SVU

الجامعـة الافتراضيّة السوريّـة

SYRIAN VIRTUAL UNIVERSITY

Strategic Human Resources Management

Dr. Issam Haidar

ISSN: 2617-989X

Books & Refrences

الإدارة الاستراتيجية للموارد البشرية

الدكتور عصام حيدر

من منشورات الجامعة الافتراضية السورية

الجمهورية العربية السورية ٢٠٢١

STRATEGIC HUMAN RESOURCES MANAGEMENT

Issam Haidar

Publications of the Syrian Virtual University (SVU)

Syrian Arab Republic, 2021

Contents

Chapter One: Concept Of Strategic Human Resources Management

Introduction To Strategic Human Resource Management:

As confirmed by several researchers, Business objectives are accomplished when human resource practices, procedures and systems are developed and implemented based on organizational needs, that is, when a strategic perspective to human resource management is adopted. We will explore, in this chapter, what this involves. That includes certain points as:

- A definition of strategic human resource management (SHRM).
- An analysis of its underpinning concepts the resource-based view and strategic fit.
- A description of how strategic HRM works, namely the universalistic, contingency and configurational perspectives and the three approaches associated with those perspectives – **best practice**, **best fit** and **bundling**.

Definition Of Strategic HRM:

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

In addition to this definition, there are many others that we can propose to the strategic HRM include:

- Strategic HRM is concerned with 'seeing the people of the organization as a strategic resource for the achievement of competitive advantage' (Hendry and Pettigrew, 1986).
- 'A set of processes and activities jointly shared by human resources and line managers to solve people-related business problems' (Schuler and Walker, 1990).

- 'The macro-organizational approach to viewing the role and function of HRM in the larger organization' (Butler et al, 1991).
- 'The pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals' (Wright and McMahan, 1992).
- 'The central premise of strategic human resource management theory is that successful organizational performance depends on a close fit or alignment between business and human resource strategy' (Batt, 2007).

Basis Of Strategic HRM:

The Strategic HRM is based on three elements, as it is indicated in the literature review in field of HRM:

- The human resources or human capital of an organization play a strategic role in its success and are a major source of competitive advantage.
- HR strategies should be integrated with business plans (**vertical integration**). As Allen and White (2007) describe, 'The central premise of strategic human resource management theory is that successful organizational performance depends on a close fit or alignment between business and human resource strategy.' Another studies also believe that The major focus of strategic HRM should be aligning HR with firm strategies.
- Individual HR strategies should cohere by being linked to each other to provide mutual support (**horizontal integration**). Strategic HRM can be regarded as a mindset underpinned by certain concepts rather than a set of techniques. It provides the foundation for strategic reviews in which analysis of the organizational context and

existing HR practices leads to choices on strategic plans for the development of overall or specific HR strategies. But strategic HRM is not just about strategic planning; it is also concerned with the implementation of strategy and the strategic behavior of HR specialists working with their line management colleagues on an everyday basis to ensure that the business goals of the organization are achieved and its values are put into practice.

Principles of Strategic HRM:

To ensure the achievement of the strategic goals of the organization and as a means of developing integrated HR strategies, strategic HRM respect seven principles set out by Ondrack and Nininger (1984) which are:

1. There is an overall purpose and the human resource dimensions of that purpose are evident.

2. A process of developing strategy within the organization exists and is understood, and there is explicit consideration of human resource dimensions.

3. Effective linkages exist on a continuing basis to ensure the integration of human resource considerations with the organizational decision-making process.

4. The office of the chief executive provides the challenge for integrating human resource considerations to meet the needs of the business.

5. The organization of all levels establishes responsibility and accountability for human resource management.

6. Initiatives in the management of human resources are relevant to the needs of the business.

7. It includes the responsibility to identify and interact in the social, political, technological and economic environments in which the organization is and will be doing business.

Aims of Strategic HRM:

The major aim of Strategic HRM is to generate strategic capability by ensuring that organization has the skilled, engaged and well-motivated employees it needs to achieve sustained competitive advantage.

In this context, the strategic goal of strategic HRM will be always to ‘create firms which are more intelligent and flexible than their competitors’ as confirmed by the literature by hiring and developing more talented staff and by extending their skills base.

Certain studies state that there are several goals of Strategic human resource management. Its concern is to ensure that:

(1) human resources (HR) management is fully integrated with the strategy and strategic needs of the firm.

(2) HR policies cohere both across policy areas and across hierarchies.

(3) HR practices are adjusted, accepted and used by line managers and employees as part of their everyday work.

Different Views Of Strategic HRM Concept:

The literature review conducts us to three different views of Strategic HRM, namely the **resource-based view**, **strategic fit** and **strategic flexibility**. That we propose in the following:

The resource-based view:

When we declare that the philosophy of strategic HRM is based on the resource based view, This states that it is the range of resources in an organization, including its human resources, that produces its unique character and creates competitive advantage.

The resource-based view provides a durable basis for strategy and builds on and provides a unifying framework for the field of strategic human resource management. In addition to this point, the literature review states that competitive advantage arises first when firms within an industry are heterogeneous with respect to the strategic resources they control and, second, when these resources are not perfectly mobile across firms and thus heterogeneity can be long-lasting.

Creating sustained competitive advantage therefore depends on the unique resources and capabilities that a firm brings to competition in its environment. These resources include all the experience, knowledge, judgement, risk-taking propensity and wisdom of individuals associated with a firm.

For a firm resource to have the potential for creating sustained competitive advantage it should have four attributes: it must be:

(**valuable, rare, imperfectly imitable and non-substitutable).**

To discover these resources and capabilities, managers must look inside their firm for valuable, rare and costly-to imitate resources, and then exploit these resources through their organization.

Another researcher also argues that competitive advantage through people resources arises because :

- there is heterogeneity in their availability in the sense of the differences that exist between them across firms in an industry.
- they are immobile in the sense that competing firms may be unable to recruit them.

In addition, Four criteria that govern the ability of a resource to provide sustained competitive advantage, namely

- the resource must add positive value to the firm,
- the resource must be unique or rare among current and potential competitors,
- the resource must be imperfectly imitable, and
- the resource cannot be substituted with another resource by competing firms.

Resource-based strategic HRM can produce human resource advantage. This means strategic fit between resources and opportunities, obtaining added value from the effective deployment of resources, and developing people who can think and plan strategically in the sense that they understand the key strategic issues and ensure that what they do supports the achievement of the business's strategic goals.

Finally, we can say that the significance of the resource-based view of the firm is that it highlights the importance of a human capital management approach to HRM and provides the justification for investing in people through resourcing, talent management and learning and development programmes as a means of enhancing competitive advantage.

Strategic Fit:

As explained by certain researchers, strategic fit refers to the two dimensions that distinguish strategic HRM: 'First, vertically, it entails the linking of human resource management practices with the strategic management processes of the organization. Second, horizontally, it emphasizes the coordination or congruence among the various human resource management practices.’

Strategic Flexibility:

Strategic flexibility is defined as the ability of the firm to respond and adapt to changes in its competitive environment. Environmental changes will affect a flexibility strategy. In a stable, predictable environment the strategy could be to develop people with a narrow range of skills (or not to develop multi-skilled people) and to elicit a narrow range of behaviour. However, In a dynamic, unpredictable environment, organizations might develop organic HR systems that produce a human capital pool with people possessing a wide range of skills who can engage in a wide variety of behaviours. The need is to achieve resource flexibility by developing a variety of ‘behavioural scripts’ and encourage employees to apply them in different situations, bearing in mind the increased amount of discretionary behaviour that may be appropriate in different roles.

It can be argued that the concepts of strategic flexibility and fit are incompatible. Fit implies a fixed relationship between HR strategy and business strategy, but the latter has got to be flexible, so how can good fit be maintained? But we see that the concepts of fit and flexibility are complementary – fit exists at a point in time, while flexibility has to exist over a period of time.

Perspectives On Strategic HRM:

Most researchers in the field identify three HRM perspectives:

- **The universalistic perspective** which indicate that some HR practices are better than others and all organizations should adopt these best practices. There is a universal relationship between individual best practices and firm performance.

- **The contingency perspective** which indicate that in order to be effective, an organization's HR policies must be consistent with other aspects of the organization. The primary contingency factor is the organization's strategy. This can be described as 'vertical fit'.
- **The configurational perspective** which indicates that it is a holistic approach that emphasizes the importance of the pattern of HR practices and is concerned with how this pattern of independent variables is related to the dependent variable of organizational performance. Organizational configuration has been defined as 'any multi-dimensional group of conceptually distinct characteristics that commonly occur.

In this context, certain studies define three ideal strategic types of organizations – the **prospector, the analyser and the defender** – as a configurational concept, and also mention MacDuffie's (1995) research, which identified specific configurations or 'bundles' that enhance firm performance. Confusingly, configuration as described by certain researchers appears to have two meanings:

1) the degree of fit between a total HR system and an organizational type.

2) the extent to which HR practices are linked together into a total system.

A way of resolving this confusion was suggested by Richardson and Thompson (1999) (cited in Armstrong, 2004). They proposed adopting the commonly used terms of **best-practice and best-fit approaches** for the universalistic and contingency perspectives **and 'bundling'** as the third approach. We will develop these approaches below:

The Best-Practice Approach:

This approach is based on the assumption that there is a set of best HRM practices and that adopting them will inevitably lead to superior organizational performance. They are universal in the sense that they are best in any situation.

But the ‘best practice’ rubric has been attacked by a number of commentators. Certain comment that the notion of a single set of best practices has been overstated: ‘There are examples in virtually every industry of firms that have very distinctive management practices. Distinctive human resource practices shape the core competencies that determine how firms compete.’ Another study has also criticized the best-practice or universalist view by pointing out the inconsistency between a belief in best practice and the resource-based view, which focuses on the intangible assets, including HR, that allow the firm to do better than its competitors. It asks how can ‘the universalism of best practice be squared with the view that only some resources and routines are important and valuable by being rare and imperfectly imitable?’

In accordance with contingency theory, which emphasizes the importance of interactions between organizations and their environments so that what organizations do is dependent on the context in which they operate, it is difficult to accept that there is any such thing as universal best practice. What works well in one organization will not necessarily work well in another because it may not fit its strategy, culture, management style, technology or working practices.

The Best-Fit Approach:

The best-fit approach emphasizes that HR strategies should be contingent on the context, circumstances of the organization and its type. ‘Best fit’ can be perceived in terms of vertical integration or alignment between the organization’s business and HR strategies. There is a choice of models, namely life cycle, competitive strategy, and strategic configuration.

The life cycle model is based on the theory that the development of a firm takes place in four stages: start-up, growth, maturity and decline. This is in line with product life cycle theory. The basic premise of this model is: Human resource management's effectiveness depends on its fit with the organization's stage of development. As the organization grows and develops, human resource management programmes, practices and procedures must change to meet its needs. Consistent with growth and development models it can be suggested that human resource management develops through a series of stages as the organization becomes more complex. In a start-up phase, management of the HR function may be loose and informal; it may even be performed by the founder/owner. As the organization experiences high growth in sales, products and markets, the demand for new employees increases. This demand is beyond the capacity of the founder and line managers to handle. The organization typically responds to this pressure by adding more formal structure and functional specialists, including HR. The role of HR in this high-growth stage is to attract the right kinds and numbers of people, but it is also the time for innovation and the development of talent management, performance management, learning and development and reward policies and practices. As the organization matures, HR may become less innovative and more inclined to consolidate and develop existing practices rather than create new ones. In the decline stage HR may not have the scope to engage so wholeheartedly with the programmes operating in maturity. HR might well be involved in the difficult decisions that follow downsizing and being taken over.

In the **Best fit and competitive strategies perspective,** Three strategies aimed at achieving competitive advantage have been identified by researchers:

- innovation – being the unique producer;
- quality – delivering high-quality goods and services to customers;

- cost leadership – the planned result of policies aimed at ‘managing away’

They described the HR characteristics of firms pursuing one or other of the three strategies (Table 1.1).

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

1. **Prospectors**, which operate in an environment characterized by rapid and unpredictable changes.
2. **Defenders**, which operate in a more stable and predictable environment than prospectors and engage in more long-term planning. Their emphasis is on defending their markets, and they do little research and development. Defenders focus on efficiency by relying on routine technologies and economies of scale.
3. **Analysers**, which are a combination of the prospector and defender types. They operate in stable environments like defenders and also in markets where new products are constantly required like prospectors.
4. **Reactors**, which are unstable organizations existing in what they believe to be an unpredictable environment. They lack consistent, well-articulated strategies and do not undertake long-range planning.

table (1.1): Fitting HR characteristics to competitive strategies

Innovation Strategy	Quality Strategy	Cost Leadership Strategy
Jobs that require close interaction and coordination among groups of individuals.	Relatively fixed and explicit job descriptions.	Relatively fixed and explicit job descriptions.
Performance appraisals that are more likely to reflect longer-term and group-based achievements.	High levels of employee participation.	Narrowly designed jobs and career paths that encourage specialization. Short-term and results-oriented appraisals.
Jobs that allow employees to develop skills that can be used in other positions in the firm.	A mix of group and individual criteria for appraisal that is mostly short-term and results-oriented.	Close monitoring of market pay levels for use in making compensation decisions.
Compensation systems that emphasize internal equity rather than external or market-based equity.	Relatively egalitarian treatment of employees and some guarantees of employee security.	Minimal levels of employee training and development.
Pay rates that tend to be low but allow employees to be stockholders and have more freedom to choose the mix of components.	Extensive and continuous training and development of employees.	Practices that maximize efficiency by providing means for management to monitor and control closely the activities of employees.
Broad career paths to reinforce the development of a wide range of skills.		

Source: Schuler and Jackson (1987) cited in Armstrong (2008)

The best-fit model seems to be more realistic than the best-practice model. As certain researchers point out. The inescapable conclusion is that what is best depends. It can therefore be claimed that best fit is more important than best practice.

But there are limitations to the concept of best fit. Best-fit models tend to be static and don't take account of the processes of change. They neglect the fact that institutional forces shape HRM – it cannot be assumed that employers are free agents able to make independent decisions.

Bundling:

Another opinion given by certain researchers, A strategy's success turns on combining "vertical" or external fit and "horizontal" or internal fit. They conclude that a firm with bundles of associated HR practices should have a higher level of performance, providing it also achieves high levels of fit with its competitive strategy. 'Bundling' is the development and implementation of several HR practices together so that they are interrelated and therefore complement and reinforce each other. This is the process of horizontal integration, which is also referred to as the use of ‘complementarities’.

The aim of bundling is to achieve high performance through coherence, which is one of the four ‘meanings’ of strategic HRM defined by Hendry and Pettigrew (1986). Coherence exists when a mutually reinforcing set of HR policies and practices have been developed that jointly contribute to the attainment of the organization’s strategies for matching resources to organizational needs, improving performance and quality and, in commercial enterprises, achieving competitive advantage.

The process of bundling HR strategies is an important aspect of the concept of strategic HRM. In a sense, strategic HRM is holistic; it is concerned with the organization as a total system and addresses what needs to be done across the organization as a whole. It is not interested in isolated programmes and techniques, or in the ad hoc development of HR practices.

Following research in 43 automobile processing plants in the United States, Pil and MacDuffie (1996) established that, when a high-involvement work practice is introduced in the presence of complementary HR practices, not only does the new work practice produce an incremental improvement in performance but so do the complementary practices.

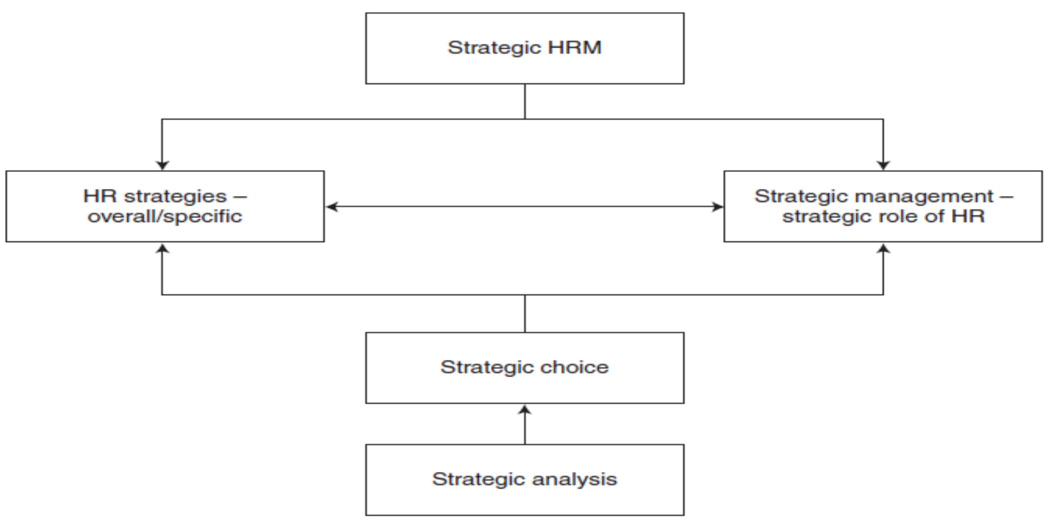
One way of looking at the concept is to say that coherence will be achieved if there is an overriding strategic imperative or driving force, such as high performance, customer service, quality, talent management or the need to develop skills and competences, that initiates various processes and policies designed to link together and operate in concert to deliver results.

The Reality Of Strategic HRM:

Strategic HRM has been a happy hunting ground for academics over many years. It should also be borne in mind that strategic HRM is a mindset, which only becomes real when it produces actions and reactions that can be regarded as strategic, in the form of either overall or specific HR strategies or strategic behaviour on the part of HR professionals working alongside line managers.

As modeled in Figure 1.2 strategic HRM is about both HR strategies and the strategic management activities of HR professionals. There is always choice about those strategies and the strategic role of HR, and this choice is based on strategic analysis.

Figure 1.2: Strategic HRM model



The theory addresses major people issues that affect or are affected by the strategic plans of the organization, provides a rationale for having an agreed and understood basis for developing and implementing approaches to people management that take into account the changing context in which the firm operates and its longer-term requirements, and ensures that business and HR strategy and functional HR strategies are aligned with one another. It demonstrates that:

- creating sustained competitive advantage depends on the unique resources and capabilities that a firm brings to competition in its .
- competitive advantage is achieved by ensuring that the firm has higher quality people than its competitors .
- the competitive advantage based on the effective management of people is hard to imitate .
- the challenge to organizations is to ensure that they have the capability to find, assimilate, compensate and retain the talented individuals they need .
- it is unwise to pursue so-called ‘best practice’ without being certain that what happens elsewhere would work in the context of the organization.
- best fit is preferable to ‘best practice’ as long as the organization avoids falling into the trap of ‘contingent determinism’ by allowing the context to determine the strategy .
- the search for best fit is limited by the impossibility of modelling all the contingent variables, the difficulty of showing their interconnection, and the way in which changes in one variable have an impact on .
- best fit can be pursued in a number of ways, namely by fitting the HR strategy to its position in its life cycle of start-up, growth, maturity or decline, or the competitive strategy of innovation, quality or cost leadership, or the organization’s ‘strategic configuration’, eg the typology of organizations as prospectors, defenders and .
- improved performance can be achieved by ‘bundling’, ie the development and implementation of several HR practices together so that they are interrelated and therefore complement and reinforce each .

Case study of Strategic HRM in Wal-Mart Stores

Corporate strategy and HR strategy at Wal-Mart

Walmart purchased massive quantities of items from its suppliers to form scale economy, and with the efficient stock control system, help in making its operating costs lower than those of its competitors. It also imported many goods from China, “the world factory” for its low cost.

Managers engage in three levels of strategic planning (Gary Dessler, 2005): the corporate-level strategy; the business-level strategy and the function-level strategy. The functional strategy should serve the overall company strategy so the corporate strategy could be implemented more effectively and efficiently.

The basic premise that underlying SHRM is that organizations adopting a particular strategy require HR practices that are different from those required by organizations adopting alternative strategies (Jackson & Schuler, 1995). Generally, there are two primary SHRM theoretical models the universalistic best practices and the contingency perspective of “best fit”. The contingency perspective of “best fit elucidates that the individual HR practices will be selected based on the contingency of the specific context of a company. As Wal-Mart has different corporate strategy with those retailers with differentiation strategy, which actually cultivates the primary contingency factor in the SHRM literature. What’s more, we should be reminded that the individual HR practices will interact with firm strategy to result in organizational performance, and this interaction effects make the “universal best practices” may not apply so well in a specific company.

The following part we’ll examine the “fitness” of HR practices in Walmart with this theoretical model, which is obviously also the integration process of HR practices with the contingency variables to some extent.

From the recruitment. For example, the New York Times (January 2004) reported on an internal Walmart audit which found “extensive violations of child-labor laws and state regulations requiring time for breaks and meals.” The cheap price of children labors and minors make it earn more cost competitive advantage over other companies. Walmart also faced a barrage of lawsuits alleging that the company discriminates against workers with disabilities, for the recruitment of these people means providing more facilities for them and the loss of efficiency to some extent.

From training perspective, through training on behavioral requirement for success and encouragement, Walmart tried to adjust the employee behaviors and competencies to what the company’s strategy requires, that is to low down cost more. This logic is also embodied in its “lock-in” of its nighttime shift in various stores. Through this enforced policy, Walmart tried to prevent “shrinkage” behavior of its employees, to eliminate unauthorized cigarette breaks or quick trips home.

From the performance management perspective, Walmart made very high demanding standards and job designs. The New York Times reported Walmart had extensive violations of state regulations requiring time for breaks and meals. There are so many instances of minors working too late, during school hours, or for too many hours in a day, for the performance appraising just force them to do so. In the Career management, Walmart also goes great lengths to reduce cost, there are many cases that women sued Walmart for its discriminated policy against women by systematically denying them promotions and paying them less than men did. Women are pushed into “female” departments and are demoted if they complain about unequal treatment just for more cost reduction against its competitors.

From the compensation management perspective, Walmart has also showed very aggressive HR policies and activities. Walmart imported $15 billion worth of goods from china, for not only the strategic consideration of supplier chain economy, but also Walmart has some factories in china, whose products are branded with Walmart name. With this method, Walmart pays much less to Chinese labors in this “world-factory” and earn some advantages, so we could just see how the Walmart corporate strategy is just intensely integrated with its HR policy. In 2002, operating costs for Walmart were just 16.6 percent of total sales, compared to a 20.7 average for the retail industry as a whole, which supported greatly the overall strategy. Walmart workers in California earn on average 31 percent less than workers employed in other large retail business. Actually, with other operating and inventory costs set by higher-level management, store managers must turn to wages to increase profits, and Walmart expects the labor costs to be cut by two-tenths of a percentage point each year.

From the employee benefit and safety perspective, workers eligible for benefits such as health insurance must pay over the odds for them. In 1999, employees paid 36 percent of the costs. In 2001, the employee burden rose to 42 percent. While in the US, large-firm employees pay on average 16 percent of the premium for health insurance. Unionized supermarket workers typically pay nothing. Walmart was frequently accused of not providing employees with affordable access to health care, but the top managers and HR managers know their focus was just to try their most to implement Walmart’s corporate strategy.

Finally, from the labor relations perspective, Sam Walton sought to bring great value through aggressive discounting to customers. Because unionized supermarket workers typically pay nothing, Walmart has strong anti-union policy. Allegations of firing workers sympathetic to labor organizations have been made, all new employees are shown a propaganda video tape, which said joining a union, would have bad implication for them, and the employees should never sign a union card. In the UK it was reported in the Guardian that Walmart is facing the prospect of a bruising legal battle with the GMB trade union in a row over collective bargaining rights, for the union would not accepting Walmart withdrew a 10% pay offer to more than 700 workers after they rejected a new package of terms and conditions, which included giving up rights to collective pay bargaining. Here there may be some doubt why Walmart has recently allowed unionization in their stores in China, where unionization is mandatory. But actually this mandatory rule is made a long time before Walmart walk into china, so why Walmart give up its persistence in not having a some unions, and its former reason to China government is that it did not have any unions in its global working. So how do we see Walmart's compromise if that constitutes a "compromise"?

It has been argued that doing business in China is particularly difficult because of the higher relative importance of personal relationships (guanxi), as opposed to the specification and enforcement of contracts in the West (Davies et al, 1995). Walmart China has tried every effort to develop good relationships with China government and other influence groups. So Walmart made this exception of have unionizations is just in accordance with its corporate strategy and HR strategy. If it ignores the Chinese government's firm rule, its cost would just outweigh what it would save by organizing no unions in its labor relations management as Walmart provides little power for Chinese workers as the unions are controlled by the state.

Therefore, from all those above content we know the human resource management is of strategic importance to Walmart. Both the top managers and HR executives should pay more attention to the everyday employment management. They should play more roles that are positive in training and using their human resources, and maybe cultivating better organization culture, all of which may prove more cost saving, and correspondingly help realize Sam Walton's simple philosophy of "bringing more value to customers".

Based on the Case Study, Answer the Following Questions : (Do Not Copy & Paste)

Q1: Based on the HR system concept, illustrate the integration of the different HR activities practiced by Walmart .

Q2: To what extend does Walmart attempts to achieve a strategic fit. Describe the corporate business strategy adopted by Walmart and explain how the HR strategies are linked/aligned with the corporate strategy .

Q3:Describe five business/HR challenges that are facing Walmart Inc and then develop five HR strategies that will help Walmart enhance its performance through effective management of its employees.

Q4: Reference to the Six Component Model, describe the type of fit between HR strategy and the institutional context. Explain to what extent the labour relations practices (with special focus to its operations in China) of Walmart is aligned with the institutional context .

Question for Chapter One:

Multiple Choices Questions

1. An approach that defines how the organization's goals will be achieved through people by means of HR strategies and integrated HR policies and practices is called: A. management B. strategic management **C. strategic human resources management** D. human resource management	2. It is one of the basics of SHRM **A. The human capital of an organization play a strategic role in its success** B. The human capital of an organization did not play a strategic role in its success C. The human capital of an organization play a trivial role in its success D. The human capital of an organization play a administrative role in its success
3. When we declare that HR strategies should be integrated with business plans, we indicate to: A. Horizontal integration **B. Vertical integration** C. Vertical & horizontal integration D. All of above is wrong	4. The following expressions resource-based view, strategic fit and strategic flexibility indicate to: A. Aims of SHRM B. Principles of SHRM C. Basics of SHRM **D. All of above is wrong**

True & False Questions:

Phase	True or false
Resource-based strategic HRM can produce human resource advantage	**true**
the ability of the firm to respond and adapt to changes in its competitive environment indicates to strategic fit	**false**
The universalistic perspective indicates that in order to be effective, an organization's HR policies must be consistent with other aspects of the organization	**false**
The contingency perspective indicate that in order to be effective, an organization's HR policies must be consistent with other aspects of the organization	**true**

Essay Questions:

1. Count five basics of SHRM.
2. Explain the different views of SHRM.
3. Define the Best-Practice Approach of SHRM.
4. What are the major principles of SHRM.

References

- Allen, M R and White, P (2007) Strategic management and HRM, in Oxford Handbook of Human Resource Management, ed Peter Boxall, John Purcell and Patrick Wright, Oxford University Press, Oxford.
- Armstrong Michael; Strategic Human Resource Management : A Guide to Action, Kogan Page US, 2008.
- Batt, R (2007) Service strategies, in Oxford Handbook of Human Resource Management, ed Peter Boxall, John Purcell and Patrick Wright, Oxford University Press, Oxford.
- Boxall, P F (1996) The strategic HRM debate and the resource-based view of the firm, Human Resource Management Journal, **6** (3), pp 59–75.
- Butler, J E, Ferris, G R and Napier, N K (1991) Strategy and Human Resource Management, South-Western Publishing, Cincinnati, OH.
- Cam Caldwell And Verl Anderson , Strategic Human Resource Management, Nova Science Publishers, Inc., New York, 2018.
- Delery, J E and Doty, H D (1996) Modes of theorizing in strategic human resource management: tests of universality, contingency and configurational performance predictions, Academy of Management Journal, **39** (4), pp 802–35.
- Hendry, C and Pettigrew, A (1986) The practice of strategic human resource management, Personnel Review, **15**, pp 2–8.
- MacDuffie, J P (1995) Human resource bundles and manufacturing performance, Industrial Relations Review, **48** (2), pp 199–221.
- Mello J.; Strategic Human Resource Management, Cengage Learning, 2018.

- Miles, R E and Snow, C C (1978) Organizational Strategy: Structure and process, McGraw-Hill, New York.
- Ondrack, D A and Nininger, J R (1984) Human resource strategies: the corporate perspective, Business Quarterly, **49** (4), pp 101–09.
- Pil, F K and MacDuffie, J P (1996) The adoption of high-involvement work practices, Industrial Relations, **35** (3), pp 423–55
- Richardson, R and Thompson, M (1999) The Impact of People Management Practices on Business Performance: A literature review, Institute of Personnel and Development, London.
- Schuler, R S (1992) Strategic human resource management: linking people with the strategic needs of the business, Organizational Dynamics, **21** (1), pp 18–32.
- Schuler, R S and Walker, J (1990) Human resources strategy: focusing on issues and actions, Organization Dynamics, Summer, pp 5–19.
- Wright, P M and McMahan, G C (1992) Theoretical perspectives for SHRM, Journal of Management, 18 (2), pp 295–320.

Chapter Two: Evolution Of HRM Roles

Introduction To Strategic Role Of HRM:

The role of HR management in organizations has been evolving dramatically in recent years. The days of HR as the “personnel department”—performing record-keeping, paper pushing, file maintenance, and other largely clerical functions—are over. Any organization that continues to utilize its HR function solely to perform these administrative duties does not understand the contributions that HR can make to an organization’s performance. In the most financially successful organizations, HR is increasingly being seen as a critical strategic partner and assuming far-reaching and transformational roles and responsibilities.

Taking a strategic approach to HR management involves abandoning the mindset and practices of “personnel management” and focusing more on strategic issues than traditional and operational issues. Strategic HR management involves making the function of managing people the most important priority in the organization and integrating all HR programs and policies within the framework of a company’s strategy. Strategic HR management realizes that people make or break an organization because all decisions made regarding finance, marketing, operations, or technology are made by an organization’s people.

Strategic HR management involves the development of a consistent, aligned collection of practices, programs, and policies to facilitate the achievement of the organization’s strategic objectives. It considers the implications of corporate strategy for all HR systems within an organization by translating company objectives into specific people management systems. The specific approach and process utilized will vary from organization to organization, but the key concept is consistent; essentially all HR programs and policies are integrated within a larger framework facilitating, in general, the organization’s mission and, specifically, its objectives.

Probably, the single-most important caveat of strategic HR management is that there is no one best way to manage people in any given organization. Even within a given industry, HR practices can vary extensively from one organization to another.

Establishing a strong HR strategy that is clearly linked to the organization's strategy is not enough. HR strategy needs to be communicated, practiced, and -perhaps most important—spelled out and written down.

In this context, a recent study by global consulting firm "**Price-Water-House Coopers"** found that those organizations with a written HR strategy tend to be more profitable than those without one. It appears that writing down an organization's HR strategy facilitates the process of involvement. The study found that organizations with a specific written HR strategy had revenues per employee that are 35 percent higher than organizations without a written strategy and that those organizations with a written strategy had 12 percent less employee absenteeism and lower turnover.

Strategic HR Versus Traditional HR

Strategic HR can be contrasted to the more traditional administrative focus of HR through an examination of four different roles that HR can play in an organization. Ulrich (cited in Mello, 2018) developed a framework, presented in Exhibit (2.1), which proposes an entirely new role and agenda for HR that focuses less on traditional functional activities, such as compensation and staffing, and more on outcomes. In this scenario, HR would be defined not by what it does but rather by what it delivers.

Ideally, HR should deliver results that enrich the organization's value to its customers, its investors, and its employees. This can be accomplished through four roles: by HR becoming

(1) a partner with senior and line managers in strategy execution; (2) an expert in the way that work is organized and executed; (3) a champion for employees, working to increase employee contribution and commitment to the organization; and (4) an agent of continuous transformation who shapes processes and culture to improve an organization's capacity for change.

Exhibit (2.1): Possible Roles Assumed by the HR Function

The first role involves becoming a partner in strategy execution. Here, HR is held responsible for the organizational architecture or structure. HR would then conduct an organizational audit to help managers identify those components that need to be changed to facilitate strategy execution. HR should then identify methods for renovating the parts of the organizational architecture that need it. Finally, HR would take stock of its own work and set clear priorities to ensure delivery of results. These activities require HR executives to acquire new skills and capabilities to allow HR to add value for the executive team with confidence.

For decades, HR professionals have fulfilled an administrative function within their organizations. In the administrative expert role, these individuals should shed their image of rule-making police while ensuring that the required routine work still gets done effectively and efficiently. This requires improving or rethinking a number of traditional HR functions, such as benefits and selection, which now can be automated by using technology and therefore be more cost-efficient. Such streamlining of functions would help HR professionals become strategic partners in their organizations and enhance their credibility.

An organization cannot succeed unless its employees are committed to and fully engaged in the organization and their jobs. In the new role of employee champion, HR professionals are held accountable for ensuring that employees are fully engaged in and committed to the organization. This involves, in part, partnering with line management to enhance employee morale and training line managers to recognize—and avoid—the causes of low morale, such as unclear goals, unfocused priorities, and ambiguous performance management. It also involves acting as an advocate for employees, representing them and being their voice with senior management, particularly on decisions that impact them directly.

The pace of change experienced by organizations today can be confusing. As a change agent, HR has to be able to build the organization's capacity to embrace and capitalize on new situations, ensuring that change initiatives are defined, developed, and delivered in a timely manner. HR also needs to help the organization plan for and overcome any resistance to change that might present itself. Particularly challenging are any efforts to alter the organization's culture.

A number of other models have been developed relative to the portfolio of roles that HR can and/or should play in becoming a strategic partner in the knowledge-based economy. The researchers found that for HR to build strategic credibility, new roles needed to be assumed that expanded both the methods and processes traditionally used in HR. These roles include human capital management, knowledge facilitator, relationship builder, and rapid deployment specialist, as illustrated in Exhibit (2.2).

Exhibit (2.2): HR Roles In Knowledge-Based Economy

HR Roles in a Knowledge-Based Economy

- Human capital steward
- Knowledge facilitator
- Relationship builder
- Rapid deployment specialist

The human capital steward role involves the creation of an environment and culture in which employees voluntarily want to contribute their skills, ideas, and energy. This is based on the premise that unlike raw materials, plant, and equipment, human capital is not "owned" by the organization; it can move freely from organization to another at the employee's passion. A competitive advantage can be maintained only when the best employees are recruited, duly motivated, and retained.

The knowledge facilitator role involves the procurement of the necessary employee knowledge and skill sets that allow information to be acquired, developed, and disseminated, providing a competitive advantage. This process can succeed only as part of a strategically designed employee development plan, whereby employees teach and learn from each other and sharing knowledge is valued and rewarded.

The relationship builder role involves the development of structure, work practices, and organizational culture that allow individuals to work together, across departments and functions. To ensure competitiveness, networks need to be developed that focus on the strategic objectives of the organization and how synergies and teamwork that lead to outstanding performance are valued and rewarded.

The rapid deployment specialist role involves the creation of an organization structure and HR systems that are fluid and adaptable to rapid change in response to external opportunities and threats. The global, knowledge-based economy changes quickly and frequently, and success in such an environment mandates flexibility and a culture that embraces change.

In addition to these models, a study sponsored by the Society for Human Resource Management and the Global Consulting Alliance found that HR's success as a true strategic business partner was dependent on five specific competencies being displayed by HR, as illustrated in Exhibit(2.3) below.

Exhibit(2.3): five specific competencies being displayed by HR

SHRM Critical HR Competencies

- Strategic contribution
- Business knowledge
- Personal credibility
- HR delivery
- HR technology

These competencies are radically different from those required in the past, when HR played a more administrative role. The first—strategic contribution—requires the development of strategy, connecting organizations to external constituents, and implementing systems that align employee performance with company strategy. The second—business knowledge—involves understanding the nuts and bolts of the organization's operations and leveraging this knowledge into results. The third—personal credibility—requires that measurable value be demonstrated in programs and policies implemented. The fourth—HR delivery—involves serving internal customers through effective and efficient programs related to staffing, performance management, and employee development. The fifth—HR technology—involves using technology to improve the organization's management of its people.

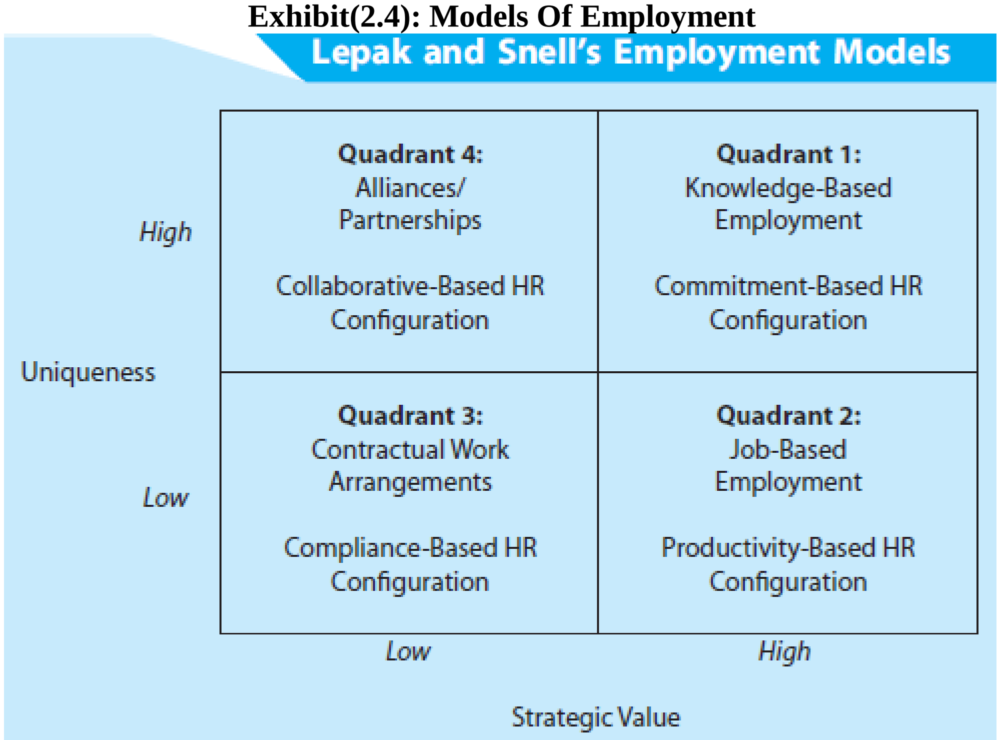
Although the SHRM study identifies a set of competencies that all HR executives will need. Others conclude that HR roles may need to become more highly specialized. One set of roles identifies five competencies that might easily become areas of specialization. The first role is “chief financial officer” for HR, an individual who is an expert at metrics and financial analysis and can argue the cost-effectiveness of various HR programs. The second role is “internal consultant,” an individual who trains and empowers line managers to assume much of the day-to-day responsibility for managing employees and understanding the legal aspects of the employment relationship. The third role is “talent manager,” an individual who focuses on finding, developing, and retaining the optimal mix of employees to facilitate the organization’s strategic objectives. The fourth role is “vendor manager,” an individual who determines which functions can be better handled internally or externally and assumes the responsibility for sourcing and selecting vendors as well as managing vendor relations. The fifth role is “self-service manager,” an individual who oversees the technology applications of HR management, including all aspects of e-HR.

HR Employment Models

We have discussed above the focus on roles that HR needs to assume and competencies that need to be demonstrated to ensure that HR be seen as a true strategic partner as well as to facilitate high performance. This discussion has ignored the fact that different organizations engage in different types of employment in pursuing their strategies. To better understand these employment models, a system was developed by certain researchers that identifies **four different employment models** and examines the types of HR systems required by each.

Firstly, this system analyzed the characteristics of human capital by using two dimensions. The first is its strategic value, or the extent of its potential to improve efficiency and effectiveness, exploit market opportunities, and/or neutralize potential threats. The authors found that as the strategic value of human capital increased, the greater the likelihood that the organization would employ it internally rather than externally. The **second** is its uniqueness, or the degree to which it is specialized and not widely available. The authors found that the more unique an organization's human capital, the greater potential source of competitive advantage it would provide. These two dimensions form the matrix, presented in Exhibit(2.4), which identifies the four types of employment modes.

Exhibit(2.4): Models Of Employment



Quadrant 1 illustrates knowledge-based employment, human capital that is unique and has high strategic value to the organization. This type of employment requires commitment-based HR management. Commitment-based HR involves heavy investment in training and development, employee autonomy and participation, employment security, and compensation systems that are long term and knowledge based.

Quadrant 2 illustrates job-based employment, human capital that has limited uniqueness but is of high strategic value to the organization. This type of employment requires productivity-based HR management. Less investment will be made in employees, and the organization will seek to acquire individuals with the requisite skills rather than provide training in skills that are generic. Shorter time frames will be established for performance and rewards, and jobs will be more standardized.

Quadrant 3 illustrates contractual employment, human capital that is neither unique nor of strategic value to the organization. This type of employment requires compliance-based HR management. Structure and direction would be provided for employees and systems established to ensure that employees comply with rules, regulations, and procedures. Workers would receive little discretion, and any training, performance management, and compensation would be based on ensuring compliance with the set work structures.

Quadrant 4 illustrates alliance/partnership employment, human capital that is unique but of limited strategic value to the organization. This type of employment requires collaborative-based HR management. Much of the work would be outsourced to an outside vendor based on the sharing of information and establishment of trust. The organization would select alliance partners who are committed to the relationship as well as the organization's success. Performance standards and incentives would be established that mutually benefit both partners.

Strategic HR differs radically from traditional HR in a number of ways, as illustrated in Exhibit (2.5). In a traditional approach to HR, the main responsibility for people management programs rests with staff specialists in the corporate HR division. A strategic approach places the responsibility for managing people with the individuals most in contact with them: their respective line managers. In essence, strategic HR would argue that any individual in an organization who has responsibility for people is an HR manager, regardless of the technical area in which he or she works.

Traditional HR focuses its activities on employee relations, ensuring that employees are motivated and productive and that the organization is in compliance with all necessary employment laws, as illustrated in the operational quadrants in Exhibit (1.4) above.

A strategic approach shifts the focus to partnerships with internal and external constituent groups. Employees are only one constituency that needs to be considered. The focus on managing people is more systemic, with an understanding of the myriad factors that impact employees and the organization and how to manage multiple relationships to ensure satisfaction at all levels of the organization.

Critical partners in the process include employees, customers, stockholders/owners, regulatory agencies, and public interest groups. Traditional HR assumes a role of handling transactions as they arise. These may involve compliance with changing laws, rectifying problems between supervisors and subordinates, recruiting and screening applicants for current needs, and basically responding to events after they happen. Strategic HR is much more transformational and realizes that the success of any initiatives for growth, adaptation, or change within the organization depend on the employees who utilize any changes in technology or produce any changes in the organization's product or service. HR therefore plays more of a transformational role in assisting the organization in identifying and meeting the larger challenges it faces in its external environment by ensuring that the internal mechanisms that facilitate change are in place.

Exhibit(2.5): Traditional HR Versus Strategic HR

Traditional HR Versus Strategic HR

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

Similarly, any initiatives for change coming from traditional HR are usually slow and fragmented, piecemeal, and not integrated with larger concerns. Strategic HR is more proactive and systemic in change initiatives. Rectifying a specific employee discipline problem or moving to a new sales commission system are examples of the former approach. Strategic HR is flexible enough to consider the various time frames (short, medium, and/or long-run) as necessary to facilitate the development of programs and policies that address the critical strategic challenges being faced by the organization. At the same time, these strategically conceived initiatives must be developed and implemented in concert with other HR systems.

As an example, the HR systems at Mercantile Bank were not developed independent of each other. As the HR function evolved with subsequent mergers and acquisitions, HR initiatives were developed in tandem with other HR programs and policies. For example, job analysis procedures developed competencies that formed the basis for recruiting, testing, performance feedback, and compensation programs. The performance feedback program was developed in tandem with a succession planning program and incentive programs for high performers. These types of integrated initiatives are one of the principal differences between traditional and strategic HR management.

The traditional approach to HR manifests itself in bureaucratic control through rules, procedures, and policies that ensure fair treatment of employees and predictability in operations. Indeed, Strategic HR, on the other hand, realizes that such an approach limits an organization's ability to grow and respond to a rapidly changing environment.

Strategic HR utilizes control that is much more "organic," or loose and free-flowing, with as few restrictions on employee actions and behaviors as possible. Rather than being bound by excessive rules and regulations, operations are controlled by whatever is necessary to succeed, and control systems are modified as needed to meet changing conditions.

Traditional HR grew out of principles of scientific management and job specialization to increase employee efficiency. A tight division of labor with independent tasks allowed employees to develop specific skills and maintain a focus on their specific job responsibilities. A strategic approach to HR allows a very broad job design, emphasizing flexibility and a need to respond as change takes place in the external environment. Specialization is replaced by cross-training, and independent tasks are replaced by teams and groups - some of which are permanent, some of which are temporary, and many of which are managed autonomously by the workers themselves.

The traditional approach to HR sees an organization's key investments as its capital, products, brand name, technology, and investment strategy. Strategic HR sees the organization's key investment as its people and their knowledge and abilities. This approach realizes that competitive advantage is enjoyed by an organization that can attract and retain “knowledge workers” who can optimally utilize and manage the organization’s capital resources. In the long run, people are an organization’s only sustainable competitive advantage.

Finally, accountability for HR activities in the traditional approach considers functions, including HR, as cost centers, with an emphasis on monitoring expenditures and charging overhead to fiscal units. An investment approach considers returns as well as expenditures, with attention paid toward the “value added” by HR activities.

Barriers to Strategic HR

Although the concept of strategic HR may make sense logically and intuitively, many organizations have a difficult time taking a strategic approach to HR. A number of reasons contribute to this.

The first is that most organizations adopt a short-term mentality and focus on current performance. Performance evaluations and compensation throughout organizations tend to be based on current performance. This is not surprising given the emphasis by most shareholders and Wall Street on short-term organizational performance in terms of quarterly measures of profitability and return on investments. CEOs need to focus on short-term quarterly financial performance in order to retain their jobs. Several consecutive “down” quarters will often result in dismissal. This philosophy then trickles throughout the organization. Rewards are not provided for laying plans that may (or may not) provide significant gain three or five years in the future. Most owners and investors do not take a long-term view of their investments; they expect to see quarterly progress in wealth building. There are few, if any, clear incentives for managers to think long term in making their decisions. Consequently, although many organizations desire management decisions that will benefit the organization in the long run, rewards are based on short-term performance.

A second barrier to strategic HR is the fact that many HR managers do not think strategically, given their segmented understanding of the entire business. HR management is a complex and ever-changing function, requiring a tremendous amount of technical knowledge. HR managers often have insufficient general management training to understand the entire organization and the issues and challenges being experienced in the finance, operations, and marketing departments. Consequently, their ability to think strategically may be impaired, and their ability to influence colleagues in other functions may be limited. Unless senior HR managers can appreciate these functional issues and speak the language of these disciplines, they cannot fully contribute to the organization in a strategic manner nor gain the support of managers in these areas.

A third barrier is that most senior managers lack appreciation for the value of HR and its ability to contribute to the organization from a strategic perspective. Many simply understand the traditional or operational function of HR and fail to realize the contributions HR can make as a strategic partner. Managers throughout the organization often see the HR function as providing unnecessary bureaucracy to their work and being more of an adversary than an ally. Their perception of HR is that it is inflexible and rules oriented—"You can't do this. You have to do that."—and that it delays their ability to do their jobs (taking time to get job descriptions written and approved, postings, delays, procedures). Although a key function of HR is ensuring compliance with laws that regulate the employment relationship, many managers see the HR function as detracting from their ability to do their jobs because of the perceived added administrative work required by HR.

A fourth barrier is that few functional managers see themselves as HR managers and are concerned more with the technical aspects of their areas of responsibility than the human aspects. Regardless of the function or technical specialty of a manager, any individual who has responsibility for people is an HR manager. Although a controller, chief financial officer, or information technology manager might not consider him or herself to be an HR manager, any individual responsible for the performance of other employees is, in fact, an HR manager. The role of HR as a strategic partner involves line managers assuming more responsibility for day-to-day operational issues, with HR providing internal support or assistance for employee relations rather than assuming full and sole responsibility for it.

A fifth barrier to strategic HR is the difficulty in quantifying many of the outcomes and benefits of HR programs. With competitive pressures making organizations more bottom–line oriented, programs that may not have any direct quantifiable benefit—such as team building—may be disregarded or shelved. Senior HR managers consistently find resistance toward resources being allocated to programs that have less tangible, measurable benefits than those that do.

Another barrier to strategic HR is the fact that human assets are not owned by organizations and, therefore, are perceived as a higher risk investment than capital assets. Particularly in highly competitive industries where key executives may be recruited from competitors, there is an incentive to invest less on employees than on technology and information, which are more proprietary. Organizations adopting this mindset fail to realize that it is the people who utilize the technology and information that provide an organization with stellar performance and a competitive advantage; investments in these individuals can be more critical than corresponding investments in technology and information. Although technology and information constantly need to be replaced because of depreciation in their value, an organization's HR hold their value and can have this value enhanced by minimal investments in them.

Finally, strategic HR may be resisted because of the incentives for change that might arise. Taking a strategic approach to HR may mean making drastic changes in how work is organized; how employees are hired, trained, and developed; how performance is measured; how employees are compensated; standards of performance; and relations between employees and supervisors and among employees themselves. Because people tend to be creatures of habit and enjoy maintaining the status quo—particularly older workers and those with less training and skills—organizations often find resistance to any change initiatives. Such significant changes can be very risky for those responsible for implementation if such efforts fail. An organization that "punishes" those responsible for unsuccessful change efforts, instead of looking at such endeavors as learning experiences, provides disincentives for change.

Exhibit (2.6) summarizes these barriers.

Exhibit (2.6): Barriers Of Strategic HRM

Barriers to Strategic HR

- Short-term mentality/focus on current performance
- Inability of HR to think strategically
- Lack of appreciation of what HR can contribute
- Failure to understand general manager's role as an HR manager
- Difficulty in quantifying many HR outcomes
- Perception of human assets as higher-risk investments
- Incentives for change that might arise

In Conclusion, Recognizing that a strategic approach to HR management needs to be undertaken within the context of a specific organization is paramount to successful implementation. Indeed, the key to achieving success is for HR managers to realize that strategic HR can provide three critical outcomes: increased performance, enhanced customer and employee satisfaction, and enhanced shareholder value, as outlined in Exhibit (2.7).

These outcomes can be accomplished through effective management of the staffing, retention, and turnover processes; selection of employees who fit with both the organizational strategy and culture; cost-effective utilization of employees through investment in identified human capital with the potential for high return; integrated HR programs and policies that clearly follow from corporate strategy; facilitation of change and adaptation through a flexible, more dynamic organization; and tighter focus on customer needs, key and emerging markets, and quality.

Exhibit (2.7): Outcomes Of Strategic HR

Case study: Not at the Table – Case Study – By Dr. Sarah J. Smith

Kate worked in an industry that employed 90% male to 10% female employees. The company did not attempt to avoid diversity and attract this high level of male to female workers. The majority of jobs were in manufacturing and required long hours during spring and fall. Most employees were expected to work outside during the heat of summer as well as add value when their jobs were located in the refrigerated warehouses. A Fortune 200 company, this organization operated 28 production plants across the continental US. Three HRPs at the corporate office were expected to provide support for all 28 production facilities, their employees, and the onsite management team. The plant manager at one of the largest facilities realized the level of support from the HRPs was less than it needed to be to support strategic goals and to build a culture of trust. The area plant employees and management team were fortunate to see one of the corporate HRPs once per year. The plant made a strategic decision: convert one of the full-time salary positions from production duties to provide for an HRP for this location alone. When Kate arrived for her first day as the newly hired HRP, neither her computer nor her phone extension was ready. The management team and employees wondered where their performance was lacking to justify hiring an onsite HRP. Thus, trust was low.

Management held deeply rooted paradigms about the HRPs importance onsite as well as what duties the HRP should fulfill. When the first management meeting was conducted in the board room, Kate was not invited. HR was not present around the large, oval strategy table. One long, thin sidewalk connected the warehouses and employee break room to the front office. Two workers could not walk side by side and the majority of employees were intimidated to make the walk up to the front office building which housed the management team. It wasn't' long until Kate realized this phenomenon. She did not feel trusted by some of the management team and she barely had a pulse on the employees' perceptions. Kate decided to park in the employee parking lot each day, versus the office lot, in order to network with employees. Upon arrival, she would see people who were leaving from third shift and arriving for first shift. Kate timed her workday so when she left the plant at the end of the day, she would see first shift employees as they went home and second shift employees as they arrived to begin their workday. It wasn't long until the employees began to feel more comfortable around Kate and the idea of having an HRP onsite. Kate ended up taking a notebook as she traveled through the plant because employees would voice questions and concerns. Despite her progress with the workforce, Kate never was invited to attend a management meeting, around the large oval table in the conference room.

1. How would you describe the employees' and managements' perceptions of the HRP function when Kate arrived?

2. Kate had the credentials and experience to be an effective HRP. However, before her arrival, payroll and employee life cycle data was input by someone in the office without HR knowledge and experience. Payroll errors were common and created frustration with the employees. Would you classify this situation as a barrier to strategic success? What could Kate do to restore trust about payroll with the employees?

3. The warehouse manager had a strong command and control leadership style, whereas the plant manager realized employees added value to the organization. Turnover in the warehouse area was high. Of the two leaders, which person would be best able to create high commitment and trust within the organization? Which barrier to strategic success does success does this situation illustrate?

Question for Chapter Two:

Multiple Choices Questions

Chose the right response for each question:

1. It is one of the four roles of SHRM: A. partner with senior and line managers in strategy execution B. expert in the way that work is organized and executed C. champion for employees, working to increase employee contribution and commitment to the organization **D. All of above is true**	**2.** the fact that many HR managers do not think strategically, given their segmented understanding of the entire business is A. **Barrier of SHRM** B. Basic of SHRM C. Principle of SHRM D. Concept of SHRM
3. In traditional Hr the responsibility for Hr is : A. Line managers **B. Staff specialists** C. Staff managers D. Line specialists	4. In strategic HR, the role of HR is A. Transactional change follower and respondent **B. Transformational change leader and initiator** C. A+B D. All of above is wrong

True & False Questions:

Phase	True or false
The role of HR management in organizations has been evolving dramatically in recent years	**true**
Taking a strategic approach to HR management did not involve abandoning the mindset and practices of "personnel management" and focusing more on strategic issues than traditional and operational issues	**false**
Traditional HR management involves the development of a consistent, aligned collection of practices, programs, and policies to facilitate the achievement of the organization's strategic objectives	**false**
The single-most important caveat of strategic HR management is that there is no one best way to manage people in any given organization	**true**

Essay Questions:

1. Count the major barriers of SHRM.
2. Compare between strategic & traditional HR.
3. What are the five specific competencies being displayed by HR.
4. The strategic role of HRM can be accomplished through four roles, count them.

References

1. Ashish Malik, Strategic Human Resource Management and Employment Relations : An International Perspective, Springer, 2018.
2. Cam Caldwell And Verl Anderson , Strategic Human Resource Management, Nova Science Publishers, Inc., New York, 2018.
3. Charles R. Greer, Strategic Human Resource Management, Pearson, 2003.
4. Gary Dessler, Fundamentals of Human Resource Management :What's New in Management, Pearson; 5 edition , 2018.
5. Gary Dessler, Human Resource Management, Pearson; 15 edition, 2016.
6. John Ingham, Strategic Human Capital Management : Creating Value through People, BH Elsevier, 2007.
7. John Storey, Dave Ulrich, and Patrick M. Wright, Strategic Human Resource Management : A Research Overview, Routledge, 2019.and Trevor Morrow
8. Lengnick-Hall, M. and Lengnick-Hall, C. Human Resource Management in the Knowledge Economy, San Francisco, CA: Berrett Koehler, 2003.
9. Lepak, D. P. and Snell, S. A. "Examining the Human Resource Architecture: The Relationships among Human Capital, Employment and Human Resource Configurations," Journal of Management, 28, (4), pp. 517–541.
10. Matthias T. Meifert, Strategic Human Resource Development Management, Springer, 2013.
11. Mello J.; Strategic Human Resource Management, Cengage Learning, 2018.
12. Michael Armstrong; Strategic Human Resource Management : A Guide to Action, Kogan Page US, 2008.

13. Mike Millmore, Philip Lewis, Mark Saunders, Adrian Thornhill, Strategic Human Resource Management : contemporary Issues, Pearson, 2007.
14. Scott Snell & Shad Morris & George W. Bohlander, Managing Human Resources, Cengage Learning; 18 edition , 2018.
15. وصفي عقيلي، عمر، إدارة الموارد البشرية المعاصرة : بعد استراتيجي، دار وائل للنشر، عمان، 2005.

Chapter Three: HR Strategies

What Are HR Strategies?

HR strategies set out what the organization intends to do about its human resource management policies and practices and how they should be integrated with the business strategy and each other. They are described as internally consistent bundles of human resource practices, and in other words, they provide a framework of critical ends and means. Another view point suggest that A strategy, whether it is an HR strategy or any other kind of management strategy, must have two key elements: there must be strategic objectives (things the strategy is supposed to achieve), and there must be a plan of action (the means by which it is proposed that the objectives will be met).

Because all organizations are different, all HR strategies are different. There is no such thing as a standard strategy, and research into HR strategy conducted several authors revealed many variations. Some strategies are simply very general declarations of intent. Others go into much more detail. But two basic types of HR strategies can be identified.

1) overall strategies such as high-performance working.
2) specific strategies relating to the different aspects of human resource management such as learning and development and reward.

The Purpose Of HR Strategies?

The purpose of HR strategies is to articulate what an organization intends to do about its human resource management policies and practices now and in the longer term, bearing in mind the dictum that business and managers should perform well in the present to succeed in the future. HR strategies may set out intentions and provide a sense of purpose and direction, but they are not just long-term plans. There is no great strategy, only great execution.

Overall HR Strategies

Overall strategies describe the general intentions of the organization about how people should be managed and developed and what steps should be taken to ensure that the organization can attract and retain the people it needs and ensure so far as possible that employees are committed, motivated and engaged. There are four categories of overall strategy:

1. An emergent, evolutionary and possibly unarticulated understanding of the required approach to human resource management. This will be influenced by the business strategy as it develops, the position of the organization in its life cycle, and the organizational configuration (prospector, defender or analyzer). It will also be affected by the views, experience and management style of the chief executive, senior managers and the head of HR, whose influence will depend on position and credibility.

2. Broad-brush statements of aims and purpose that set the scene for more specific strategies. They will be concerned with overall organizational effectiveness – achieving human resource advantage by employing better people in organizations with better process and generally creating a great place to work.

3. Specific and articulated plans to create bundles of HR practices and develop a coherent HR system.

4. The conscious introduction of overall approaches to human resource management such as high-performance management, high-involvement management and high-commitment management. These overlap to a certain extent.

High-Performance Management:

High-performance management aims to make an impact on the performance of the organization through its people in such areas as productivity, quality, levels of customer service, growth, profits and, ultimately, the delivery of increased shareholder value. High-performance management practices include rigorous recruitment and selection procedures, extensive and relevant training and management development activities, incentive pay systems and performance management processes. As a bundle, these practices are often called high-performance work systems (HPWS). This term is more frequently used than either high-involvement management or high-commitment management, although there is a degree of overlap between these approaches and an HPWS.

High-Involvement Management

The term high involvement was used by certain researchers to describe management systems based on commitment and involvement, as opposed to the old bureaucratic model based on control. The underlying hypothesis is that employees will increase their involvement with the company if they are given the opportunity to control and understand their work. This approach claimed that high-involvement practices worked well because they acted as a synergy and had a multiplicative effect. This approach involves treating employees as partners in the enterprise whose interests are respected and who have a voice on matters that concern them. It is concerned with communication and involvement. The aim is to create a climate in which a continuing dialogue between managers and the members of their teams takes place in order to define expectations and share information on the organization's mission, values and objectives. This establishes mutual understanding of what is to be achieved and a framework for managing and developing people to ensure that it will be achieved.

The practices included in a high-involvement system have sometimes expanded beyond this original concept and included high-performance practices. For example, High-involvement work practices are a specific set of human resource practices that focus on employee decision-making, power, access to information, training and incentives. As noted above, high-performance practices usually include relevant training and incentive pay systems.

Because the employees show high levels of motivation, commitment and organizational citizenship, they adopt better-performing behaviours, leading to lower absenteeism and turnover rates, increased productivity and higher levels of quality.

High-Commitment Management

One of the defining characteristics of HRM is its emphasis on the importance of enhancing mutual commitment. High-commitment management has been described as 'A form of management which is aimed at eliciting a commitment so that behaviour is primarily self-regulated rather than controlled by sanctions and pressures external to the individual, and relations within the organization are based on high levels of trust.

The approaches to achieving high commitment as described above are:

- the development of career ladders and emphasis on trainability and commitment as highly valued characteristics of employees at all levels in the organization.
- a high level of functional flexibility, with the abandonment of potentially rigid job descriptions.
- the reduction of hierarchies and the ending of status differentials.

- a heavy reliance on team structure for disseminating information (team-briefing), structuring work (team-working) and problem solving (quality circles).

  Another studies added to this list:
- job design as something management consciously does in order to provide jobs that have a considerable level of intrinsic satisfaction.
- a policy of no compulsory lay-offs or redundancies, and permanent employment guarantees, with the possible use of temporary workers to cushion fluctuations in the demand for labor.
- new forms of assessment and payment systems and, more specifically, merit pay and profit sharing.
- a high involvement of employees in the management of quality.

Specific HR Strategies

Specific HR strategies set out what the organization intends to do in areas such as:

– **Human Capital Management**: obtaining, analyzing and reporting on data, which inform the direction of value-adding people management strategic, investment and operational decisions.

– **High-Performance Management:** developing and implementing high-performance work systems.

– **Corporate Social Responsibility:** a commitment to managing the business ethically in order to make a positive impact on society and the environment.

– **Organization Development:** the planning and implementation of programmes designed to enhance the effectiveness with which an organization functions and responds to change.

- **Engagement:** the development and implementation of policies designed to increase the level of employees' engagement with their work and the organization.
- **Knowledge Management:** creating, acquiring, capturing, sharing and using knowledge to enhance learning and performance.
- **Resourcing:** attracting and retaining high-quality people.
- **Talent Management:** how the organization ensures that it has the talented people it needs to achieve success.
- **Learning And Development:** providing an environment in which employees are encouraged to learn and develop.
- **Reward:** defining what the organization wants to do in the longer term to develop and implement reward policies, practices and processes that will further the achievement of its business goals and meet the needs of its stakeholders;
- **Employee Relations:** defining the intentions of the organization about what needs to be done and what needs to be changed in the ways in which the organization manages its relationships with employees and their trade unions.

We propose some examples of specific HR strategies in the following lines:

- Implement the rewards strategy of the Society to support the corporate plan and secure the recruitment, retention and motivation of staff to deliver its business objectives.
- Manage the development of the human resources information system to secure productivity improvements in administrative processes.
- Introduce improved performance management processes for managers and staff of the Society.
- Implement training and development which supports the business objectives of the Society and improves the quality of work with children and young people.

Criteria For An Effective HR Strategy

An effective HR strategy is one that works in the sense that it achieves what it sets out to achieve. In particular, it:

- will satisfy business needs.
- will be founded on detailed analysis and study, not just wishful thinking.
- can be turned into actionable programmes that anticipate implementation requirements and problems.
- is coherent and integrated, being composed of components that fit with and support each other.
- takes account of the needs of line managers and employees generally as well as those of the organization and its other stakeholders.

A good strategy is one which actually makes people feel valued. It makes them knowledgeable about the organization and makes them feel clear about where they sit as a group, or team, or individual. It must show them how what they do either together or individually fits into that strategy. Importantly, it should indicate how people are going to be rewarded for their contribution and how they might be developed and grow in the organization.

Development of HR Strategies

When considering approaches to the formulation of HR strategy it is necessary to underline the interactive relationship between business strategy and HRM, as have some studies that emphasize the limits of excessively rationalistic models of strategic and HR planning. The process by which strategies come to be realized is not only through formal HR policies or written directions: strategy realization can also come from actions by managers and others. Since actions provoke reactions (acceptance, confrontation, negotiation etc) these reactions are also part of the strategy process.

Perhaps the best way to look at the reality of HR strategy formulation is to remember Mintzberg et al (1988) statement that strategy formulation is about preferences, choices, and matches rather than an exercise in applied logic. It is also desirable to follow Mintzberg's analysis and treat HR strategy as a perspective rather than a rigorous procedure for mapping the future. Another author has suggested that Mintzberg has looked inside the organization, indeed inside the heads of the collective strategists, and come to the conclusion that, relative to the organization, strategy is analogous to the personality of an individual. As Mintzberg sees them, all strategies exist in the minds of those people they make an impact upon. What is important is that people in the organization share the same perspective 'through their intentions and/or by their actions. This is what Mintzberg calls the collective mind, and reading that mind is essential if we are going to understand how intentions become shared, and how action comes to be exercised on a collective yet consistent basis.

Formulating HR strategy

Literature in strategic HRM has drawn up the following propositions about the formulation of HR strategy:

- The strategy formation process is complex, and excessively rationalistic models that advocate formalistic linkages between strategic planning and HR planning are not particularly helpful to our understanding of it.
- Business strategy may be an important influence on HR strategy but it is only one of several factors.

- Implicit (if not explicit) in the mix of factors that influence the shape of HR strategies is a set of historical compromises and trade-offs from stakeholders.

It is also necessary to stress that coherent and integrated HR strategies are only likely to be developed if the top team understands and acts upon the strategic imperatives associated with the employment, development and engagement of people. This will be achieved more effectively if there is an HR director who is playing an active and respected role as a member of the top management team. A further consideration is that the effective implementation of HR strategies depends on the involvement, commitment and cooperation of line managers and staff generally. Finally, there is too often a wide gap between the rhetoric of strategic HRM and the reality of its impact. Good intentions can too easily be subverted by the harsh realities of organizational life. For example, strategic objectives such as increasing commitment by providing more security and offering training to increase employability may have to be abandoned or at least modified because of the short-term demands made on the business to increase shareholder value.

Schools of strategy development

Purcell (2001) (cited in Armstrong, 2008) has identified three main schools of strategy development: the **design school**, **the process school** and the **configuration school**.

The design school is based on the assumption of economic rationality. It uses quantitative rather than qualitative tools of analysis and focuses on market opportunities and threats. What happens inside the company is mere administration or operations.

The process school adopts a variety of approaches and is concerned with how strategies are made and what influences strategy formulation. It is much more a study of what actually happens with explanations coming from experience rather than deductive theory. As Purcell suggests, the implication of the design concept is that ‘everything is possible’ while that of the process school is that ‘little can be done except swim with the tide of events’.

The configuration school draws attention to the beliefs that, first, strategies vary according to the life cycle of the organization, second, they will be contingent on the sector of the organization and, third, they will be about change and transformation. The focus is on implementation strategies, which is where Purcell thinks HR can play a major role.

Levels of strategic decision making

Ideally, the formulation of HR strategies is conceived as a process that is closely aligned to the formulation of business strategies. HR strategy can influence as well as be influenced by business strategy.

Research conducted by Wright et al (2004) identified two approaches that can be adopted by HR to strategy formulation: the inside-out approach and the outside-in approach. They made the following observations about the HR–strategy linkage:

At the extreme, the ‘inside-out’ approach begins with the status quo HR function (in terms of skills, processes, technologies etc) and then attempts (with varying degrees of success) to identify linkages to the business (usually through focusing on ‘people issues’), making minor adjustments to HR activities along the way. On the other hand, a few firms have made a Para-dynamic shift to build their HR strategies from the starting point of the business. Within these ‘outside-in’ HR functions, the starting point is the business, including the customer, competitor and business issues they face. The HR strategy then derives directly from these challenges to create real solutions and add real value.

They made the point that the most advanced linkage was the integrative linkage in which the senior HR executive was part of the top management team, and was able to sit at the table and contribute during development of the business strategy'.

In reality, however, HR strategies are more likely to flow from business strategies, which will be dominated by product/market and financial considerations. But there is still room for HR to make a useful, even essential, contribution at the stage when business strategies are conceived, for example by focusing on resource issues. This contribution may be more significant if strategy formulation is an emergent or evolutionary process – HR strategic issues will then be dealt with as they arise during the course of formulating and implementing the corporate strategy.

It can indeed be argued that HR strategies, like other functional strategies such as product development, manufacturing and the introduction of new technology, will be developed within the context of the overall business strategy, but this need not imply that HR strategies come third in the pecking order.

Strategic options and choices

The process of developing HR strategies involves generating strategic HRM options and then making appropriate strategic choices. It has been noted by literature that the choice of practices that an employer pursues is heavily contingent on a number of factors at the organizational level, including their own business and production strategies, support of HR policies, and cooperative labour relations.

Choices should relate to but also anticipate the critical needs of the business. They should be founded on detailed analysis and study, not just wishful thinking, and should incorporate the experienced and collective judgement of top management about the organizational requirements while also taking into account the needs of line managers and employees generally. The emerging strategies should anticipate the problems of implementation that may arise if line managers are not committed to the strategy and/or lack the skills and time to play their part, and the strategies should be capable of being turned into actionable programmes. Consideration needs to be given to the impact of the five forces on HR policy choice identified by certain researchers:

- the external environment (social, political, legal and economic);
- the workforce;
- the organization's culture;
- the organization's strategy;
- the technology of production and organization of work.

Developing HR Strategies

Five fundamental questions that need to be asked in formulating HR strategies have been posed by Becker and Huselid (1998):

- What are the firm's strategic objectives?
- How are these translated into unit objectives?
- What do unit managers consider are the 'performance drivers' of those objectives?
- How do the skills, motivation and structure of the firm's workforce influence these performance drivers?
- How does the HR system influence the skills, motivation and structure of the workforce?

In addition, the following six-step approach is proposed by Gratton (2000):

- Build the guiding coalition – involve people from all parts of the business.
- Image the future – create a shared vision of areas of strategic importance.

– Understand current capabilities and identify the gap – establish 'where the organization is now and the gap between aspirations for the future and the reality of the present'.
– Create a map of the system and ensure that the parts can be built into a meaningful whole.
– Model the dynamics of the system – ensure that the dynamic nature of the future is taken into account.
– Bridge into action – agree the broad themes for action and the specific issues related to those themes, develop guiding principles, involve line managers and create cross-functional teams to identify goals and performance indicators.

But many different routes may be followed when formulating HR strategies – there is no one right way. On the basis of their research in 30 well-known companies, Tyson and Witcher (1994) (cited in Armstrong, 2008) commented that 'The different approaches to strategy formation reflect different ways to manage change and different ways to bring the people part of the business into line with business goals.'

A methodology for formulating HR strategies

A methodology for formulating HR strategies was developed by Dyer and Holder (1988) as following phases:

1. Assess feasibility. From an HR point of view, feasibility depends on whether the numbers and types of key people required to make the proposal succeed can be obtained on a timely basis and at a reasonable cost, and whether the behavioural expectations assumed by the strategy are realistic.
2. Determine desirability. Examine the implications of strategy in terms of sacrosanct HR policies.
3. Determine goals. These indicate the main issues to be worked on and they derive primarily

from the content of the business strategy. For example, a strategy to become a lower-cost producer would require the reduction of labour costs. This in turn translates into two types of HR goals: higher performance standards (contribution) and reduced headcounts (composition).

4. Decide means of achieving goals. The general rule is that the closer the external and internal fit, the better the strategy, consistent with the need to adapt flexibly to change. External fit refers to the degree of consistency between HR goals on the one hand and the exigencies of the underlying business strategy and relevant environmental conditions on the other. Internal fit measures the extent to which HR means follow from the HR goals and other relevant environmental conditions, as well as the degree of coherency or synergy among the various HR means.

Setting out the HR strategy

There is no standard model of how an HR strategy should be set out. It all depends on the circumstances of the organization. But the following are the typical areas that may be covered in a written strategy:

1. Basis:

- business needs in terms of the key elements of the business strategy;
- environmental factors and analysis (SWOT);
- cultural factors: possible helps or hindrances to implementation.

2. Content: details of the proposed HR strategy.

3. Rationale: the business case for the strategy against the background of business needs and environmental/cultural factors.

4. Implementation plan:

- action programme;
- responsibility for each stage;
- resources required;
- proposed arrangements for communication, consultation, involvement and training;
- project management arrangements.

5. Costs and benefits analysis: an assessment of the resource implications of the plan (costs, people and facilities) and the benefits that will accrue, for the organization as a whole, for line managers and for individual employees (so far as possible these benefits should be quantified in terms of return on investment or value added).

Implementing HR Strategies

Because strategies tend to be expressed as abstractions, they must be translated into programmes with clearly stated objectives and deliverables. It is necessary to avoid saying, in effect, We need to get from here to there but we don't care how. But getting strategies into action is not easy.

The term strategic HRM has been devalued in some quarters, sometimes to mean no more than a few generalized ideas about HR policies and at other times to describe a short-term plan, for example to increase the retention rate of graduates. It must be emphasized that HR strategies are not just programmes, policies or plans concerning HR issues that the HR department happens to feel are important. Piecemeal initiatives do not constitute strategy.

The problem with strategic HRM as noted by Gratton et al (1999) is that too often there is a gap between what the strategy states will be achieved and what actually happens to it. The factors identified by Gratton et al that contribute to creating this gap included:

- the tendency of employees in diverse organizations only to accept initiatives they perceive to be relevant to their own areas;
- the tendency of long-serving employees to adhere to the status quo;
- complex or ambiguous initiatives may not be understood by employees or will be perceived differently by them, especially in large, diverse organizations;
- it is more difficult to gain acceptance of non-routine initiatives;
- employees will be hostile to initiatives if the initiatives are believed to be in conflict with the organization's identity;
- the initiative is seen as a threat;
- inconsistencies between corporate strategies and values;
- the extent to which senior management is trusted;
- the perceived fairness of the initiative;
- the extent to which existing processes could help to embed the initiative;
- a bureaucratic culture that leads to inertia.

Barriers To The Implementation Of HR Strategies

Each of the factors listed by Gratton et al can create barriers to the successful implementation of HR strategies. Other major barriers include failure to understand the strategic needs of the business, 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. These problems are compounded when insufficient attention is paid to practical implementation problems, the important role of line managers in implementing strategies and the need to have established supporting processes for the initiative.

To overcome these barriers it is necessary to:

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

HR strategies

We will propose the major HR Strategies in the following paragraphs:

Human capital management strategy

Human capital management (HCM) is concerned with obtaining, analyzing and reporting on data that inform the direction of value-adding people management strategy. An HCM strategy is therefore closely associated with strategic HRM.

The defining characteristic of HCM is the use of metrics to guide an approach to managing people that regards them as assets. It emphasizes that competitive advantage is achieved by strategic investments in those assets through employee engagement and retention, talent management and learning and development programmes. HCM provides a bridge between HR and business strategy.

The Accounting for People Task Force report (2003) stated that HCM involves the systematic analysis, measurement and evaluation of how people policies and practices create value. The report defined HCM as 'an approach to people management that treats it as a high level strategic issue rather than an operational matter to be left to the HR people'. The task force expressed the view that HCM has been under-exploited as a way of gaining competitive edge. As John Sunderland, task force member and executive chairman of Cadbury Schweppes plc, commented, 'An organization's success is the product of its people's competence. That link between people and performance should be made visible and available to all stakeholders.'

Nalbantian et al (2004) 9cited in Armstrong, 2008) highlight the purposeful measurement aspect of HCM. They define human capital as the 'stock of accumulated knowledge, skills, experience, creativity and other relevant workforce attributes' and suggest that human capital management involves 'putting into place the metrics to measure the value of these attributes and using that knowledge to effectively manage the organization'.

HCM is sometimes defined more broadly without the emphasis on measurement, and this approach makes it almost indistinguishable from strategic HRM. Chatzkel (2004) states that 'Human capital management is an integrated effort to manage and develop human capabilities to achieve significantly higher levels of performance.' Another author describes HCM as the 'total development of human potential expressed as organizational value'. He believes that 'HCM is about creating value through people' and that it is 'a people development philosophy, but the only development that means anything is that which is translated into value'.

Aims Of Human Capital Management

The four fundamental objectives of HCM are:

- to determine the impact of people on the business and their contribution to value;

- to demonstrate that HR practices produce value for money in terms, for example, of return on investment;
- to provide guidance on future HR and business strategies;
- to provide data that will inform strategies and practices designed to improve the effectiveness of people management in the organization.

The Link Between HCM And Business Strategy

It is often asserted that HCM and business strategy are closely linked. The issue is to determine what this link is and how to make it work. A bland statement that HCM informs HR strategy, which in turn informs business strategy, tells us nothing about what is involved in practice. If we are not careful we are saying no more than that all business strategic plans for innovation, growth and price/cost leadership depend on people for their implementation.

This is not a particularly profound or revealing statement and is in the same category as the discredited cliché 'Our people are our greatest asset.' We must try to be more specific; otherwise we are only doing things –more training, succession planning, performance management, performance-related pay and so on – in the hope rather than the expectation that they will improve business results.

One way of being more specific is to use HCM assessments of the impact of HR practices on performance to justify these practices and improve the likelihood that they will work. The future of HCM as a strategic management process largely depends on getting this done.

A second way of specifying the link is to explore in more detail the people implications of business strategy and, conversely, the business implications of HR strategy. This can be done by analysing the elements of the business strategy and the business drivers and deciding on the HR supporting activities and HCM data required, as illustrated in Table (3.1) below.

A third, and potentially the most productive way of linking HR and business strategy, is to relate business results to HR practices to determine how they can best contribute to improving performance.

Table 3.1 Analysis of business strategy and business drivers

	Content	HR Supporting Activities	Supporting Data Required
Business Strategy	Growth – revenue, profit. Maximize shareholder value. Growth through acquisitions or mergers. Growth in production or servicing facilities. Product development. Market development. Price/cost leadership.	Human resource planning. Talent management. Skills development. Targeted recruitment. Retention policies. Leadership development.	Workforce composition. Attrition rates. Skills audit. Outcome of recruitment campaigns. Learning and development activity levels. Outcome of leadership surveys.
Business Drivers	Innovation. Maximize added value. Productivity. Customer service. Quality. Satisfy stakeholders – investors, shareholders, employees, elected representatives.	Talent management. Skills development. Total reward management. Performance management. Develop high-performance working. Enhance motivation, engagement and commitment. Leadership development.	Balanced scorecard data. Added-value ratios (eg added value per employee, added value per pound of employment cost). Productivity ratios (eg sales revenue per employee, units produced or serviced per employee). Outcomes of general employee opinion survey and other surveys covering engagement and commitment, leadership, reward management and performance management. Analysis of competence level assessments. Analysis of performance management assessments. Analysis of customer surveys. Analysis of outcomes of total quality programmes. Return on investment from training activities. Internal promotion rate. Succession planning coverage.

Developing A Human Capital Management Strategy

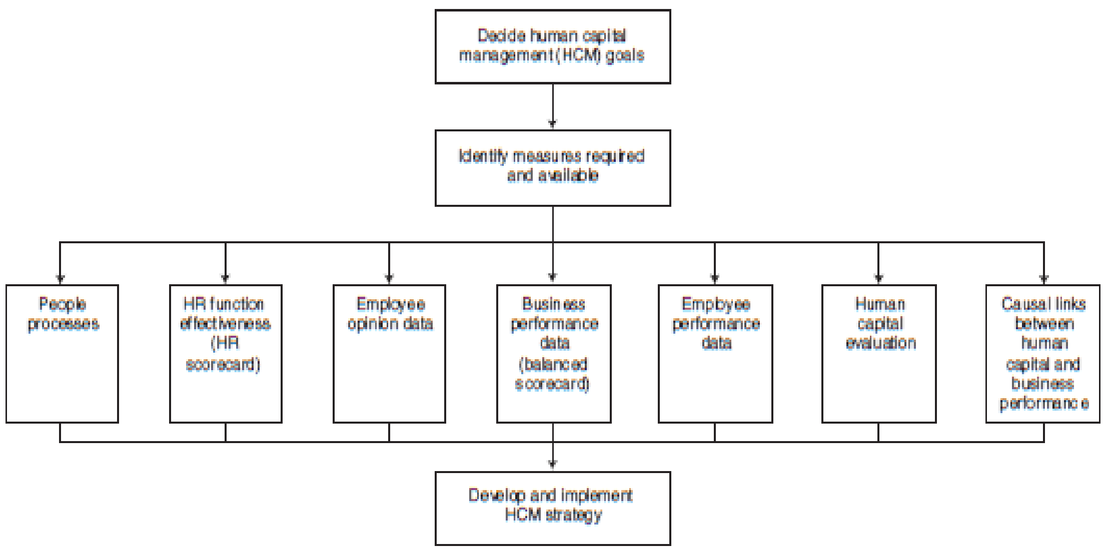
The programme for introducing human capital management is illustrated in Figure 3.1.

The development programme starts with a definition of the aims of the strategy, for example to:

- obtain, analyse and report on data that inform the direction of HR strategies and processes;
- inform the development of business strategy;
- use measurements to prove that superior HRM strategies and processes deliver superior results;
- reinforce the belief that HRM strategies and processes create value through people;
- determine the impact of people on business results;
- assess the value of the organization's human capital;
- improve the effectiveness of HR;
- provide data on the performance of the organization's human capital for the operating and financial report;
- demonstrate that HR processes provide value for money.

The programme continues with the identification of possible measures and how they can be used. The analysis of possible measures leads to the development of a strategy for introducing and using them. It is often best to start with information that is readily available and extend the range of data as experience is gained. And it is important to remember that it is the quality of the information that counts, not the quantity.

Figure 3.1 programme for introducing human capital management



The Role Of Human Capital Management Strategy

The whole area of human capital management presents both an opportunity and a challenge: an opportunity to recognize people as an asset that contributes directly to organizational performance, and a challenge to develop the skills necessary to identify, analyse and communicate that contribution and ensure it is recognized in business decision making. By developing strategies to generate better and more accurate information on human capital and communicating this information both internally and externally, organizations will not only improve their business decision making but also enable stakeholders to make more accurate assessments about the long-term future performance of the organization. There is evidence of a growing demand, from the investment community in particular, for better information to explain intangible value. Many organizations are beginning to understand that, in an increasingly knowledge intensive environment, the key to good management lies in understanding the levers that can be manipulated to change employee behaviour and develop commitment and engagement. This in turn encourages individuals to deliver discretionary behaviour or willingly share their knowledge and skills to achieve organizational goals.

A human capital management strategy that includes the systematic collection and analysis of human capital data can help managers to begin to understand factors that will have a direct impact on the people they manage. It can also help executives to understand and identify areas in which there are issues regarding the effective management of staff and to design management development programmes to address these.

High-performance strategy

A high-performance strategy sets out the intentions of the organization on how it can achieve competitive advantage by improving performance through people. The aim is to support the achievement of the organization's strategic objectives. This aim can be put into effect by means of high-performance work systems (HPWS). Becker et al (2001) have stated that the aim of such systems is to develop a high-performance perspective in which HR managers and other executives view HR as a system embedded within the larger system of the firm's strategy implementation.

High-performance work systems are also known as high-performance work practices. Thompson and Heron (2005) refer to them as high-performance work organizations, which invest in the skills and abilities of employees, design work in ways that enable employee collaboration in problem-solving, and provide incentives to motivate workers to use their discretionary effort. There is much common ground between the practices included in high-performance, high-commitment and high-involvement work systems.

High-Performance Work System Definition

As defined by Appelbaum et al (2000), high-performance work systems are composed of practices that can facilitate employee involvement, skill enhancement and motivation. Research conducted by Armitage and Keeble-Allen (2007) indicated that people management basics formed the foundation of high-performance working. They identified three themes underpinning the HPWS concept:

- an open and creative culture that is people-centered and inclusive, where decision taking is communicated and shared through the organization;
- investment in people through education and training, loyalty, inclusiveness and flexible working;
- measurable performance outcomes such as benchmarking and setting targets, as well as innovation through processes and best practice.

Sung and Ashton (2005) defined what they call high-performance work practices as a set of 35 complementary work practices covering three broad areas: high-employee-involvement work practices, human resource practices, and reward and commitment practices. They refer to them as ‘bundles’ of practices.

Characteristics Of A High-Performance Work System

A high-performance work system is described by Becker and Huselid (1998) as an internally consistent and coherent HRM system that is focused on solving operational problems and implementing the firm’s competitive strategy. They suggest that such a system is the key to the acquisition, motivation and development of the underlying intellectual assets that can be a source of sustained competitive advantage. This is because it:

- links the firm's selection and promotion decisions to validated competency models;
- develops strategies that provide timely and effective support for the skills demanded by the firm's strategy implementation;
- enacts compensation and performance management policies that attract, retain and motivate high-performance employees.

As described by Appelbaum et al (2000) an HPWS is generally associated with workshop practices that raise the levels of trust within workplaces and increase workers' intrinsic reward from work, and thereby enhance organizational commitment.

Nadler and Gerstein (1992) have characterized an HPWS as a way of thinking about organizations. It can play an important role in strategic human resource management by helping to achieve a fit between information, technology, people and work.

Components Of An HPWS

Descriptions of high-performance systems include lists of desirable practices and therefore embody the notion of best practice or the universalistic approach. Lists vary considerably, as is shown in the selection set out in Table 3.2. Indeed, it is noted that research has not clearly identified any single set of high-performance practices. And It would be wrong to seek one magic list. It all depends on the context.

However, Ashton and Sung (2002) noted that the practices may be more effective when they are grouped together in bundles. For example, the isolated use of quality circles is not as effective as when the practice is supported by wider employee involvement or empowerment practices.

Table 3.2 Lists of HR practices in high-performance work systems

US Department of Labor (1993)	Appelbaum *et al* (2000)	Sung and Ashton (2005)	Thompson and Heron (2005)
Careful and extensive systems for recruitment, selection and training. Formal systems for sharing information with employees. Clear job design. High-level participation processes. Monitoring of attitudes. Performance appraisals. Properly functioning grievance procedures. Promotion and compensation schemes that provide for the recognition and reward of high-performing employees.	Work is organized to permit front-line workers to participate in decisions that alter organizational routines. Workers require more skills to do their jobs successfully, and many of these skills are firm-specific. Workers experience greater autonomy over their job tasks and methods of work. Incentive pay motivates workers to extend extra effort on developing skills. Employment security provides front-line workers with a long-term stake in the company and a reason to invest in its future.	High-involvement work practices, eg self-directed teams, quality circles, and sharing of or access to company information. Human resource practices, eg sophisticated recruitment processes, performance appraisals, work redesign and mentoring. Reward and commitment practices, eg various financial rewards, family-friendly policies, job rotation and flexi-hours.	Information sharing. Sophisticated recruitment. Formal induction programme. Five or more days of off-the-job training in the last year. Semi- or totally autonomous work teams; continuous improvement teams; problem-solving groups. Interpersonal skill development. Performance feedback. Involvement – works council, suggestion scheme, opinion survey. Team-based rewards, employee share ownership scheme, profit-sharing scheme.

Developing A High-Performance Strategy

A high-performance strategy has to be aligned to the context of the organization and to its business strategy. Every organization will therefore develop a different strategy. A high-performance strategy is focused on what needs to be done to reach the organization's goals. The aim is to create and maintain a high-performance culture. The approach to development is therefore based on an understanding of what those goals are and how people can contribute to their achievement, and on assessing what type of performance culture is required as a basis for developing a high-performance work system.

The literature noted certain characteristics of a high-performance culture which are:

- a clear line of sight exists between the strategic aims of the organization and those of its departments and its staff at all levels;

- people know what is expected of them – they understand their goals and accountabilities;
- people feel that their job is worth doing, and there is a strong fit between the job and their capabilities;
- people are empowered to maximize their contribution;
- management defines what it requires in the shape of performance improvements, sets goals for success and monitors performance to ensure that the goals are achieved;
- there is strong leadership from the top, which engenders a shared belief in the importance of continuing improvement;
- there is a focus on promoting positive attitudes that result in an engaged, committed and motivated workforce;
- performance management processes are aligned to business goals to ensure that people are engaged in achieving agreed objectives and standards;
- capacities of people are developed through learning at all levels to support performance improvement and people are provided with opportunities to make full use of their skills and abilities;
- a pool of talent ensures a continuous supply of high performers in key roles;
- people are valued and rewarded according to their contribution;
- people are involved in developing high-performance practices;
- there is a climate of trust and teamwork, aimed at delivering a distinctive service to the customer.

We can say that High-performance work systems provide the means for creating a performance culture. They embody ways of thinking about performance in organizations and how it can be improved. They are concerned with developing and implementing bundles of complementary practices that as an integrated whole will make a much more powerful impact on performance than if they were dealt with as separate entities.

The development of a high-performance work system requires the following steps:

1. Analyse the business strategy:
    - Where is the business going?
    - What are the strengths and weaknesses of the business?
    - What threats and opportunities face the business?
    - What are the implications of the above on the type of people required by the business, now and in the future?
    - To what extent does (can) the business obtain competitive advantage through people?
2. Define the desired performance culture of the business and the objectives of the exercise.
3. Analyse the existing arrangements.
    - What is happening now in the form of practices, attitudes and behaviours
    - what do we want people to do differently?
    - What should be happening?
    - What do people feel about it (the more involvement in this analysis from all stakeholders the better)?
4. Identify the gaps between what is and what should be. Clarify specific practices where there is considerable room for improvement.
5. Draw up a list of practices that need to be introduced or improved. At this stage only a

broad definition should be produced of what ideally needs to be done.

6. Establish complementarities. Identify the practices that can be linked together in bundles in order to complement and support one another.

7. Assess practicality. The ideal list of practices, or preferably bundles of practices, should be subjected to a reality check:

- Is it worth doing? What's the business case in terms of added value? What contribution will it make to supporting the achievement of the organization's strategic goals?
- Can it be done?
- Who does it?
- Have we the resources to do it?
- How do we manage the change?

8. Prioritize. In the light of the assessment of practicalities, we should decide on the priorities that should be given to introducing new or improved practices. A realistic approach is essential. There will be a limit on how much can be done at once or any future time. Priorities should be established by assessing:

- the added value the practice will create;
- the availability of the resources required;
- anticipated problems in introducing the practice, including resistance to change by stakeholders (too much should not be made of this: change can be managed, but there is much to be said for achieving some quick wins);
- the extent to which practices can form bundles of mutually supporting practices.

9. Define project objectives. Develop the broad statement of objectives produced at stage 2

and define what is to be achieved, why and how.

10. Get buy-in. This should start at the top with the chief executive and members of the senior management team, but so far as possible it should extend to all the other.

11. Plan the implementation. This is where things become difficult. Deciding what needs to be done is fairly easy; getting it done is the hard part. The implementation plan needs to cover:

- who takes the lead: this must come from the top of the organization;
- nothing will work without it;
- who manages the project and who else is involved;
- the timetable for development and introduction;
- the resources (people and money required);
- how the change programme will be managed, including communication and further consultation;
- the success criteria for the project.

12. Implement. Too often, 80 per cent of the time spent on introducing an HPWS is spent on planning and only 20 per cent on implementation. It should be the other way round. Whoever is responsible for implementation must have very considerable project and change management skills.

Employee resourcing strategy

Employee resourcing strategy is concerned with ensuring that the organization obtains and retains the people it needs and employs them efficiently. It is a key part of the strategic human resource management process, which is fundamentally about matching human resources to the strategic and operational needs of the organization and ensuring the full utilization of those resources. It is concerned not only with obtaining and keeping the number and quality of staff required but also with selecting and promoting people who fit the culture and the strategic requirements of the organization.

The Objective Of Employee Resourcing Strategy

The objective of employee resourcing strategy is to obtain the right basic material in the form of a workforce endowed with the appropriate qualities, skills, knowledge and potential for future training. The selection and recruitment of workers best suited to meeting the needs of the organization ought to form a core activity upon which most other HRM policies geared towards development and motivation could be built.

The concept that the strategic capability of a firm depends on its resource capability in the shape of people (the resource-based view) provides the rationale for resourcing strategy. The aim of this strategy is therefore to ensure that a firm achieves competitive advantage by employing more capable people than its rivals. These people will have a wider and deeper range of skills and will behave in ways that will maximize their contribution.

The organization attracts such people by being the employer of choice. It retains them by providing better opportunities and rewards than others and by developing a positive psychological contract that increases commitment and creates mutual trust. Furthermore, the organization deploys its people in ways that maximize the added value they supply.

The Strategic HRM Approach To Resourcing

HRM places more emphasis than traditional personnel management on finding people whose attitudes and behaviour are likely to be congruent with what management believes to be appropriate and conducive to success. In the words of a study in the field, organizations are concentrating more on the attitudinal and behavioural characteristics of employees. This tendency has its dangers. If managers recruit people in their own image there is the risk of staffing the organization with conformist clones and of perpetuating a dysfunctional culture – one that may have been successful in the past but is no longer appropriate in the face of new challenges.

The HRM approach to resourcing therefore emphasizes that matching resources to organizational requirements does not simply mean maintaining the status quo and perpetuating a declining culture. It can and often does mean radical changes in thinking about the skills and behaviours required in the future to achieve sustainable growth and cultural change.

Integrating Business And Resourcing Strategies

The philosophy behind the strategic HRM approach to resourcing is that it is people who implement the strategic plan. The integration of business and resourcing strategies is based on an understanding of the direction in which the organization is going and the determination of:

- the numbers of people required to meet business needs;
- the skills and behaviour required to support the achievement of business strategies;
- the impact of organizational restructuring as a result of rationalization, decentralization, acquisitions, mergers, product or market development, or the introduction of new technology, for example cellular manufacturing;
- plans for changing the culture of the organization in such areas as ability to deliver, performance standards, quality, customer service, team-working and flexibility, which indicate the need for people with different attitudes, beliefs and personal characteristics.

Resourcing strategies exist to provide the people and skills required to support the business strategy, but they should also contribute to the formulation of that strategy. HR directors have an obligation to point out to their colleagues the human resource opportunities and constraints that will affect the achievement of strategic plans. In mergers or acquisitions, for example, the ability of management within the company to handle the new situation and the quality of management in the new business will be important considerations.

Bundling Resourcing Strategies And Activities

Employee resourcing is not just about recruitment and selection. It is concerned with any means available to meet the needs of the firm for certain skills and behaviours. A strategy to enlarge the skill base may start with recruitment and selection but would also extend into learning and development to enhance skills and modify behaviours, and methods of rewarding people for the acquisition of extra skills. Performance management processes can be used to identify development needs and motivate people to make the most effective use of their skills. Competence frameworks and profiles can be prepared to define the skills and behaviours required and used in selection, employee development and employee reward processes. The aim should be to develop a reinforcing bundle of strategies along these lines. Talent management is a bundling process, which is an aspect of resourcing.

The Components Of Employee Resourcing Strategy

The components of employee resourcing strategy as considered in the variety of researches in the field are:

- Human resource planning (often referred to, especially in the public sector, as workforce planning) – assessing future business needs and deciding on the numbers and types of people required.
- Developing the organization's employee value proposition and its employer brand.
- Resourcing plans – preparing plans for finding people from within the organization and/or for learning and development programmes to help people learn new skills. If needs cannot

be satisfied from within the organization, it involves preparing longer-term plans for ensuring that recruitment and selection processes will satisfy them.

- Retention strategy – preparing plans for retaining the people the organization needs.
- Flexibility strategy – planning for increased flexibility in the use of human resources to enable the organization to make the best use of people and adapt quickly to changing circumstances.
- Talent management strategy – ensuring that the organization has the talented people it requires to provide for management succession and meet present and future business needs

Developing A Talent Management Strategy

A talent management strategy consists of a view on how the processes described above should interconnect together with an overall objective – to acquire and nurture talent wherever it is and wherever it is needed by using a number of interdependent policies and practices. The literature indicted the Components of a talent management strategy that involves:

- defining who the talent management programme should cover;
- defining what is meant by talent in terms of competencies and potential;
- defining the future talent requirements of the organization;
- developing the organization as an employer of choice – a 'great place to work';
- using selection and recruitment procedures that ensure that good-quality people are recruited who are likely to succeed in the organization and stay with it for a reasonable length of time (but not necessarily for life);
- designing jobs and developing roles that give people opportunities to apply and grow their skills and provide them with autonomy, interest and challenge;

- providing talented staff with opportunities for career development and growth;

Learning and development strategy

Learning and development strategies enable activities to be planned and implemented that ensure that the organization has the talented and skilled people it needs and that individuals are given the opportunity to enhance their knowledge and skills and levels of competency. They are the active components of an overall approach to strategic human resources development (strategic HRD). Learning and development strategies are concerned with developing a learning culture, promoting organizational learning, establishing a learning organization and providing for individual learning.

Strategies For Creating A Learning Culture

A learning culture is one in which learning is recognized by top management, line managers and employees generally as an essential organizational process to which they are committed and in which they engage continuously. It is described by researchers as a 'growth medium' that will encourage employees to commit to a range of positive discretionary behaviours, including learning and that has the following characteristics: empowerment not supervision, self-managed learning not instruction, long-term capacity building not short-term fixes. Discretionary learning happens when individuals actively seek to acquire the knowledge and skills that promote the organization's objectives.

The steps required to create a learning culture as proposed are:

- Develop and share the vision – belief in a desired and emerging future.
- Empower employees – provide supported autonomy: freedom for employees to manage their work within certain boundaries (policies and expected behaviours) but with support available as required. Adopt a facilitative style of management in which responsibility for decision making is ceded as far as possible to employees.

- Provide employees with a supportive learning environment where learning capabilities can be discovered and applied, supportive policies and systems, and protected time for learning.
- Use coaching techniques to draw out the talents of others by encouraging employees to identify options and seek their own solutions to problems.
- Guide employees through their work challenges and provide them with time, resources and, crucially, feedback.
- Encourage networks – communities of practice.
- Align systems to vision – get rid of bureaucratic systems that produce problems rather than facilitate work.

Organizational Learning Strategies

Organizations can be described as continuous learning systems, and organizational learning has been defined by certain researchers as a process of coordinated systems change, with mechanisms built in for individuals and groups to access, build and use organizational memory, structure and culture to develop long-term organizational capacity'.

Organizational learning strategy aims to develop a firm's resource-based capability. This is in accordance with one of the principles of human resource management, namely that it is necessary to invest in people in order to develop the human capital required by the organization and to increase its stock of knowledge and skills. As stated in other studies, human capital theory indicates that The knowledge and skills a worker has –which comes from education and training, including the training that experience brings – generate a certain stock of productive capital.

Five principles of organizational learning have been defined:

- The need for a powerful and cohering vision of the organization to be communicated and maintained across the workforce in order to promote awareness of the need for strategic thinking at all levels.
- The need to develop strategy in the context of a vision that is not only powerful but also open-ended and unambiguous. This will encourage a search for a wide range of strategic options, will promote lateral thinking and will orient the knowledge-creating activities of employees.
- Within the framework of vision and goals, frequent dialogue, communication and conversations are major facilitators of organizational learning.
- It is essential continuously to challenge people to re-examine what they take for granted.
- It is essential to develop a conducive learning and innovation climate.

Learning Organization Strategy

The process of organizational learning is related to the concept of a learning organization, which described as an organization that is continually expanding to create its future. It has been also defined as an organization that continually improves by rapidly creating and refining the capabilities required for future success, and as an organization that facilitates the learning of all its members and continually transforms itself. Learning organizations have to be able to adapt to their context and develop their people to match the context.

In this context, Garvin (1993) (cited in Armstrong, 2008) suggests that learning organizations are good at doing five things:

- Systematic problem solving, which rests heavily on the philosophy and methods of the quality movement. Its underlying ideas include relying on scientific method, rather than guesswork, for diagnosing.
- Experimentation – this activity involves the systematic search for and testing of new knowledge. Continuous improvement programmes are an important feature in a learning organization.
- Learning from past experience – learning organizations review their successes and failures, assess them systematically and record the lessons learnt in a way that employees find open and accessible.
- Learning from others – sometimes the most powerful insights come from looking outside one's immediate environment to gain a new perspective.
- Transferring knowledge quickly and efficiently throughout the organization by seconding people with new expertise, or by education and training programmes, as long as the latter are linked explicitly with implementation.

One approach is to focus on collective problem solving within an organization. This is achieved using team learning and a soft systems methodology whereby all the possible causes of a problem are considered in order to define more clearly those that can be dealt with and those that are insoluble. A learning organization strategy will be based on the belief that learning is a continuous process rather than a set of discrete training activities.

Individual Learning Strategies

The individual learning strategies of an organization are driven by its human resource requirements, the latter being expressed in terms of the sort of skills and behaviours that will be required to achieve business goals. The starting point should be the approaches adopted to the provision of learning and development opportunities, bearing in mind the distinction between learning and development which indicates that learning as being concerned with an increase in knowledge or a higher degree of an existing skill, whereas development is more towards a different state of being or functioning.

The individual learning strategy should cover:

- how learning needs will be identified;
- the role of personal development planning and self-managed learning;
- the support that should be provided for individual learning in the form of guidance, coaching, learning resource centers, mentoring, external courses designed to meet the particular needs of individuals, internal or external training programmes and courses designed to meet the needs of groups of employees.

Reward strategy

Reward strategy is a declaration of intent that defines what the organization wants to do in the longer term to develop and implement reward policies, practices and processes that will further the achievement of its business goals and meet the needs of its stakeholders.

Reward strategy provides a sense of purpose and direction and a framework for developing reward policies, practices and processes. It is based on an understanding of the needs of the organization and its employees and how they can best be satisfied. It is also concerned with developing the values of the organization on how people should be rewarded and formulating guiding principles that will ensure that these values are enacted.

Why Have A Reward Strategy?

Overall, Reward strategy is ultimately a way of thinking that we can apply to any reward issue arising in our organization, to see how we can create value from it. More specifically, there are four arguments for developing reward strategies:

- You must have some idea where you are going, or how do you know how to get there, and how do you know that you have arrived?
- Pay costs in most organizations are by far the largest item of expense –they can be 60 per cent and often much more in labour-intensive organizations – so doesn't it make sense to think about how they should be managed and invested in the longer term?
- There can be a positive relationship between rewards, in the broadest sense, and performance, so shouldn't we think about how we can strengthen that link?
- Isn't this a good reason for developing a reward strategic framework that indicates how reward processes will be linked to HR processes so that they are coherent and mutually supportive?

Characteristics Of Reward Strategies

As Murlis (1996) points out (cited in Mello 2018), reward strategy will be characterised by diversity and conditioned both by the legacy of the past and the realities of the future. All reward strategies are different, just as all organizations are different. Of course, similar aspects of reward will be covered in the strategies of different organizations but they will be treated differently in accordance with variations between organizations in their contexts, strategies and cultures.

Reward strategists may have a clear idea of what needs to be done but they have to take account of the views of top management and be prepared to persuade them with convincing arguments that action needs to be taken. They have to take particular account of financial considerations. They also have to convince employees and their representatives that the reward strategy will meet their needs as well as business needs.

The Structure Of Reward Strategy

Reward strategy should be based on a detailed analysis of the present arrangements for reward, which includes a statement of their strengths and weaknesses. This could take the form of a gap analysis, which compares what it is believed should be happening with what is happening and indicates which gaps need to be filled.

A diagnosis should be made of the reasons for any gaps or problems so that decisions can be made on what needs to be done to overcome them. It can then be structured under the headings set out below:

- A statement of intentions – the reward initiatives that it is proposed should be taken.
- A rationale – the reasons why the proposals are being made. The rationale should make out the business case for the proposals, indicating how they will meet business needs and setting out the costs and the benefits. It should also refer to any people issues that need to be addressed and how the strategy will deal with them.
- A plan – how, when and by whom the reward initiatives will be implemented. The plan should indicate what steps will need to be taken and should take account of resource constraints and the need for communications, involvement and training. The priorities attached to each element of the strategy should be indicated and a timetable for implementation should be drawn up. The plan should state who will be responsible for the development and implementation of the strategy.
- A definition of guiding principles – the values that it is believed should be adopted in formulating and implementing the strategy.

The Content Of Reward Strategy

Reward strategy may be a broad-brush affair simply indicating the general direction in which it is thought reward management should go. Additionally or alternatively, reward strategy may set out a list of specific intentions dealing with particular aspects of reward management.

A broad-brush reward strategy may commit the organization to the pursuit of a total rewards policy. The basic aim might be to achieve an appropriate balance between financial and non-financial rewards. A further aim could be to use other approaches to the development of the employment relationship and the work environment that will enhance commitment and engagement and provide more opportunities for the contribution of people to be valued and recognized.

Developing Reward Strategy

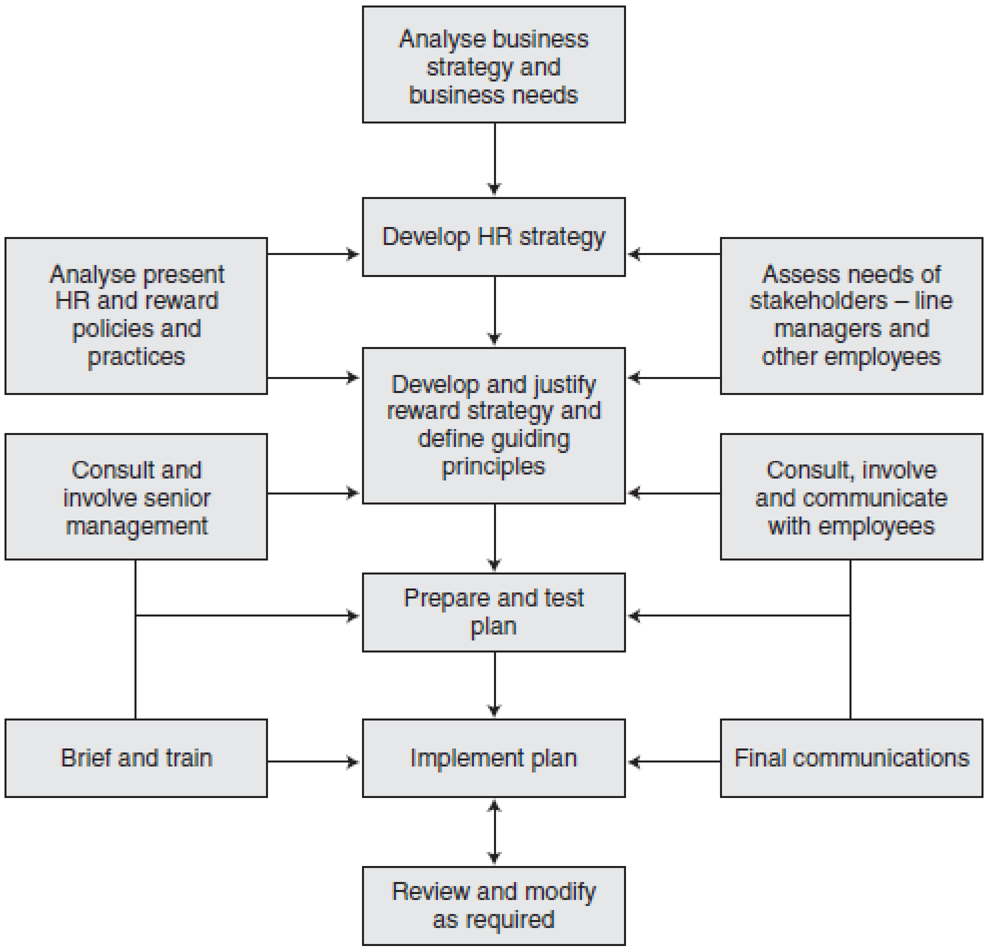
The formulation of corporate strategy can be described as a process for developing and defining a sense of direction. There are four key development phases:

- the diagnosis phase, when reward goals are agreed, current policies and practices assessed against them, options for improvement considered and any changes agreed;
- the detailed design phase, when improvements and changes are detailed and any changes tested;
- the final testing and preparation phase;
- the implementation phase, followed by ongoing review and modification.

A logical step-by-step model for doing this is illustrated in Figure 3.3. This incorporates ample provision for consultation, involvement and communication with stakeholders, who include senior managers as the ultimate decision makers as well as employees and line managers.

In practice, however, the formulation of reward strategy is rarely as logical and linear a process as this. Reward strategies evolve; they have to respond to changes in organizational requirements, which are happening all the time. They need to track emerging trends in reward management and may modify their views accordingly, as long as they do not leap too hastily on the latest bandwagon. It may be helpful to set out reward strategies on paper for the record and as a basis for planning and communication.

Figure 3.2 A model of the reward strategy development process



Effective Reward Strategies

Duncan Brown (2001) has suggested that effective reward strategies have three components:

- They must have clearly defined goals and a well-defined link to business objectives.
- There have to be well-designed pay and reward programmes, tailored to the needs of the organization and its people, and consistent and integrated with one another.

- Perhaps most important and most neglected, there need to be effective and supportive HR and reward processes in place.

The questions to be answered when assessing the effectiveness of a reward strategy as posed by Armstrong and Brown (2007) are:

- Is it aligned with the organization's business strategy (vertical alignment) and its HR strategies (horizontal)?
- Will it support the achievement of business goals and reinforce organizational values and, if so, how?
- Are the objectives of the reward strategy clearly defined, including a convincing statement of how the business needs of the organization will be met and how the needs of employees and other stakeholders will be catered for?
- Is it based on a thorough analysis and diagnosis of the internal and external environment of the organization and the reward issues that need to be addressed?
- Has a realistic assessment been made of the resources required to implement the strategy and the costs involved?
- Is it affordable in the sense that the benefits will exceed any costs?
- Have steps been taken to ensure that supporting processes such as performance management, communication and training are in place?
- Is the programme for implementation realistic?
- Have steps been taken to ensure that it is supported and understood by line managers and staff?
- Will HR and line managers be capable of implementing and managing the strategy in practice?

- Have accountability and ownership for the various reward policies and practices been clarified, defining what success looks like and how it will be measured? Are effective review mechanisms in place?
- Is the reward strategy flexible in adjusting to take account of changes in the business and in the environment?

Case study: Employee Engagement and Commitment: A Guide to Understanding, Measuring and Increasing Engagement in Your Organization

Employee Engagement and Commitment

A Guide to Understanding, Measuring and Increasing Engagement in Your Organization

Robert J. Vance

Employee Engagement First

[No] company, small or large, can win over the long run without energized employees who believe in the [firm's] mission and understand how to achieve it. That's why you need to take the measure of employee engagement at least once a year through anonymous surveys in which people feel completely safe to speak their minds.

Jack and Suzy Welch

Employees who are engaged in their work and committed to their organizations give companies crucial competitive advantages—including higher productivity and lower employee turnover. Thus, it is not surprising that organizations of all sizes and types have invested substantially in policies and practices that foster engagement and commitment in their workforces. Indeed, in identifying the three best measures of a company's health, business consultant and former General Electric CEO Jack Welch recently cited employee engagement first, with customer satisfaction and free cash flow coming in second and third, respectively.[1] "Reaping Business Results at Caterpillar" and "Engagement Pays Off at Molson Coors Brewing Company" show two examples of companies that benefited from enhancing engagement and commitment.

Reaping Business Results at Caterpillar

Construction-equipment maker Caterpillar has garnered impressive results from its employee engagement and commitment initiatives, including:

- $8.8 million annual savings from decreased attrition, absenteeism and overtime (European plant)
- a 70% increase in output in less than four months (Asia Pacific plant)
- a decrease in the break-even point by almost 50% in units/day, and a decrease in grievances by 80% (unionized plant)
- a $2 million increase in profit and a 34% increase in highly satisfied customers (start-up plant)

Engagement Pays Off at Molson Coors Brewing Company

At beverage giant Molson Coors, engaged employees were five times less likely than nonengaged employees to have a safety incident and seven times less likely to have a lost-time safety incident. Moreover, the average cost of a safety incident for engaged employees was $63, compared with an average of $392 for nonengaged employees. By strengthening employee engagement, the company saved $1,721,760 in safety costs during 2002. Engagement also improved sales performance at Molson Coors. Low-engagement teams fell far behind engaged teams in 2005 sales volumes. In addition, the difference in performance-related costs of low- vs. high-engagement teams totaled $2,104,823.

But what are employee engagement and commitment, exactly? This report examines the ways in which employers and corporate consultants define these terms today, and offers ideas for strengthening employee engagement. Though different organizations define *engagement* differently, some common themes emerge. These themes include employees' satisfaction with their work and pride in their employer, the extent to which people enjoy and believe in what they do for work and the perception that their employer values what they bring to the table. The greater an employee's engagement, the more likely he or she is to "go the extra mile" and deliver excellent on-the-job performance. In addition, engaged employees may be more likely to commit to staying with their current organization. Software giant Intuit,[2] for example, found that highly engaged employees are 1.3 times more likely to be high performers than less engaged employees. They are also five times less likely to voluntarily leave the company.

Clearly, engagement and commitment can potentially translate into valuable business results for an organization. To help you reap the benefits of an engaged, committed workforce at your organization, this report provides guidelines for understanding and measuring employee engagement, and for designing and implementing effective engagement initiatives. As you will see, everyday human resource practices such as recruitment, training, performance management and workforce surveys can provide powerful levers for enhancing engagement.

Employee Engagement: Key Ingredients

"Employee Engagement Defined" shows examples of engagement definitions used by various corporations and consultancies. Clearly, definitions of employee engagement vary greatly across organizations. Many managers wonder how such an elusive concept can be quantified. The term does encompass several ingredients for which researchers have developed measurement techniques. These ingredients include the degree to which employees fully occupy themselves in their work, as well as the strength of their commitment to the employer and role. Fortunately, there is much research on these elements of engagement—work that has deep roots in individual and group psychology. The sections following highlight some of these studies.

Employee Engagement Defined

CORPORATIONS

Caterpillar
Engagement is the extent of employees' commitment, work effort, and desire to stay in an organization.

Dell Inc.
Engagement: To compete today, companies need to win over the MINDS (rational commitment) and the HEARTS (emotional commitment) of employees in ways that lead to extraordinary effort.

Intuit, Inc.[3]
Engagement describes how an employee thinks and feels about, and acts toward his or her job, the work experience and the company.

CONSULTANTS and RESEARCHERS

Corporate Leadership Council
Engagement: The extent to which employees commit to something or someone in their organization, how hard they work and how long they stay as a result of that commitment.

Development Dimensions International
Engagement is the extent to which people enjoy and believe in what they do, and feel valued for doing it.

The Gallup Organization
Employee engagement is the involvement with and enthusiasm for work.

Hewitt Associates
Engagement is the state of emotional and intellectual commitment to an organization or group producing behavior that will help fulfill an organization's promises to customers – and, in so doing, improve business results.

Engaged employees:

- Stay – They have an intense desire to be a part of the organization and they stay with that organization;
- Say – They advocate for the organization by referring potential employees and customers, are positive with co-workers and are constructive in their criticism;
- Strive – They exert extra effort and engage in behaviors that contribute to business success.

Institute for Employment Studies[4]
Engagement: A positive attitude held by the employee toward the organization and its values. An engaged employee is aware of business context, and works with colleagues to improve performance within the job for the benefit of the organization. The organization must work to develop and nurture engagement, which requires a two-way relationship between employer and employee.

Kenexa
Engagement is the extent to which employees are motivated to contribute to organizational success, and are willing to apply discretionary effort (extra time, brainpower and effort) to accomplishing tasks that are important to the achievement of organizational goals.

Towers Perrin
Engagement is the extent to which employees put discretionary effort into their work, beyond the required minimum to get the job done, in the form of extra time, brainpower or energy.

Question for Chapter Three:

Multiple Choices Questions

Chose the right response for each question:

1. Which set out what the organization intends to do about its human resource management policies and practices and how they should be integrated with the business strategy and each other: A. HR practice B. HR function **C. HR strategy** D. All of above is true	2. It makes an impact on the performance of the organization through its people in such areas as productivity, quality, levels of customer service, growth, profits and, ultimately, the delivery of increased shareholder value **A. High performance management** B. High involvement management C. High commitment management D. High strategic management
3. It is not a specific HR strategies A. Organization Development B. High-Performance Management C. Human Capital Management **D. Accounting**	4. Not among the Five fundamental questions that need to be asked in formulating HR strategies have been posed A. What are the firm's strategic objectives? B. How are these translated into unit objectives? **C. How are the organisation competitors?** D. All of above is wrong

True & False Questions:

Phase	True or false
The purpose of HR strategies is to articulate what an organization intends to do about its human resource management policies and practices now and in the longer term	**true**
high performance management is used to describe management systems based on commitment and involvement, as opposed to the old bureaucratic model based on control	**false**
The design school of strategy development is based on the assumption of economic rationality	**true**
There is no standard model of how an HR strategy should be set out	**true**

Essay Questions:

1. Count the major criteria of an effective HR strategy.
2. What are the specific HR strategies.
3. What are the propositions about the formulation of HR strategy.
4. Explain the methodology for formulating HR strategies.

References

- Appelbaum, E, Bailey, T, Berg, P and Kalleberg, A L (2000) Manufacturing. Advantage: Why high performance work systems pay off, ILR Press, Ithaca, NY Argyris, C (1970) Intervention Theory and Method, Addison-Wesley, Reading, MA.
- Armitage, A and Keeble-Allen, D (2007) Why people management basics form the foundation of high-performance working, People Management, 18 October, p 48.
- Armstrong, M and Baron, A (2002) Strategic HRM: The route to improved business performance, CIPD, London
- Ashish Malik, Strategic Human Resource Management and Employment Relations : An International Perspective, Springer, 2018.
- Ashton, D and Sung, J (2002) Supporting Workplace Learning for High Performance, International Labour Organization, Geneva
- Baron, R and Kreps, D (1999) Strategic Human Resources: Frameworks for general managers, Wiley, New York.
- Becker, B E and Huselid, M A (1998) High performance work systems and firm performance: a synthesis of research and managerial implications, Research on Personnel and Human Resource Management, **16**, pp 53–101, JAI Press, Stamford, CT.
- Becker, B E, Huselid, M A and Ulrich, D (2001) The HR Score Card: Linking people, strategy, and performance, Harvard Business School Press, Boston, MA
- Brown, D (2001) Reward Strategies: From intent to impact, Chartered Institute of Personnel and Development, London business performance, CIPD, London.
- business performance, CIPD, London

– Cam Caldwell And Verl Anderson , Strategic Human Resource Management, Nova Science Publishers, Inc., New York, 2018.
– Cappelli, P (1999) Employment Practices and Business Strategy, Oxford University Press, New York
– Charles R. Greer, Strategic Human Resource Management, Pearson, 2003.
– Chatzkel, J L (2004) Human capital: the rules of engagement are changing, Development, London.
– Garvin, D A(1993) Building a learning organization, Harvard Business Review, July–August, pp 78–91 general managers, Wiley, New York.
– Gary Dessler, Fundamentals of Human Resource Management :What's New in Management, Pearson; 5 edition , 2018.
– Gary Dessler, Human Resource Management, Pearson; 15 edition, 2016.
– Gratton, L (1999) People processes as a source of competitive advantage, in Strategic Human Resource Management, ed L Gratton et al, Oxford University Press, Oxford.
– Gratton, LA(2000) Real step change, People Management, 16 March, pp 27–30.
– John Ingham, Strategic Human Capital Management : Creating Value through People, BH Elsevier, 2007.
– John Storey, Dave Ulrich, and Patrick M. Wright, Strategic Human Resource Management : A Research Overview, Routledge, 2019.and Trevor Morrow
– Kearns, P (2005) Human Capital Management, Reed Business Information, Lifelong Learning in Europe, **9** (3), pp 139–45.
– Matthias T. Meifert, Strategic Human Resource Development Management, Springer, 2013.
– Mello J.; Strategic Human Resource Management, Cengage Learning, 2018.

- Michael Armstrong; Strategic Human Resource Management : A Guide to Action, Kogan Page US, 2008.
- Mike Millmore, Philip Lewis, Mark Saunders, Adrian Thornhill, Strategic Human Resource Management : contemporary Issues, Pearson, 2007.
- Murlis, H (1996) Pay at the Crossroads, Institute of Personnel and Development, London.
- Nadler, D A and Gerstein, M S (1992) Designing high-performance work systems: organizing people, technology, work and information, Organizational Architecture, Summer, pp 195–208.
- Nalbantian, R, Guzzo, R A, Kieffer, D and Doherty, J (2004) Play to Your Strengths: Managing your internal labor markets for lasting competitive advantage, McGraw-Hill, New York.
- Purcell, J (2001) The meaning of strategy in human resource management, in Human Resource Management: A critical text, ed J Storey, Thomson Learning, London.
- Schein, E H (1990) Organizational culture, American Psychologist, **45**, pp 109–19.
- Scott Snell & Shad Morris & George W. Bohlander, Managing Human Resources, Cengage Learning; 18 edition , 2018.
- Sung, J and Ashton, D (2005) High Performance Work Practices: Linking strategy and skills to performance outcomes, DTI in association with CIPD, http://www.cipd.co.uk/subjects/corpstrtgy.
- Thompson, M and Heron, P (2005) Management capability and high performance work organization, International Journal of Human Resource Management, **16** (6), pp 1029–48.

- Tyson, S and Witcher, M (1994) Human resource strategy emerging from therecession, Personnel Management, August, pp 20–23.
- Wright, P M, Snell, S A and Jacobsen, H H (2004) Current approaches to HR strategies: inside-out versus outside-in, Human Resource Planning, **27** (4), pp 36–46.
- وصفي عقيلي، عمر، إدارة الموارد البشرية المعاصرة : بعد استراتيجي، دار وائل للنشر، عمان، 2005.

Chapter Four: The Relationship Between Organizational Structure & SHRM

Human Resource As A Major Asset Of The Organization

In general strategy terms, one of the most important resources an organisation has is its human resources. Within the context of SHRM models and theories a central theme emerging is that people are the organisation's most important asset, so how they are organised is crucial to the effectiveness of a strategic approach to the management of human resources. Traditional views about controlling the organisation through structure can be traced back to the early twentieth-century management scientists, such as F.W. Taylor and Elton Mayo. These approaches can be directly linked to a view of strategy making that is essentially top-down. Strategy is developed at the top of the organisation and the rest of the organisation, including the HR function, is utilized as a supporting mechanism in the implementation of the strategy. In this approach to strategic management, the organisational structure becomes a method for achieving top-down control. Such a principle of control is known as bureaucratic or mechanistic. This chapter considers organisational structure in the context of SHRM. The fact that there is a need to regulate the implementation of an HR strategy is accepted but this needs to take of a wide variety of influences into account. For example the types and range of issues and problems the organisation faces in developing and implementing a strategic approach to the management of its human resources.

In this context, the major key issue to consider include:

- The operating environment of the organisation: it may operate in a highly complex or changing environment or in a relatively stable one.

- How diverse the organisation is, for example the needs of a multi-national company with a wide range of products and services and a globally dispersed customer base will be dramatically different from those of a small local firm.
- How accountable the senior executives of the organisation are to external influences, for example is the organisation a public body, perhaps reporting to a government minister or is it a publicly quoted company reporting to a board of directors and a variety of internal shareholders or is the business privately owned by a family or group of partners who may be owner managers and have complete control over the current and future direction of the business?

If the structure of the organisation is bureaucratic or mechanistic and focuses on the implementation of a top-down strategy, this can have a major impact. In the context of SHRM, a structure such as the one mentioned above may result in the HR function finding it difficult, if not impossible, to operate in a strategic manner: many of the goals will not be achievable, as the ability to influence and develop strategy will be firmly placed at the top of the organisation.

Concept Of Organisational Structure

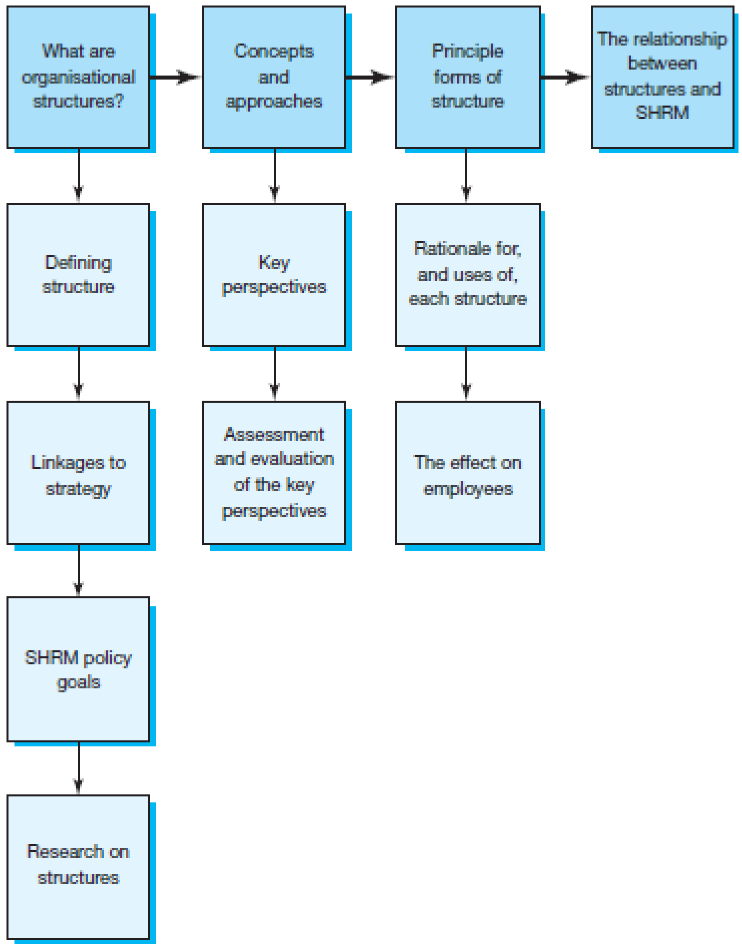
Organisational structure is more than just a way of representing working relationships. Its importance is much more fundamental and strategic to organisations than simply producing organisational charts to show who reports to whom. Jackson and Carter (2000) recognise that, 'without structure there would be no organisation'. At a strategic level, the ways in which organisations are structured affect their scope to interact with their environment and fulfill their strategic purpose, their abilities to operationalise and the nature of working relationships and behaviours in them.

We will discuss, in this chapter, four relationships at both a theoretical and a practical level:

- The relationship between organisational structure and human resource strategies.
- The relationships between approaches to the design of structure and implications for strategic effectiveness.
- The forms of organisational structure and their effects on those who work within them.
- The summary of elements of the relationship between organisational structure and SHRM that have emerged through the discussion in the previous ones.

Figure (4.1) propose a model that summarise the role of organisational structure in SHRM

Figure 4.1 Map of The Role of Organisational Structure In SHRM



Organisational Structure: Linkages To Strategy And SHRM

Most studies in the domain of strategy indicate that strategy may be made at a number of levels in an organization. In general terms, three levels or orders of strategy have been recognised in the literature. First-order decisions affect the long-term direction and scope of the organisation and involve corporate or business-unit-level strategic decision-making. These include decisions about issues such as mergers, acquisitions, market position, cost cutting and downsizing. This level of strategic decision-making is generally taken ahead, or upstream, of other types of strategic decision. The second and third levels of strategy are thus seen as being downstream of corporate strategy. The second level of strategy concerns the organisational structures and operating procedures that are put into place to support first-order decisions, with decisions taken at both of these levels having strategic implications for subsequent, third-level strategies. For example, a merger or cost-cutting strategy will impact on organisational structure and human resource strategies.

The nature of an organisation's structure is therefore an important part of strategy making in practice. In fact, this top-down method to strategy making reflects the classical approach and which is recognised to be rationalistic and not so perfectly evident in practice. At this point in the discussion, it nevertheless seems reasonable to recognise that organisational structure has strategic implications, whether an organisation seeks to adopt a top-down approach to strategy making, involving recursive relationships between corporate, structural and functional strategies. The structures organisations choose to implement can also have a significant impact on SHRM. The development of key theories relating to SHRM focuses on the achievement of key policy goals or outcomes. Guest (1991) recognises that the four SHRM outcomes specified by Beer et al. (1984) (commitment, competence, congruence and cost effectiveness) constitute an 'implicit theory' and go on to construct their own theory of SHRM as a 'particular approach' to managing people. Guest (1991) identified the following as the four key outcomes of SHRM: **strategic integration**; **high commitment**; **high quality**; **and high flexibility**.

It can argued that the strategic management of key elements of the HR function, such as recruitment and selection, pay and rewards, training and development, etc., will result in truly strategic HR policies and practices. This is undoubtedly true, but it may be difficult if not impossible to achieve this strategic approach without an organizational structure that supports current and future activities in these key HR areas.

If an organisation wishes to achieve the four key SHRM policy goals previously mentioned it must create, implement and, where necessary, develop and amend an appropriate organisation structure.

- **Strategic integration** refers to the integration of the corporate strategy and HR strategy. To fully achieve this integration, the most senior HR professional must hold a senior position within the organisational structure, ideally holding a seat on the board of directors or equivalent body and being able to play a full role in the development and implementation of corporate strategy. The corporate strategy should be driven by current and future HR capabilities within the organisation. The reverse of this can occur in many organisations, the most senior HR professional is seen by senior executives as having a solely operational role, does not contribute to corporate strategy development and is faced with a corporate strategy that does not take the organisation's HR capabilities into account. The HR decision, taken by the HR function in this example, can often be reactive and result in very low levels of strategic integration.
- **High commitment** relates to the relationship between employees and their employer, highly committed employees perform at high levels, are innovative and respond very well to changes in the internal and external operating environment. To achieve high levels of commitment, the employer must ensure that their employees remain motivated. A well-established way of doing this is to offer opportunities for career progression through promotions. The organisational structure chosen by an organisation should give high-performing employees an opportunity to gain promotions and establish a wide range of knowledge and skills. If the organisation structure is designed in such a way that it limits opportunities for progression, employee commitment may become low and employees may seek opportunities

outside the organisation. This is a problem for the organisation as it may lose high-performing, talented members of staff.

- **High flexibility** refers to the range of skills and knowledge of an individual employee or group of employees. Flexibility relates to the context of their current job, their ability to do other jobs that currently exist in the organisation and, possibly more importantly, future tasks and jobs that may emerge in the organisation. In strategy terms, this concept has been covered in the flexible firm literature. In SHRM, this flexible approach may create an organisational structure that focuses on core and periphery workers. The core reflects the need for the organisation to develop a permanent, highly skilled group of employees with internal career paths. In SHRM terms, core employees experience a high degree of job security, with resource provided from training in company-specific skills not readily available in the external labour market. In contrast, peripheral workers have a low position within the organisational structure, perform jobs that are seen as having little or no strategic importance, are often on fixed-term contracts and appear to be easy to replace.
- **High quality** refers to the quality of goods or services the organisation creates and sells or offers to customers and clients. How high quality is defined will be unique to individual organisations. Quality levels are driven by the needs of the organisation's current and future customers, and the policies and procedures of its major competitors. SHRM can be viewed as being of vital importance to ensuring that the organisation recruits, develops and retains highly talented employees who are the key element in achieving high quality. Organisational structures can be considered as the building block required to facilitate integration at the job, team, departmental and organisational levels. The correct choice of structure can make high quality a true organisational

reality; an inappropriate organisational structure can make it difficult, if not impossible, to achieve high quality.

Important research on the measurement of organisational structure was undertaken by a group of researchers in the 1960s who were based principally at the University of Aston. Outputs from this research became known as the Aston Studies and were continued by researchers who went on to work at a number of different universities. They developed a number of different ways to measure organisational structure and used these to survey organisations. A paper published by Pugh et al. in 1968 identified six primary dimensions of organisational structure based on a review of the literature on organisations. These primary dimensions are:

1. Specialisation: this is concerned with the extent to which activities in an organisation are divided into different and therefore specialised roles.

2. Standardisation: this is concerned with the extent to which work in organisations becomes subject to standard procedures and rules during its conduct.

3. Formalisation: this is concerned with the extent to which such procedures, rules and other instructions and policies about work are written down.

4. Centralisation: this is the extent to which decision-making authority is located at the top of the organisation's management hierarchy, known as the locus of authority.

5. Configuration: this is concerned with the shape of the role structure in an organisation, in terms of the number of levels in an organisation's management hierarchy, the span of control at each level (i.e. the number of subordinates that report to a manager) as well as the nature of personnel in the organisation.

6. Traditionalism: this is concerned with the extent to which the nature of work in organisations is standardised around implicitly understood customs and practices – i.e. that people know what to do based on established traditions that do not need to be written down.

Pugh et al. constructed a series of scales to measure these dimensions in a range of organisations in different industries and services. Their subsequent analysis led to the identification of four basic or underlying dimensions of organisational structure:

- The extent to which work is structured through the adoption of specialisation, standardization and formalisation. The nature of work in organisations that scored highly in relation to these would be highly structured and regulated, through the extensive use of specialised roles and high levels of standardisation and formalisation.
- The extent to which authority is concentrated in an organisation. A structure may be associated with centralised decision-making and low levels of autonomy elsewhere in the organisation; conversely, this may vary along a continuum where organisational structures encourage decentralised decision-making and greater levels of autonomy.
- The extent to which line management exercise control over work rather than this being exercised through impersonal forms of control, such as operating procedures. This dimension can be evident in organisations in which team working is highly important and the key products or services of the organisation are predominantly developed within the boundaries of this team or department.
- The relative size of the workforce in an organisation's structure engaged in support roles, as opposed to those that contribute directly to the goals of the organisation.

As these underlying dimensions are mutually independent, they were seen as helpful to characterise the nature of organisational structure since each could be applied to understand the structure of a particular organisation.

Child's (1984) later summary of the dimensions of organisational structure reinforces and develops the conclusions from this earlier work. His list of major dimensions includes:

- The way in which work is allocated to individuals in an organisation. This relates to specialisation, standardisation and formalisation.
- The way in which reporting relationships are determined. This relates to configuration, including the number of levels in an organisational hierarchy and resulting spans of control.
- The way in which work is grouped together into sections or departments, and then how these are grouped together into larger operating units and divisions, and finally how these are grouped in the organisation as a whole. This also relates to configuration.
- The way in which organisational systems are incorporated to integrate effort, ensure effective communication and information sharing, and promote necessary participation.
- The way in which organisational systems are designed to motivate employees, through appraising performance and structuring rewards, rather than alienating them.

More recent work by Child (2005) recognises that the original emphasis on these dimensions or components of organisational structure remains just as valid as when it was first subject to academic research. The context has changed in varying ways over this period of time, so that the way these components are used in practice has been subject to some change. For example, some organisational forms now lay greater stress on reducing levels of management, through delayering the hierarchy and espousing greater discretion over the carrying out of tasks. They also emphasise leadership as a relationship-based process rather than the exercise of authority, with fewer, perhaps more wide-ranging and possibly unclear, management roles (Child, 2005).

These dimensions indicate the complex range of factors to be understood by managers in deciding how they should structure an organisation's activities to meet its current and future strategic objectives. They also indicate that an organisation's structure will involve the exercise of choice, made by those managers able to influence and control such decisions. A particular structure will be judged as effective if it enables the objectives and goals of an organisation to be realised. However, even these seemingly logical points about organisational structure decision-making are unlikely to be as straightforward in practice.

Decisions taken about organisational structure will be affected by economic, personal and political considerations that reflect the interests and values of the dominant coalition in an organisation. Decisions may also be affected by cultural, psychological and logistical constraints. These may potentially constrain the way managers understand organisational and environmental contingencies and make decisions about organisational structures. These types of constraint are therefore likely to affect choice about organisational structure. Since organisational structure contributes towards organisational effectiveness and the performance of an organisation, an inappropriate choice will be less likely to enable the objectives and goals of an organisation to be realised. While organisational performance will be affected by factors other than structure, this will have at least some impact on an organisation's effectiveness.

For Child (1984), structure needs to be designed to fulfill three requirements, as follows:

- It should help the organisation to cope with its strategic direction and related objectives, and the environmental circumstances confronting it.
- It needs to ensure consistency between its constituent parts –organisational structure involves differentiation to cope with uncertainty and different objectives but also the need for overall integration.

- Finally, it needs to be adaptable to changing circumstances that affect the organisation. In relation to this final point, Fritz (1994) believes that structure is a key variable to be able to manage change.

These requirements illustrate the strategic nature of organisational structure, demonstrating that it implies more than simply a means to subdivide the work of an organisation and to coordinate the various tasks that result.

If the discussion in this section shows how structure is related to corporate- or business-level strategic decisions, it also begins to indicate how structure interacts with third-level or functional strategies, particularly human resource ones. The extent to which work is structured and authority is concentrated is likely to have a profound impact on those who work within an organisation in the following ways:

- the role of line managers and use of bureaucratic procedures;
- the ways in which work is grouped;
- the nature and use of systems to communicate with, involve, appraise the performance of, and reward participants.

This shows strategic linkages connecting strategy, organisational structure and human resource strategies. Child illustrates the importance of this to help ensure effectiveness across these strategic levels.

Conceptual Approaches To The Design Of Organisational Structures For Strategic Effectiveness

As we remark, in the section above, the dimensions of organisational structure were identified through previous researches. It is important to recognise that organisational structure has strategic and operational implications for organisational effectiveness and performance, indicating that its design is an important issue. This raises a key question about how a group of managers should design the structure of its organisation and what factors it should take into account if the organisation is well established and requires restructuring. The theory of strategic choice suggests that managers will exercise choice in determining structure. This approach suggests that organisational structure will be a political process as key managers make a choice based on those factors that reflect their own interests and values where possible. However, such a suggestion is keenly contested by some theorists. In this way, other conceptual approaches have been advanced to explain how organisations should be structured, advocating at least a degree of prescription for the design of structure.

Three other perspectives or schools of thought that offer explanations about the relationship between the design of organisational structure and strategic effectiveness will be discussed in following.

- The first of these perspectives claims that a universal set of principles should be used to design the structure of any organisation. This is the **classical universal approach to organisational structure**, which was promulgated in the first 60 to 70 years of the twentieth century. However, the notion of a set of universal principles to structure organisations was also re-advanced in the 1980s through the publication of the excellence literature (Peters and Waterman, 1982). Some formulations of universal principles suggest an ideal form of organisational structure which, if attained, would restrict, if not eliminate, the need to alter this in response to changing environmental circumstances.
- The second perspective relates to contingency theory. This theory suggests that an effective organisational strategy and structure will be contingent on the circumstances confronting an organisation. Thus, as these circumstances change, there will be a need to alter both strategy and structure (Child, 1984; Mintzberg, 1993; Francis, 1994).
- A third perspective relates to the need to achieve consistency between the various facets of organisational design within a particular organisation (Child, 1984; Mintzberg, 1991, 1993). This internal consistency approach places greater emphasis on the fit between the various elements of an organisation’s structure in order to achieve strategic and operational effectiveness than its fit to the external environment.

Principal Forms Of Organisational Structure And The Effect On Employees

Organisational structures have changed in relation to the development of increasingly complex and variable or dynamic environments, including changes in the scope of organisations such as diversification or globalisation. Chandler's (1962) work on the rise of industrial enterprise in the USA charted the development of organisational structures that were used to adapt to the changing nature and strategies of American capitalism. Miles and Snow (1984a, 1984b) (cited in Mike Millmore et al. 2007) summarised these developments and produced a typology of five organisational forms as follow:

- agency or simple;
- functional;
- divisional;
- matrix; and
- network structures.

Further work by Miles, Snow and other colleagues (Miles et al., 1997) suggests the addition of what they call cellular structures. Some types of network and cellular structures are often referred to as virtual organisations. The development of new organisational forms has been characterised by Clegg and Hardy (1996) as a movement from bureaucracy towards much greater fluidity, associated with decentralisation, collaboration and alternatives to hierarchy.

Summarising The Relationship Between Organisational Structure And SHRM

The relationship between organisational structure and SHRM has emerged through three points. Firstly, it has emerged in relation to the discussion about the links between corporate strategy, organisational structure and human resource management strategies.

- The first point is the recognition that there will be links between strategy and structure as well as between structure and human resource strategies. This is not an attempt to advocate a rationalist, planned approach by this recognition or to be prescriptive about the nature of these links. Whether strategy is attempted in a planned way or achieved through an emergent approach, these linkages will exist. In this way all aspects of organisation – strategy, structure and human resource strategies in our context – need to be considered in relation to one another. Without this, incongruence or inconsistency may result in practice. Components of structure need to be consistent with strategy and between themselves, while these same dimensions of structure will impact on the nature of work and of working relationships.
- Second, the relationship between organisational structure and SHRM has emerged in relation to the discussion about conceptual approaches to understand the design of organisational structures. While these approaches are conceptual and, in practice, structure may emerge in many organisations through a more pragmatic and intuitive process of decision-making, each of these approaches nevertheless suggests implications about the relationship between organisational structure and the management of human resources. Adopting universal principles appears to suggest a lack of focus on the outward context of the organisation. Adopting decentralisation, for example, because of adherence to some universal set of principles will have particular consequences for the management of human resources, whether or not this is the most

appropriate course to take. Attempting to achieve a contingency approach demonstrates an explicit attempt to match strategy to contextual circumstances, with implications for the nature of both structure and human resource strategies.

- Third, the relationship between organisational structure and SHRM. Each form of organisational structure will have different effects on those who work within it, as well as particular implications about the nature of the capabilities and attributes of the people required to make it effective in practice. This may be most evident in relation to the more decentralised forms. In these decentralised forms, high levels of competence, communication and cooperation are often required, particularly among core employees or workers. This has clear implications for the nature of human resource strategies, both to facilitate these types of structure and working relationships, and to support their maintenance and development. The scope of human resource strategies in such decentralised organisations may, however, be limited to particular divisions, constituent companies or cells within a larger organisation, with implications for consistency and integration across the organisation as a whole.

The consistency approach to structural design recognises that effectiveness will be linked to congruence between the elements of structure within each organisation, with clear implications for consistency with SHRM as well. Some discussion about the scope of human resource strategies in decentralised structures will be developed below, after seeking to summarise the human resource implications arising from organisational structures in general terms. In this context, organisational structure can be seen to influence:

- The nature and fulfillment of organisational strategy;
- Organisational responsiveness to external change and competitiveness;
- Scope for innovation;

- Organisational capability to cope with uncertainty;
- Organisational performance and effectiveness;
- Product and service quality;
- The nature and effectiveness of coordination;
- The organisation of work and job design;
- The nature of decision-making (accountability and responsibility);
- The location and exercise of power and control;
- The generation and level of organisational conflict (and cooperation);
- Organisational culture;
- Motivation and commitment/alienation;
- The scope for and nature of employee involvement and performance;
- The nature of and channels for communication;
- Formal and informal relationships;
- Group processes, team working and network relationships;
- Career paths and scope for development;
- The nature of employees'
- Work-related stress.

In conclusion, we can summarise that:

- Strategic linkages exist between corporate strategy, organisational structure and human resource strategies.
- Dimensions of organisational structure have been identified that can be used to analyse the nature and evaluate the effectiveness of an organisation's structure.

- These dimensions indicate the complex range of variables to be understood by managers in deciding how they should structure an organisation's activities to meet its strategic objectives. They also indicate that the design of organisational structure involves managerial or strategic choice.
- Three perspectives were considered that offer explanations about the relationship between the design of organisational structure and strategic effectiveness. These relate to the classical universal, contingency and consistency approaches to the design of organisational structure.
- Organisations need to promote human resource strategies that are congruent with the nature of the organisational structure that they chose or recognise the impact of their structure on their espoused human resource policies and the practice and outcomes of the human resource strategies that they promote.
- Choice of organisational structure has been recognised as leading to a problematic relationship between the respective desires for managerial control, organisational efficiency and responsiveness to external conditions and intended markets.
- Decentralised forms of organisational structure may adversely affect the scope for and nature of organisation-wide human resource strategies. In practice, this is likely to be a function of both the nature of the structural form that is chosen and the strategy of the organisation.

Case study: DaimlerChrysler AG

Daimler Chryslers' product portfolio ranges from small cars to sports cars and luxury sedans; and from versatile vans to trucks and coaches. Daimler-Chryslers' passenger car brands include Maybach, Mercedes-Benz, Chrysler, Jeep®, Dodge and Smart. Commercial vehicle brands include Mercedes-Benz, Freightliner, Sterling, Western Star, Setra and Mitsubishi Fuso. It offers financial and other automotive services through DaimlerChrysler Financial Services. DaimlerChrysler (DC) has a global workforce (382,723 at year-end 2005) and a global shareholder base. DaimlerChrysler achieved revenues of €149.7 billion in 2005. The operative result was €5.1 billion for 2005 (Mercedes Car Group a loss of €505 million!). DC has been described as a very traditional German company. For a long time its culture has been described as technology- and quality-focused: brilliant engineers and craftsmen were producing well-designed, reliable, high-quality cars. Under the shining Mercedes star, managers could afford to buy companies all over the world as the coffer was full. Unfortunately, too often they paid too much for companies which did not fit in their organisational structure. Meanwhile, the reputation of the Mercedes star has dimmed and Mercedes has slid dramatically in consumer rankings and loyalty. DC appears to have quality problems, manufacturing efficiency has declined (while costs are relatively high) and there has been excess production capacity for years. Also, its technological prowess is more and more disputed. The giant head office (HO) in Stuttgart-Möhringen monitors hundreds of national and international companies in different industries. There are manufacturing facilities in 17 countries. Most Group companies are in fact (economically) more or less independent as it is very difficult to stir these companies 'virtually' from the HO. Dieter Zetsche became group chief executive at the start of the year 2006 succeeding Jürgen Schrempp. In September 2005 Zetsche warned: 'We should not let ourselves become overconfident. There is still a long and difficult road ahead of us before we can become truly competitive again.' The company continues to drag around excess production capacity, he wrote, and its costs remain 'significantly higher than those of the best competitors'. To redress the situation, he announced, Daimler-Chrysler's board was cutting 8,500 Mercedes jobs in Germany, or about 9 per cent of the total.

New 'leadership model'

On 24 January 2006 the board published a new 'leadership model', which was focused on making specific changes to the existing organisational structure. Within minutes the share prise rose by about 5 per cent to €45. This model was widely reported in the print media:

Integration leads to organization that is faster, more flexible, leaner and more efficient Together with other ongoing efficiency programmes, G&A [general and administrative]

costs are expected to be reduced by EUR 1.5 billion per year, G&A staff reduced by up to 20 per cent over three years Supervisory Board agrees to realignment of functions within the Board of Management Shortly after the board's announcement the following text was published on DC's web site (http:www.daimlerchrysler.com):

DaimlerChrysler today introduced a new management structure designed to enhance competitiveness and promote further profitable growth. The new structure will further integrate the company's functions, focus the operations within DaimlerChrysler on core processes, and encourage internal collaboration. Moreover, it will reduce redundancies and remove management layers. 'Our objective in taking these actions is to create a lean, agile structure, with streamlined and stable processes that will unleash Daimler-Chrysler's full potential,' said Dieter Zetsche, Chairman of the Board of Management (BoM) of DaimlerChrysler AG. 'We're going to build on a strong product portfolio.' In 2005 alone, Daimler-Chrysler launched 17 new products, giving it one of the youngest product lines in the automotive industry. The company plans to continue its aggressive level of investment. 'Over the last several years, we focused on our automotive business and started to streamline the core processes in our divisions,' said Zetsche. 'But to safeguard our future in this competitive global industry, we need to apply that same equation across all general and administrative (G&A) functions with the added dimension of adapting to the needs of our business.' The preliminary work for this new structure began in mid-2005 with a high-level internal team. The program focuses on the company organization and the processes that are used throughout the DaimlerChrysler enterprise.

Among structural changes is a consolidation and integration of G&A functions, such as Finance and Controlling, Human Resources and Strategy. These areas will be centralized to report to the respective head of that function throughout the entire company. Redundancies between staff functions at the corporate and operating levels will be eliminated, thereby reducing the complexity of the organization. A more integrated G&A organization will result in more consistent processes, and reporting and decision-making will become shorter, faster and more efficient. 'We want our divisions to concentrate on the automotive core processes – development, production and sales,' added Zetsche. The consolidation of corporate functions will occur throughout the company. The earlier decision for Dieter Zetsche to serve a dual role as Chairman of the Board of Management and concurrently as Head of the Mercedes Car Group, will now be reflected in the organizational structure as well. BoM members Bodo Uebber and Ruediger Grube will also continue to have dual roles: Uebber for Finance and Controlling, as well as DaimlerChrysler Financial Services; Grube for Corporate Development (including Information Technology) and DaimlerChrysler's participation in EADS (European Aeronautic Defense and Space company). That will effectively reduce the number of BoM members to nine (from 12 about one year ago). The German BoM members currently based in Stuttgart-Moehringen will relocate in May 2006, along with their staff, to Stuttgart-Untertuerkheim, and therefore closer to production. This means the DaimlerChrysler headquarters function will be located in Stuttgart-Untertuerkheim and Auburn Hills, Michigan. Several support functions and non-G&A functions will stay in Stuttgart-Moehringen. On the basis of the new structure, the company will standardize the most important processes within and across divisions, according to best-practice criteria. Cooperation between the Mercedes Car Group and the Chrysler Group will become markedly closer, according to Zetsche, but ‘a clear priority within this effort will continue to further strengthen brand identity. You can expect to see more examples of collaboration especially when we can transfer knowledge between the groups, much as Chrysler Group tapped the rear-wheel-drive expertise of Mercedes-Benz in the development of the Chrysler 300C. ‘Beyond that,’ added Zetsche, ‘you will also see more examples of clearly defined “project houses” where engineers from different divisions work together for the benefit of the whole company.’ A current example is the joint project to develop hybrids, where Mercedes-Benz and Chrysler engineers are working side-by-side (with General Motors and BMW specialists). This joint team is creating a new two-mode hybrid system that will power future vehicles from the brands of both divisions . Several other organizational changes will also be made. Corporate-wide Research and Technology will be merged with product development of Mercedes Car Group under BoM member Thomas Weber. The new organization – Group Research & MCG Development – will continue as the research center of competence for the entire company. Within this realignment, the new function will take on more responsibility for advanced engineering activities of all automotive divisions. This action is expected to reduce the time-to market of future technologies, keep research focused on customer-relevant innovations, and eliminate redundancies. The Commercial Vehicles Division, headed by BoM member Andreas Renschler, will also undergo changes. It will focus on commercial trucks as its core business and operate under the name Truck Group, while the Bus and Van business will be reported elsewhere. The following operations will continue in Truck Group: Trucks Europe/Latin America (Mercedes-Benz), Trucks NAFTA (Freightliner, Sterling, Thomas Built Buses), Mitsubishi Fuso Bus and Truck Corporation, and Truck Product Creation. The new structure will create further synergies between the regional truck units and brands, and allow the Truck Group to accelerate its profit potential initiative called Global Excellence. In total, the new management model will reduce the cost of administrative functions at DaimlerChrysler, in an effort to reach benchmark levels. Together with other ongoing efficiency programs, G&A costs are expected to be reduced by EUR 1.5 billion per year. The net effect of today’s announcement will be EUR 1 billion per year. Preparation to implement this comprehensive program will start immediately, and take three years to fully implement. It is expected to require an overall expenditure of about EUR 2 billion from 2006 to the end of 2008. Due to the elimination of redundancies, consolidation of staffs and optimization of processes, headcount will be reduced by about 6,000 employees over the three-year span. This represents roughly 20 percent of general and administrative staff (30 percent at

management levels). These reductions will take place in G&A functions around the world. At a meeting today, the DaimlerChrysler Supervisory Board agreed to the realignment of functions in the Board of Management, which will be implemented by March 1st, 2006. The specific measures required to put the new actions into place are expected to be presented to the Supervisory Board for approval by the end of April.

Case Study Questions

1. As the HR-Director of DC (Stuttgart, Germany) you are required to develop a 'suitable HR strategy' to propose solutions to the problems raised by the actual situation of DC and the intentions of the CEO described above. State your understanding of the situation at DC and determine the needs of DC (problems within DC and reasons for the new organisational structure); also describe some strategic elements of the organisational structure.

2. Whereas German companies such as Deutsche Bank AG, Lufthansa AG or Allianz AG are seen by HR specialists and scholars as 'truly' global companies with excellent strategic HRM policies, DaimlerChrysler lacks such a reputation. There were incredible problems integrating Chrysler in the DC group. It took years to fix many post-merger problems. There are many other examples of a poor international HR policy of DC. This may also be a reflection of a generally rather poor (strategic) HR management of DC's head office. You are therefore also asked to answer the following questions:

_ In light of the intentions in the announcement of DC (text above) which HR areas or HR challenges are concerned?

_ Name some of these challenges. Then establish a plan of action by formulating and justifying possible solutions to the challenges you have identified.

3. What type of organisational structure should be created and implemented to support the new HR strategy?

4. What are possible advantages (and disadvantages) of creating a new organisational structure?

5. In developing and implementing the new structures, the company will have to recruit new international managers. How could the company really select and develop a group of experienced international managers? What instruments would you use?

Question for Chapter Four:

Multiple Choices Questions

Chose the right response for each question:

1. Which phrase is not true: A. There is no relationship between organizational structure an SHRM. **B. There is a strong relationship between organizational structure an SHRM.** C. A + B D. All of above is wrong	2. High commitment relates to: A. Relationship between employee and corporate strategy B. Relationship between employee and corporate policy **C. Relationship between employee and employer** D. Relationship between employee and corporate function.
3. It is not one of the primary dimension of organizational structure A. Specialization B. Standardization **C. Translation** D. Configuration	4. The theory which suggests that an effective organizational strategy and structure will be contingent on the circumstances confronting an organization is: A. Classical theory B. Modern theory C. Quantitative theory **D. Another theory**

True & False Questions:

Phase	True or false
In general strategy terms, one of the less important resources an organisation has is its human resources	**false**
The nature of an organisation's structure is an important part of strategy making in practice	**true**
If an organisation wishes to achieve the four key SHRM policy goals it must create, implement and, where necessary, develop and amend an appropriate organisation structure	**true**
High commitment refers to the integration of the corporate strategy and HR strategy	**false**

Essay Questions:

1. Count the four key SHRM policy.
2. What are the six primary dimensions of organisational structure based on a review of the literature on organisations.
3. Structure needs to be designed to fulfill three requirements, count them.
4. Explain the classical universal approach to organisational structure.

References

- Atkinson, J. (1984) Manpower strategies for the flexible organisations, Personnel Management, August.
- Beer, M. Lawrence, P. Mills, Q. Walton, R. and Spector, B. (1984) Managing Human Assets. New York: Free Press.
- Cam Caldwell And Verl Anderson , Strategic Human Resource Management, Nova Science Publishers, Inc., New York, 2018.
- Chandler, A.D. Jr (1962) Strategy and Structure: Chapters in the History of the Industrial Enterprise. Cambridge, MA: MIT Press.
- Charles R. Greer, Strategic Human Resource Management, Pearson, 2003.
- Child, J. (1972) Organizational structure, environment and performance: the role of strategic choice, Sociology, 6, 1–22.
- Child, J. (1984) Organization: A Guide to Problems and Practice. London: Paul Chapman Publishing.
- Child, J. (1991) A foreign perspective on the management of people in China, International Journal of Human Resource Management, 2(1), 93–107.
- Child, J. (1994) Management in China During the Age of Reform. Cambridge: Cambridge University Press.
- Child, J. (1997) Strategic choice in the analysis of action, structure, organizations and environment: retrospect and
- Child, J. (2005) Organization: Contemporary Principles and Practice. Oxford: Blackwell Publishing.

- Clegg, S.R. and Hardy, C. (1996) Organizations, organization and organizing, in Clegg, S.R., Hardy, C. and Nord,W.R. (eds) Handbook of Organization Studies. London: Sage Publications.
- Francis, A. (1994) The structure of organizations, in Sisson, K. (ed.) Personnel Management: a Comprehensive Guide to Theory and Practice in Britain (2nd ed). Oxford: Blackwell Publishers.
- Fritz, R. (1994) Corporate Tides: Redesigning the Organization. Oxford: Butterworth-Heinemann.
- Guest, D. (1991) Personnel management. The end of Orthodoxy?, British Journal of Industrial Relations, 29(2), 149–75.
- Jackson, N. and Carter, P. (2000) Rethinking Organisational Behaviour. Harlow: FT Prentice Hall.
- John Storey, Dave Ulrich, and Patrick M. Wright, Strategic Human Resource Management : A Research Overview, Routledge, 2019.and Trevor Morrow
- Mello J.; Strategic Human Resource Management, Cengage Learning, 2018.
- Michael Armstrong; Strategic Human Resource Management : A Guide to Action, Kogan Page US, 2008.
- Mike Millmore, Philip Lewis, Mark Saunders, Adrian Thornhill, Strategic Human Resource Management : contemporary Issues, Pearson, 2007.
- Mintzberg, H. (1991) The effective organization: forces and forms, Sloan Management Review, Winter, 54–67.
- Mintzberg, H. (1993) Structure in Fives: Designing Effective Organizations. London: Prentice Hall International.
- prospect, Organization Studies, 18(1), 43–76.

- Pugh, D.S., Hickson, D.J., Hinings, C.R. and Turner, C. (1968) imensions of organization structure, Administrative Science Quarterly, June, 65–104.
- Purcell, J. (1989b) The impact of corporate strategy on human resource management, in Storey J. (ed.) New Perspectives on Human Resource Management, pp. 67–91. London: Routledge.
- Purcell, J. (1995) Corporate strategy and its link with human resource management strategy, in Storey, J. (ed.) Human Resource Management: A Critical Text, pp. 63–86. London: Routledge.
- Thompson, P. and McHugh, D. (2002) Work Organisations: A Critical Introduction (3rd ed). London: Palgrave.

Chapter five: Practices Of Strategic Human Resources Management

Introduction

To achieve to the strategic goals of HRM, the HR department must assume his responsibilities and roles in the organisation. In fact, the HR managers should take in consideration the importance of dealing Completely differently with their Human Resources. We will present in the following pages a package of major strategic HRM practices which HR mangers must do Professionally:

- Strategic Workforce Planning
- Strategic learning and development
- Strategic performance management
- Strategic remuneration management

Strategic Workforce Planning

The first component of HR management strategy is strategic workforce planning. All other functional HR activities, such as the design of work systems, staffing, training, performance management, compensation, labor relations, and employee separation, are derived and should flow from the strategic workforce planning process.

When undertaking strategic workforce planning, the organization considers the implications of its future plans on the nature and types of individuals it will need to employ and the necessary skills and training they will require. The organization will also need to assess its current stock of employees as well as those available for employment externally.

The key facet of strategic workforce planning is that it is a proactive process. It attempts to plan and anticipate what might happen in the various domains of the organization's internal and external environments and to develop plans to address these events prior to their actually happening. Rather than react to changes in the industry, marketplace, economy, society, and technological world, strategic workforce planning ensures that the organization can adapt in tandem with these changes and maintain the fit between the organization and its environment.

HR planning is particularly important during periods of organizational turbulence, such as during a merger or acquisition, when labor market conditions are tight, or when unemployment is high.

Because strategic workforce planning involves making assumptions about the future, particularly the status of the economy, competition, technology, regulation, and internal operations and resources, it is critical that all strategic workforce planning initiatives be flexible. If events and circumstances materialize differently from how they are anticipated, then the organization should not be bound by prior and existing plans. Changes to any planning initiatives should not be viewed as a weakness in the planning process. Rather, they should be a positive sign that the organization is carefully monitoring its external environment and responding appropriately to any changes taking place.

To facilitate this flexibility, it is critical that key decision makers in the organization clarify and write down all assumptions they make about the external environment and the organization when developing the HR plan. If the organization has difficulty achieving its strategic objectives despite following a carefully wrought HR plan, there is a very good chance that inaccurate assumptions were made about what might happen in the future or when expectations failed to materialize. Clarifying and writing down these assumptions make subsequent intervention and corrective action much easier. Many interventions become complicated and time-consuming because when decision makers revisit the process.

However, as previously noted, much of the assessment of the external environment involves assumptions that various conditions of the economy, technology, marketplace, competition, and regulatory environment will remain the same or change. These assumptions are often held by key decision makers but not verbalized. As a result, corrective action may be critical because of an inability to identify the key problem.

Strategic workforce planning goes far beyond simple hiring and firing. It involves planning for the deployment of the organization's human capital in the most effective and efficient ways, in line with the organization and/or business unit strategy. In addition to hiring and/or separation, human capital management may involve reassignment, training and development, outsourcing, and/or using

temporary help or outside contractors. Modern organizations need as much flexibility as possible in how they utilize human talent in the pursuit of their strategic goals.

The need to carefully monitor strategic workforce planning activities will become even more acute in the coming years. The U.S. Bureau of Labor Statistics estimates that during the current decade, the civilian labor force will increase by only 1 percent and that after that, the retirement of baby boomers will slow the growth to only two-tenths of a percent until the year 2025. Recent reports published by the U.S. Merit Systems Protection Board (MSPB) have determined that the federal government's recruiting processes greatly hamper its ability to hire needed employees. With an average age of approximately 50 years, between one-half million and one million federal employees are expected to retire by 2020. Because little concerted effort is being made to replace such workers or to provide training for those who will remain after these retirements, the future looks grim. In addition, the process for hiring new employees has been found to be so cumbersome that many qualified workers are discouraged from applying for federal jobs.

Objectives of Strategic Workforce Planning

As noted by literature, there are five major objectives of strategic workforce planning:

- The first is to prevent overstaffing and understaffing. When an organization has too many employees, it experiences a loss of efficiency in operations because of excessive payroll costs and/or surplus production that cannot be marketed and must be inventoried. Having too few employees results in lost sales revenue because the organization is unable to satisfy the existing demand of customers. Moreover, the inability to meet current demand for products or services due to understaffing can also result in the loss of future customers who turn to competitors. Strategic workforce planning helps to ensure that operations are not only efficient but also timely in response to customer demand.
- The second objective is to ensure that the organization has the right employees with the right skills in the right places at the right times. Organizations need to anticipate the kinds of employees they need in terms of skills, work habits, and personal characteristics and time their recruiting efforts so that the best employees have been hired, fully trained, and prepared to deliver peak performance exactly when the organization needs them. Nonetheless, the planning process needs to consider myriad factors, including skill levels, individual employee "fit" with the organization, training, work systems, and projected demand, and then integrate these factors as a critical component of its HR strategy.
- The third objective is to ensure that the organization is responsive to changes in its environment. The strategic workforce planning process requires decision makers to consider a variety of scenarios relative to the numerous domains in the environment. For example, the economy might grow, remain stagnant, or shrink; the industry might remain the same or become either more or less competitive; government regulation may remain the same, be

relaxed, or become more rigorous; technology may or may not be further developed. In this context, Strategic workforce planning Key Objectives of Strategic Workforce Planning forces the organization to speculate and assess the state of its eternal environment.

- Prevent overstaffing and understaffing
- Ensure the organization has the right employees with the right skills in the right places at the right times
- Ensure the organization is responsive to changes in its environment
- Provide direction and coherence to all HR activities and systems
- Unite the perspectives of line and staff managers

Anticipating and planning for any possible changes rather than passively reacting to such conditions can allow the organization to stay one step ahead of its competitors.

- The fourth objective is to provide direction and coherence to all HR activities and systems. Strategic workforce planning sets the direction for all other HR functions, such as staffing, training, and development, performance measurement, and compensation. It also ensures that the organization takes a more systemic view of its HR management activities by understanding the interrelatedness of the HR programs and systems and how changes in one area may impact another area. A coherent HR plan will ensure, for example, that the areas in which employees are trained are being incorporated into their performance measurements and that these factors are additionally considered in compensation decisions.
- The fifth objective is to unite the perspectives of line and staff managers. Although strategic workforce planning is usually initiated and managed by the corporate HR staff, it requires the input and cooperation of all managers within an organization. No one knows the needs of a particular unit or department better than the individual manager responsible for that area. Communication between HR staff and line managers is essential for the success of

any HR planning initiatives. Corporate HR staff needs to assist line managers in the planning process but simultaneously acknowledge the expertise of and responsibility assigned to individual line managers in considering their input to the planning process.

Types of Strategic HR Planning

Strategic HR Planning is generally done on two different levels. Aggregate planning anticipates the needs for groups of employees in specific, usually lower-level, jobs (the number of customer service representatives needed, for example) and the general skills employees need to ensure sustained high performance. Succession planning focuses on key individual management positions that the organization needs to make sure remain filled and the types of individuals who might provide the best fit in these critical positions.

Aggregate Planning

The first step in aggregate planning is forecasting the demand for employees. In doing so, the organization needs to consider its strategic plan and any kinds and rates of growth or retrenchment that may be planned. The single greatest indicator of the demand for employees is demand for the organization's product or service. It is imperative, when forecasting the demand for employees, to clarify and write down any assumptions that might affect utilization of employees (new technology that might be developed or acquired, competition for retention of existing employers, changes in the production of a product or provision of a service, new quality or customer service initiatives, or redesigning of work systems).

Although there are several mathematical methods, such as multiple regression and linear programming, to assist in forecasting the demand for employees, most organizations rely more on the judgments of experienced and knowledgeable managers in determining employee requirements. This may be done through unit forecasting (sometimes called bottom-up planning), top-down planning, or a combination of both. In unit forecasting, each individual unit, department, or branch of the organization estimates its future needs for employees. For example, each branch of a bank might prepare its own forecast based on the goals and objectives each branch manager has for the particular office. These estimates are then presented to subsequent layers of management, who combine and sum the totals and present them to senior management for approval.

This technique has the potential for being the most responsive to the needs of the marketplace because it places responsibility for estimating employee needs at the "point of contact" in service provision or product production. However, unless there is some mechanism for control and accountability for allocating resources, such a technique can easily lead managers to overestimate their own unit needs. Without accountability and control measures for costs and productivity, this technique can become quite inefficient as lower-level managers attempt to put aside employees without regard as to whether these human assets might better be deployed in another division of the organization. Consequently, any system of unit forecasting needs to have an accompanying program of accountability for performance based, at least in part, on head-count.

This underscores the need for having integrated HR systems and programs. Top-down forecasting involves senior managers allocating a budgeted amount for employee payroll expenditures and then dividing the pool at subsequent levels down the hierarchy. Each manager receives a budget from her/his supervisor and then decides how to allocate these funds down to the next group of managers. This technique is similar to sales and profit plans in many organizations, whereby each unit is assigned a budgeted amount and is then required to make decisions on deploying those resources in the manner most consistent with business objectives. Although this technique may be efficient, as senior management allocates HR costs within a strict organization-wide budget, there is no guarantee that it will be responsive to the needs of the marketplace. Allocations are based solely on what the organization can afford, without regard to input concerning demand and marketplace dynamics.

Unit forecasting promotes responsiveness to customers and the marketplace; top-down forecasting promotes organizational efficiency in resource allocation. Consequently, an organization can choose a planning technique that is consistent with its overall strategy. An organization whose key strategic objectives involve cost minimization can opt for top-down forecasting. An organization more concerned with change and adaptability can opt for unit or bottom-up forecasting. However, if an organization has objectives of both responsiveness and efficiency, it is possible to use both forms of forecasting and have middle levels of management responsible for negotiating the differences between the two techniques. In addition to the demand for actual headcount of employees, the organization also needs to consider the demand for specific skills that it will require of its employees as part of the HR planning process. Changes in workplace demographics are having a significant impact on the skills that job applicants bring to an organization. Technology is also having an impact on the skills required of employees.

In addition, assessment of the demand for employees needs to consider not only numbers but also the kinds of workers who will best fit with the organization relative to personal characteristics, work habits, and specific skills. Once demand for employees has been forecasted, the organization then has to plan for an adequate supply of employees to meet this demand. This process involves estimating the actual number of employees and determining the skills that these employees must have and whether their backgrounds, training, and career plans will provide a sufficient fit for the organization’s future plans.

One way to assess the abilities, skills, and experiences of existing employees is by using a skills inventory. In the past, these inventories were usually compiled and processed manually, but skills inventories are now usually computerized databases that are part of the organization's overall HR information system. Each employee provides information on his or her experience, education, abilities, job preferences, career aspirations, and other relevant personal information. This allows an organization to gain a collective sense of who their employees are and what capabilities they have. Skills inventories must be constantly updated to be of any value to an organization. Changing employee backgrounds and preferences mandate that the skills inventory be updated at least annually.

Estimate of the existing supply of HR relative to quantity is not a static measure; rather, it is dynamic. In the majority of medium and large organizations, employees change positions and job levels constantly or leave the organization. Consequently, any attempt to assess the supply of employees needs to assess mobility within the organization as well as turnover rates. This can be done through a mathematical technique known as Markov analysis, which describes the probability of employees staying with the job in any job category, moving to another job, or leaving the organization over a given time period, usually one year. It uses a transition probability matrix that is established based on historical trends of mobility. Markov analysis can also be utilized to allow managers identify problem departments within an organization or positions that appear to be less desirable as reflected in high rates of turnover or low rates of retention. A sample Markov analysis is illustrated in Exhibit 5.1 below:

Exhibit 5.1: A sample Markov analysis

Transition Probability Matrix for a Restaurant

		One Year From Now			
		Servers	**Hosts**	**Bus persons**	**Exit**
	Servers	.80	.10	0	.10
Current Year	Hosts	.10	.70	0	.20
	Bus persons	.15	.05	.40	.40
		Analysis of Matrix			
		Retention Levels			
	Servers	80%			
	Hosts	70%			
	Bus persons	40%			
		Forecasted Levels			
Incumbents		**Servers**	**Hosts**	**Bus persons**	**Exit**
60	Servers	48	6		6
10	Hosts	1	7		2
20	Bus persons	3	1	8	8
	Total	52	14	8	16

The top portion of this exhibit presents a sample transition probability matrix. For the sake of simplicity, we will assume that there are three job classifications in the restaurant: servers, hosts, and bus persons. Horizontal readings show the movement anticipated during the coming year for each job classification based on historic trends. For example, 80 percent of the current staff of servers would be expected to remain employed in that capacity one year from now; 10 percent will become hosts; none will become bus persons; and 10 percent will leave the organization.

The bottom half of the exhibit first shows retention levels, followed by a forecast of the supply of employees expected in each position. To calculate these values, we take the number of incumbents and multiply them by the percentages from the transition probability matrix.

Summing each of the columns that pertain to job classifications allows us to determine, given normal movement, expected supply levels of employees one year from now. After reliable estimates have been made for both supply and demand of employees, programs can be implemented to address any anticipated surplus or shortage of employees in a particular job category. In planning for anticipated shortages, the organization first needs to consider whether the shortage is expected to be temporary or indefinite. This has implications for whether the organization should hire temporary or permanent employees or even consider subcontracting work to an outside vendor. If permanent employees are to be hired, the plan needs to be comprehensive and consider the types of employees that should be recruited, whether they should be recruited internally or externally, how long they will need training to perform at acceptable levels, and how long the recruiting process has historically taken.

Another important consideration is whether the individuals will need the latest skills or whether the organization requires more hands-on practical experience. The former strategy would suggest recruiting younger employees directly out of formal schooling or training programs; the latter strategy would suggest recruiting from competitors or possibly having older workers postpone retirement or work on a contract or part-time consulting basis.

If a surplus of employees is anticipated, a critical strategic issue that must be addressed is whether this surplus is expected to be temporary or permanent. The most extreme action to reduce a surplus is to lay off employees. Layoffs should usually be conducted only as a last resort, given the effects they can have on the morale of remaining employees as well as the significant economic costs that often result from large-scale layoffs. Surpluses can also be addressed through early retirement programs, transfer, and retraining of existing employees, and/or an across-the-board reduction in salaries or working hours. Exhibit 5.2 summarizes some strategies for managing employee shortages and surpluses.

Exhibit 5.2: strategies for managing employee shortages and surpluses

Strategies for Managing Shortages	Strategies for Managing Surpluses
• Recruit new permanent employees	• Hiring freezes
• Offer incentives to postpone retirement	• Do not replace those who leave
• Rehire retirees part-time	• Offer early retirement incentives
• Attempt to reduce turnover	• Reduce work hours
• Work current staff overtime	• Voluntary severance, leaves of absence
• Subcontract work out	• Across-the-board pay cuts
• Hire temporary employees	• Layoffs
• Redesign job processes so that fewer employees are needed	• Reduce outsourced work
	• Employee training
	• Switch to variable pay plan
	• Expand operations

Source: *Adapted from Fisher, Schoenfeldt, and Shaw. Human Resource Management, 4d, 1999.*

Succession Planning

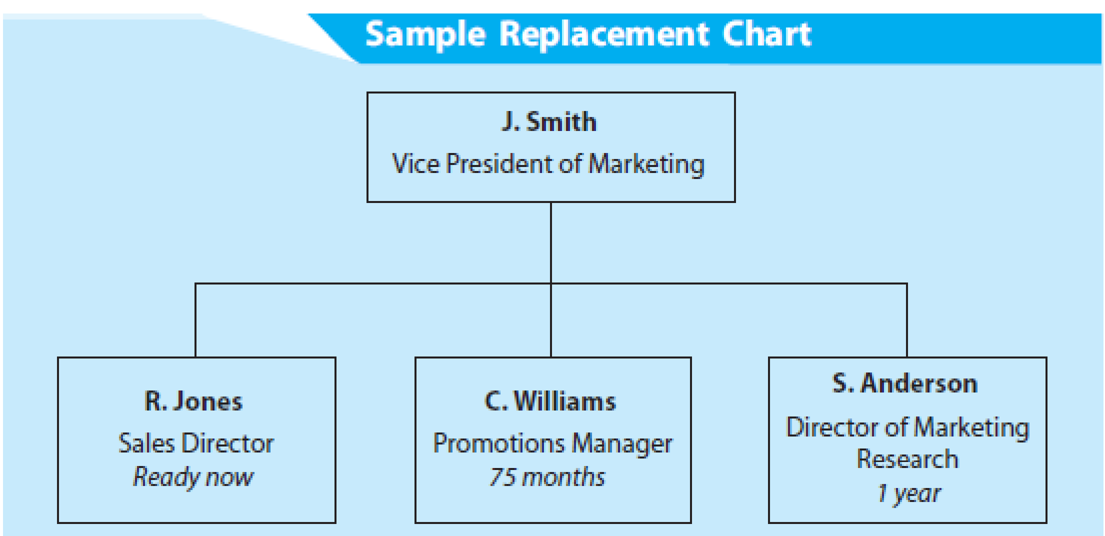
Succession planning involves identifying key management positions that the organization cannot afford to have vacant. These are usually senior management positions and/or positions that the organization has traditionally had a very difficult time filling. Succession planning serves two purposes.

- First, it facilitates transition when an employee leaves. It is not unusual to have a departing employee work alongside his or her successor for a given period prior to departure to facilitate the transition. Succession planning aids in this process.
- Second, succession planning identifies the development needs of high-potential employees and assists with their career planning. By identifying specific individuals who might be asked to assume high-level responsibilities, the organization can attempt to develop key skills in these individuals that might be needed in subsequent assignments.

Although succession planning programs are relatively easy to understand in concept, actual practice shows that even though organizations realize how critical the processes are, they may fail to implement succession planning effectively. One criticism of existing succession planning models is that their timing often does not remain in synchronization with ongoing and evolving business needs, resulting in constant shortages or surpluses of talent. For that reason, it is critical that succession planning programs be subject to regular review and revision, as necessary, as business conditions and the organization itself change. Traditional succession planning utilizes a relatively simple planning tool called a **replacement chart**.

Replacement charts identify key positions, possible successors for each of these positions, whether each potential successor currently has the background to assume the job responsibilities, or the expected amount of time it will take for the potential successor to be ready. Replacement charts are easily derived from the organizational chart and are often part of the HR information system: They can narrow in on one key position and the subordinates reporting to the individual holding that position. A sample replacement chart is presented in Exhibit 5.3 below.

Exhibit 5.3: sample replacement chart



In this example, Smith is the vice president of marketing and has three direct reports: Jones, Williams, and Anderson. Beneath the three reports' job titles is the expected period of additional time each will need to be ready to assume the vice president's responsibilities. The assessments of time are generally not objective. They are usually based on the opinions and recommendations of higher-ranking managers. In this example, Smith may have provided the time estimates for the three subordinates based on subjective personal assessments. Some organizations, however, are much more systematic about their succession planning. Their replacement charts may contain specific skills, competencies, and experiences rather than subjective estimates of time-readiness. This may help to overcome problems associated with personal bias and ensure that the most qualified individuals are promoted. Moreover, it allows an organization to provide its high-potential employees with more specific feedback regarding developmental needs. Such an approach might ensure that women and minorities have equal access to high-level management positions.

Clearly, the more volatile competitive organizations of the twenty-first century may need to develop much larger pools of talent with very broad sets of skills. Consequently, many organizations are beginning to embrace the development of succession planning strategies that are based more on organization-needed competencies and flexibility than focusing on subjective assessment of readiness.

Succession planning has traditionally been very limited in scope, focused on senior executives within the organization. One estimate is that a typical organization's succession planning process involves no more than 2 percent of the organization's workforce. Much of the process of succession planning has involved CEOs and other executives secretly identifying their chosen successors from among the ranks of existing employees.

Wall Street analysts also consider and weigh in on likely successors and their identities in assessing an organization's ongoing potential and value. In more recent years, however, succession planning has been taking place throughout the managerial and technical ranks of organizations and become seen increasingly as a critical component of an organization's talent management and development process. While individual high-potential employees are still identified and targeted for development, many organizations now take a broader approach and focus on pools of talent to ensure depth of employee skill development throughout the organization and the development of successors for a wide range of positions than just those at the senior executive ranks.

The literature notes the existence of Guidelines for Effective Succession Planning which propose the following point to take in consideration:

- Tie into organization's strategy (and modified accordingly)
- Monitor the progress and measure outcomes of succession planning initiatives
- Ensure that all HR functions that impact the succession plan are iterated and working in tandem
- Ensure centralized coordination of succession planning
- Engage and involve managers throughout the organization

Succession planning not only helps to ensure that key management positions remain filled, but it also helps to identify the critical training and development needs of both individual managers and the organization as a whole. Succession planning clearly involves taking an investment-oriented approach toward employees. Although the benefits of a well-developed succession planning program can be significant, such programs can also come at a significant cost to an organization. An employer should ensure that there is at least one individual able to assume every critical position if something prevents the incumbent from continuing in it; however, the more prepared an individual is for a promotion that he or she does not receive, the greater the possibility that he or she might seek such a position elsewhere. This is particularly true for succession planning programs built around defined management competencies. The end result of this process is that the organization invests in an individual and a competitor receives the return on that investment. Succession planning initiatives aimed at key managers need to be coupled with a specific retention strategy designed for potential successors who are passed over for promotions.

In conclusion, we can say that, effective strategic workforce planning is the first key component for developing a HR strategy. Strategic workforce planning involves translating corporate-wide strategic initiatives into a workable plan for identifying the people needed to achieve these objectives; simultaneously, planning serves as a blueprint for all specific HR programs and policies. It is critical for the success of smaller, rapidly growing companies to ensure that their growth is properly managed and focused. Strategic workforce planning allows the HR function to contribute to an organization's effectiveness by laying a foundation for proactive management that is strategically focused.

More specifically, strategic workforce planning facilitates a number of key processes within an organization. First, it facilitates leadership continuity through succession planning. It ensures that there will be no—or, at most, minimal—disruption of day-to-day operations because of unplanned departures. Second, it facilitates strategic planning by examining the future availability of employees and their skill sets. Although strategic workforce planning follows from the strategic plan, the information collected in the strategic workforce planning process contributes to the assessment of the internal organization environment done in subsequent strategic planning. Third, it facilitates an understanding of shifts and trends in the labor market through an examination of job requirements and employee capabilities. By assessing demographics, skills, and knowledge of employees and applicants vis-à-vis job requirements, the organization can remain ahead of its competitors in understanding the changing labor force. Fourth, it facilitates employee development by determining the skills that are needed to achieve strategic objectives as well as to ensure future career success in the organization. Ideally, this can serve as a catalyst for investing in employees through targeted training and development programs. Fifth, it facilitates budget planning and resource allocation by determining needs for employees in response to the organization's strategic plan. This is particularly important in labor intensive service industries where a significant portion of the budget is assumed by direct and indirect payroll expenditures. Sixth, it facilitates efficiency by estimating future employee surpluses and shortages. Costs of overstaffing and understaffing can be significant and are minimized by the strategic workforce planning process, allowing organizations to maintain a more competitive cost structure.

Finally, it facilitates the organization's adaptation to its environment. By assessing the external factors that can affect the organization against existing employee skills and background, the organization is better able to maintain an appropriate fit with its environment by ensuring that it has the in-house talent to manage its relationship with its environment.

Strategic Performance and Commitment Management

A quick way to determine how well the performance management system of an organisation is working from a strategic perspective, is to ask multiple employees their understanding of the organisation's strategy, its goals, key performance indicators and how employees think they are contributing to the same. Next, verify this understanding with the senior management team. One would most likely find gaps in understanding of expected and actual performance. There are many reasons for this. Performance is a multifaceted and multi-level concept and thus needs attention, at least, at two very distinct levels: an individual level and a organisational systems level and how high performance is achieved at each level.

Individual Level Performance Management

Typically, performance management is a cyclical process, which involves determining first of all, the performance expectations of a role. This is followed by setting and planning an individual's goals, providing the individual with learning and development support where necessary, monitoring their progress and providing ongoing feedback through formal and informal means regarding their actual performance against the expected performance.

Performance management in 'HR speak' comprises of numerous factors that can contribute to improving the performance of a system. The performance rubric, P = f (AMO) was introduced in the literature in the field, wherein 'A' stands for ability, 'M' for motivation and 'O' for opportunity.

It is worth remembering that individual level performance requires the presence of all three factors for achieving high performance. Hiring people who have the relevant knowledge, skills and ability is a key foundation for expecting people to perform well in a given role. HR managers should also focus on a combination of intrinsic and extrinsic motivational approaches to offer satisfying and motivating jobs for employees and hope to improve their performance. Line managers and supervisors play an important part in providing the environment or ‘opportunity’ for their staff to remain motivated and to apply their abilities to the fullest. From a strategic perspective, the basic tenets of the goal-setting theory are highly relevant here. This theory suggests directing employee’s attention to goals, regulating the effort, increasing their persistence and encouraging the development of plans to achieve the goals. The goals should be set at the right (stretch) level to motivate employees to aspire to achieve higher and that such goals should be quantifiable and clear. HR practitioners and line managers have a responsibility to deliver on these counts if they are expecting the best out of their employees. The focus here is not to get into different performance management systems such as the MBO, rating scales, Six Sigma, or 360-degree multi-rater feedback, it is more around understanding guiding principles that have worked well in managing performance. An equally relevant consideration here is of distributive justice. Managers and HR leaders must ensure that employee perceptions about rewards and its appropriation are fair. The role of line managers and supervisors is extremely critical in clearly communicating the expectations. Where necessary, this has to be supplemented with support by way of training and development and/or a nurturing environment to improve the performance of individual contributors. Equally important is adopting an integrated approach to HRM practices and ensure there is a horizontal fit between HRM practices. For example, recruitment and selection practices should be supported by employee development and motivational support from managers.

Some large and successful firms have put in place forced distribution systems and Six Sigma or even Lean Six Sigma as a means to precisely measure and ensure high levels of performance. This is achieved by removing the root cause of variation in a performance system. Such approaches often rely on giving very clear, prompt and transparent feedback to performers and non-performers. General Electric (GE), Motorola and a number other US firms and more recently offshore contact centers and business process outsourcing firms of large multinationals in India are using these approaches. Aspects of performance metrics and problem-solving approach to managing individual performance is in line with the basic tenets of goal setting theory and does seems to deliver sustained levels of high performance. GE, for example, follows a forced distribution system wherein it distributes scores in a 10% (below average), 70% (Potentials), 20% (high performers) distribution. Looking after the 20% and pushing as many people in towards the upper end of the 70% range is a key focus. The remaining 10% are asked to either buckle up or look elsewhere.

As with any HR performance management system, the challenge lies in its implementation. But sometimes, even the design of a performance management system is not free from flaws. For example, not having clear performance measures for goals and expectations and inadequate communication and training on what the various range of scores mean are often cases of core flaws in design. In fact, certain researchers note that there are some key considerations in designing an effective performance management system. These include, for example, the following: ensuring that the system is valid, reliable, cost-effective and has perceived fairness by its users.

Managers and leaders must therefore address each of the above elements for an effective performance management system. They need to know what it takes to apply the design consistently to avoid problems of perceived inequity and poor implementation. Excessive focus on unrealistic ‘stretch’ goals may lead to unintended consequences such as poor performance and adverse outcomes such as dysfunctional employee turnover, poor employee well-being, stress and fatigue. Most good performance management systems aim to increase their employees' job satisfaction and organisational commitment. As such, efforts must be made to offer a combination of intrinsic and extrinsic rewards to achieve job satisfaction and maintain affiliation with an organisation. Additionally, employers must also avoid any breaches in psychological contract of their employees through issues of poor design and implementation. All of these factors affect an employee's motivation, attitudes towards the job and the firm, which subsequently has an effect on behaviour of employees and their discretionary performance.

Organisational Level Performance–HRM Systems

For achieving high levels of organisational and systems performance through HRM practices, a number of interrelated factors must be considered. For example, these include: creating and managing a desired culture to support the performance expectations; providing the relevant structural elements such as a sound performance management design and other mutually reinforcing HR practices; and finally ensuring 'integration and fit' with the firm's competitive strategy. Key questions for the HR managers to think are: to what extent are there complementarities between HR and other management functions? Are HRM practices mutually fitting and reinforcing–in other words, achieving an internal or horizontal fit? Are they applied consistently across the organisation?. Attending to these questions may result in a better fit as per the best-fit perspective.

While adopting a best-fit thinking yields better alignment, we nevertheless see a number of studies of high performance work practices or systems tend to adopt a universalist approach. Typically, studies in this group are similar to studies of best- practice models wherein a certain bundle of HRM and perhaps management practices, if implemented collectively are likely to have positive impacts on the performance of a system. Careful selection of a 'set' of HRM practices must be implemented collectively and if issues of fit and integration are also attended to then such an approach is most likely to lead to sustained levels of performance. Firms must identify a set of complementary capabilities that help create mutually

reinforcing systems for achieving high levels of systems level performance. Therefore, the focus is on identifying the 'right' sets of mutually reinforcing practices to support coherence and fit at a system, practice and competency level. The difficulty, however, in such an approach is that there are several contingencies that need to be considered for each organisation in selecting the right bundle. Some studies highlight the degree of change in performance when firms use high performance work practices. For example, a study of hospitals in the UK found a strong correlation between teamwork, learning and development and performance appraisals on patient mortality. While the literature is voluminous on the choices in relation to the bundles of HRM practices that are available, these choices depend on the purpose of each organization and its approach to achieve its goals.

More importantly, these choices depend on line manager's discretion and employees' attitudes and behaviour in the chain of links between management's espoused goals and high organisational performance.

While there are several individual and systems level approaches to choose from, there are problems in achieving transparency, consistency, validity and reliability in the measures employed for both of the above levels. Additionally, the multidisciplinary orientation of different approaches and contextual conditions in which such studies were designed provides little basis for uniform comparison and its application to other contexts. The field of managing performance also suffers from the performance black box problem. What this implies is that there are a number of other factors that may explain the anticipated and unanticipated drivers of performance at an individual, organizational and system levels.

Part of the problem also occurs because of the interpretation and enactment of espoused meanings by managers and employees. There appears to be an increasing consensus that performance can be affected by how employees perceive the way their managers implement these HPWS, which then has an impact on the effectiveness of these practices on business performance.

Overall the performance–HRM link, though on a strong footing, with an excess of studies pointing to its positive association with performance, requires further research, especially from emerging markets, which can further test the evidence base. Also, scholars are beginning to challenge whether it is possible to sustain the tested frameworks in managerial approaches. This burning question is logical as there are signs of weakness in the dominant capitalist logic with declining levels of employee wellbeing and health outcomes, especially when firms continue to implement high-performance work designs and do not effectively balance the demands such practices place on its human resources.

Strategic Learning and Development

In the wider education and training institutional infrastructure, there are tensions about who is responsible for creating 'industry ready' workers? Is it the individual, organisation or state? While game theorists have modeled these scenarios and argue that the weakest stakeholder group loses. Another theory that traverses all three levels is the human capital theory, which suggests that for improved wages and increased productivity, investment in human capital is vital. The underlying logic of this theory is that high levels of skills and knowledge enables people to perform better in their jobs, which ultimately raise their productivity.

Increases in productivity and presence of higher order skills is rewarded in the form of higher wages. Another hypothesis this theory examines is whether firms should invest in generic and transferable skills or only firm specific and by implementing non-transferable skills. The theory argues that firms will not invest in generic and transferable skills as these are also of equal value to other employers. Whereas, investment in technical and non-transferable or firm-specific skills training is logical as the investing firm can recover the costs of such training during the tenure of an employee and such skills will make the employee more productive in their current job. A variant of this theory, the Neo-Human Capital theory, focuses on investment in training to overcome changes in technology.

The neo-human capital theorists argue that firms will invest in generic and transferable skills because of the information asymmetry that exists at the time of hiring new employees. Further, the theory postulates that the demand for highly skilled employees will decline with a firm's experience on the use of a given technology, hence with each event of new production, managerial or process technologies, firms can expect a spike in investment in learning.

It is interesting to note that most studies of high performance work systems (HPWS) invariably features training and development as a key element in the bundle of practices. Similarly, even the RBV models highlight the importance of **investing** in firm-specific skills, **resources** and capabilities to make the resources **valuable**, rare, and inimitable by the firm's immediate competitors because of the way they are organised in the production function.

Given the numerous theoretical explanations of why firms invest in training, one theme that emanates very clearly in the above theories is to improve the performance or productivity of a system. This bears resemblance the conceptualisation of human resource development (HRD) and the role it plays in an organisational context. This point of view argues that for HRD to survive, the performance paradigm should prevail over learning paradigm.

Building on research undertaken in the UK, researcher analysed the factors affecting the provision of enterprise training in Australia. While a number of other theorizations have since been undertaken in the context of a number of countries and industries, in the main, the key factors affecting a firm's decision to invest in training can be summarised into two groups: Internal organisational influences and external contextual influences. While the former includes factors such as workplace change, product or process change, enterprise size, industry type, introduction of quality management systems and new technology, the latter group includes factors such as client specifications, government regulation and inadequacies of the educational systems.

From a strategic HRD perspective, certain studies found that firms that invested greater amounts in training and development were also firms that were operating in a medium- to higher-level product market segment of the IT industry. While this would suggest that high-end product markets demand greater inputs of training investment, this is not always true as even relatively less complex or low-end product and service markets have known to allocate greater investments in training, especially if the industry is growing fast and is witnessing high levels of employee turnover. This may also be the case because of contextual factors such as inadequacies in the educational infrastructure to produce market ready workforce, high growth rates witnessed by the industry and dynamism in a firm's products and service offerings. This trend has been borne out in the study of large IT firms delivering in both simple and complex levels of service delivery.

Training in these organisations has played a strategic role in not only keeping the overall workflow steady, but also in the longer term, through sustained investments in learning and development infrastructure, these firms were able to offer a lower unitized cost of training and hence contribute to a firm's bottom line

Career Development

As HR developers, apart from focusing on skills development for core roles in an organisation, they are also tasked with retention of key talent in an organisation. This brings to our attention to the topic of managing individual's career aspirations.

From a strategic perspective, HR developers must consider the business and competitive strategy before making extensive investments in learning and development and indeed offering employees career paths. There is an ongoing debate regarding whose responsibility is it to invest in an individual's personal learning and career development needs. Certain authors work on career anchor theory, is relevant here as he focuses on first understanding the individual's internal career anchors before offering them with a career path in an organisation. Career anchors are a configuration of aptitudes, intentions, and beliefs that help in directing, limiting, stabilizing and assimilating an employee's careers goals. The theory argues that people's career anchors (internal career orientations) take time to get stabilised (up to first 5 years of their working lives) and following this these anchors stabilise and generally do not change over time. According to the theory, people have up to two dominant career anchors from the following list of anchors: **managerial competence, technical and functional competence, pure challenge, creativity, service/dedication, security, autonomy and lifestyle**. There is some further research which suggests that career anchors may change over an individual's working life due to major shocks or contextual changes.

From a strategic HR perspective, organisations are better placed to identify and place individuals in career paths that match with their dominant career anchors rather than placing people in careers that they are not anchored in. Classic examples of mismatch include people want to pursue technical excellence in their respective disciplines are offered to take on a specialist management roles. This creates an internal cognitive dissonance in the minds of such individuals who are more anchored in technical excellence as they do not have excellent people management skills nor are they interested in it. Eventually, this will lead to dissatisfaction at work and may result in voluntary turnover.

Overall, learning and development is a vital function in the arsenal of HRM and has been noted to have direct and indirect impact on business and individual levels of performance. This practice has the capacity to impact and in some ways even shape an organisation's strategic choices for operating in certain markets. There is ample evidence of its strategic approach in the high technology services industry. Increasingly with the emphasis shifting towards innovation, changes in a firm's portfolio of products and services requires new skills and newer ways of working, all of which have implications for the HRD department of a firm.

Strategic Reward Management

Reward has always enjoyed something of a Cinderella status in the world of personnel management. It has traditionally been about the rather boring but necessary concerns of wage and salary administration than the more exciting arena of strategy. Indeed, that tradition represents almost the opposite of strategic thinking illustrated by certain researchers who note that repeated questions to managers and employees about why they pay and accept certain levels of remuneration usually result in replies which boil down to the same answer: that is the pay level is as it has always been or, in harsher terms, we don't really know. There are very few organisations where the answer is clear and positive.(Smith,1983: 12).

This paragraph covers evidence which suggests that the situation in many organisations may not have changed that much in the last 20 years. However, for the more progressive organisations, times have changed; reward now plays a central part in HR strategy. According to one senior HR practitioner, Organisations are realising what a powerful lever reward is and how it needs to complement their other business strategies, whereas historically people have tended to view it in glorious isolation.

The term ‘reward’ rather than ‘pay’ is used. This is an important point because employees expect more than pay for their efforts, so the definition of reward used in this paragraph includes non-pay benefits, such as recognition and pensions, as well as wages and salaries.

What is Reward?

Armstrong (2002) defines reward as ‘how people are rewarded in accordance with their value to the organisation. It is concerned with both financial and non-financial rewards and embraces the philosophies, strategies, policies, plans and processes used by organisations to develop and maintain reward systems.’

This definition is a useful point of departure. The first part of the definition notes that ‘people are rewarded in accordance with their value to the organisation’. This is a significant point because it immediately raises the central concept in new reward thinking that it is people that are the focus of concern, not jobs. This is reflected, for example, in individual performance-related pay schemes. In addition, Armstrong’s (2002) definition notes the importance of both financial and non-financial rewards. Including both financial and non-financial rewards in the reward system is recognition by the employer that non-financial rewards may play an important part in attracting, and, more particularly, retaining employees. It also represents what seems to us an important principle: that individuals require more for their efforts than simply monetary reward.

6.1.1. Financial and non-financial rewards

Armstrong notes that there are five areas where employees' needs may be met by non-financial rewards:

- Achievement;
- Recognition;
- Responsibility;
- Influence;
- Personal Growth.

The first two – achievement and recognition – will apply to virtually all employees. The remaining three – responsibility, influence and personal growth – will apply to many more employees than may first be assumed. Most of us like to feel that we have accomplished something in our work and derive pride from our achievement. In addition, most managers realise that a simple 'thank you' and a pat on the back for a job well done has enormous motivational power.

It may seem strange to see responsibility in the list of non-financial rewards. We know that not all employees seek greater responsibility in their jobs, or greater influence over decisions that directly or indirectly influence those jobs. This may be related to the individual's personal characteristics, or it may be a consequence of a history of organisations not giving people the opportunity to exercise responsibility or influence. However, powerful account of the management style in a Brazilian company is an excellent example of how employees accept and welcome responsibility when they are treated in such a way that they are obviously valued. It may seem equally curious to see personal growth as a non-financial reward. Yet many individuals rate the opportunity for personal growth higher than financial reward.

Non-financial rewards are particularly important as motivational tools for some employees. Paying attention to these rewards increases the possibility of more positive employee attitudes and behaviours.

Employee involvement initiatives figure prominently as ways in which non-financial rewards may be delivered. For example, a communication strategy that broadcasts the successes of individuals and teams is often met with enthusiasm. Many organisations do this through their in-house magazines or their intranet. This, combined with special ‘thank you’ prizes (e.g. a weekend in Paris), often will have more motivational influence than direct financial rewards. Most of us like our colleagues to know when we are successful.

Performance appraisal systems also have a significant role to play in meeting employees’ needs for recognition and a feeling of achievement. As the literature emphasises, goal-setting and giving feedback to employees about their performance in pursuit of those goals are key performance appraisal activities. A developmental perspective to performance appraisal, rather than seeing it as a management control mechanism, is likely to result in employees defining their own training and career development needs. However, this approach to performance appraisal does depend on line managers having the appropriate attitudes and skills to manage in such a way that the individual is given sufficient autonomy for personal growth to be developed. This implies a clear training need for managers to shed the ‘technician’ label they often possess and embrace new ways of managing, which have leadership and facilitation as their guiding principles. These ‘new ways of managing’ are central to the concept of change given the key role line managers play in managing the change process.

Employees' needs for responsibility, influence and personal growth may also be met through imaginative job design. Certain studies advocate a number of elements of job design that may enhance the interest and challenge of work. These are:

- Greater responsibility for employees in deciding how their work is done;
- Reducing task specialisation;
- Allowing employees greater freedom in defining their performance goals and standards of performance;
- Introducing new and more challenging tasks.

In addition, more opportunities for employee involvement may also foster responsibility, influence and personal growth among employees. Achievement may be the result of involvement in such activities as quality circles and problem-solving groups.

6.1.2. Total reward

Non-financial rewards are the cornerstone of the concept of total reward. This concept emerged from the USA in the late 1990s. An internet-inspired booming economy generated a war for talent, and the consequent need to retain the most effective employees (IRS, 2003a) persuaded many organisations to look at their reward packages in new ways.

Total reward combines the traditional pay and benefits elements with the other factors that employees gain from employment. These may be skills, experience, opportunity and recognition. Therefore it is more than a flexible benefits package or a consideration of the combined value of basic pay, incentives and benefits. Total reward takes into account the less tangible benefits of employment (IRS, 2003c). The total reward package may differ between organisations, employee groups or individual employees. It may contain such considerations as a competitive base salary, development opportunities or flexible working hours. The aim is to construct the total reward package in such a way that it is adapted to the desires of individual employees with the cost implications for the employer being minimal.

6.1.3. Development & Maintenance Of Reward Systems

In his definition of reward, Armstrong also notes that reward embraces the philosophies, strategies, policies, plans and processes used by organisations to develop and maintain reward systems. More particularly, certain authors such as Lawler (1995) have stressed the need for reward systems to play an important part in changing employee behaviours in order to complement business strategy. Such behaviours may be, for example, the acquisition of more 'commercially aware' attitudes and behaviours and greater preparedness and ability to undertake a wider range of tasks. This sits easily with the strategic HRM literature, which also emphasises changed employee behaviours as the outcome of strategic HRM activities. It leads us to a more comprehensive definition of strategic reward management.

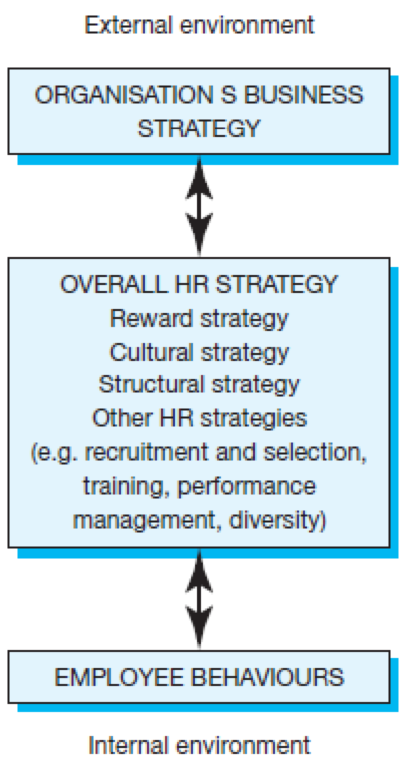
What is strategic reward management?

The strategic reward model in Figure 5.4 below forms the basis of most of the content of strategic reward system. At the heart of the model is the theory that the HR strategy plays an important role in delivering the organisation's overall business strategy by creating in employees certain behaviours, the need for which are implied by the business strategy. These employee behaviours may be produced by an HR strategy, which includes a reward strategy as well as other HR strategies such as the cultural strategy; the structural strategy and other HR strategies (e.g. recruitment and selection, training, performance management, diversity).

The business strategy is based on the organisation's external and internal operating environments. The literature in the field notes that the internal environment consists of the organisation's culture, structure, technology, working arrangements, processes and systems.

In part, the model argues that the organisation's reward strategy can make a valuable contribution to the development of employee behaviours, although it concedes that reward is only part of the wider HR strategy.

Figure Reward strategy and its relationship to business and other strategies



The fact that most of these external environmental changes have occurred is beyond dispute, although not all of them (e.g. the decline of collective bargaining) are significant in all organisations. To some degree, these environmental changes are reflected in the objectives for introducing new pay. Among these objectives were attraction and retention of staff; encouraging flexibility; and wanting to reward employees financially for remaining in their current posts rather than seeking higher pay through promotion. But the evidence suggests that the promotion of ‘leading edge’ reward strategies has not occurred to the extent that one may have expected. An international survey showed that the move to variable pay may not be as pronounced as it is tempting to think. Only three countries’ managers (China, Japan and Taiwan) rated pay incentives as an important part of their current reward systems, much higher than the USA and Australia. However, all managers in all ten countries in the conducted research were of the opinion that there should be greater dependence upon pay incentives in their reward systems. This suggests that actual reward practice is running behind management ambitions.

When asked if incentives were a significant amount of pay, only Korea scored highly, whereas USA, Canada and Australia were low. This last finding is surprising given the national cultural value of individualism in these three countries. Again, managers in all ten countries thought incentives should be a more significant amount of pay. A similar result was evident when the focus turned to reward being contingent upon organisational or group performance. Again, only China and Taiwan reported relatively high dependence upon reward contingent upon organisational or group performance.

In another study, it is noted that although 94 per cent of the respondent organisations in a Towers Perrin study of 460 organisations in 13 European countries reported that they had made ‘significant’ changes to their reward policies in the preceding three years and even more had changes planned, the reward package of the average European worker, in fact, looks very similar to that of three, five or even ten years ago, with base pay levels set using a job evaluation system in three-quarters of the companies; pay managed within ranges averaging between 20 and 40 per cent in width; an annual profit-sharing scheme; and an increasingly comprehensive bundle of benefits. The researchers argue that the impression gained from this study is one of incremental change with, for example, competences being used to improve traditional job evaluation schemes and team pay introduced alongside, rather than in place of, individual bonus schemes. This lack of major change does raise questions as to what obstacles there may be to its introduction. there may be two such obstacles. The first is the lack of skill and commitment that many line managers have when it comes to the implementation of reward initiatives, particularly when they are linked to performance management. The second obstacle is the poor grasp that many employees have of such basic issues as how their base pay is set and the value of their reward packages. This is what the authors found in a study of the introduction a new reward system in a large UK company. Only eight of the 460 respondents to the Towers Perrin survey noted above were able to say that their employees had a strong understanding of the basic pay issues that relate to them.

Links Between Intra-Organisational Factors And Strategic Reward Management

The purpose of the reward strategy in its role as part of the overall HR strategy is to assist in producing employee behaviours that are consistent with the organisation's business strategy. As such, the reward strategy plays its part in the quest for organisational change.

The strategic HRM literature reflects the desire for certain employee behaviours to be delivered by strategic HRM. These are: employee commitment to the organisation's aims; employee competence; flexibility; and the production of quality goods and services. Twenty years on from when this was written, these key HR outputs look so general and unspecific that they are of little value to most organisations. Many organisations have progressed from this level of generality by using these key HR outputs as general aims from which to develop statements of desired employee behaviours: behaviours that flow from the organisation's business strategy. These are often expressed as key competences for particular jobs. The movement towards competence acquisition is considered when we argue that the specification of competences is a key component of strategic reward management in that it links reward with other HR activities, such as recruitment, and selection and training.

At this point the assumption is raised which dominates reward management thinking in general. This is that pay has the ability to motivate employees to behave in a way in which they may not otherwise behave. The theory here that tends to predominate is that of rational economic person. This has its roots in the work of F.W. Taylor who assumed that workers were lazy and needed money to motivate them to expend greater effort. The prevalence of payments-by results schemes in the twentieth century, in particular for blue-collar workers, testifies to the influence of this way of thinking about the relationship between pay and employee effort. Later, this approach was questioned by the human relations school, which queried the over-reliance on money as a motivator and argued that social relationships were an important determinant of employee productivity.

Equally well-known are the theories of Maslow and Herzberg. Maslow's 'hierarchy of needs' suggests that people's needs change as they ascend a hierarchy, which has basic needs for food, security, etc. at the lowest level, with self-actualisation at the highest. Herzberg argued that employees were more likely to be motivated by factors such as achievement and the work itself than simply by money. While money has only limited power to motivate, it does have the ability to demotivate employees if they are dissatisfied with the amount they receive or the way in which this amount is determined.

Perhaps the best we can say is that money may motivate some people to behave in particular ways some of the time, in some circumstances. What we cannot assume is a clear relationship between pay and motivation.

Links between reward strategy and HR strategies

As we indicated in previous chapters, the point is made that in the matching models of strategic HRM, organisational culture, structure and HR activities (e.g. recruitment and selection, training) are important components of strategic HRM. This is true of both closed and open models.

In the closed models of strategic HRM a particular type of business strategy suggests the need for a specific organisational structure and differing HR practices. In addition, certain studies suggest cultural change to match changed business strategies in terms of a series of required employee behaviours.

In the open model, the organisational strategy's implied desired employee behaviours are pursued through the HR strategy, which consists of three 'key levers' (structural, cultural and personnel strategies) which are intended to include all aspects of organisation that impact upon employees' behaviour.

These three 'key levers' of the open model form the basis of the following sections. First, organisation cultural strategy and the part that reward management may play in delivering a particular type of culture is dealt with. To achieve this what has been by far the most significant change in reward management in recent years is analysed: the linking of pay to performance.

The section that follows deals with organisation structural strategy and the role of reward in achieving structural change. For this purpose we examine pay systems based on the principles of broad banding and job families. Both of these approaches to reward reflect the desire of organisations to move towards more flexible organisational structures to ensure greater responsiveness to change.

The third section deals with HR strategies other than reward. Here we examine the issues of job competences. This has been a major feature of reward change in many organisations and has strong integrating links with the other major areas of HR.

The link with organisational culture

Rewarding performance, either individual job performance, team performance or organisational performance, has become, for many organisations, the most important component of reward strategy. What this means for many employees is a proportion of their salary is put at risk, something that is not guaranteed to be popular because most of us think about reward in terms of base pay which is the fixed amount which traditionally has increased yearly to reflect inflation and, often, length of service. Base pay will also change, of course, upon promotion to a more responsible job. Base pay embodies the values of predictability, security and permanency – none of which are characteristics consistent with the desire to change employee behaviours.

From a managerial perspective, base pay is not necessarily the best form of reward strategy because the element of permanency that it entails is expensive. Increasingly employers are asking themselves why they should build into their fixed salary costs a permanent salary bill that takes little account of changing external, organisational and individual circumstances. Reward strategies that rely exclusively on base pay built into salary scales, through which employees move annually until the top of the scale is reached, or promotion achieved, are typical in public-sector employment. Such strategies assume that length of service equates with experience and loyalty – neither of which tends to be as prized by organisations now as in the past. Indeed, such is the pace of change that yesterday's experience may be an obstacle to change. Moreover, it is now generally accepted that loyalty to one employer, typified by a career spent with that employer, is an increasingly outdated concept in an age where employees may have a number of different careers as well as employers. Reward strategies that rely on promotions for employees to grow their salaries do not take into account the fact that organisations now have flatter structures, with the consequence that promotion is less available. However, the decreasing interest in the dominance of base pay does raise an interesting question for HR specialists: ‘how can the traditional reward objectives of attracting, retaining and motivating employees be achieved while making the pay budget more cost effective?’ The answer for many organisations has been to make base pay reflect the market rate for the job and to supplement this with a variable pay element related to individual performance, team performance, organisational performance and individual competence acquisition – or a combination of these. One of the key decisions that needs to be taken into account is whether to pay the variable element as a lump sum bonus or to consolidate this into salary. The trend in both the USA and UK has been for a move towards one-off cash bonuses. This is hardly surprising given the cost saving that the organisation enjoys. By not raising base pay, one-off cash bonuses do not affect future base pay increases or other associated payments such as overtime, and, of course, pensions. Moving from all base pay to a combination of base and variable pay does, of course, signal the organisation’s desire to move from paying for the job to paying for the person. Therefore, the reliance on traditional bureaucratic forms of job evaluation is less pronounced. However, job evaluation is still relevant. Base pay still needs to be set at a level consistent with jobs throughout the organisation and the external labour market. Therefore, some method of determining the relative importance of jobs is needed. It is that definition of importance that is likely to be different in the organisation which places more significance in a combination of base and variable pay. Such a definition is likely to reflect the changed employee behaviours the organisation wishes to encourage in order to meet its changed organisational circumstances. What is clear, according to certain researches in the field, is internal equity will no longer be the dominant consideration. The market value of jobs, and employees' skills and their impact on the organisation's strategy will take precedence over internal equity.

Rewarding individual performance

Appraisal-related pay or, as we prefer to call it, 'individual performance-related pay' (IPRP) is defined as a method of payment where an individual employee receives increases in pay based wholly or partly on the regular and systematic assessment of job performance. It was adopted enthusiastically throughout the 1990s in the USA and UK in many areas of white-collar employment, for example education, local government and financial services. There is some evidence that the popularity of IPRP is spreading to many countries. In a survey of 460 organisations in 13 European countries, it was reported that only 25 per cent of non-management employees in the firms surveyed had general, across-the-board pay increases, while 93 per cent of the respondent firms had variable bonus schemes.

IPRP has been introduced in many organisations to change the culture towards a 'new performance culture' which many managers feel is necessary. There seems to be some support for the validity of this attempt. The literature notes that reward systems can lead to the culture of an organisation varying quite widely. Among the different types of culture that can be generated are human-resource oriented cultures, entrepreneurial cultures, innovative culture, competence-based cultures, and participative cultures.

The proposition that IPRP will lead to culture change is based on two assumptions: first, that employees, in general, find the prospect of IPRP appealing and, second, that it is implemented effectively. The evidence suggests that the first may be valid. Most employees agree with the principle of IPRP that the able and industrious employee should be rewarded more generously for that ability and industry than the idle and incompetent. However, there is ample evidence that the problems with IPRP concern implementation.

In a study of PRP for first-level managers in three UK financial services organisations, the authors found evidence of implementation problems. Perceived unfairness was one which had a variety of causes. There was evidence of managers imposing objectives with the result that the objective-setting process was ‘something that was done to them rather than something in which they played an active part.

In another study, the employees interviewed by certain researchers in an electronics plant expressed concerns about favouritism, in particular the arbitrary way in which managers applied measurement criteria and the ways in which grades were distributed. In two of the three organisations the authors researched little attention was paid to the giving of performance feedback to employees. This may be because managers are put in a position where they must differentiate between the level of reward of their team members, a position many find uncomfortable. This decision process effectively creates increased dependency of the team member on the line manager, and less dependency on the trade union.

Another study notes the growth of IPRP in Ireland. But he also notes implementation problems in Irish organisations. Among these are:

- Poor design, implementation and communication;
- Too much emphasis upon individual performance over a short timescale;
- An excessive focus on financial results;
- Inadequate salary differentiation (particularly a problem in times of low inflation).

The outcome of these implementation weaknesses is that the value of paying for performance is not practised. What seems a good idea in principle becomes overtaken by perceived problems with the result that employees and managers lose faith in the concept. This then raises considerable doubts about the ability of IPRP to deliver the cultural change objectives planned by organisations.

Rewarding team performance

It is one of the contradictions of HRM in recent years that the expansion in IPRP has been accompanied by structural change that has emphasised team working. It would therefore be expected that team-based pay would have had similar growth to more individualized pay. But this has not been the case. Research by UK bodies, such as IRS, CIPD, the Institute for Employment Studies and the Industrial Society, suggest that, at most, 10 per cent of UK organisations operate team pay. Yet, as well as reinforcing the desire to move towards a team-oriented structure, team-based pay may play its part in fostering cultural values which support teamwork.

In team-based pay, payments, or other forms of non-financial reward, are made to team members on the basis of some predetermined criteria. These criteria may overcome one of the objections to team-based pay, that of differential contribution, by making differentiated rewards. It is noted that the purpose of team-based pay is to 'reinforce the sort of behaviour that leads to and sustains effective team performance by:

- providing incentives and other means of recognising team achievements;
- clarifying what teams are expected to achieve by relating rewards to the attainment of pre-determined and agreed targets and standards of performance or to the satisfactory completion of a project or the stage of a project;
- conveying the message that one of the organisation's core values is effective teamwork.

Indeed, the literature identified the types of teams that may be associated with team-based pay. It categorised these as temporary and permanent. The former may be a team set up to achieve a specific project-related goal. The team would consist of employees in different functions operating at different levels in the organisation. Permanent teams may be those based on a specific function (e.g. HR), a process (e.g. in manufacturing plants), a product market or a geographical area.

What seems to be important for team-based pay to have a chance of success is that the team has a clear identity, a sense of autonomy, consists of members whose work is interdependent and are flexible, multi-skilled and good team players.

IRS (2001) argue that the slow take-up of team-based pay may be for five reasons:

- the problem of identifying teams;
- the difficulty is assessing individual contributions;
- the effect that it may have in encouraging employees to stay in high-performing/rewarding teams thus prejudicing organisational flexibility;
- group norms which encourage teams to perform at the level necessary to trigger the financial reward; and
- the 'peaking out' effect, where teams reach a performance peak from which they decline after two or three years.

Rewarding organisational performance

The simplest, and traditionally most popular, of the schemes that reward organisation performance is the **profit-related scheme**. This popularity was due to the tax advantages that existed under UK tax regulations. Although these tax advantages no longer remain, the link between profit and reward is a straightforward one which contributes to the Chancellor's ambitions. In addition to linking bonus to profit, many organisations run employee share ownership schemes in which employees obtain shares in the company's stock.

Another scheme reward organisation performance **is the Employee share ownership schemes.** It is argued that there are three principal management rationales for the introduction of employee share schemes:

- offer property rights to employees.
- help to unite employee and employer interests with resultant enhancements in employee satisfaction and, therefore, productivity.
- support management attempts to seek control over the regulation of the employment relationship through, for example, moving pay away from predetermined formulae such as cost of living and connecting it more directly with company performance.

The literature is doubtful about the effect of the first two of these rationales. In general, the amount that is added to employees' salaries is modest, such that employees tend to see the share allocation as a bonus. In addition, there are usually no means for influencing organisational decision-making. Given these points, it is unlikely that significant gains in employee identification with the interests of the employer will result. That said, certain researchers point out that there is some evidence to suggest the management ambition to retain key employees through the introduction of employee share ownership schemes is being realised. This view receives some support in a recent IRS study. However, the same study notes that the administrative burden they impose is a potential disadvantage.

Gains-haring is more popular in the USA than in Britain. Gains-haring schemes differ from employee share ownership schemes in that the relationship between employees' efforts and their eventual reward is more direct. Gains-haring schemes are designed so that employees share the financial results of improvements in productivity, cost saving or quality. The resultant payment is paid from costs savings generated as a result of such improvements. The gain-share plan payment may be made in three ways: as a percentage of base pay; as a one-off cash bonus or as a payment per hour worked. The organisation must design safeguards to ensure that it derives financial value from the results generated from the project linked to gains-haring. This type of gains-haring differs from more traditional forms of gains-haring which have operated in manufacturing. The principal difference is that the foundation of this new type of gain-sharing is the future goals of the organisation, whereas that of more traditional gain-sharing plans is the historical performance standards of the participating employees. The key point here, of course, is that historical performance standards may be achieved or exceeded while the organisation's overall goals are not met.

The link with organisational structures

In the same way that reward has the potential to effect cultural change, it also has the capacity to contribute to structural change. Two of the most popular methods by which structural change strategies have been pursued are to construct reward structures on the principles of broad banding and job families. Organisations introducing these structures have a variety of reasons for doing so. But at the heart of the reforms is a desire to move towards more flexible organisational structures to ensure greater responsiveness to change.

A new reward structure reflects the particular circumstances of the organisation introducing it. Therefore, in the following paragraph only give a general overview of broad banding and job families with a view to demonstrating how they play a significant part in strategic reward and SHRM can be given. An understanding of new forms of reward structure is gained more easily by a brief introduction to traditional pay structures, typified by those that still exist for many employees in the public sector. Here, usually, a process of evaluating the 'worth' of each job leads to a pay structure that consists of a number of grades, each of which contains a pay spine with minimum and maximum pay levels for each spine. There is also a reference point which reflects the central position of the spine. In the example of the senior lecturer grade in the UK 'new' university sector, the pay spine contains ten pay points with a minimum pay point of £27,390 and a maximum pay point of £36,420 (there is no reference point as such). Employing universities determine the point at which a newly engaged lecturer enters the pay spine depending upon experience and market rate. However, the important point to bear in mind is that the lecturer progresses up the spine, usually by one point annually, until the top is reached. In such cases extra salary can only be obtained by promotion or cost of living adjustments to the scale. Traditional pay structures do present the advantages of orderliness and the ability for employees to control costs.

- **Job-family-based reward structures:** A job family is a group of jobs that may be similar in purpose and content although carried out at different levels in the organisation. They may be functional, in that they cover specific workgroups within a function such as marketing or HR; alternatively, they may be generic, encompassing jobs that entail similar types of work across functional boundaries, for example technicians or administrators. Indeed, the researchers note that there are a number of processes involved in job family modelling:

- Identifying groups of roles in which the type of work is similar but where it is carried out at different levels:
- Analysing the essential nature of each of these groups or job families;
- Establishing the levels of work carried out within each job family;
- Defining the differentiating factors between each level in the family in terms of role size;

- Producing functional or generic role specifications.

Job family-based structures offer specific advantages over more traditional pay structures, particularly the creation of career paths for employees who, in traditional pay structures, see promotion as a process of 'grade-jumping'. 'Grade-jumping' may have involved the employee in moving away from the type of job in which that employee had specialised, or from the particular function in which expertise and experience had been developed. In job-family-based reward structures the ambitious employee may grow his or her responsibilities and salary by remaining in similar work in the same function. This is particularly important in organisations that have been flattened with fewer opportunities for promotion being evident. By isolating particular jobs in separate groupings, job-family-based reward structures also present pay management advantages to the employer. Pressures on pay from the external labour market may be met more easily if jobs are put in market groups.

- **Broad-banded reward structures*:*** broad banding is defined as 'the compression of a hierarchy of pay grades or salary ranges into a small number of wide bands. Each of the bands therefore spans the pay opportunities previously covered by several separate pay ranges'. The broad-banded pay structure may comprise as few as four or five bands to encompass all the employees covered by the pay structure. This contrasts with more than double that number of pay bands in the traditional pay structure. The broad bands are themselves much more comprehensive in their coverage of the pay span, which may extend to as much as 100 per cent or more above the minimum rate in the band. Compared with traditional pay structures the broad-banded structure will often depend less on the process of job evaluation to define small differences between job responsibilities. The pay differences that these produce may be catered for in a broad band that affords managers more opportunity to use their discretion in paying their employees what they think is the appropriate amount.

Employees will be less concerned for higher status as a way of growing pay than in the traditional pay structure; this is replaced with a concern for career development through acquiring new competences. Therefore, the emphasis switches from the job in the traditional pay structure to the person in the broad-banded pay structure. It is this last feature of broad-banded pay structures that relates most closely to strategic reward management and SHRM. One of the major advantages they offer is to encourage greater employee attention to career development through competence acquisition as well as fostering added organisational flexibility as employees are more likely to move around within their own bands than seek advancement through promotion to a higher band.

The link with other HR strategies

Linking reward to other HR strategies is potentially the most problematic aspect of integrating reward with intra-organisational factors. Yet it is vital. It was noted that, historically, people have tended to view reward in glorious isolation. For example, it was evident in our discussion of team pay that progress towards its adoption has been slow despite the burgeoning of teamwork. In this paragraph, competence-related pay is analysed. Competences highlight the employee attributes that may underpin a recruitment campaign and define those that selectors look for at selection stage. Competences structure the aims and objectives of training programmes and enable measurement criteria for performance management schemes to be defined accurately. They too may play an important part in promotion and redundancy decisions. Here we concentrate on competences in their direct link to pay.

- **Competence-related pay:** Competence-related pay can be defined as 'a method of rewarding people wholly or partly by reference to the level of competence they demonstrate in carrying out their roles. It is a method of paying people for their ability to perform. It is not surprising that interest in competence-related pay should grow given the enormous amount of attention paid to the definition of competences for purposes of selection, training and appraisal in recent years. However, there is some evidence that take-up of competence-related pay is limited. As noted in the literature, only 14 per cent of the 460 organisations in the Towers Perrin study which reported that they related base pay increases to employees' competences. Perhaps the main reason for the low adoption of competence-related pay, in spite of the general interest in competences, is that managers often tend to concentrate on the 'hard' outputs rather than the 'soft' processes when measuring employee performance. Normally, managers are not too concerned with how the job is done provided that results are achieved. Yet competence-related pay overcomes this supposed weakness of IPRP by ensuring that, usually, both processes and outputs are taken into account when pay-related measurement is made. In this context, Armstrong's definition of competence-related pay highlights the most important difference between competence-related pay and IPRP. This is that IPRP is essentially retrospective in that it measures performance over the past pay period (often one year). However, competence-related pay is forward-looking. It identifies those competences that are likely to be associated with effective current and future job performance. Another studies define competences as 'sets of skills, knowledge, abilities, behavioural characteristics, and other attributes that, in the right combination and for the right set of circumstances, predict superior performance'. So the technical skill to do the job is insufficient. The successful job-holder must ally this skill with other attributes. In other words, competence-related pay is highly contextual. It also has, potentially, strong links to organisational strategy. Using the model of reward strategy, the question which may be asked at business strategy level is 'what employee behaviours/competences do we want our people to demonstrate in order that we may achieve our business goals?' Competence-related pay need not necessarily ignore performance outputs at the expense of concentrating on competences. Many organisations introducing competence-related pay accompany competence-related ratings with performance output measurements, the market rate for the job, and the position of the individual on the pay scale in determining salary level. One of the problems with IPRP is that managers can apply IPRP measurement criteria in an arbitrary way which creates in employees perceptions of a lack of fairness. This is no less true of competence-related pay. In fact, the more the approach moves from one where identifying discernible skills and outputs is possible, the more subjective the measurement process becomes. As yet, little empirical research has been done on the operation of competence-related pay but it would be surprising were it to uncover anything other than the same sort of employee dissatisfactions as found in relation to IPRP. However, the measurement criteria themselves may be more acceptable to employees than in the case of IPRP.

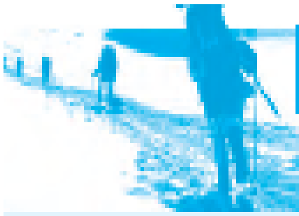
Finally we can say that, Reward management is concerned with financial and non-financial rewards to employees and embraces the philosophies, strategies, policies, plans and processes used by organisations to develop and maintain reward systems. Strategic reward management plays an important role in delivering the organisation's overall business strategy by creating in employees certain behaviours, the need for which are implied by the business strategy. These employee behaviours may be produced by an HR strategy which includes a reward strategy as well as other HR strategies, such as the cultural strategy, the structural strategy and other HR strategies.

A variety of factors in the external environment has led to the increased interest in strategic reward management. Principal among these are those factors which have impacted upon the commercial environment in which organisations operate creating the necessity to be more competitive and responsive to change.

The intra-organisational factors that impact upon strategic reward management are the organisation cultural strategies, structural strategies and other HR strategies. In terms of reward, the principal contributors to the organisation’s cultural strategies are pay for performance schemes. These may be at the level of the individual, the team, the business unit and the organisation.

The reward contribution to the organisation’s structural strategies involves changing reward structures. The move from traditional pay structures to job family and broad-banded structures was examined. Competence-related pay was analysed as the means by which reward may complement other HR strategies.

Case study



Case Study

Performance management at Tyco

Tyco employs 260,000 people in the USA and in more than 100 countries around the world. It is:

- a global leader in passive electronic components and major producer of active components;
- the number one worldwide company offering fire and security solutions;
- one of the largest medical device and disposables companies in the world;
- a leader in niche markets for plastics and adhesives products;
- the world's number one producer of sprinklers, valves and actuation.

The overall aim of Tyco's performance management system is to contribute to the company's goals of achieving operational excellence and becoming one unified company. The aim is to unite Tyco teams throughout the world into a single operating company with a healthy culture characterised by alignment and growth opportunities.

Performance management at Tyco has three particularly significant features. First, it is easy to understand; second, it empowers employees to take an active and influential part in the processes; and, third, it is designed to assess not only the results that employees achieve but the way in which these results are achieved.

Role and responsibilities of the participants in the performance management process

The handbook which outlines the details of the scheme makes it clear that employees, managers and the company have crucial responsibilities if the scheme is to operate effectively.

Employees must:

- work hard to achieve their goals;
- take responsibility for their own professional development;
- solicit, listen to and act upon feedback;
- assess their performance objectively.

Managers must:

- set and clarify employees' goals;
- support employee development and possible career progression;
- provide useful, frequent and candid feedback;
- assess performance fairly.

Tyco must:

- make performance management and employee development a business priority;

- ensure fairness, consistency and process integrity across all businesses;
- provide tools and processes to develop skills and behaviours that enhance performance.

Tyco's performance management system

Tyco's performance management system is a simple yet powerful three-step process. The three steps are:

1. setting goals;
2. providing feedback; and
3. conducting the assessment.

Setting goals

Performance goals should flow from the top of the organisation down through the various layers (e.g. departments) to be expressed in individual employee goals. Advice given to employees in the performance management handbook states: 'if you cannot state how your performance goals support the accomplishment of higher level goals, then your goals should be carefully re-examined'. The goal-setting sequence starts at the commencement of the fiscal year. At that point there is a meeting between the employee (or group of employees) and the manager at which departmental goals are discussed. The employee then uses these goals to write his or her individual goals. These are then submitted to the manager for approval. Employees and managers are reminded of the importance of reviewing goals throughout the year, as the goals may need to change to reflect changing business priorities. The goals are expected to be SMART (specific, measurable, agreed, realistic and time-related). Typically they may relate to factors such as: earnings before interest and taxes, revenue, operational excellence, cash, growth and safety. Each employee usually has between two and four performance goals.

In addition to performance goals, employees have development goals. These are individual to the employee and focus on the skills, knowledge and behavioural changes necessary to accomplish performance goals or prepare for future assignments. Typically, each employee has one or two development goals which may concentrate on developing strengths or improving development needs.

Providing feedback

Both managers and employees have responsibility for requesting and providing feedback. Employees are encouraged to request feedback at formal performance review meetings and as part of informal day-to-day conversations. Managers are reminded that providing feedback is a core responsibility of their job and that employees look to them for guidance, encouragement and advice. Managers are expected to encourage their employees to ask for feedback by letting them know that they as managers are open and keen to provide information on their employees' performance. At the same time, managers should ask for feedback from their employees on their performance as managers.

Conducting the assessment

This third part of the performance management process has three steps:

1. completing/updating the profile form;
2. writing the self-assessment;
3. a collaborative discussion between the individual employee and the manager.

Completing/updating the profile form

The profile form is an internal curriculum vitae (cv). It is annually updated by the employee and can be used in internal promotions and job transfers throughout the company. As with any cv, it contains details of Tyco and general work experience, qualifications and training undertaken, etc.

Writing the self-assessment

This step involves the completion of an assessment form which, like the profile form, should be no more than one side of paper. The employee is asked to summarise in bullet points his or her performance for the review year. Also, employees are asked to summarise their performance against Tyco's four key behaviours: integrity, excellence, teamwork and accountability. These values are supported by nine key behaviours:

1. champions integrity and trust;
2. managerial courage;
3. customer focus;
4. learning/change agility;
5. building effective teams;

6. managing vision and purpose;
7. managing diversity;
8. drive for results;
9. business acumen.

Employees are asked to note short examples of how they demonstrated (or failed to demonstrate) each behaviour. Examples are provided in the performance management handbook.

The self-assessment form also asks employees to include a brief description of their perceived strengths and development needs and one or two 'key questions'. These questions usually focus on contributions and flow from the perceived strengths and development needs (e.g. can I learn to provide candid, direct feedback?). Finally, there is a section for 'best next moves' which is the outcome of a discussion between the employee and the manager about the employee's potential for a lateral move, transfer or promotion within the next two years.

A collaborative discussion between the individual employee and the manager

The final stage in Tyco's performance management process is a two-way discussion between manager and employee, focusing on the profile and self-assessment forms. The performance management handbook suggests the following order for the discussion:

- performance summary;
- Tyco values/behaviours;
- strengths and development needs;
- key questions;
- best next moves;
- development plan;
- summary categories.

At the conclusion of the discussion, both manager and employee sign the assessment form which signifies that a discussion has taken place, although this does not necessarily mean that total agreement was reached.

Case study questions

1. What action is needed to ensure that Tyco managers play their full part in ensuring that the performance management system is effective?
2. What action is needed to ensure that Tyco employees are equipped to gain the maximum benefit from the performance management system?
3. What should be the priority concerns of Tyco HR specialists in their attempt to ensure that the performance management system is fully integrated with other HR activities?
4. What problems may be encountered in applying a standardised performance management system throughout the 100 countries in which Tyco operate?

Acknowledgement

Thanks are due to Tyco Ltd., for permission to use this case, and to Joanna Binstead for her support.

Question for Chapter Five:

Multiple Choices Questions

Chose the right response for each question:

1. One of Strategic HR planning **A. Succession planning** B. Aggregation C. Accumulation D. internal	2. It identifies key positions, possible successors for each of these positions, whether each potential successor currently has the background to assume the job responsibilities, or the expected amount of time it will take for the potential successor to be ready A. Aggregate planning B. Reward system **C. replacement chart** D. Succession chart
3. it is one of a number of interrelated factors must be considered For achieving high levels of organisational and systems performance through HRM practices A. creating and managing a desired culture to support the performance expectations B. providing the relevant structural elements such as a sound performance management design and other mutually reinforcing HR practices C. ensuring 'integration and fit' with the firm's competitive strategy **D. all is true**	4. One of the following is not non-financial reward: A. Recognition **B. salary** C. Responsibility D. Influence

True & False Questions:

Phase	True or false
The key facet of strategic workforce planning is that it is a proactive process	**true**
HR planning is particularly important during periods of organizational turbulence, such as during a merger or acquisition, when labor market conditions are tight, or when unemployment is high.	**true**
The first objective of strategic reward is to prevent overstaffing and understaffing	**false**
From a strategic perspective, HR developers must consider the business and competitive strategy before making extensive investments in learning and development and indeed offering employees career paths	**true**

Essay Questions:

1. Count the points to take in consideration for Effective Succession Planning.
2. Define the concept of strategic reward management.
3. Explain the Links Between Intra-Organisational Factors And Strategic Reward Management

4. Count the six strategic roles of SHRP.

References

- Ashish Malik, Strategic Human Resource Management and Employment Relations : An International Perspective, Springer, 2018.
- Cam Caldwell And Verl Anderson , Strategic Human Resource Management, Nova Science Publishers, Inc., New York, 2018.
- Charles R. Greer, Strategic Human Resource Management, Pearson, 2003.
- Gary Dessler, Fundamentals of Human Resource Management :What's New in Management, Pearson; 5 edition , 2018.
- Gary Dessler, Human Resource Management, Pearson; 15 edition, 2016.
- John Ingham, Strategic Human Capital Management : Creating Value through People, BH Elsevier, 2007.
- John Storey, Dave Ulrich, and Patrick M. Wright, Strategic Human Resource Management : A Research Overview, Routledge, 2019.and Trevor Morrow
- Matthias T. Meifert, Strategic Human Resource Development Management, Springer, 2013.
- Mello J.; Strategic Human Resource Management, Cengage Learning, 2018.
- Michael Armstrong; Strategic Human Resource Management : A Guide to Action, Kogan Page US, 2008.
- Mike Millmore, Philip Lewis, Mark Saunders, Adrian Thornhill, Strategic Human Resource Management : contemporary Issues, Pearson, 2007.
- Scott Snell & Shad Morris & George W. Bohlander, Managing Human Resources, Cengage Learning; 18 edition , 2018.
- *وصفي عقيلي، عمر، إدارة الموارد البشرية المعاصرة : بعد استراتيجي، دار وائل للنشر، عمان، 2005.*

Chapter Six: The Future Of Human Resources Management

HRM; A New Context

As the increasing demands of global competition, customer expectations, and an uncertain economy have challenged modern corporations, their leaders have recognized the Darwinian impacts of a business world that has required corporations to be more focused, more innovative, and more competent to survive. Human Resource Professionals (HRPs) have realized that they must either respond to those same exponentially different demands or find themselves relegated to being subordinate to their organizations' Top Management Teams, rather than strategic participants in framing their companies' futures. Although the Human Resource Management (HRM) profession has evolved significantly, many HRPs and their organization leaders continue to view employees as a cost to control and minimize, rather than as the source of innovation, improved customer service, and wealth creation.

The purpose of this chapter is to identify the changes facing the HRM profession and the roles of HRPs as those who work in the profession respond to an ever-evolving world. We begin with a brief summary of the evolution of HRM, identifying many of the factors that have required organizations to rethink their assumptions about most effectively managing people and the strategic importance of HRM. We identify the challenges HRPs and organization leaders face as they prepare for a changing world in which challenges and problems are ominous and fraught with economic, social, and environmental problems that world leaders seem incapable of addressing. Then we will identify certain predictions about positive changes that are necessary to address these challenges. Although we acknowledge that any forecast is speculative and uncertain to some degree, the insights of highly regarded scholars and practitioners are cited in identifying opportunities for HRPs as they contemplate their contribution to a difficult world.

Evolution Of HRM

Throughout its history, HRM has primarily been focused on administrative functions and tasks in its staff support role. Although these tasks were necessary and contributed to an organization's efficiency, they tended to be technically focused rather than strategic.

The management of people did not fully emerge as its own discipline until the 1920's and was then called "Personnel Administration." Prior to that period individual experts in scientific management and industrial relations like the Gilbreths and Frederick Taylor had acknowledged the importance of the individual in the organization and the interaction of groups on performance and productivity , but those insights were not widely held.

Personnel administration was primarily focused on hiring, training, record keeping, and compensation. The rise of assembly line manufacturing treated employees as an extension of the manufacturing process and led to the rise of unionism in response to employees being treated as commodities and costs to be minimized.

With the Hawthorne studies conducted by Mayo and Roethlisberger, attention began to be focused on the importance of understanding the psychology of work and led to the founding of what became known as the "human relations school of management." This perspective recognized the value of the supervisor-employee relationship and the role of teams in organizations in determining production, but its focus was primarily on "treating people as if they were important" - rather than fully acknowledging their worth and potential contribution. Business innovators like Chester Barnard and Mary Parker Follett had recognized the importance of cooperation and collaboration as factors affecting work success, as well as the advantages of "power with" rather than simply "power over" employees.

However, that perspective was not universally understood and conflicts often arose between labor and management.

Selection and testing became an HRM priority during World War II, especially when psychologists and military personnel recognized that general intelligence was insufficient as a predictor for the success of individuals chosen for military intelligence and espionage. Behavioral simulations and assessment centers, originally used by the Germans during World War I, were adopted by the Office of Strategic Service and proved to be far more accurate predictors of behavioral skills than other methods. After World War II, these same selection methods were subsequently used by large organizations that recognized the need to identify and develop candidates with superior interpersonal skills.

The contributions of scholars like Douglas McGregor and Abraham Maslow provided managers with important insights about the nature of human motivation. Following World War II, HRM became relatively less important than other management functions.

However, by the decade of the 1980's American businesses began to feel the effects of growing international competition in a world that had become more technologically sophisticated, more globally competitive, and more connected as a result of the advent of the World Wide Web.

The consequences of constant change in the modern era of management required HRM to become more strategic in its focus, more insightful in its understanding of how organizations create value, and more skilled in assisting department managers and the Top Management Team of organizations to establish organization cultures and programs that bring out the best in employees.

Strategic Roles For HRPs

The grand changes in the labor market and in the global marketplace require organizations to be more productive, more efficient, and more flexible. The strategic role of human resources has become increasingly important in empowering employees, involving them as partners in the process of continuous improvement, and adding value in meeting the needs of customers.

In a misguided attempt to become more profitable, some organizations have opted to contract out HRM functions and continue to treat employees as costs that need to be controlled. This latter approach has resulted in a deterioration of loyalty and trust in the workplace and the creation of a transactional approach to employee relations where in employees are paid for their time but not valued as organizational partners.

For firms that view employees as engaged and empowered partners, however, HRPs began to demonstrate six professional competency roles in the areas of business knowledge, change management, and HRM service delivery. The following is a brief summary of those six roles as indicated by

(Cam Caldwell & Verl Anderson, 2018): Figure 6.1 (below) displays these six roles of HRPs

- **Credible Activist**. As advocates for achieving the highest potential of employees and the organization, HRPs honor commitments and do what they promise to do. They can be counted on. They have personal integrity. They build trust and strive to focus their organizations on creating win-win partnerships with employees.

- **Strategic Positioner**. HRPs understand the company's vision, its relationships with customers and within the industry, and the HRM role in supporting and sustaining the strategic goals of the organization. HRPs recognized that the primary role of HRM was to create aligned systems, programs, and policies that fit with their organization's strategic mission and to create a culture that reinforced company values.
- **Capacity Builder**. HRPs have worked with department heads and employees to build the unique capabilities of the organization, to expand the creation of meaning, and to help make work purposeful and results-oriented. The role of HRM has been to help the organization to fully engage and empower employees in the pursuit of continuous improvement, constant learning, and the ongoing improvement of employee skills and organization capacity.
- **Change Champion**. HRM professionals develop the structures, systems, and processes that support innovation and change. HRPs help their organizations to learn from both successes and failures and help employees recognize the need for change - recognizing that their organizations must be well informed about competitors, responsive to customer requirements, and flexible in the ability to adapt to a constantly evolving world.
- **Innovator and Integrator**. HRPs apply HRM principles, develop ways to improve HRM practices, and integrate systems and practices to help their organizations to more effectively achieve business results. This role transcends simply keeping pace with "best practices" and includes developing new and better ways to build commitment and the extra-mile dedication that is the difference between good performance and the truly outstanding outcomes that create long-term competitive advantage.

- **Technology Proponent**. HRPs utilize technology to connect people, to create relationships, build connection with customers, and monitor competitors. HRPs also play an important role in refining results-oriented management information systems that identify value added and assist the organization to monitor progress and make required improvements. These information management systems are both technical and behavioral and are critical to building consensus, increasing mutual understanding, and aligning the organization.

Although some HRPs have recognized the need to acquire these six roles as part of their strategic competency, in other organizations the HRM function is focused on reducing labor costs; downsizing whenever possible; hiring part-time, contract, and temporary employees to avoid the costs of health care benefits; and treating employees in a transactional manner rather than as empowered partners. Unfortunately, the result of policies that have focused on cost-cutting, down-sizing, and creating arms-length relationships with employees has also undermined employee loyalty and rarely generated

long-term value creation.

Figure 6.1: The Six Strategic Roles Of HRPs

Alternative Futures

According to a Public Broadcasting Service report conducted in 2014, 54% of Americans surveyed opined that the quality of life in the United States would continue to decline by the year 2050, with an equal number feeling that conditions had worsened in the previous four years. Only 23% of respondents thought that life conditions would improve. In the wake of the 2008-2009 fiscal crisis, the challenges facing business in a global marketplace are uncertain at best. Elected officials and business leaders have been criticized for providing retirement benefits for workers that are both unaffordable and beyond the realm of imagination for many citizens. And the list of environmental, financial, and social problems goes on and on – ranging from the decline of family values to an ostrich-like denial of changes in weather patterns and the denial of the effects of global warming due to industrialization.

Employee engagement - the measure of whether employees are enthusiastic about, involved in, and committed to their work and workplace - has dropped so low that 87% of employees worldwide acknowledged that they are not engaged. In addition, at least 17% of employees from new hires to long-tenured employees admit that they are disengaged at work. According to Gallup, only 5% of all employees in the work force qualify as fully engaged high performers. As businesses struggle to survive, they sometimes mortgage future opportunities by chasing quarterly report results that both misrepresent their financial health and undermine long-term wealth creation. Although the empirical evidence suggests that downsizing efforts have not created long-term financial benefits for most corporations or for society, cost savings efforts that actually undermine the ability of firms to increase long-term wealth are commonly initiated – even by many of the world's most well-known firms and most highly regarded leaders.

HRM-Related Predictions About The Future

According to Cam Caldwell And Verl Anderson (2018), HRM has the potential to play an important role in the future success of business in the decades ahead. they have identified ten significant changes that are likely to affect the roles of HRPs in the decades ahead – although they acknowledge that these changes are prescriptive in addition to being predictive about future conditions. Each of these ten changes in the status quo have the potential to benefit businesses as well as making a significant contribution to the quality of life in tomorrow's complex and challenged world.

- Consistent with the research about High Performance Work Systems, corporate CEOs will recognize the importance of an expanded role of HRM. High Performance and High Trust work systems with aligned HRM systems, policies, and practices focused on increasing employee empowerment and participation have been proven to increase the profitability of businesses that adopt such practices – in addition to improving quality, employee morale, and the quality of customer service. HRPs will play a key supportive role in helping organizations to create organizational cultures, aligned systems, and programs that mesh with the values of High Performance Work Systems.

- HRPs will become increasingly competent in financial management, business partnering, organization analysis, and internal consulting. The demands of an increasingly competitive global marketplace will require HRPs to either become competent resources in these key areas or find their role being downsized or contracted out. By achieving these competencies, HRPs will enhance the ability of organizations to achieve their strategic objectives and demonstrate their value to their organizations.
- Top companies will recognize the importance of assessment centers and other behavioral tools to improve employee training and selection. Hiring the right people, putting employees in the right positions, and ensuring that they are competently trained to perform critical duties have always been challenges facing organizations. Although assessment centers and other behavioral tools require proper administration to be run correctly, they are far more effective than other selection tools and are extremely valuable as a resource for evaluating and developing managerial and interpersonal skills.
- Companies that do business globally will exponentially improve their ability to prepare, train, and retain expatriate employees given international assignments. As the workforce becomes more global, companies have increasingly realized their failures in managing relationships with expatriate employees and the ethical responsibilities associated with those assignments. Improperly preparing and training the expatriate employee and their families and the failure to utilize insights obtained by persons assigned in foreign countries have led to many assignments being prematurely cut short and have resulted in alarmingly high turnover rates once employees return. HRPs will be required to do a

much better job of selecting, preparing, and managing the reentry of expatriates into their organizations.

- Corporations, universities, and governments will increasingly partner in the pursuit of shared learning and economic growth. Although there are a growing number of cities and universities which have created local business incubators to support start-up companies and entrepreneurship, the need for exponentially expanded partnering between corporations, universities, and government has been identified as an opportunity area demanding increased participation. HRPs have the opportunity to reach out to business faculty to identify opportunities for faculty to conduct publishable academic research that can also help businesses to improve their work climate and employee commitment.
- Governments will increasingly provide tax credits and grants to companies that engage in Corporate Social Responsibility programs that address serious national and international problems. The need for cooperative partnerships and economic support from governments to encourage and assist Corporate Social Responsibility goals has been identified by many experts. The obligation to expand the role of business to address and resolve significant social problems has similarly been addressed as an ethical obligation of business in today's troubled world. The need for HRPs to become the moral conscience of their companies in honoring social responsibilities has also been addressed by many experts.
- Governments will reinstitute Workforce Development Programs that train the illiterate and undereducated population to prepare to be work ready. Certain studies report that the high school dropout rate in America's fifty largest cities was 47% - with one study reporting that only 38% of high school freshmen in the Cleveland inner cities graduated

within four years. Of those who do graduate from high schools, 19% are functionally illiterate and cannot read above the 5th grade level. Workforce Development Programs, funded by state and federal governments, are likely to partner to a much greater extent with local businesses, colleges, and universities to assist this unprepared population – with HRPs playing a key coordinating role for businesses.

- Governments will provide academic institutions and businesses with financial incentives to involve students in service learning projects that benefit identified problems. Service learning has become a well-established part of many higher education programs and has had a positive impact on Corporate Social Responsibility, student attitudes, and service project recipients. Corporate HRPs will become increasingly involved in joining with local academic institutions so that both businesses and schools can benefit from this effort by governments to provide incentives to address community priorities and benefit society.
- Standards for employee accountability will become much more sophisticated as HRPs partner with department heads to measure and improve employee productivity. Measuring value added and employee performance will increasingly become a key function of HRPs who will team with department leaders and Finance Department staff to improve metrics to measure employee performance. HRPs will be required to clearly understand and evaluate the costs and benefits of human performance and will develop greater competence in managing information and measuring effectiveness.
- Companies, non-profit organizations, and governmental agencies will increasingly partner with academic institutions to facilitate Action Training and Research projects that improve the efficiency and effectiveness of local organizations and benefit local communities. The importance of integrating Corporate Social Responsibility with the

needs of local communities has been recognized as a critical factor in resolving those problems at the local level. Incorporating an Action Training and Research model of collaboration and involving non-profit and governmental agencies as partners will enhance the planning and effectiveness of such projects.

These ten changes can assist modern organizations that will struggle to deal with the long-term social, economic, political, and environmental problems that will plague the world of tomorrow. Organizational leaders and HRPs who recognize the need for the changing demands of tomorrow’s world are acknowledging that social responsibility and developing new approaches to mitigate those problems are necessary steps to creating a better future.

In conclusion, we can say that For HRPs, they must become not only extremely competent subject matter experts about HRM and their company’s business metrics but also adept at how to listen and communicate to employees at all levels of the organization. In the future, HRPs will find that they will need to fully understand their company’s strategic mission and ensure that its policies, systems, and practices align with its values and strategies. They must establish a reputation of competence, caring, character, and the capacity to integrate those critical qualities in the pursuit of organizational outcomes that create long-term value for all stakeholders.

Case Study: WE WORK

Human resource professionals and top management have recognized the need to empower employees and to encourage creativity and innovation. These qualities are also critically important for entrepreneurs. The majority of entrants into the business marketplace do not begin as large employers but as small entrepreneurial businesses. Studies have shown an increased level of employee engagement and decreased turnover when employees are happy in their work environment. In addition, highly creative organizational members find solitude a welcome respite to foster innovation and to generate business solutions. Most HR professionals and top management understand that if workers entering the workforce do not feel an ability to contribute or that their work is valued, they will often move on, leaving the organization rather than committing to remain with their current employer.

Sabbatical requests have been granted for highly innovative and technically competent employees in mid-sized to large organizations. These sabbaticals are certainly not a benefit offered by all employers, but rather a discretionary benefit designed to identify tomorrow's opportunities and to plan or begin implementation of new product development though innovation. What if future HRPs proposed a similar structure in a contemporary setting for workers who have an entrepreneurial mindset?

1) What do you think is the likelihood that future businesses will propose a similar structure for workers who have an entrepreneurial mindset?

2) With new “work at home” options, many employees do not have access to HR departments on a regular basis. How should this issue be addressed?

3) What do you think are likely to be successful ways to inspire and motivate tomorrow’s employees?

Case Study: Sharpening the Saw

Stephen Covey will be remembered most as author of **The Seven Habits of Highly Effective People**. The 7th habit is Sharpening the Saw. Learning and reading are two suggested activities to follow a path of what one might call personal continuous improvement. Many human resource professionals entered the HRM profession because they liked interacting with others. A good percentage have avoided measurement and using HR metrics for strategic human resource decision-making. In order to be strategic leaders in an ever-changing world, tomorrow's HR leaders must be prepared in a multitude of ways. Understanding financial management, business partnering, organizational analysis, and internal consulting will become skills the strategic human resource professional must understand and be able to carry out. To support strategic organizational objectives, HR professionals must understand HR metrics and be able to understand and correlate a broad variety of productivity measures.

After learning about the future needs for knowledge and skills development, HR professionals could formulate their own personal growth plan to sharpen the saw. For HRPs they must become not only extremely competent subject matter experts about HRM and their company's business metrics but also be adept at how to work with employees at all levels of the organization.

1) Do HRPs need to participate in higher education to learn skills that will be necessary in the future in order to serve the organization as a successful human resource professional? Why or why not?

2) We live in a world with a multitude of conflicting demands. What would be the biggest barrier in your life that would challenge your own continuous improvement?

3) What specific methods will you plan to use to sharpen the saw for your career?

Question for Chapter Six:

Multiple Choices Questions

Chose the right response for each question:

1. It is one of the Strategic Roles Of HRPs A. Capacity Builder B. Change Champion C. Innovator and Integrator **D. All of above is true**	2. Which phrase is true **A. The consequences of constant change in the modern era of management required HRM to become more strategic in its focus** B. The consequences of constant change in the modern era of management required HRM to become more traditional in its focus C. A+B D. All is true
3. it is one of a number of interrelated factors must be considered for achieving high levels of organisational and systems performance through HRM practices A. creating and managing a desired culture to support the performance expectations B. providing the relevant structural elements such as a sound performance management design and other mutually reinforcing HR practices C. ensuring ‘integration and fit’ with the firm’s competitive strategy **D. All is true**	4. the measure of whether employees are enthusiastic about, involved in, and committed to their work and workplace is called: A. performance **B. engagement** C. commitment D. Influence

True & False Questions:

Phase	True or false
Many HR professionals and their organization leaders continue to view employees as a cost to control and minimize, rather than as the source of innovation, improved customer service, and wealth creation.	**true**
The strategic role of human resources has become trivial in empowering employees, involving them as partners in the process of continuous improvement, and adding value in meeting the needs of customers.	**false**
The consequences of constant change in the modern era of management required HRM to become more traditional in its focus	**false**
Corporations, universities, and governments will increasingly partner in the pursuit of shared learning and economic growth	**true**

Essay Questions:

1. Count five roles of HR professionals.
2. What are the major significant changes that are likely to affect the roles of HRPs in the decades ahead.
3. Explain the development of HRM roles.

References

- Caldwell, C. and Anderson, V. 2017. “Ethical Leadership in Troubled Times.” International Journal of Public Leadership, Vol. 13, Iss. 2, pp. 54-58.
- Caldwell, C. & Ndalamba, K., 2017. “Human Resource Professionals as Strategic Leaders – A Behavioral Opportunity for Improving Information Management.” Journal of Values-Based Leadership, Vol. X, Iss. 1, pp. 44-53.
- Caldwell, C., and Ndalamba, K. K., (2017). “Trust and Being ‘Worthy’ – The Keys to Creating Wealth.” Journal of Management Development, Vol. 36, Iss. 8, pp. 1076-1086.
- Caldwell, C., Thornton III, G. C., and Gruys, M. 2003 “Ten Classic Assessment Center Errors: Challenges to Selection Validity.” Public Personnel Management, Vol. 32, Issue 1, pp 73-88.
- Caldwell, C., Truong, D., Linh, P., and Tuan, A., (2011). “Strategic Human Resource Management as Ethical Stewardship.” Journal of Business Ethics, Vol. 98, Iss. 1, pp. 171-182.
- Collins, J., (2001). Good to Great: Why Some Companies Make the Leap . . . . And Others Don’t. New York: Harper Business.
- Fritz-Enz, J., (2009). The ROI of Human Capital: Measuring the Economic Value of Employee Performance. New York: AMACOM.
- Hayes, L., Caldwell, C., Licona, B. and Meyer, T. E., 2015. “Follower Behaviors and Barriers to Wealth Creation.” Journal of Management Development, Vol. 34, Iss. 3, pp. 270-285.

- Huselid, M., (1995). “The Impact of Human Resource Management Practices on Turnover, Productivity, and Corporate Financial Performance.” Academy of Management Journal, Vol. 38, Iss. 3, pp. 63-672.
- Mann, A., & Harter, J., (2016). “The Worldwide Employee Engagement Crisis.” Business Journal, January 16th found online on September 14, 2017.
- Mello, J., (2014). Strategic Human Resource Management (4th ed.). Mason, OH: Southwestern Publishing.
- Mintzberg, H. & Caldwell, C., (2017). “Leadership, ‘Communityship,’ and ‘The Good Folk.’” International Journal of Public Leadership, Vol. 13, Iss. 1, pp. 5-8.
- Ulrich, D., Younger, J., Brockbank, W., and Ulrich, M., (2012). HR from the Outside In: Six Competencies for the Future of Human Resources. New York: McGraw Hill.
- Vance, and Paik, Y., (2014). Managing a Global Workforce” Challenges and Opportunities in International Human Resource Management (3rd ed.). New York: Routledge.

REFERENCES

- Allen, M R and White, P (2007) Strategic management and HRM, in Oxford Handbook of Human Resource Management, ed Peter Boxall, John Purcell and Patrick Wright, Oxford University Press, Oxford.
- Appelbaum, E, Bailey, T, Berg, P and Kalleberg, A L (2000) Manufacturing. Advantage: Why high performance work systems pay off, ILR Press, Ithaca, NY Argyris, C (1970) Intervention Theory and Method, Addison-Wesley, Reading, MA.
- Armitage, A and Keeble-Allen, D (2007) Why people management basics form the foundation of high-performance working, People Management, 18 October, p 48.
- Armstrong, M and Baron, A (2002) Strategic HRM: The route to improved business performance, CIPD, London
- Ashish Malik, Strategic Human Resource Management and Employment Relations : An International Perspective, Springer, 2018.
- Ashton, D and Sung, J (2002) Supporting Workplace Learning for High Performance, International Labour Organization, Geneva
- Atkinson, J. (1984) Manpower strategies for the flexible organisations, Personnel Management, August.
- Baron, R and Kreps, D (1999) Strategic Human Resources: Frameworks for general managers, Wiley, New York.
- Batt, R (2007) Service strategies, in Oxford Handbook of Human Resource Management, ed Peter Boxall, John Purcell and Patrick Wright, Oxford University Press, Oxford.
- Becker, B E and Huselid, M A (1998) High performance work systems and firm performance: a synthesis of research and managerial implications, Research on Personnel and Human Resource Management, 16, pp 53–101, JAI Press, Stamford, CT.
- Becker, B E, Huselid, M A and Ulrich, D (2001) The HR Score Card: Linking people, strategy, and performance, Harvard Business School Press, Boston, MA
- Beer, M. Lawrence, P. Mills, Q. Walton, R. and Spector, B. (1984) Managing Human Assets. New York: Free Press.
- Beer, M., (2009). High Commitment, High Performance: How to Build a Resilient Organization for Sustained Advantage. San Francisco, CA: Jossey-Bass.
- Bierema, L. L., & D'Abundom, M. L., (2004). "HRM with a Conscience: Practicing Socially Responsible HRD." International Journal of Lifelong Education, Vol. 23, Iss. 5, pp. 443-458
- Boxall, P F (1996) The strategic HRM debate and the resource-based view of the firm, Human Resource Management Journal, 6 (3), pp 59–75.
- Brown, D (2001) Reward Strategies: From intent to impact, Chartered Institute of Personnel and Development, London business performance, CIPD, London. business performance, CIPD, London
- Butler, J E, Ferris, G R and Napier, N K (1991) Strategy and Human Resource Management, South-Western Publishing, Cincinnati, OH.
- Caldwell, C. & Ndalamba, K., 2017. "Human Resource Professionals as Strategic Leaders – A Behavioral Opportunity for Improving Information Management." Journal of Values-Based Leadership, Vol. X, Iss. 1, pp. 44-53.

- Caldwell, C. and Anderson, V. 2017. “Ethical Leadership in Troubled Times.” International Journal of Public Leadership, Vol. 13, Iss. 2, pp. 54-58.
- Caldwell, C., and Ndalamba, K. K., (2017). “Trust and Being ‘Worthy’ – The Keys to Creating Wealth.” Journal of Management Development, Vol. 36, Iss. 8, pp. 1076-1086.
- Caldwell, C., Thornton III, G. C., and Gruys, M. 2003 “Ten Classic Assessment Center Errors: Challenges to Selection Validity.” Public Personnel Management, Vol. 32, Issue 1, pp 73-88.
- Caldwell, C., Truong, D., Linh, P., and Tuan, A., (2011). “Strategic Human Resource Management as Ethical Stewardship.” Journal of Business Ethics, Vol. 98, Iss. 1, pp. 171-182.
- Cam Caldwell And Verl Anderson , Strategic Human Resource Management, Nova Science Publishers, Inc., New York, 2018.
- Cameron, K., (1994). “Guest Editor’s Note: Investigating Organizational Downsizing –Fundamental Issues.” Human Resource Management, Vol. 32, Iss. 2, pp. 183-188.
- Cappelli, P (1999) Employment Practices and Business Strategy, Oxford University Press, New York
- Chandler, A.D. Jr (1962) Strategy and Structure: Chapters in the History of the Industrial Enterprise. Cambridge, MA: MIT Press.
- Charles R. Greer, Strategic Human Resource Management, Pearson, 2003.
- Chatzkel, J L (2004) Human capital: the rules of engagement are changing, Development, London.
- Child, J. (1972) Organizational structure, environment and performance: the role of strategic choice, Sociology, 6, 1–22.
- Child, J. (1984) Organization: A Guide to Problems and Practice. London: Paul Chapman Publishing.
- Child, J. (1991) A foreign perspective on the management of people in China, International Journal of Human Resource Management, 2(1), 93–107.
- Child, J. (1994) Management in China During the Age of Reform. Cambridge: Cambridge University Press.
- Child, J. (1997) Strategic choice in the analysis of action, structure, organizations and environment: retrospect and
- Child, J. (2005) Organization: Contemporary Principles and Practice. Oxford: Blackwell Publishing.
- Clegg, S.R. and Hardy, C. (1996) Organizations, organization and organizing, in Clegg, S.R., Hardy, C. and Nord,W.R. (eds) Handbook of Organization Studies. London: Sage Publications.
- Collins, J., (2001). Good to Great: Why Some Companies Make the Leap . . . . And Others Don’t. New York: Harper Business.
- Covey, S. R., (2004). The 8th Habit: From Effectiveness to Greatness. New York: Free Press.
- Delery, J E and Doty, H D (1996) Modes of theorizing in strategic human resource management: tests of universality, contingency and configurational performance predictions, Academy of Management Journal, 39 (4), pp 802–35.
- Francis, A. (1994) The structure of organizations, in Sisson, K. (ed.) Personnel Management: a Comprehensive Guide to Theory and Practice in Britain (2nd ed). Oxford: Blackwell Publishers.
- Friedman, T. L., (2009). Hot, Flat, and Crowded: Why We Need a Green Revolution –And How It Can Renew America, Release 2.0. New York: Picador Press.
- Fritz, R. (1994) Corporate Tides: Redesigning the Organization. Oxford: Butterworth-Heinemann.
- Fritz-Enz, J., (2009). The ROI of Human Capital: Measuring the Economic Value ofEmployee Performance. New York: AMACOM.

- Garvin, D A(1993) Building a learning organization, Harvard Business Review, July–August, pp 78–91 general managers, Wiley, New York.
- Gary Dessler, Fundamentals of Human Resource Management :What's New in Management, Pearson; 5 edition , 2018.
- Gary Dessler, Fundamentals of Human Resource Management :What's New in Management, Pearson; 5 edition , 2018.
- Gary Dessler, Human Resource Management, Pearson; 15 edition, 2016.
- Goldman, E. & Slezak, S. L., (2006). “An Equilibrium Model of Incentive Contracts in the Presence of Information Manipulation.” Journal of Financial Economics, Vol. 80, No. 3, pp. 603-626
- Gratton, L (1999) People processes as a source of competitive advantage, in Strategic Human Resource Management, ed L Gratton et al, Oxford University Press, Oxford.
- Gratton, LA(2000) Real step change, People Management, 16 March, pp 27–30.
- Guest, D. (1991) Personnel management. The end of Orthodoxy?, British Journal of Industrial Relations, 29(2), 149–75.
- Hayes, L., Caldwell, C., Licona, B. and Meyer, T. E., 2015. “Follower Behaviors and Barriers to Wealth Creation.” Journal of Management Development, Vol. 34, Iss. 3, pp. 270-285.
- Hendry, C and Pettigrew, A (1986) The practice of strategic human resource management, Personnel Review, 15, pp 2–8.
- Huselid, M., (1995). “The Impact of Human Resource Management Practices on Turnover, Productivity, and Corporate Financial Performance.” Academy of Management Journal, Vol. 38, Iss. 3, pp. 63-672Lowenstein, R., (2009). While America Aged: How Pension Debts Ruined General Motors, Stopped the NYC
- Jackson, N. and Carter, P. (2000) Rethinking Organisational Behaviour. Harlow: FT Prentice Hall.
- John Ingham, Strategic Human Capital Management : Creating Value through People, BH Elsevier, 2007.
- John Ingham, Strategic Human Capital Management : Creating Value through People, BH Elsevier, 2007.
- John Storey, Dave Ulrich, and Patrick M. Wright, Strategic Human Resource Management : A Research Overview, Routledge, 2019.and Trevor Morrow
- Katiyar, A., Thomas, K., and Caldwell, C. (2011). “Ethical Issues in International Human Resource Management.” Journal of Global Business Development, Vol. 3, No. 1, pp. 103-114.
- Kearns, P (2005) Human Capital Management, Reed Business Information, Lifelong Learning in Europe, 9 (3), pp 139–45.
- Lilly, J. D., Gray, D. A., & Virick, M., (2005). “Outsourcing the Human Resource Function: Environmental and Organizational Conditions that Affect HR Performance.” Journal of Business Strategies, Vol. 22, No. 1, pp. 55-73.
- MacDuffie, J P (1995) Human resource bundles and manufacturing performance, Industrial Relations Review, 48 (2), pp 199–221.
- Mann, A., & Harter, J., (2016). “The Worldwide Employee Engagement Crisis.” Business Journal, January 16th found online on September 14, 2017.
- Matthias T. Meifert, Strategic Human Resource Development Management, Springer, 2013.
- Mello J.; Strategic Human Resource Management, Cengage Learning, 2018.

- Mello, J., (2014). Strategic Human Resource Management (4th ed.). Mason, OH: Southwestern Publishing.
- Michael Armstrong; Strategic Human Resource Management : A Guide to Action, Kogan Page US, 2008.
- Mike Millmore, Philip Lewis, Mark Saunders, Adrian Thornhill, Strategic Human Resource Management : contemporary Issues, Pearson, 2007.
- Miles, R E and Snow, C C (1978) Organizational Strategy: Structure and process, McGraw-Hill, New York.
- Mintzberg, H. & Caldwell, C., (2017). "Leadership, 'Communityship,' and 'The Good Folk.'" International Journal of Public Leadership, Vol. 13, Iss. 1, pp. 5-8.
- Mintzberg, H. (1991) The effective organization: forces and forms, Sloan Management Review, Winter, 54–67.
- Mintzberg, H. (1993) Structure in Fives: Designing Effective Organizations. London: Prentice Hall International.
- Murlis, H (1996) Pay at the Crossroads, Institute of Personnel and Development, London.
- Nadler, D A and Gerstein, M S (1992) Designing high-performance work systems: organizing people, technology, work and information, Organizational Architecture, Summer, pp 195–208.
- Nalbantian, R, Guzzo, R A, Kieffer, D and Doherty, J (2004) Play to Your Strengths: Managing your internal labor markets for lasting competitive advantage, McGraw-Hill, New York.
- Ondrack, D A and Nininger, J R (1984) Human resource strategies: the corporate perspective, Business Quarterly, 49 (4), pp 101–09.
- Pil, F K and MacDuffie, J P (1996) The adoption of high-involvement work practices, Industrial Relations, 35 (3), pp 423–55
- prospect, Organization Studies, 18(1), 43–76.
- Pugh, D.S., Hickson, D.J., Hinings, C.R. and Turner, C. (1968) imensions of organization structure, Administrative Science Quarterly, June, 65–104.
- Purcell, J (2001) The meaning of strategy in human resource management, in Human Resource Management: A critical text, ed J Storey, Thomson Learning, London.
- Purcell, J. (1989b) The impact of corporate strategy on human resource management, in Storey J. (ed.) New Perspectives on Human Resource Management, pp. 67–91. London: Routledge.
- Purcell, J. (1995) Corporate strategy and its link with human resource management strategy, in Storey, J. (ed.) Human Resource Management: A Critical Text, pp. 63–86. London: Routledge.
- Richardson, R and Thompson, M (1999) The Impact of People Management Practices on Business Performance: A literature review, Institute of Personnel and Development, London.
- Schein, E H (1990) Organizational culture, American Psychologist, 45, pp 109–19.
- Schuler, R S (1992) Strategic human resource management: linking people with the strategic needs of the business, Organizational Dynamics, 21 (1), pp 18–32.
- Schuler, R S and Walker, J (1990) Human resources strategy: focusing on issues and actions, Organization Dynamics, Summer, pp 5–19.
- Scott Snell & Shad Morris & George W. Bohlander, Managing Human Resources, Cengage Learning; 18 edition , 2018.

- Sung, J and Ashton, D (2005) High Performance Work Practices: Linking strategy and skills to performance outcomes, DTI in association with CIPD.
- Thompson, M and Heron, P (2005) Management capability and high performance work organization, International Journal of Human Resource Management, 16 (6), pp 1029–48.
- Thompson, P. and McHugh, D. (2002) Work Organisations: A Critical Introduction (3rd ed). London: Palgrave.
- Tyson, S and Witcher, M (1994) Human resource strategy emerging from therecession, Personnel Management, August, pp 20–23.
- U. S. Department of Education, (2011). Trends in High School Dropout and Completion Rates in the United States 1972-2009 – Compendium Report. Washington DC: National Center for Education Statistics -- Institute of Education Sciences.
- Ulrich, D., Younger, J., Brockbank, W., and Ulrich, M., (2012). HR from the Outside In: Six Competencies for the Future of Human Resources. New York: McGraw Hill.
- Vance, and Paik, Y., (2014). Managing a Global Workforce" Challenges and Opportunities in International Human Resource Management (3rd ed.). New York: Routledge.
- Wright, P M and McMahan, G C (1992) Theoretical perspectives for SHRM, Journal of Management, 18 (2), pp 295–320.
- Wright, P M, Snell, S A and Jacobsen, H H (2004) Current approaches to HR strategies: inside-out versus outside-in, Human Resource Planning, 27 (4), pp 36–46.
- وصفي عقيلي، عمر، إدارة الموارد البشرية المعاصرة : بعد استراتيجي، دار وائل للنشر، عمان، 2005