

HUMAN RESOURCE MANAGEMENT - FROM FUNCTION TO STRATEGIC PARTNER

Todericiu Ramona, Șerban Anca

Faculty of Economics, "Lucian Blaga" University of Sibiu, Romania

ramona.todericiu@ulbsibiu.ro

anca.serban@ulbsibiu.ro

Abstract: *In most of the organizations, people are now recognized as the vital asset. Their knowledge, skills and abilities must be deployed to the maximum effect if the organization is to become successful. The intangible value of an organization relating to the people it employs and its human resource strategies is gaining recognition and it is generally accepted that this has implications for long-term sustained performance.*

The recent changes in the economy and the development of new technologies are creating the proper set for a series of other changes regarding the human resource management.

The first one refers to the need to respond to the challenges raised by the knowledge workers and the second one refers to the increasing role of human resource management in the strategic moves of the organizations.

Lately, because of the recent mentioned developments, strategic human resource management became a subject of ongoing discussion for academics. Its definition and relationships with other aspects of business planning and strategy vary, but the common agreement is that strategic human resource management is a complex process that is constantly evolving and that there is a need of understanding its usefulness. Having quality professional practices is a must, but this shouldn't be the only focus of the best human resource practitioners. They need to be able to combine their attention to basic administration with also making important strategic inputs that have a positive impact on the organization.

The purpose of this article is to present the current research state in the field of strategic human resource management. In order to achieve this, the factors that underline the importance of human resource management are assessed. The study has been accomplished using the methodology of bibliographic study and qualitative research.

Key words: *human resource management, knowledge society, chief executive officers, partnership*

JEL classification: *M12*

1. Introduction

Nowadays, the Human Resource (HR) function in the corporate world is going through two main changes. The first one relates to the rapid growth of the knowledge economy and the second one with the struggle of being more than just a function and becoming a strategic partner.

These two trends are reshaping the role of HR in the corporate world.

The first changes are generated by the new context of the knowledge society when a committed, appropriately skilled and prudently deployed workforce is critical in order to develop a competitive advantage.

The second change comes as an opportunity since many administrative functions that were formerly handled by HR departments, such as payroll and pensions, have now been outsourced, and specialists, unburdened by some of their former responsibilities, have a chance to transform their role, exploiting their image as experts in people to place themselves at the heart of the debate on a organization's strategic direction.

2. Human Resource Management in the knowledge society

Changing knowledge management practices and global convergence of technology has redefined the nature of work (Horwitz F., 2003). This statement is true when we think about the actual work of any employee and also when referring to the work done by human resource specialists. Knowledge as the main resource of the century poses a large series of changes, from the way the economy and its' forces work, to the need of developing new management systems, to the way in which a worker thinks. The new era could be far more productive than the previous one, but in the same time can lead to certain confusion in respect with the changes that need to take place in order to get to the necessary performance level that guarantees survival and success.

Peter Drucker considers the knowledge-based company as the organizational model of the XXIst century and draws its main characteristics: *composition dominated by professionals, small number of intermediate levels of hierarchical leadership and coordination ensured by means of non-authoritative style (standards, procedures, rules of cooperation and so on)*.

This new type of organization forces specialists to change the traditional personnel management by creating different strategies for the most important resources.

Also, the 2008 global recession and demands for sustainable performance have forced corporate leaders to examine and re-evaluate how they manage and operate.

They are utilizing new technologies, changing their organizations' structures, redesigning work, relocating workforces and improving work processes. These changes have significant implications for how their human capital should be managed and how their HR functions should operate (Lawler E.,Boudreau J. W., 2012). Now, more than ever, the effectiveness of an organization depends on its ability to address talent management issues such as knowledge management and change management.

Due to the immense importance of knowledge workers as the main resource of the modern society, the organizations must not only be designed to accept the knowledge worker but, more radically, be designed with the worker as the consideration around which the rest of the organization must fit (Paton S., 2013). Also, the processes of the organization must focus on communication and

coordination rather than command and control because direct supervision of knowledge workers is difficult, so implementing an organizational design that relies upon a vertical hierarchy is impractical.

The acknowledgement of the importance of a proper human resource management for knowledge workers is imperative for any organization that aspires progress. A successful management in this sense is a big challenge for organizations, and human resource experts need to channel their abilities in order to attract, motivate and retain the most important resources of the century.

3. Strategic Human Resource Management (SHRM)

The importance of the human resource department in an organization has been noticed ever since the early 1990s, at which time specialists developed a series of definition for strategic human resource management. SHRM was defined as *“the undertaking of all those activities affecting the behaviour of individuals in their efforts to formulate and implement the strategic needs of business”* (Schuler, R.S., 1992) and as *“the pattern of planned human resource deployments and activities intended to enable the organization to achieve its goals”* (Wright, P.M. and McMahna, G.C.,1992).

More recent, the Chartered Institute of Personnel and Development (CIPD) defines SHRM *as an approach to the management of human resources that provides a strategic framework to support long-term business goals and outcomes*. The approach is concerned with longer-term people issues and macro-concerns about structure, quality, culture, values, commitment and matching resources to future need (Armstrong M., Baron A., 2002).

Lately, because of the recent mentioned developments, strategic human resource management became a subject of ongoing discussion for academics. Its definition and relationships with other aspects of business planning and strategy vary, but the common agreement is that SHRM is a complex process that is constantly evolving and that there is a need of understanding its usefulness.

HR department always had strategies like *to deliver fair and equitable rewards, to improve employee performance or to streamline organizational structure*, but these strategies are not testimonies of SHRM. Rather, SHRM is the overall framework that determines the shape and delivery of the individual strategies (Armstrong M., Baron A., 2002). A clear view over the difference between human resource strategy and SHRM is offered by Boxall and Purcell which assert that strategic HRM is concerned with explaining how HRM influences organizational performance. They also argue that strategy is not the same as strategic planning because: *strategic planning* is the formal process that takes place, usually in larger organizations, defining how things will be done, and, by contrast, *strategy* exists in all organizations - even though it may not be written down and articulated - and defines the organization's behavior and how it attempts to cope with its environment.

John Sullivan points out that human resources professionals often think they are being strategic when they are actually being tactical. He states that being strategic means having a business impact on the organization's corporate goals and objectives and that a certain program is strategic only if it meets the following criteria:

- It has a broad impact.
- It focuses on future needs.
- It has the potential to provide a sustainable competitive advantage.

- It has the potential to generate at least 1 percent of revenue or profits.
- It has a direct impact on long-term corporate goals.

The academics from at the Aston Centre for Human Resources in association with CIPD recently concluded that SHRM is about the integration of human resource management strategies into the corporate strategies and more specifically it means linking people with the organization.

In the new context, human resource management is not a concern just for the human resource department, rather it should be a main focus for the top management. The HR people are accountable to management for excellent human resource management processes, tools and coaching that work. They are responsible to energetically influence managers to effectively use the tools that have been designed.

HR Folks International has depicted a contrast between human resource management and the human resource department that explicitly shows areas of responsibility for managers and human resource professionals (figure no.1).

A good business strategy, one that is likely to succeed, is informed by people factors. This is one of the main reasons why human resource management should be strategic. So, if human resource management is a coherent approach to the management of people, SHRM implies that this is done in a planned way that integrates organizational goals with policies and action sequences (Armstrong M., Baron A., 2002).

Table 1: The contrast between human resource management and the human resource department

	Human Resource Management	Human Resource Department
Focus	Implementation of HR tools and practices	Development of HR tools and practices
Owner	Top management	HR department
Outcome	Creation of value through effective management of competencies	Effective HRM practice

Source: HR Folks International

It would be very simplistic to suggest that strategic human resource management just derives from the organization's business strategy. The relationship between the two should be mutually informative (Armstrong M., Baron A., 2002). Business strategy is also shaped by the way in which people are managed, motivated and deployed, and by their availability of sharing their skills and knowledge. In the new context, it should be impossible to find an organization that does not take into account the human resources, since they are the main asset. Individual human resource strategies are also shaped by the business strategy. For example, if the business strategy is about improving customer service this may be translated into discrete human resource strategies involving the use of training plans or performance improvement plans. In this case, the purpose of the human resource department is one of active partner for the board because only by being part of the

design of the strategy, it will be later able to create the perfect tools and to translate the strategy in objectives that can be easily understood and completed by the employees (figure no.2).

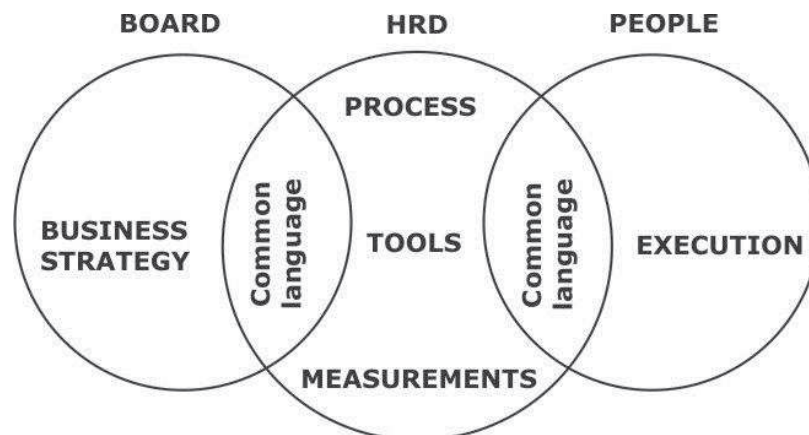


Figure 1: The complex role of the Human Resource Department
Source: own

Human resource strategy must be anchored to the business strategy and for this, HR professionals must understand the strategy and economic realities of the business it supports. HR people must “speak” the language of business and their activities must reflect the priorities of the business.

4. The HR manager –a new seat at the executive table

A global survey conducted in May 2012 on 235 executives by the Economist Intelligence Unit, Oracle and IBM, confirmed that chief executives are very concerned about the potential negative impact of certain human resource issues in the near future. A significant proportion of CEOs polled believe in the ability of their head of human resources to help the company to overcome these challenges.

Although the human resource function is believed to perform well within its own parameters, some doubts remain about its commercial understanding of the wider business. This indicates that heads of HR have not completed their transition from administrator to strategic partner although there is clearly a need for human resource professionals to assist in the vital people dimension of corporate strategy.

However, a significantly proportion (70%) of CEOs want the head of HR to be a key player in future corporate strategy, but things have to change since many respondents believe that their heads of HR are overly preoccupied with a narrow HR agenda and 37% say that human resource people don’t “understand the business well enough”.

These findings suggest that top executive expect their HR managers to demonstrate business pragmatism and efficiency. Therefore, it is important for the HR department to deploy both HR specialists as well as managers who possess a business background.

HR professionals could become drivers of organizational effectiveness and business strategy, the key question is whether they will rise to the occasion.

HR professionals can add value by (Lawler E.,Boudreau J. W., 2012):

- Providing administrative support services.
- Serving as business partners who help to implement business systems and practices.
- Becoming strategic partners who help corporate leaders develop business strategy.
- Measuring their performance against qualitative, quantitative and financial metrics

The last aspect is of extreme importance, especially when thinking about the need to attract bigger budgets for the human resource management. If HR professionals measure whether their programs are having a strategic impact and produce the desired results, they have more leverage when negotiating. The measurement can be either a detailed HR audit or a snapshot assessment that can be completed in a few days based on readily accessible data, such as financial performance measures, retention measures and recruiting measures (Sullivan J.,). Two of the most well-known methods of measuring performance are benchmarking and the Balanced Scorecard.

Benchmarking is a systematic process of measuring an organization's products, services, and practices against those of an organization that is a recognized as a leader in the studied area.

The Balanced Scorecard represents a set of indicators that assures a unitary presentation of the management vision regarding the performance control and supposes the relational approach on four dimensions: financial perspective, customers' perspective, internal business processes and organizational learning and growth perspective. A very useful improvement of the balanced scorecard is the total performance scorecard. The latter is defined as the systematic process of continuous, gradual, and routine improvement, development and learning, focused on a sustainable increase of personal and organizational performances. This framework tries to mark the common road of an individual's goals and the company's goals, in order to obtain maximum satisfaction for both parts involved. The Total performance Scorecard combines two separate balanced scorecards: the personal one (PBSC) and the organizational one (OBSC). Correlating the two of them is the perfect framework for improving the entire organization, as well as for the development of human potential.

Since these areas are critical determinants of organizational performance, HR leaders are missing a great opportunity to add value if they do not develop much better metrics and analytics. In high-performing HR departments they rely on data-driven practices and the organizations' business strategies. This allows them to make rigorous data-based decisions about human capital management and to engage in discussions with senior executives based on business strategy and data (Armstrong M., Baron A., 2002).

The human resource management is an integral part of how an organization is going to achieve its mission and only by integrating it into the organization's strategic plan one can keep people aligned with the objectives of the organization.

Human resources management alignment means to integrate decisions about people with decisions about the results an organization is trying to obtain and represents the last level in the the Hierarchy of Accountability (figure no.2).



Figure 2: The Hierarchy of Accountability

Having quality professional practices and services is a must, but this shouldn't be the only focus of the best HR practitioners. They are able to combine their attention to basic administration while also making important strategic inputs that have a positive impact on the future of the organization. This is obviously not an easy balance to maintain, but is definitely not impossible either.

5. Further research

The strategic human resource management is a very interesting subject that could be the source of many studies, but one of the most interesting is the relationship between CEOs and the heads of the human resource departments. This type of research conducted in Romanian organizations would help understand how human resource management is perceived in national organizations and could provide us with the necessary information for the steps needed in order to achieve better results when it comes to fulfilling strategic goals.

6. Conclusions

While individualization of employment practices and team-based work may provide personal and organizational flexibilities, aligning HR and organizational strategies for competitive advantage has become more prominent (Horwitz F., et al., 2003) and the perception of human resources management is changing, more and more organizations considering it a value-added business partner. SHRM can be regarded as a general approach to the strategic management of human resources in accordance with the intentions of the organization on the future direction it wants pursue.

The human resource management literature makes clear that HR is always involved in execution of an overall strategic plan, but infrequently involved in the initial development of that plan and this needs to change in the new economic context. CEOs recognize that human resource professionals have a role to play in supporting and promoting the value of HR within the company, but are also looking for senior HR executives themselves to be more assertive in demonstrating their value.

Alignment between executives, the human resource department and employees is critical to ensuring that the HR team is designing and developing initiatives that drive business performance and enable people to achieve results.

References

- Armstrong, M. and Baron, A., (2002) *Strategic HRM: the key to improved business performance*. Developing practice. Chartered Institute of Personnel and Development. London.
- Boxall, P. and Purcell, J. (2003) *Strategy and human resource management*. Basingstoke: Palgrave MacMillan.
- Drucker, P. (2002). *Managing in the next society*. New York, St. Martin's Press.
- Schuler, R.S., (1992) Strategic human resource management: linking people with the needs of the business. *Organizational Dynamics*. Vol 21, No 1. Pp.18-32.
- Horwitz F., Heng C.T., Quazi H.A., (2003) Finders keepers? Attracting, motivating and retaining knowledge workers, *Human Resource Management Journal*, Vol. 13, No.4, pp. 23-44.
- Labeledz, C. S., Lee, J., (2011) The mental models of HR professionals as strategic partners, *Journal of Management and Organization*, 17. 1, pp. 56-76.
- Lawler, E. III, Boudreau, J. W., (2012) Creating an Effective Human Capital Strategy, *HR Magazine* 57. 8, pp. 57-59.
- John Sullivan Rethinking Strategic HR
- Silliker A., (2011) CEOs want HR as strategic business partner, *Canadian HR Reporter* 24. 20 (Nov 21, 2011): 10.
- Paton, S., (2013) Introducing Taylor to the knowledge economy, *Employee Relations*, Vol. 35 Iss: 1 pp. 20 – 38.
- Urcell, J., Kinnie, N. and Hutchinson, S. (2003) *Understanding the people and performance link: unlocking the black box*. London, Chartered Institute of Personnel and Development.
- Wright, P.M. and McMahan, G.C. (1992) Theoretical perspectives for SHRM. *Journal of Management*. March. Pp. 215-247.