

## **SUSTAINABLE DEVELOPMENT THROUGH STRATEGIC HRM**

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This research paper will evaluate the role of **human resource management (HRM)** in the strategic process. This will include the function of recruitment and training programs in HRM, the concept of strategic fit and how human resource management can lead to a competitive advantage. The manner in which an organization's personnel are managed has a tangible influence on the productivity of the employees, which ultimately acts upon the firm's bottom line. Corporate success is dependent upon the integration of the human resource plan and the corporate strategic plan. It has become a prominent part of business management, that people provide organizations with an important source of sustainable competitive advantage and that the effective management of human capital, not physical capital, may be the ultimate determinant of organizational performance (Youndt, Snell, Dean, Jr, &Lepak, 1996).

The relationship between the strategic planning of an organization's people and the overall strategy is being increasingly recognized as one of great importance. A growing recognition of human resources as being a company's most important asset has, and will continue to, changes the focus of strategic planning. It is no longer acceptable to exclusively plan for those assets that will appear on the balance sheet. A plan integrating human resource management and the overall strategic plan is necessary, such that the management of people is not a distinct function, but acts as a medium through which all other business strategies are implemented (Armstrong and Long, 1994: p. 42). In essence, the competitive, human resource, and structural strategies should all be linked in a systemic and dynamic fashion (Boxall, 1996: p. 61).

The purpose of HRM is to anticipate changes within the employee framework, thereby ensuring that the organizational objectives are fulfilled (Nankervis, Compton and McCarthy, 1993: p. 53). This process is critical to the strategic objectives of the firm. If changes in the 'people market' can be anticipated, and if this is attended to at the senior level, human resource management (HRM) can act as a proactive advisor. However, the relationship between overall strategic planning and HRM is largely dependent on the perceptions of both HRM and senior management towards the contribution that the workforce can make to corporate success. For example, companies that are aware of the strategic value of human resources are more likely to integrate HRM with the overall strategic plan (Nankervis, Compton and McCarthy, 1993: p. 56).

Strategic human resource management (SHRM) is "the process of identifying the organization's strategic goals and the use of these goals as the basis for personnel practices and procedures" (Butler, Ferris and Napier, 1991: p. 64). Comparing the performance of organizations that utilize it with those that do not can show the importance of SHRM. Numerous studies and reports have

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Koch and McGrath, 1996; Armstrong and Long, 1994; Schuler and MacMillan, 1984; Pfeffer, 1995; Schuler and Jackson, 1987). Knowing, therefore, that the development of a strategy for HRM is beneficial, the setting of strategic objectives is necessary. The strategic objective includes the overall competitive objectives of the company, the formation of which is identified by the organization's mission statement. By considering the environmental analysis (including industrial and economic factors) and an internal analysis (including strengths and weaknesses of the firm and human resources), the company is able to formulate an overall strategy, with a major contribution from HRM (Butler, Ferris and Napier, 1991: p.67).

Human resource strategy and corporate strategy need to be integrated so that strategic harmony is developed between HRM and the business plan (Armstrong and Long, 1994: p. 43). Certain human resource strategies, particularly the accurate projection of human capital needs, and employee selection and development, will lead to superior workforce performance. If a firm is able to excel at creating a highly productive workforce through effective HR management programs, they will gain a competitive advantage (Koch and McGrath, 1996: p. 337; Schuler and MacMillan, 1984: p. 254). This gives the corporation an advantage that competitors will find difficult to replicate, and can lead to an increase in market share and company profits (Schuler and MacMillan, 1984: p. 241). The human resource management practices will not exclusively influence the success or failure of an organization, though they will be a critical factor.

An increasingly large number of corporations are now using HR practices to support their long-range business planning processes. An Australian study in 1992 found that 32% of those companies that regularly develop formal corporate plans have considerable input from the HR function (Nankervis, Compton and McCarthy, 1993: p. 56). In the four years since then, there have been a number of changes in workplace arrangements, particularly in regard to enterprise bargaining (CCH, 1995).

In this new economy, the expertise of each employee is regarded as a living asset, such that there is now much greater interest in the contribution of HRM to overall strategic planning. Since HRM deals with issues regarding people, it also has an ethical role to play. It is likely that any HR management will probably be influenced by the need for fairness and justice. If HRM is to contribute to the overall strategic planning within the organization, any ethical issues related to the personnel and the industry will be influential. The ethical management of human resources is also dependent upon an appropriate fit between HRM and the organization's strategy. Essentially, "human resource management cannot be ethical unless it is strategic" (Miller, 1996: p. 16).

A fundamental division within strategic HRM is recruitment, the requirements of which are determined by the overall staffing requirements and strategies of the company. Developing a strategic approach to recruitment processes is therefore necessary to create a pool of

appropriately qualified and experienced people so that selection can be initiated. A strategic examination of the organization's needs by the HR management group will identify the type of person required for that type of job (Nankervis, Compton and McCarthy, 1993: p. 170). Choosing the right individual for each specific position is of immense importance in fulfilling the overall strategic plan of the organization. The failure to select the most effective person will "typically constrain a firm's performance and lead, sooner or later, to its demise" (Boxall, 1996: p. 61). Strategy must be translated into selection requirements, and this is most effectively done by job analysis. This analysis will assess the consequence of any strategic change upon what people will do in their job and how they will do it. The job description will identify any modifications to the person specifications, and will present the various qualities needed in the employee (Evdenden and Anderson, 1992, cited in Harrison, 1993: p. 228).

Training and development is another area of HRM that can contribute to the corporate strategy. To keep up with the changing HR requirements, training is needed to ensure that the skills and knowledge of the employees is at the required level. Reformation in the external and internal environments influence strategic change, such that static set of employee skills will often be inadequate (Butler, Ferris and Napier, 1991: p. 78). Furthermore, training can help to convey the expectations and overall strategy of the organization. In Karl Albrecht's customer-focused model, he stated that "The methods of education, training and communication play a central part in helping everyone understand the customer's needs and expectations, the vision, mission, and values of the organization, and the strategies for winning and keeping the customer's business" (p. 68). However, there are some limitations to this premise. First, there must be a sufficient number of qualified people seeking employment. A shortage of labor significantly limits the options of finding the right people for the organization. Secondly, the organization must be able to provide adequate financial and managerial support to the recruitment, selection, and training programs outlined above. HR practices should be designed to positively support the organization's strategic planning of cost leadership, differentiation, and training and development in what should be "a powerful combination of 'internal' and 'external' fit" (Boxall, 1996: p. 62). The concept of 'fit' refers to the integration of human resource management with the overall strategic objectives of the organization.

Success within an organization can be determined by establishing an external fit between organizational resources and environmental influences, and by developing an internal fit between the strategy, design and function of the firm. The SHRM team should have an external and an internal focus (Butler, Ferris and Napier, 1991: p. 79). This external focus refers to their association with the corporate strategy group and other leadership departments; internally, they are in the best position to analyze employee attitudes and capabilities. The development of a strategic fit has important ramifications for the HR function. The culture, strategic objectives, personnel policies and management behavior all influence the company's people (Collins, 1987:p. 15; Rance, 1996). Tight fit is only possible when the senior management has a clear

understanding of the firm's direction, and is able to effectively communicate that to their subordinates (Dunn, 1995: p. 58). The objectives and manner in which they are to be achieved needs to be explained.

Effective communication is essential for HRM to have a constructive contribution to the overall strategy, and to allow the accomplishment of the strategic objectives (Collins, 1987: p. 15). Although HR management should be integrated with other strategies, problems are going to be encountered; such as the diversity of strategic processes, levels and styles. If each strategic business unit in an organization develops their own HRM policy independently of other HRM policies it may be difficult to focus HR strategies on the needs of the firm. If the business strategy has not been clearly defined and understood or there is an absence of articulated business strategies, then it would be difficult to develop a complementary HRM strategy. The strategy formulation process is complex as a broad range of environmental factors influences the formation of a strategy. It may, therefore, be difficult to progress directly from corporate strategy to HR strategy.

In conclusion, above all else it is people who create and develop a competitive edge. The strategic planning of human resources can therefore make a significant contribution to the overall strategic plan by ensuring that the company has the right type of people with the required skills, and that they are managed productively. HRM can contribute to overall strategic planning by being involved in the internal and external analysis, by bringing attention to the role of the HR function in fulfilling the business plan, using effective HR management programs to create a highly productive workforce, assisting in the development of the formal corporate plan, planning and initiating recruitment, selection and training and development programs and developing a tight fit between organizational resources and employee capabilities. All human resource practices need to be linked to the competitive strategy. By amalgamating human resource management with the overall strategic plan, the organization will retain a flexible workforce, which can act as a business strength (Skelton, 1996). Torraco and Swanson (1995: p. 12) summed it up by saying: "Today, organization's that are capable of rapidly responding to emerging business needs will succeed." This flexibility can only come through the contribution of human resource management to the overall strategic business plan.