

Strategic Human Resource Management

Lecture 4

Process of Strategic HRM

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Lecture learning outcomes

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

- i. Evaluate the three main processes of Strategic Human Resource Management.
- ii. Analyze the three main models advanced for Strategic Human Resource Management.
- iii. Appreciate the models that can lead to organizations that are highly competitive.
- iv. Explain the concept of resource-based strategy.

4.0 Introduction

In this topic we cover the processes of SHRM. The main issues that affect the process of Strategic Human Resource Management are basically three, namely: -

- The approaches to the development of HR strategies.
- The models that are available upon which HR strategies can be based.
- The concept of resource-based strategy.

Strategic Human Resource Management (SHRM) involves aligning human resource policies and practices with the strategic objectives of an organization. The process of SHRM is fundamentally shaped by three core considerations: the approaches used to develop HR strategies, the conceptual models that inform these strategies, and the overarching principle of resource-based strategy.

4.1. Approaches to the Development of HR Strategies.

There is ongoing debate about the best way to formulate HR strategies, leading to three prominent approaches.

There are 3 main approaches:

- a) The best practice approach
- b) The best fit approach
- c) The bundling approach

4.1.1 The best practice approach

This approach posits that a universal set of superior HR practices exists, and their adoption will invariably lead to improved organizational performance. Pfeffer's (1998) seminal list of seven practices—including employment security, selective hiring, self-managed teams, and high compensation contingent on performance—exemplifies this view. The underlying logic is that these practices collectively enhance employee motivation, skills, and productivity.

However, this approach is critically limited. It often lacks consistent empirical support and fails to account for contextual differences between organizations. What constitutes a "best practice" can vary significantly based on industry, company size, and competitive environment, making universal application problematic (Almeida & Franco, 2021).

It is based on the assumption that there is a set of best HRM practices and that adopting them will finally lead to superior organizations. Pfeffer listed 7 HRM practices which he identified as being used commonly by successful companies. These are:

i) Employment security-

This means employees are not quickly made redundant during periods of economic downturns or poor performance of the organization. Such practices involve high expenditure and organization adopting them would expect employees to stay with them for some time so that the investment can be recouped.

ii) Selective hiring- This requires the organization to recruit people with the right attitudes, values and cultural fit and to train people in behaviors and skills that are easily learned.

iii) Self management teams-This is a key requirement for high performance

management systems since self managed teams promote information sharing to encourage creativity and use peer control rather than hierarchical controls thereby allowing organizations to remove layers within the hierarchy.

- iv) **High compensation contingent on performance-** compensation is based on organizational, team or individual performance such as profit sharing or performance related pay.
- v) **Training-** provides skills and knowledge to motivate the workforce and to enhance their capability to perform the requisite tasks.
- vi) **Reduction of status differential-** Organizations that are able to use their skills, knowledge and ideas of people at all levels are able to achieve superior performance. Status differentials can send signals that people are not valued or valuable. Organizations that wish to adopt this practice will have to incur high performance management practices e.g. having sports, cultural events, having an open office policy.
- vii) **Sharing information-** this is important two reasons:
 - O Sharing information on the organization performance will encourage employees to work harder.
 - O Business strategies conveyed to employee's shows that they are trusted.

Criticism to the Best practice Approach

This approach has been criticized because it does not have clear evidence that it actually improves organizational performance. It has also been criticized that some of these practices cannot easily be used by certain organizations due to given circumstances that surround this firm.

4.1.2 The Best Fit Approach

- In contrast, the best-fit approach argues that HR strategies must be designed to fit the organization's specific context, including its culture, structure, and, most importantly, its business strategy (e.g., cost leadership vs. innovation). This perspective acknowledges that there is no one-size-fits-all solution and promotes tailoring HR systems to unique organizational needs.

A key criticism is that this approach can be overly static, focusing on aligning with the current state ("the here and now") rather than being proactive and shaping the organization's future strategic direction.

It emphasizes the importance that the HR strategies are appropriate to the circumstances of the organization including in cultural operational practices and external environments. HR strategies have to take into account the particular needs of both the organization and its people. Best fit approach has been mostly accepted because there can be no universal description for HRM policies and practices. It may be useful to pick and mix various best practices and develop an approach that applies best to the organization.

The criticism of Best Fit Approach

It has been criticized as being too involved on "here and now" rather than looking towards the future. The best fit approach looks at what the organization is rather than what it wants to be and promotes adoption of HR strategies to fit the organizational structure. An organization should concentrate on the process of organizational change so that they can avoid being trapped in logic of rational choice.

4.1.3 The Bundling Approach

This approach synthesizes elements of the previous two. It emphasizes that HR practices are most effective when implemented as interconnected, mutually reinforcing "bundles" or systems. The goal is to achieve internal coherence—for example, a recruitment strategy focused on teamwork should be bundled with team-based training and team-level performance rewards. This synergy is believed to create a powerful, integrated HR system that drives performance (Kaufman, 2020).

The primary challenge is identifying the most effective bundles, as research has not definitively proven that one specific bundle is superior in all situations.

Richardson & Thompson suggests that a firm with bundles of HR practices should have a higher level of performance provided that it also achieves high levels of fit with

its competitive strategy. Emphasis is given to the importance of bundling i.e. the development and implementation of several HR practices together so that they are interrelated and reinforce each other.

The aim of bundling is to achieve coherence. Coherence exists when reinforcing a set of HR practices that have been developed jointly and contribute to the attainment of the organizational needs, improving performance and quality and achieving competitive advantage. The process of bundling HR strategies is an important aspect of strategic HRM.

Criticism of Bundling Approach

The main problem with the bundling approach is deciding which the best way to relate different practices together is. There is no evidence that one bundle is greatly is generally better than another bundle.

4.2 Models for Strategic HRM

These theoretical approaches are operationalized through specific SHRM models aimed at enhancing organizational effectiveness.

The main models are:-

- a) The high-commitment management model
- b) The high-performance management model
- c) The high-involvement model.

4.2.1 High Performance Management

This model is directly focused on improving measurable outcomes such as productivity, quality, and profitability through people. It utilizes practices like rigorous selection, extensive training, performance-based pay, and employee participation mechanisms to maximize workforce contribution. This aims at making an impact on the performance of the firm through its people in aspects

like productivity, quality, levels of customer satisfaction, profits, growth and increased share holder value.

The practices adopted in high Performance Management include:-

- ◆ Rigorous recruitment and selection criteria
- ◆ Extensive and relevant training
- ◆ Extensive management development activities
- ◆ High level of participation processes
- ◆ Promotion
- ◆ Compensation schemes which recognize and reward performing employees

4.2.2 High Commitment Management Model

The goal here is to foster an environment where employee behavior is guided by self-regulation and trust, rather than external controls. It seeks to create emotional attachment and identification with the organization. Practices include reducing hierarchical layers, developing internal career ladders, and fostering high levels of functional flexibility and teamwork (Jiang & Messersmith, 2018). This is a form of management which is aimed at creating a commitment so that behavior is primarily self-regulated rather than controlled by sanctions and pressures external to the individual relations within the organization is based on high levels of trust.

- ❖ High commitment organization may be created through:-
 - Reduction of hierarchies
 - Development of career ladders
 - High level of functional flexibility
 - A heavy reliance on team structures
 - Introduction of new forms of evaluation of assessments and payment structures.
 - A high involvement of employees in the management of quality.

4.2.3 High involvement Management Model

This model treats employees as partners by structuring work to maximize their input and autonomy. Core features include continuous dialogue, widespread sharing of business information, and formal mechanisms like self-managing teams, job rotation, and problem-solving groups that give employees a direct voice in decisions affecting their work. In this approach, employees are treated as partners in the entity. Their interests include:-

- Continuing dialogue takes place between managers and those in the team
- Information is shared on the mission and objectives of the entity
- There is a framework for managing and developing people
- Expectations are defined
- The employees have a voice on matters that affects them.

The following high involvement work practices have been identified:

- a) Online work teams
- b) Offline employee involvement
- c) Activities and problem solving groups
- d) Job rotation
- e) Decentralization of quality efforts

4.3 Resource Based Strategic HRM

A foundational concept in modern SHRM is the Resource-Based View (RBV). It argues that an organization's primary source of sustainable competitive advantage lies in its valuable, rare, and difficult-to-imitate internal resources—most importantly, its human capital.

From this perspective, the strategic role of HR is to capitalize on opportunities and avoid threats by having contingent plans through developing a workforce that is superior to competitors. This involves ensuring the firm has higher-quality talent, nurturing unique intellectual capital, and fostering a culture of organizational learning. Essentially, SHRM based on the RBV is about building strategic capability by developing staff who can think and plan strategically (Ferreira et al., 2022).

This is found on the belief that competitive advantage is obtained if a firm can obtain and develop human resource who can be able to learn faster and apply the learning more effectively than the competitors. Organizations should capitalize on opportunities in the market place and avoid threats by having contingent plans. The key competitive advantage is the ability to differentiate what the firm applies to the customers from what competitors supply to the customers. Differentiation can be achieved by having HR strategies which ensure that:

- The firm has a higher quality people than its competitors
- The unique intellectual capital possessed by the business is developed and nurtured.
- The culture is developed which encourages organizational learning

The aim of resource based approach is to improve resource based capability i.e. achieving strategic fit between the resources and opportunities and obtaining added value from effective development of resources.

A resource-based approach will address methods of increasing the firm's strategic capability by the development of managers and other staff who can think and plan strategically and who can understand key strategic issues.

4.4 Strategic HRM Human Resource strategies

Strategic HRM is an approach to the strategic management of HR in accordance, with the intentions of organizations the future direction of what emerges from the process. As a string of decisions that form a pattern adopted by the organization for the management of human resources. Strategic HRM looks at human resource areas in which specific HR strategies need to be developed. The focus is on what needs to be

done and what needs to be changed in particular areas of people management. HR strategies refer to the plan of the strategies are to be achieved on a day to day basis.

NB: strategic human resource management has the following meanings:

- a) The use of plan.
- b) A coherent approach to the design and management of personnel system based on unemployment policy and man power strategy and often accompanied by a philosophy.
- c) Matching human resource management activities and policies to some explicit business strategies.
- d) Seeing the people of the organization as a strategic resource for the achievement of goals.

4.7. The Strategic Contribution of HRM to Organizational Success

SHRM contributes to organizational success by:

- Enhancing employee skills and extending the skills base through training and development.
- Increasing motivation and commitment via performance management, fair rewards, and positive psychological contracts.

Providing employees with responsibilities that fully utilize their abilities, thereby creating value for the organization

Strategic HRM has the following contributions to the organizational success:

- Developing a positive psychological contract through participative management, corporate social responsibility and the signing of performance contract.
- Increasing motivation and commitment- through remuneration and also psychological contracts between organization and its members by training and developing them.
- Increasing employee's skills and extending the skills base
- Provide employees with extended responsibilities so that they can make full of their skills and abilities.

- Spelling out career opportunities and defining competence requirements
- Instituting processes of performance management and continuous development
- Using rewards management system to convey messages about what the organization believes to be important and what it is prepared to provide financial and non-financial rewards.
- Developing employee relations strategy that provides employees with a voice.

4.5 SUMMARY

This lecture outlined the core processes of SHRM. We evaluated three approaches to developing HR strategy—**best-practice**, **best-fit**, and **bundling**—noting that the latter two are often more pragmatic. We then analyzed three key models—**high-performance**, **high-commitment**, and **high-involvement**—that translate these approaches into practice. Underpinning all of this is the **Resource-Based View**, which positions human talent as the key strategic asset for achieving sustainable competitive advantage.

We have learnt that the three approaches to management are the best practice, the best fit and the bundling approach. Also we noted that, since organization are unique and operate in different environments. It is best to pick the practice that best applies to individual organization. Again the three models include High commitment, high performance and high-involvement Model.

4.6 Reflection Questions: -

1. Analyze the Seven Human Resource Management practices that lead to successful organizations as advanced by Pfeffer.
2. Evaluate the main features of High Involvement model.
4. What do you understand from the concept of Resource based strategic Human Resource Management?

Answers to Reflection Questions

1. **Pfeffer's seven practices** are based on the "best-practice" ideology, suggesting that universal applications like employment security and selective hiring lead to success. However, their

effectiveness is contested because they ignore contextual factors. A more modern view is that these practices can be valuable components but are most effective when adapted to fit the organization's specific strategy (best-fit) or integrated into a coherent system (bundling).

2. The main features of the **High-Involvement model** are its core principle of treating employees as partners. This is achieved through structures that promote decentralization of decision-making, such as self-managing teams and problem-solving groups, and a culture of continuous dialogue and transparent information sharing.
3. **Resource-based strategic HRM** is the application of the Resource-Based View. It means that HR strategies are designed not just to support the business strategy, but to *be* the source of competitive advantage by building a superior, strategically capable workforce that competitors cannot easily replicate.

References

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