



Strategic HR – The Value Adding Partner

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ABSTRACT

Gone are the days of Classic Triangle organizations; wherein HR was not considered as a "valued strategy partner". With a sharp shift from traditional to a strategic role, the HR needs to earn a seat at the strategic management table, by showing their inevitability in deciding long-term fate of the firm. The present conceptual paper discusses the high felt need of Strategic HR, the ground realities and what needs to be done by the HR professionals to ensure recognition from the top for this new participatory role, that is, Strategic HR-The Value Adding Partner.

Keywords : Classic Triangle Organization, Valued Strategy Advisor, Traditional Role, Strategic Role

1.0 INTRODUCTION:

With increased recognition of the fact that people can only be long term competitive advantage; the new face of the post-globalized corporate world has come up with profound changes in the working of the 'people managers'. The organizations have increasingly realized that all corporate strengths are dependent on and centered around human resource (Pande, 2003). Increasingly, the changing business environment requires organizations to align human resources with strategic goals (Viswanathan, 2010). Hence, the roles and responsibilities of HR professionals have undergone a paradigm shift, carving out a strategic place in organizations and consequently Strategic Human Resource Management (SHRM) has come up as a buzz word!

2.0 STRATEGIC HR – THE NEED OF THE HOUR:

2.1 The Rationale for Strategic HR:

The rationale for strategic HR rests on the advantage of having a well-planned basis for managing people from a long-term perspective.

In order to attain a gleaming bottom line in the current competitive scenario, organization has to focus on two things:

- (i) The efficiency in internal management, and
- (ii) The promptness in reacting and adapting to the changing market forces.

This certainly calls for Effective Strategy Formulation & Implementation.

In traditional organizational set-up, the business strategy formulation and implementation was a ritualistic activity, only confined to key players. Hence, the HR policies were not in synergy with business objectives. In turn, HR was a supportive function/helping hand only. But, gone are the days of such traditional set-ups or precisely the Classic Triangle structure that prevailed for a long time in Corporate India, wherein only three - Production, Marketing/Sales and Finance departments - were at the centre of affairs. Now-a-days, HR manager is also having a seat at the strategic management table. Consequently, the business landscape is witnessing the emergence of a participatory approach of HR. And, HR is increasingly receiving attention as strategic & value adding partner, taking on stunningly different, transformational roles compared to the traditional-transactional roles of past.

2.2 Concept & Meaning of Strategic HRM:

"Strategic HRM means formulating and executing HR sys-

tems – HR policies and activities – that produce employee competencies and behaviours the company needs to achieve its strategic aims" (Dessler, 2006).

In short,

Strategic Management + HRM = Strategic HRM

It calls for an effective integration of Strategic Management & Human Resource Management. The strategic HR framework aims to leverage and/or align HR practices with Strategic Planning; to build critical capabilities that enable an organization to achieve its goals (Ulrich, 1998). The basic aim of Strategic HR is to design and execute HR policies in such a way that a company can execute its business policies (Das, 2011). So, instead of being HR driven, the HR measures need to be business-driven (how HR can influence business). Similarly, instead of being activity-oriented, the HR measures should be impact-oriented (how much business results do we improve?), and instead of looking backward, the HR measures should be forward looking, for predicting the future success of the organization.

SHRM is a complex and constantly evolving process; to some, it's the pattern of planned HR activities intended to enable an organization to achieve its goals (Wright & McMahan, 1992); whereas to some other, it's those activities affecting the behaviour of individuals in formulating and implementing the strategic needs of business (Schuler, 1992). In general, the goal of strategic HRM is the effective application of resources to meet organizations' strategic objectives (Greer, 2009).

3.0 TRADITIONAL/CONVENTIONAL HR v/s STRATEGIC HR:

Strategic HR focuses on business goals of the organization, and is a radical shift in terms of objectives of traditional HR. The traditional HR approach was managing people by specialists in tune with the policies of the organization. A strategic approach places this responsibility on line managers; while HR aims to function as a business partner in aligning HR activities with business strategy of the organization. The following distinction between the traditional HR/administrative functions and the value adding Strategic HR functions is worth noting (Mello, 2010).

Traditional HR v/s Strategic HR

Parameter	Traditional HR	Strategic HR
Responsibility for HR	Staff Specialists	Line Managers
Focus	Employee/Labour-Mgt. Relations	Partnership with Internal & External Customers
Role of HR	Transactional, Change Follower, Respondent	Transformational, Change Leader, Initiator
Initiatives	Slow, Reactive, Fragmented	Fast, Proactive, Integrated
Time Horizon	Short-term, Narrow	Short, Medium, Long-term (as necessary), Broad
Control	Bureaucratic – Roles, Policies, Procedures	Organic – Flexible
Job Design	Tight Division of Labour, Independence	Broad, Flexible, Cross-Functional, Team based
Key Investments	Capital, Products	People, Knowledge
Accountability	Cost Centre	Investment Centre

The Traditional Role includes:

- Preparation and implementation of HR policies.
- Ensuring compliance of statutory obligations.
- Administration of employee benefits schemes.
- Selection, recruitment and training of workforce.
- Looking after attendance, transfers, placements and promotions.
- Ensuring discipline.
- Resolving grievance/disputes.

In nutshell, the traditional HR calls for functioning as a supportive administrative mechanism, by focusing on mundane activities related to people.

The Strategic Role includes:

- Functioning as a “Competitive Intelligence Unit”, by gathering information from within the unit and outside.
- Assessing the suitability of HR resources through application of SWOT principles considering realization of business goals.
- Participating in defining and identifying the business targets, and steps to achieve the same.
- Initiating OD schemes.
- Actively associating with the general management team in matters of restructuring, amalgamations, mergers and takeover bids.
- Charting out suitable plans for training and reorienting the workforce as per the need.
- Developing the required acumen to act as a business associate to the strategic management team.
- Devising ways and means to fully exploit, through trained people, the physical resources like fixed, current and financial assets.

So, the strategic HR calls for functioning as a value adding participatory mechanism, by focusing on activities central to achievement of business goals. Ironically, most of the HR managers are very proficient in the delivery of traditional HRM functions but fail in carrying out strategic HR roles effectively.

4.0 STRATEGIC HR – THE GROUND REALITIES:

Despite the growing awareness regarding Strategic HR, there is often a wide disconnect between what CEOs preach and practice about it.

While a study from the University of Michigan concluded that all the high-performing companies' HR professionals should be a part of the firm's strategic team; a study by Mercer Consulting concluded that only 39% of CEOs see HR as more of a partner than a cost centre. Yet one recent survey of 1,310 HR professionals found that, in practice, only about half senior HR managers are involved in developing companies' business plans.

Another survey by the University of Southern California found that about one-fourth of the large US businesses appointed managers with no HR experience as top HR executives. Reasons given include the fact that they may be better equipped to integrate the firm's HR efforts with the rest of business.

A study conducted by the SHRM foundation in May 2004 (the Towers Perrin Study) ironically revealed that only 50% of the HR professionals see themselves as the strategic business leaders within the organizations. And yet only 17% of HR professionals are invited to participate in the initial stages of their company's M&As.

These facts and figures clearly indicate that in practice, HR managers don't appear to be involved in strategizing – as Armstrong (2000) comments – “the name (Strategic HR) has changed but the game (Traditional HR) has remained the same”.

5.0 IMPLEMENTING STRATEGIC HR - HOW TO DO:

What needs to be done by HR to successfully perform as a “value adding” strategic HR partner? Here are some broad guidelines:

- ☞ Becoming a strategic partner certainly calls for earning a seat in the Strategic Team; and to earn reputation that HR can also be an effective contributor to strategic aims, HR need to acquire new skills. Just understanding the nitty-gritty of HR functions is no longer sufficient.
- ☞ The HR will need “an in-depth understanding of the value creating proposition of the firm.” How does the company make money? What activities and processes are the most critical ones for revenue generation? Who executes these activities? How can HR be a partnering mechanism to strengthen these efforts?
- ☞ HR needs to have a sufficiently wide breath of business knowledge to see how the firm's HR system can contribute to value creation process. HR will have to fall in love with the business; to understand the basics of the business. Unless HR can establish a clear linkage between its activities and getting customers to take money out from their wallet and put it in your wallet, instead of the competitor's wallet, it doesn't contribute to the success of a business, and therefore, does not matter (<http://www.businessworldindia.com>). As Ulrich (1998) puts it - “the activities of HR appear to be, and often are, disconnected from the real work of the organization. HR should not be defined by what it does but by what it delivers.”
- ☞ In a sense, the HR managers need to acquire Business Proficiencies. They must be able to “speak the CFO's (Chief Financial Officer) language” by measuring and explaining HR activities in such terms viz. ROI (return on investment), payback period, cost per unit of service etc.
- ☞ Further, they should create a strategy oriented HR System to produce strategically relevant employee behaviours, since the key to implementing strategic HR is to create competency models in tune with organizational requirements.
- ☞ The HR manager should go for retrospective inspection of the HR itself. They should measure the monetary impact of their actions, so as to be able to demonstrate their value-added contributions to economic well-being of the firm.
- ☞ HR has to rise above the mere operational needs of the business to meet strategic goals.
- ☞ HR needs to stretch beyond the basic business imperatives to create an organization with unlimited potential for strategic development.
- ☞ Strategic thinking has to be initiated at the top. Business plans for each unit of the organization have to be synergized with the help of HR activities.
- ☞ Flexibility, adaptability, and environment sensitivity need to be ingrained by HR; within the organization culture.

6.0 CONCLUSION:

All said and done, despite its far reaching impact and importance, strategic HR has still to gain momentum. Good news is that many have started recognizing the critical role HR can play in achieving company's strategic goals as well as in building an innovative organization (Chakrabarti, 2007). But, as many CEOs believe that HR should be given a seat in the

Strategic Team only if they earn it, the HR needs to change focus from the mundane activities to more result-oriented activities. It needs to come out of traditional functional mindset and acquire business proficiencies to achieve congruence between HR policies and strategies of the firm. Then only, the buzz phrase of "Strategic HR – the Value Adding Partner" would ring louder and sound justifiable.

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