

Strategic Human Resource Management (SHRM)

Lecture 2

The Concept of Strategy

Lecturer: Dr. Amy Vundi

Lecture Learning outcomes

At the end of this lecture, you will be able to:

- i. Define Strategic Human Resource Management
- ii. Explain the versions of HRM
- iii. Elaborate the aims and importance of Strategic Human Resource Management
- iv. Outline the models of Strategic Human Resource Management
- v. Appreciate the difference between HRM and SHRM

2.0 Introduction

Strategic Human Resource Management, often referred to as SHRM, is the process of aligning people management with the overall strategy of an organization. Unlike traditional HRM, which was primarily operational and administrative, SHRM emphasizes the idea that employees are not just workers but are *strategic assets* whose skills, motivation, and creativity directly determine organizational success. Wright and Ulrich (2022) highlight that organizations in the twenty-first century cannot compete effectively without embedding human resource practices into their long-term plans.

What comes to mind when they hear the word “strategy”? Strategy is not just about finances or marketing, but also about how people are managed and developed.

2.1 Versions of HRM

The field of HRM can broadly be understood through two contrasting versions: the hard and the soft approaches.

Hard HRM emphasizes efficiency and control. Employees are viewed largely as resources—similar to machines or capital—that must be used optimally to reduce costs and maximize returns. Zhang and Morris (2023) point out that this approach reflects a business-oriented philosophy where workers are seen as inputs into the production system. In practice, this often involves strict performance management systems, standardized processes, and a focus on measurable outcomes. Illustration, for this in class is the example of a factory under financial pressure, where management imposes strict monitoring and cost-cutting to maintain competitiveness.

Soft HRM, in contrast, takes a more human-centered view. Rooted in the human relations tradition, it sees employees as valued partners whose commitment, creativity, and adaptability drive organizational success. This version emphasizes trust, communication, and leadership. According to Kim and Park (2021), soft HRM practices—such as involving employees in decision-making and fostering strong workplace culture—enhance engagement and performance. You might compare this to how companies like Starbucks or Southwest Airlines invest in employee satisfaction, believing it will lead to better customer experiences.

2.2 Aims of HRM

The purpose of HRM extends beyond hiring and firing. Its aims include supporting the achievement of corporate objectives, ensuring that the organization attracts and retains skilled employees, creating a positive and harmonious workplace, and promoting both teamwork and adaptability. HRM also seeks to recognize and reward performance fairly, manage workforce diversity, and ensure employee well-being (Gomes et al., 2022).

Here, you might explain that while all these aims are important, their emphasis can vary depending on the type of organization. For instance, a start-up may focus more on recruitment and adaptability, while a large government agency might focus on harmony and fairness.

The main aims of HRM are to:

1. Support the achievement of organizational goals.
2. Attract and retain skilled employees.
3. Create a positive and harmonious workplace.
4. Encourage teamwork and adaptability.
5. Recognize and reward performance fairly.
6. Manage workforce diversity.
7. Promote employee well-being (Gomes et al., 2022).

These aims may vary depending on the type of organization. For example, a start-up may focus more on recruitment and adaptability, while a public institution may focus on fairness and stability.

2.3 Characteristics of HRM

Modern HRM has several defining characteristics. It is not a stand-alone function but one that must align with the overall business strategy. It treats people as assets in which organizations must invest through training, development, and knowledge sharing. HRM also plays a role in shaping and maintaining corporate culture, often reflected in mission statements and values. Furthermore, it is not solely the work of HR specialists but a responsibility that extends to line managers, who must apply HR practices in their everyday supervision of staff (Nguyen & Tran, 2022).

To visualize this, you could draw two circles on the board—one representing business goals and the other HR practices. Then overlap them to show how the two must fit together to create strategic alignment.

Human Resource Management has several important characteristics:

- It is aligned with the strategic goals of the organization.
- It treats people as valuable assets in whom the organization must invest.
- It shapes corporate culture, often through mission statements and values.
- It is not only the responsibility of HR specialists but also of line managers (Nguyen & Tran, 2022).

These characteristics show that HRM is not an isolated activity but an integral part of how organizations achieve success.

2.4 Development of HRM Concept

The roots of HRM can be traced to the writings of Douglas McGregor, particularly his Theory Y, which emphasized that employees are motivated, capable of creativity, and willing to take responsibility if given the right conditions. Later, Peters and Waterman (1982) stressed the importance of strong organizational cultures and argued that excellence in organizations depends on excellence in employees. Over time, HRM developed into SHRM, which integrates agility, innovation, and inclusivity to meet the challenges of modern business environments (Kaufman, 2021).

To teach this effectively, present a timeline tracing the evolution from personnel management (administrative tasks), through HRM (people-focused management), to SHRM (strategic integration).

The development of HRM can be traced through several stages:

- **Douglas McGregor's Theory Y:** emphasized that employees are motivated and creative when trusted.
- **Peters and Waterman (1982):** argued that organizational excellence depends on strong culture and committed employees.
- **Contemporary SHRM:** focuses on agility, inclusivity, and innovation to respond to changing environments (Kaufman, 2021).

This history shows how HRM has evolved from administrative personnel management to a strategic partner in organizational success.

2.5 Matching Model of HRM (Michigan Model)

One of the earliest frameworks for understanding SHRM is the Matching Model, also known as the Michigan Model. This model argues that HR practices must align with organizational strategy and outlines four essential processes: selection, appraisal, rewards, and development (Fombrun et al., 1984). The idea is that if HR policies are well-matched to the business strategy, organizational performance will improve.

However, this model has also been critiqued as being too rigid in today's dynamic and uncertain business environments. Guest (2019) argues that organizations need more flexibility and cannot rely solely on a fixed cycle of HR practices.

To visualize this, imagine this: sketch a cycle diagram with the four processes—selection, appraisal, rewards, development—feeding back into one another.

Other Strategic Human Resource Management Models

Strategic Human Resource Management (SHRM) is built on several core models that guide how HR practices align with business strategy. These models help organizations understand the strategic role of human capital and design HR systems that drive performance, innovation, and competitive advantage.

The Harvard Model

The Harvard Model emphasizes a stakeholder-based approach to HR strategy. It encourages organizations to consider the interests of employees, managers, shareholders, and government bodies when developing HR policies. This model highlights four major policy areas: employee influence, human resource flow, reward systems, and work systems. By focusing on long-term outcomes like commitment and competence, the Harvard Model positions employees as valuable assets and promotes HR strategies that align with both organizational goals and external pressures.

The Michigan (Matching) Model

The Michigan Model, also known as the Matching Model, focuses on aligning HR strategy tightly with the organization's overall business strategy. It identifies four key HR functions—selection, appraisal, development, and rewards—that must work in harmony with strategic objectives. This model views employees as resources to be managed for maximum efficiency and performance. It emphasizes control, cost-effectiveness, and top-down planning, making it ideal for organizations aiming to drive short-term productivity and results through HR alignment.

1.5 Matching Model of HRM (Michigan Model)

The Matching Model, developed by Fombrun and colleagues (1984), argues that HR practices should fit the organization's strategy. It identifies four key processes:

1. **Selection** – matching the right people to the right jobs.
2. **Appraisal** – managing performance effectively.
3. **Rewards** – compensating employees fairly.
4. **Development** – building skills and knowledge.

This model emphasizes consistency between HR policies and business strategy. However, Guest (2019) criticizes it for being too rigid for today's fast-changing business environment.

Learning Task: Which of the four processes (selection, appraisal, rewards, or development) do you think would be most important for a technology start-up? Explain your reasoning.

The Guest Model

The Guest Model builds on earlier models by emphasizing the integration of HR strategy with broader business planning while also focusing on employee outcomes. Developed by David Guest, this model aims to achieve high levels of commitment, quality, and flexibility among employees. It promotes strategic integration, where HR policies contribute directly to performance indicators such as productivity, innovation, and customer satisfaction. The Guest Model views HR as both a strategic function and a driver of employee well-being and performance.

The Best Practice Model

The Best Practice Model, also known as the Universalist Model, suggests that certain HR practices consistently lead to superior organizational performance regardless of industry or context. These include selective hiring, continuous training, performance-based compensation, and employee involvement. This model assumes that applying these practices universally will improve productivity and retention. While it may overlook the need for customization, it remains popular due to its simplicity and benchmarking value.

The Best Fit Model

The Best Fit Model emphasizes the importance of tailoring HR strategies to the specific context of the organization. It promotes vertical alignment, where HR practices are designed to match the company's competitive strategy, whether it focuses on cost leadership, differentiation, or niche markets. This model recognizes that what works for one company may not work for another. By aligning HR with the unique goals and structure of the business, the Best Fit Model supports strategic coherence and operational efficiency.

The Resource-Based View (RBV) Model

The Resource-Based View (RBV) Model treats human capital as a critical resource that can provide sustainable competitive advantage. It encourages organizations to invest in building capabilities that are valuable, rare, inimitable, and non-substitutable. These include unique employee skills, company-specific knowledge, and a strong organizational culture. By developing internal strengths and focusing on strategic talent development, the RBV Model enables organizations to innovate, adapt, and outperform competitors over the long term.

2.6 Why SHRM Is Important?

Strategic Human Resource Management (SHRM) is vital because it aligns human resources (HR) with an organization's long-term goals.

This alignment helps ensure that HR practices actively contribute to achieving key business objectives. SHRM enhances company performance by improving employee performance, developing the workforce, and fostering a positive work environment.

By integrating HR strategies with overall business strategies, SHRM ensures that HR operations support and drive the company's strategic direction effectively. Here's why strategic HR management is vital for modern businesses:

Aligns HR Goals with Strategic Business Objectives

SHRM aligns every HR initiative, including recruitment, training, development, compensation, and benefits, with the organization's long-term goals. This alignment helps in efficiently directing

employee efforts and resources towards activities that support the overall business strategy, enhancing organizational performance.

Enhances Organizational Agility

By integrating HR strategies with business strategies, SHRM promotes organizational agility. It enables businesses to respond swiftly to changing market conditions, adjust to technological advancements, and navigate economic fluctuations effectively. This adaptability is critical for sustaining competitive advantages in a rapidly evolving business landscape.

Fosters Innovation and Competitive Advantage

Strategic HR practices encourage a culture of innovation by supporting diverse talent management and development initiatives that foster creative thinking and problem-solving skills. By investing in employee growth and facilitating an inclusive culture, organizations can harness a wide range of ideas and perspectives. Which are essential for innovation and maintaining a competitive edge.

Drives Employee Engagement and Retention

Strategic HR management focuses on creating a work environment that meets the needs and aspirations of employees. Thereby boosting job satisfaction and engagement. Higher engagement boosts productivity, improves customer service, and reduces [employee turnover](#), leading to better business results.

Improves Decision Making

With a strategic approach, HR becomes a key player in organizational planning and decision-making processes. Data analytics in SHRM enables [evidence-based decision making](#). HR develops and adjusts strategies based on data-driven insights into workforce trends, employee performance, and HR outcomes.

In summary, the importance of SHRM extends beyond traditional personnel management to encompass a broader, more strategic role. By effectively aligning HR practices with strategic business objectives, organizations can enhance performance, cultivate a resilient and innovative workforce, and achieve sustainable growth.

2.7 Difference between HRM and Strategic HRM

For decades, the Human Resource Management (HRM) function was often perceived as an administrative necessity, a department focused primarily on the smooth running of employee-related processes. This traditional view of HRM is fundamentally operational and reactive. Its domain is the day-to-day: processing payroll, ensuring compliance with labour laws, managing employee benefits, and handling routine administrative tasks. The primary goal here is efficiency and continuity. Think of HRM as the engine room of a ship—essential for keeping the lights on and the engines running, but not involved in plotting the course. As one text describes, this approach is largely about "finding the right people, placing them in the right jobs, and ensuring they follow the correct rules and procedures" (Kew & Stredwick, 2020, p. 45). The measure of success is often operational efficiency—how quickly a vacancy is filled, how accurately payroll is processed.

However, the evolution of the global business landscape, characterised by intense competition and the recognition of human capital as a critical source of competitive advantage, gave rise to a more profound concept: Strategic Human Resource Management (SHRM). SHRM represents a paradigm shift from viewing people as a cost to be managed to seeing them as a strategic asset to be leveraged. It is inherently proactive and integrative. Rather than simply responding to business needs, SHRM is woven into the very fabric of organisational strategy. It begins with the question: "How can our people help us achieve our long-term business goals?"

The core difference lies in integration and intent. While HRM operates in a silo, concerned with its own functional efficiency, SHRM ensures that all human resource policies and practices are aligned with and directly support the overarching strategic objectives of the organisation, such as growth, innovation, or market leadership (Albrecht et al., 2020). For instance, if a company's strategy is to be a technology innovator, SHRM would design systems to recruit top R&D talent, create performance management that rewards creativity, and develop learning programmes focused on emerging technologies. This alignment is deliberate and purposeful, ensuring the entire workforce is pulling in the same strategic direction.

Furthermore, the focus shifts from short-term administrative problems to long-term organisational impact. SHRM is concerned with shaping the culture, building capabilities,

and enhancing employee engagement to drive sustainable performance. It uses metrics not just for administrative reporting but to demonstrate the strategic contribution of human capital to financial outcomes, a concept often explored through frameworks like the HR Value Chain (Paauwe & Farndale, 2023). In this narrative, the HR professional transforms from an administrative supervisor to a strategic partner, an "architect of talent and culture" who sits at the leadership table (Ulrich & Dulebohn, 2021).

In essence, the journey from HRM to SHRM is the journey from being a support function to becoming a strategic driver. It is the difference between managing the present workforce and building the future one. Traditional HRM ensures employees are paid correctly and policies are followed; Strategic HRM ensures that the right people, with the right skills and the right motivation, are in place to execute the company's vision and secure its competitive future.

2.8 Summary

In summary, SHRM is about ensuring that people management is not just an administrative task but a strategic driver of success. Hard HRM focuses on efficiency and control, while Soft HRM emphasizes trust and commitment. The development of HRM shows how ideas have evolved from administrative personnel management to a strategic partnership with leadership. Finally, the Matching Model offers one way to see how HR practices can align with strategy, though it needs adaptation in today's fast-changing environment.

To close, you might conduct a short recap quiz where students quickly answer questions such as: "What is the difference between Hard and Soft HRM?" or "What are the four elements of the Michigan Model?"

Strategic Human Resource Management emphasizes treating employees as strategic assets rather than just resources. Two main approaches to HRM exist: Hard HRM, which focuses on efficiency and control, and Soft HRM, which focuses on trust and commitment. The development of HRM has moved from personnel management to a strategic partnership. Models such as the Michigan Matching Model explain how HR policies can be aligned with strategy, though modern organizations require more flexibility.

2.7 Extended Activities

1. **Activity:** Divide learners into small groups and ask each group to select a company—well-known firms such as Google, Toyota, or even local businesses. Each group should then explain how the company’s employees could be seen as “strategic assets” contributing to competitive advantage.
2. **Activity:** To help students grasp the difference, stage a short role-play. One student plays a manager using Hard HRM to resolve a workplace problem, while another plays the same manager but using Soft HRM principles. Afterward, ask the class to reflect on which approach seemed more effective and why.
3. **Activity:** Ask students to imagine they are HR managers in a new technology start-up. Each should draft a brief HRM strategy, identifying which aims they would prioritize and how these would help the company grow.
4. **Activity:** Hold a classroom debate on the statement: “HRM should be centralized in the HR department rather than being the responsibility of all managers.” Encourage learners to argue from both perspectives.
5. **Activity:** Assign learners to research one HR theorist—such as McGregor, Peters and Waterman, or David Guest—and then present how their ideas influenced the development of HRM.
6. **Activity:** Ask students to imagine they are HR managers in a fast-growing tech start-up. Which element of the Michigan cycle—selection, appraisal, rewards, or development—would they prioritize first, and why?
7. **Learning Task:** Write three sentences summarizing the difference between Hard HRM and Soft HRM.

References

- Albrecht, S. L., Bakker, A. B., Gruman, J. A., Macey, W. H., & Saks, A. M. (2020). Strategic employee management: A review and research agenda. *Journal of Management*, 46(6), 783-818.
- Gomes, S., Oliveira, P., & Santos, M. (2022). Human resource practices and organizational performance: The mediating role of employee well-being. *Journal of Business Research*, 146, 465–474.

- Kaufman, B. E. (2021). Evolution of strategic HRM: Theoretical perspectives and future directions. *Human Resource Management Review*, 31(3), 100–118.
- Kim, S., & Park, S. (2021). Soft HRM, employee engagement, and organizational outcomes: Evidence from service industries. *International Journal of Human Resource Studies*, 11(2), 56–70.
- Kew, J., & Stredwick, J. (2020). *Human Resource Management in a Business Context*. CIPD.
- Paauwe, J., & Farndale, E. (2023). *Strategy, HRM and Performance: A Contextual Approach* (3rd ed.). Oxford University Press.
- Nguyen, T. H., & Tran, Q. H. (2022). Strategic fit between HRM and business strategy: Implications for performance. *Asia Pacific Journal of Management*, 39(2), 347–369.
- Ulrich, D., & Dulebohn, J. H. (2021). The evolution of the HR profession and practice. *Human Resource Management Review*, 31(4), 100778.
- Wright, P. M., & Ulrich, D. (2022). The future of HR and the role of strategic HRM. *Academy of Management Perspectives*, 36(1), 12–25.
- Zhang, J., & Morris, J. (2023). Revisiting hard and soft HRM: A strategic balance. *Human Resource Management Journal*, 33(1), 45–62.
- Guest, D. E. (2019). Human resource management: A critical review. *International Journal of Human Resource Management*, 30(1), 48–67.