability to ensure continuity in products, services, and manufacturing. Businesses that change constantly loses identify and chase mythical successes that never materialize. On the other hand, businesses that fail to change in the end simply fail.

Businesses must balance the past and the future. A business must honor its past but also move beyond it. It must recognize that past successes ensure current survival but that only by letting go of the past will the future arrive. Old cultures should ground new cultures, nor become impediments to change.

Businesses must balance the benefits of free agency and control. A business needs to encourage free agency and autonomy in making decisions, sharing information, and soliciting ideas. Conversely, a business requires discipline among employees to make the value of the whole greater than that of the parts, to forge individual efforts into team accomplishment, and to create boundaries for freedom.

Businesses must balance efficiency and innovation. New ideas and programs require risk capital, both economic and human. HR professionals need to encourage risk and innovation while maintaining efficiency. Thus, risks need to be bounded, nor haphazard. To resolve these and other paradoxes, HR professionals dealing with cultural change need to be both cultural guardians of the past and architects of the new cultures. In practice, this means that in discussions with those who want to move slowly, HR professionals need to drive for dramatic change. On the other hand, in discussions with those who want to demolish history and tradition, HR professionals need to be advocates of moderation and respect for earned wisdom. It means that when working to create new cultures, HR professionals should simultaneously consider the impact of the new culture on administrative processes (for example, how to hire, train, and reward employees in a manner consistent with the new culture) and recognize the hold that the old culture retains over both employees and company practices.

This balancing act requires that new cultures lead to new administrative practices and that administrative practices support culture change. Sometimes, advocates of dramatic culture change, not realizing the infrastructure required to support the change, may make bold statement that stretch credibility and exceed a business's capacity for implementation. Part of the role of the HR professional as change agent is to moderate such statements. The administrative infrastructure may be the last thing to change as companies forge ahead in new strategic directions.

OVERCOMING THE CHALLENGES

There are many ways to overcome the challenges that SHRM faces,

Firstly, it is necessary to: conduct a rigorous preliminary analysis of needs and requirements of the organisation; formulate the strategy; enlist support for the strategy;
assess barriers; prepare action plans; manage implementation; and follow up and evaluate progress so that remedial action can be taken as necessary.

There is also a need to accept the bounded rationality of human beings and hence the need for contingency planning in strategy. Transparency and honest clarity within the managerial interactions also aid in achievement of the goal of acceptance of strategy by all and helps negate its political connotations.

Before moving forward with the implementation of any strategy, it is important to conduct a careful assessment of all the parameters like the organisation's business needs, existing successful strategic models in use by others and its current and expected long term environment is needed in order to generate a robust SHRM policy.

Once a policy has been finalised it still needs to be scrutinised for its robustness in the face of expected contingencies. An assessment of existing and required support systems required for successful implementation of such strategy is also a must in order to succeed.

The multiple roles played by the HR further complicate the situation and there is a need to carefully consider the following from the practical SHRM perspective:

**Comparing HR and Line Manager Views of the HR Function**

 Asking both HR professionals and line managers to rate the current state of HR performance in each of the four roles yields an audit of the extent to which the two perspectives align. Examination of the results can contribute to improved understanding of the HR function and company expectations in a number of ways.

Matched expectations mean that HR professionals and line managers see the HR function in the same way. Alignment of HR and line expectations may be good news since it indicates agreement on the roles and delivery of HR services. Alignment may, however, be bad news. Meeting low expectations implies that neither HR professionals nor line managers have a strategic vision for HR. The multiple-role framework here presents a way to define strategic goals to raise expectations, and to specify value-added targets for HR professionals.

Mismatched expectations occur when the perceptions of line managers and of HR professionals differ. The most common mismatch is HR professionals rating themselves higher than do their line managers. In these cases, HR professionals perceived their work to be better than did the clients of that work. Such positive self-rating, isolated from correction by client perceptions, may lead to self-deception and denial, where HR professionals believe that their services are appropriate and add value to a firm but the clients do not.

In a number of firms, client surveys include assessments of HR not only by line managers but also by employees. In one case, such client surveys found the HR function to be the lowest-rated function in the firm. The firm's HR professionals felt they were designing and delivering excellent services, but these services were either misunderstood by employees or failed to meet their needs. The HR professionals had
been judging their services by their own good intentions, while their clients were judging them by the impact and results of the services received. (Shaikh, 2014)

**HR Function versus Individual HR Professionals**

A business may find that individual HR professionals do not have competence in all four roles, but at the same time, it should find that the function-as an aggregate of individuals-does share a unified vision and competency. In one company, for example, it was found that the individuals fulfilling the components of the HR function were committed and competent; the field HR professionals were strategic partners with business leaders; HR functional leaders were administrative experts in their domains; employee relations experts worked effectively to understand and meet employee need and organizational effectiveness experts appropriately managed change. As a team, however, this group of talented individuals was woeful. In one-on-one interviews, these HR professionals acknowledged that they did not respect or even like one another. (Shaikh, 2014)

A team of HR experts needs to forge individual talent into leveraged competencies. At the above firm, the-individual HR experts began to share their concerns, openly discuss differences, and focus on common goals and objectives. With focus, time, and commitment, tensions and distrust were overcome; resources and lessons were shared. They began to speak with one voice about the purposes and value of the HR function. They began to call on each other and leverage each other's strengths. In brief, they began to work as a team.

**Clarifying Responsibility for Each Role**

Each time a business reviews the multiple roles of HR, we must ask: What is the line managers' responsibility in each one? The answer is that

Firstly, HR professionals in a business have unique responsibility and accountability for ensuring that the deliverables from each role are fulfilled. If, for example, a rating of 10 represents the complete accomplishment of the deliverables for each role, it is HR professionals who own the achievement of a 10 rating.

Secondly, accomplishing the goals and designing the processes for achieving the goals are different issues. While HR professionals own the accomplishment of each of the four roles, they may not have to do all the work of the four roles. Depending on the process established for reaching the goal, the work may be shared by line managers, outside consultants, employees, technology, or other delivery mechanisms for doing HR work. Even though in many cases, responsibility for delivering the four roles is shared, HR professionals need to guarantee the outcome and to help define the shared responsibility for delivering it.

**Business Partners Play Multiple Roles**

Ulrich et al (1997) sum it up the best when they say that HR need to be business partners in the modern context. They argue that business partners exist in all four roles and define it as
Business partner = Strategic partner + Administrative expert + Employee champion + Change agent

Strategic partners are business Partners because they align HR System with business strategies and set HR Priorities for a business entity. Administrative experts are the business partners because they save business money through efficient design and delivery of HR Systems. Employee champions are business partners because they ensure that employee contributions to the business remains high, in terms of both employee commitment and competence, also the Change agents are business partners because they help business through transformations and to adopt to changing business conditions.

Thus, HR is closely interrelated to SHRM and should be involved at all levels. Also, careful assessment of all potential challenges is essential in order to gain the maximum benefits of the strategic approach. Strategic success is, thus, in an organisation’s own hands.

REFERENCES

Chapter 5: Competencies of HR Professionals

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Introduction

Humankind has always sought to better its prospects throughout the evolutionary process. The quest for betterment gained a distinct materialistic edge with the industrial revolution and the formation of large companies that sought profits from mass production. Rapid growth of consumerism and globalisation has further worsened the race for profits and added impetus to the drive for competitive advantage. The industrial environment today is characterised by ‘crisis, uncertainty, and suspense, which combine to test the ability and performance of the manager in coordinating and controlling a diverse selection of workers, over which he/she may have little direct authority’ (Dainty, Cheng & Moore, 2005). Organisations today continue to seek newer and more effective ways to seek competitive advantage. Competency based human resource systems are one of the newer concepts in a long line of such endeavours that seek to enhance managerial effectiveness and enhance the acceptability and justice of the performance measurement systems by focusing on behaviours that are under control of the individual as opposed to the outcomes, the occurrence of which may be influenced by external factors. As pointed out by Dainty et al. (2005), ‘Using behavioural competencies to influence human resource management decisions is gaining popularity in business organisations’.

The term competency generates varied emotions and perceptions in people. There is confusion in definition, perception and interpretation of its various forms. The most prominent of these variations is the perceived difference in the terms ‘competence’ and ‘competency’. Many authors believe that the term competence should and does refer to the functional aspects of a job role and the term competency should refer to the behavioural aspects required to deliver those functionalities. This means that competence is the ability to do a job well and competency is the presence of the underlying behaviour that enables a person to do the job well. Competency has been attributed to both individual employees and the organisations as a whole. According to Dainty et al. (2005), competencies are ‘an array of different characteristics, behaviours, and traits necessary for effective job performance’. It has been argued that a human resource system that is based on a sound and dynamic competency framework will give sustained competitive advantage to the firm (Lado & Wilson, 1994). The concept of organisational core competencies is the basis for this prediction. The creation of a robust competency framework has been the topic of many discourses and many methods have been suggested to ensure feasible deployment of such systems. Firm specific, immobile competencies are touted as the hallmarks of future success. However, there is also the irony of arguments in support of generic and mobile competencies being the order of the day (DeFillippi & Arthur, 1994). They argued a case for job oriented competencies being the order of the day in the modern context and put forward the concept of ‘boundaryless careers’. They classified career competencies into know-why, know-how and know-whom competencies and suggested that all three are required for career progression. They studied the feasibility of promoting competencies aimed at assisting realisation of ‘boundaryless careers’ but
found that they were constrained by tradition and perception. Leadership quality of a
manager and their ability to encourage their subordinates to superior levels of
performance is one such generic competency that may be useful in all contexts.
Today’s dynamic work environment ‘places demands upon managers to respond
flexibly to rapidly changing circumstances in order that they can re-plan and refocus
their strategies for meeting competing objectives’ (Dainty et al., 2005).

Key Definitions

**Competence.** The Oxford dictionary defines the term competence as ‘the ability to do
something successfully or efficiently’. It is in this sense that we will be using it. It is
apparent functional ability present in the individual that translates into desired
successful outcomes.

**Competency.** Where competence is considered to be the functional ability to do
something, the competency is defined as the underlying behavioural aspect that allows
this functional ability to manifest. There are many works that use these words &
capability interchangeably but that is not conducive to the purpose of this work. Richard
Boyatzis, one of the pioneers in the field, defines competencies as ‘underlying
characteristics of the person that led to or caused effective or superior performance’
(Boyatzis, 1982). Spencer and Spencer (1993) define competency as ‘an underlying
characteristic of an individual that is causally related to criterion-referenced effective
and/or superior performance in a job or situation’. Thus, for our understanding,
competency shall refer to all behavioural aspects that are required to get the job done
successfully.

**Competency modelling.** Competency modelling is defined as the process of writing
out the results of competency identification by creating a narrative to describe the
competencies or in other words creating a competency framework.

**Competency framework.** Competency framework is the framework that defines the
competencies in clear and concise terms. It lists the levels and associated behaviours
for each competency and also links them to various unique job roles in the
organisational structure. It is an essential starting point for all efforts that seek to
incorporate competency based human resource management.

**Competency based human resource management.** Lado and Wilson (1994) define a
human resource system as ‘a set of distinct but interrelated activities, functions, and
processes that are directed at attracting, developing, and maintaining (or disposing of) a
firm's human resources’. A competency based system of human resource management
is one in which all the above mentioned activities, functions, and processes of the
system like selection and recruitment, performance management, learning and
development and career planning etc. are driven by competencies or rather the
underlying competency framework.

The development of competency based approach is credited to David McClelland
(1973) who was on a quest to identify reliable means for early talent identification that
were not biased against minorities, women or people from lower socioeconomic
classes. He is said to have been so dissatisfied with the traditional emphasis and value
attached to ‘intelligence’, school grades, academic aptitude and knowledge content tests as a way to measure applicant’s worth that he sought validation of a completely different approach (McClelland & Boyatzis, 1980). He argued that such measures were not a guarantee of success. Instead he advocated the use of behavior based concept of competency as a much more reliable indicator of future success as competency was thought to be an inherent ability that was the part of personality. Richard Boyatzis advanced the acceptance of competency based approach to assessment by authoring the first empirically based extensively researched book called ‘the competent manager: A model for effective performance’ (Boyatzis, 1982). The practical usage and popularity of the competency based approach also owes a great deal to the researcher duo of Lyle Spencer and Signe Spencer who co-authored a detailed book called ‘Competence at Work: models for superior performance’ in 1993 about the theory and practice of competency modelling and also included detailed manual like chapters for practical implementations.

The literature believes that a competency based system of human resource management is one in which all the activities, functions, and processes like selection and recruitment, performance management, learning and development and career planning etc. are driven by the underlying competency framework. Competencies, taken as behaviours and traits, when used as key measurement criteria for predicting the performance provide HR with a durable and reliable tool with which to leverage potential. The concept of competency itself however can be understood at multiple levels.

Organizational and individual competencies

Increased globalisation and opening up of world economies has vastly mutated the concept of competition around the world. Indeed organisations continue to search for the fabled panacea for their competitive woes and are eager to try all possibilities. Many authors have advocated the effectiveness Resource Based View of the firm in creating a sustained competitive advantage (Barney, 1986; DeFillippi & Arthur, 1994; Lawler, 1994). It becomes all the more relevant in the context of competency frameworks. This is apparent in Lado and Wilson’s (1994) statement that ‘resource-based view suggests that human resource systems can contribute to sustained competitive advantage through facilitating the development of competencies that are firm specific, produce complex social relationships, are embedded in a firm’s history and culture, and generate tacit organizational knowledge ... (by promoting a) set of role behaviours that result in lowering costs, enhancing product differentiation, or both’. He argues that sustained competitive advantage can be gained through competencies that are ‘heterogeneous and immobile’ and further defines heterogeneous competencies as those competencies that are differently distributed and used across the organisation and immobile competencies as those that cannot be perfectly copied or transferred to others. He quotes Barney (1986) to establish the threshold criteria for organisational competencies to be factors awarding competitive advantage viz. they should be valuable to the firm against competition and that only a small number of firms must boast of them in any given environment. Relative immobility of any competency adds to the robustness of any competitive advantage it bestows and existence of substitutes renders any advantage redundant and obsolete. Some examples of such competencies are listed in
the literature as organizational culture, organizational routines and a firm's reputation and image. Lado, Boyd and Wright (1992) classify organizational competencies as managerial competencies, input-based competencies, transformational competencies and output based competencies and provides a model that clearly indicates their inter-linkage with each other and the environment.

Individual competencies like strategic vision and orientation when present in top management or leaders and aiding their strategic actions are referred to as managerial competencies. Such managerial competencies are sources of sustained competitive advantage as they govern resource handling and value generation in the organizational context. Lado et al. (1992) include physical resources, organizational capital resources, human resources, knowledge, skills, and abilities in the purview of input based competencies and believe that these can facilitate organisation's transformational process that will enhance the product and service delivery and will improve perception of value addition by the customers. These competencies may also enable people to take advantage of market imperfections. As Barney (1986) claims, ‘given information asymmetries in the strategic factor markets, a firm whose members have unique skills and capabilities and/or are lucky may earn superior returns by purchasing undervalued resources and using these resources to implement strategy, or by not buying overvalued resources’. Lado and Wilson (1994) also advocate creation of internal labour market as a way to create input based competencies and states that ‘Human asset specificity refers to the unique knowledge, skills, and abilities (KSAs) learned on the job. Because such competencies entail nontrivial replacement costs, there exists an economic rationale for their continued utilization in current employment’. He also reflects on the heterogeneity in the demand and supply of human resources faced by the organizations that highlight the variation in distribution of KSAs in people and their abilities.

Innovation, entrepreneurship and development focus are transformational competencies and they provide strategic advantage to the organisation that cannot be substituted. Lado and Wilson(1994) state on innovation that ‘firms that possess the unique resources, skills, and capabilities needed to generate Schumpeterian revolutions in the industry and/or that possess the unique abilities to rapidly adapt to these revolutionary changes can earn and sustain supra-normal returns relative to firms that lack these competencies’. It is also claimed that scientific temper and learning enhances flexibility in organisations as employees have freedom to think and respond differently to various environmental stimulate.

In view of these four competencies, HR systems that enhance competence are the ones that prompt top management to address strategic issues, champion people’s business rather than people at the strategic decision making level, exert upward influence through regulation of information about organizational capital and hiring employees for the firm from a holistic view of both the firm and the employee as a person. They also aid innovation and entrepreneurship, nurture learning and create a positive reputation by advancing commitment and engagement in employees. Behavioural psychological perspective of HRM also provides sturdy foundation for the HR-strategy linkage as bedrock of sustained competitive advantage.
A competency based system of human resource management is one in which all the activities, functions, and processes like selection and recruitment, performance management, learning and development and career planning etc. are driven by the underlying competency framework.

**Impact of HR competencies on HR effectiveness**

Han, Chou, Chao & Wright (2006) studied the impact of HR competencies on HR effectiveness as perceived by line managers and employees of High-tech firms in Taiwan. They theorised that effective HR managers in their survey based study would have three main competencies viz. Business knowledge, Field expertise and Change management. They defined business knowledge as knowledge about the firm’s business interests, for instance in this case of high-tech firm it would involve technological knowledge. Field expertise meant having good understanding and grasp of core HR responsibilities and change management simply meant the ability to adapt to changing environment and facilitation of change acceptance in the organisation so as to minimise resistance. They found that field expertise and change management had strong positive relationships with perceived HR effectiveness after adding controls based on a firm’s size but business knowledge was not correlated with perceived HR effectiveness.

**Competencies of HR professionals**

We discussed Ulrich’s (1997) two dimensional model for multiple roles of HR in the earlier lesson. The four role based competencies required in HR professionals to support SHRM were viz. Strategic partner, administrative expert, employee champion and change agent. It is argued that presence of all the above four role competencies was required for optimal implementation of any SHRM initiative as HR professionals must learn to be both strategic and operational, focusing on the long as well as short term. Their proposed activities range from managing processes (HR tools and systems) to managing people. Human resource management responsibilities, thus, require an overlapping set of skills and competencies. Apart from role specific competencies, there are a few generic competencies that all HR professionals must seek to inculcate in order to achieve optimal success. Understanding and developing these is the key to success.

From a strategic perspective, high-quality HR practitioners have advanced skill sets in the critical competencies needed to work our most pressing talent issues of today and to deliver HR strategy to enable businesses to evolve in the future. Now HR professionals are expected to be valued team members and contribute as business partners for the growth of the organization.

In ‘Defining HR Success’, Strobel et al. (2015) provide nine critical HR competencies that practitioners need to be successful within the field of HR and be the leaders of their organizations. These are

1. HR Expertise (HR Knowledge)
2. Business acumen
3. Communication
4. Consultation
5. Critical evaluation
6. Ethical practice
7. Global and cultural effectiveness
8. Leadership and navigation
9. Relationship management
   Let’s understand these:

Human Resources Expertise/Knowledge: Today’s job seekers have access to more information than ever before. Therefore, the best HR professionals must be prepared to meet these informed candidates with industry expertise of their own. Understanding how and why individuals enter and move within an organization is at the core of everything else that HR managers will do in human resources. HR managers who truly add value are always attuned to “the big picture” of how HR practices relate to a successful business. Today’s business world is complex and the field of HR is dynamic. Our ability to process and understand it needs self-motivation. Growing in the job means being receptive to new ideas, wherever they may come from. HR professionals who never stop learning are well-positioned to translate well thought out industry trends and data into actionable insights.

Business Acumen: Being an HR professional means being able to hire the right talent and develop them to achieve organizational goals. Business acumen is a must have for this. HR Knowledge will only help one be operational. Understanding business is a must in order to be strategic and a business partner. Business acumen is a core competency of HR professional, they need to develop the keenness and quickness in understanding and dealing with a business situation in a manner that is likely to lead to a good outcome. They need to understand business operations and its influencing factors (Like Political, Social, Economic, Technological, Legal and Environmental) and align HR practices to the organization’s vision and mission. Business acumen also helps build the case for HR to other business professionals. In other words, market HR within the organization and showcase how HR can have a direct impact on organizational performance.

Communication Skills: The primary function of the typical HR professional’s job involves facilitating discussion between employees and employers. If a human resources manager can’t communicate clearly they will not be successful. Both oral and written skill are required to effectively relay information. One aspect of communication that gives people an edge is a strong ability for conflict resolution. Even in the most agreeable workplaces, problems arise that need a diplomatic ear, an eye for assessment, and a hand for getting the problem settled. This particular skill is invaluable when negotiating solutions and keeping things on track.

Consultation: As internal consultants, HR professionals provide advice, counsel, and guidance to their organizational business partners and all stakeholders. As trusted advisors, they help address challenges in areas such as staffing, employee engagement, CSR, business and HR strategy development, global workforce, and employee relations. In essence, an HR professional needs to work in a consultative role
with the organization and business units, thus developing and executing HR activities that are aligned to business strategies and goals.

**Critical Evaluation Skills:** Critical evaluation/ thinking is also a sought after ability in HR especially in a strategic context. HR professionals, in particular, frequently need to balance complex situations and take their time to think with a combination set-in-stone processes and outside-the-box thinking. Employees come from a breadth and depth of backgrounds and experiences. HR professionals need to strategically cultivate an environment in which all can work together toward the improvement of the business. HR practitioners are also involved in the problem-solving and decision-making processes. This requires a thorough analysis and critical evaluation of the issues at hand. Critical evaluation for HR professionals means not taking anything for granted and, where necessary, challenging propositions.

**Ethical Practice:** The importance of ethics as an HR core competency cannot be overstated. Every day, HR professionals face ethical challenges related to everything from managing private employee information to protecting the reputation of their organizations. Adopting an unwavering and unilateral commitment to ethics not only helps attract top talent while safeguarding your organization, but also fosters a culture of trust and loyalty. Part of being ethical is truly caring about people. Empathy for tough situations and “real life” goes a long way to setting you apart from those who just do it “by the book”. This is where the employee champion role takes precedence. Some ethical principles are enshrined in law. Making sure your company’s policies and practices are in legal compliance is a mainstay in the world of human resources. Laws are always changing, sometimes incrementally, sometimes as part of a great cultural shift. Therefore, staying up to date on national news, trends, and laws is particularly important; ignorance of the law is not a winning defense. Legal compliance, of course, also protects the company and its officers.

**Global and cultural effectiveness:** In a world where organizations operate with fewer national boundaries, HR professionals must have a global mindset and an appreciation of diversity. Having proficiency in global and cultural effectiveness means HR professionals value the perspectives and backgrounds of all the parties they interact with. SHRM states that HR professionals must be able to effectively and respectfully interact with colleagues, customers, and clients of varying backgrounds and cultures. This is true for not only multinational operations but also for businesses operating in multicultural environments or dealing with customers/ employees from multiple cultures.

**Leadership and navigation:** It is defined as the ability to direct and contribute to initiatives and processes within the organization. Navigation is understanding the most effective and efficient ways to accomplish tasks within the parameters of organizational hierarchy, processes, systems, and policies. Irrespective of the placement of a manager on the HR org chart, there’s a way to be a leader. The best leaders know how to operate within their organization’s culture to get things done. This is critical for HR managers especially in a strategic context as HR needs to act as a business partner and be a leader in order to ably demonstrate the strategic role of HR.

**Relationship management:** HR professionals need the ability to build strong and effective relationships with their business partners and other stakeholders within and
outside the organization. Relationship management competency helps HR professionals in creating a positive work environment, ensuring more support, and contributing positively to both individual and organizational success.

Ulrich et al. (2016), too, proposed a revised model of HR competencies that defines nine major competencies of a HR professional but in a wholly different manner. They define them as:

1. **Strategic Positioner**: This domain captures the extent to which the HR professional can evaluate both the external and internal business contexts and translate those evaluations into practical insights that help position the organization to be successful. The authors define the subdomains of this competency and its key features as:
   - **Interprets Business Context**
     - Understands changes in organisation's external environment (e.g., technological, economic, political, demographic, etc.)
     - Understands who makes key decisions in your organization (e.g., people who control important resources)
     - Understands expectations of external customers
     - Understands how organisation makes money (e.g., who, where, how)
   - **Decodes Stakeholder Expectations**
     - Understands investor expectations
     - Aligns organizational brand with customers, shareholders, and employees
     - Knows how investors value organisation
     - Helps investors recognize the quality of leadership within organisation
   - **Understands Internal Business Operations**
     - Accurately anticipates organisation's risks
     - Contributes to creating organisation's strategy (e.g., help shape the vision of the future of the organization)
     - Identifies problems that are central to organisation's strategy

2. **Credible Activist**: This domain carries over from prior studies and captures the extent to which HR professionals achieve the trust and respect they need within the organization to be viewed as valued and valuable partners. The authors define the subdomains of this competency and its key features as:
   - **Influences and Relates to Others**
     - Shows a genuine interest in others
     - Acts with appropriate balance of confidence and humility
     - Seeks to learn from both successes and failures
     - Demonstrates personal integrity and ethics
   - **Earns Trust Through Results**
     - Has earned trust with key internal stakeholders
     - Frames complex ideas in simple and useful ways
     - Persists through adverse circumstances Has history of delivering results
3. **Paradox Navigator**: HR professionals are increasingly asked to maximize ideas and outcomes that may be inherently in opposition with each other. These professionals must constantly manage the paradoxes or tensions that exist in work settings. The authors define this competency as central to the whole gamut of HR competencies and believe its key features are that HR manager:
   - Effectively manages the tensions between high-level strategic issues and operational details
   - Effectively manages the tensions between internal focus on employees and external focus on customers and investors
   - Effectively manages the tension between taking time to gather information and making timely decisions
   - Effectively manages the tensions between global and local business demands
   - Effectively manages the tensions between the need for change (flexibility, adaptability) and stability (standardization)

4. **Culture and Change Champion**: HR professionals need to manage both change and culture. By championing both change and culture, HR professionals help make things happen consistently. The authors define the subdomains of this competency and its key features as:
   - Designs Culture
     - Crafts the right organizational culture to deliver organizational results
     - Measures the influence of organizational culture on achieving sustained organizational performance
     - Makes managing organizational culture a priority for organisation
   - Manages Change
     - Innovates HR systems based on changing business demands
     - Helps set the direction of change with clear outcomes Identifies the key steps for initiating change
     - Helps people understand why change is important (i.e., creates a sense of urgency)

5. **Human Capital Curator**: HR professionals offer integrated and innovative HR solutions for managing people within their organization. These HR practice areas ensure human capital. The authors define the subdomains of this competency and its key features as:
   - Develops Talent
     - Develops talent based on organisation's needs
     - Facilitates meaningful developmental work experiences
     - Assesses key talent Identifies and prioritizes key positions
   - Develops Leaders
     - Assesses leaders against established leadership metrics
     - a business case for investing in leaders
     - Manages succession plans for key leadership positions
   - Drives Performance
     - Establishes clear performance standards
- Designs measurement systems that distinguish high-performing individuals from low-performing individuals. Facilitates the design of organizational structure (e.g., roles, responsibilities)
- Develops Technical Talent
  - Builds opportunities for promotion for technical experts
  - Provides developmental programs for technical experts
  - Differentiates leadership potential from technical expertise

6. **Total Rewards Steward:** HR professionals must be able to create total reward systems which include compensation and benefits (financial rewards) as well as meaning from work (non-financial rewards). The authors define the subdomains of this competency and its key features as:
  - Designs Meaningful Work
    - Helps employees improve physical health
    - Effectively balances employee well-being and business performance
  - Manages Compensation and Benefits
    - Designs non-monetary reward/recognition systems
    - Balances monetary and non-monetary rewards for employees
    - Designs appropriate benefits systems

7. **Technology and Media Integrator:** HR professionals must be able to leverage technology and technological tools to support their efforts to create high-performing organizations. They also rely on social media to recruit, retain, develop and engage human capital. The authors define the subdomains of this competency and its key features as:
  - Leverages Social Media Tools
    - Coordinates policies for how people use social media at work
    - Leverages social media for business purposes
    - Uses social media to enhance collaboration at work
  - Integrates technology
    - Uses technology to facilitate remote and mobile workforce
    - Applies technology to HR practices (e.g., HRIS)
    - Incorporates new technologies that improve workforce productivity

8. **Analytics Designer and Interpreter:** HR Professionals must be able to use analytics to impact decision making. Analytics goes beyond collecting data and having scorecards to using data to improve business decisions. The authors define the subdomains of this competency and its key features as:
  - Gets the Right Data
    - Accurately interprets statistics
    - Excludes low quality data from decision processes
    - Understands the limitations of data in ambiguous situations
    - Incorporates rigorous data analysis when interpreting information
  - Interprets Business Data
    - Effectively uses HR analytics to create value for organisation
    - Identifies organisation's problems that can be solved with data
    - Translates data into useful insights for organisation
9. **Compliance Manager**: HR Professionals must be able to manage the processes related to compliance by following regulatory guidelines. By its very definition, the compliance function varies by geography and its key features as:

- Ensures that HR practices comply with government laws
- Stands up for employee rights
- Actively educates employees and managers on how to stay within legal guidelines regarding on-the-job behavior

As is evident from a comparative study of the above two proposed models, they do not differ much in essence and basically both highlight the importance of HR functions in facilitating use of an organisation’s sustained competitive advantages for strategic success.

Behavioral competencies help people, specifically HR professionals, in performing their jobs effectively and applying HR principles and practices to the success of the organization.

We can, thus, conclude that competency based systems can provide sustained competitive advantage to the organisations if they are developed with care and maintained well to adapt to changing environmental cues. As we have already discussed, sustained competitive advantage is the hallmark of strategic HRM initiatives. Thus, formulated competencies and the systems governing them are indispensable for the success of strategic HRM initiatives.

Also, in order to implement and maintain these systems, HR professionals must themselves develop or otherwise acquire certain core competencies that will facilitate the same. These competencies can be sought at an individual level or at a functional level but they need to be all present to some degree in a successful HR team. Although, ensuring right selection to maintain a surplus pool of these competencies in the HR function would be more beneficial as it will generate redundancies that will make the organisation robust against unexpected attrition. Competencies thus are an important tool for the strategic manager and need to be understood at all levels viz. Individual, functional and organisational.

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