Evolution of Strategic Role of Organization's Human Resource Management: An Overview

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Abstract

The traditional administrative focus of Human Resource Management (HRM) is mostly related to operational tasks of an organization. Although the function has evolved in different eras, today Human Resource (HR) has a much vital role to play in a strategic sense, by aligning its focus towards organizational strategies. The question of what should be the function and tasks of human resource management (HRM) has led to a variety of models determining the future strategic role of HR functions .Empirical evidence of the strategic focus of these models is not uniform, yet there is general agreement that in future, the current administrative function of HR needs to be aligned with the overall business strategy for better organizational performance.

1. Introduction

Businesses of today are pressured with global competition, giving rise to increased dependence and burden on their human resource. Academicians while addressing the issue argue that focus on HR function and its alignment with the strategic position of an organization provide competitive advantage, a relatively new concept in the study of human resource management.

Strategic human resource management (SHRM) is a combination of strategic management and human resource management. (Boxall, 1998;

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Boxall& Purcell, 2000).The concept of strategy focuses on the position of competing firms; an idea that gained importance after Porter (1980) gave his four strategies of cost, differentiation, focus and stuck in the middle and the five forces model of competition and profitability. This view point of strategy largely focused on external factors and dominated the strategic management thinking of early 1980s. In contrast, the resource based view moved the focus from external to internal sources, both physical and human resources, as drivers of competitive advantage. In fact firm's internal resources that are worthy and non-replaceable leads to competitive advantage (Barney, 1991).

The term strategy emphasizes the use of strategic choices that result in improved organizational performance (Boxall & Purcell, 2000). It is defined as, *'the pattern of planned human resource deployment and activities intended to enable a firm achieve its goals'* (Wright and McMahan, 1992, 298).

While, *"………strategic HRM is concerned with the strategic choices associated with the organization of work and the use of labour in firms and with explaining why some firms manage them more effectively than others"*(Boxall and Purcell,2011,p.65). The traditional HRM holds the staff specialist for employee responsibility, while the strategic HRM view it the responsibility of line manager.[1]

It means that HR has two functions to perform, an administrative function and a strategic role. In fact both these functions are important, once the core administrative function is established its role as a strategic partner can be extended depending upon the work force competencies.

In this article a brief reference is made to the evolution of HR function. Second, a review of a few models is given describing what is and should be the strategic role of HR. Finally, a discussion on the current and future role of HR is provided.

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[1] See Appendix Table 1

2. Evolution of Strategic Role of HRM Functions[2]

a) The Person-Job Fit Era: The underlying reasoning for HR strategy stems from the industrial revolution. Traditionally, HR models aimed at efficiency and productivity through 'division of labor', 'work specialization' and 'standardization of work tasks'. Therefore, HR was modelled around person-job fit criteria to achieve efficiency and competitiveness (Becker, 1976).

b) The Systematic-Fit Era: A paradigm shift in HR took place in the 1980s towards system fit, i.e internal and external fit. Where internal fit means how HR mechanisms support each other. Whereas, external fit considers how HR strategies go along with organization's strategic direction. (Snell et al., 2006). During this time emphasis was laid on better working environment which will eventually lead to better performance. The integration of HR and work systems meant system fit.

c) The Competitive-Potential Era: The competitive era of 1990s view knowledge, learning and innovation driven assets i.e. employees as resources that continually develop themselves   to determine competitive ability of a firm. Thus, strategic planning is now built in HR rather than viewing HR as a result of business strategy (Snell et.al, 2006). HR strategy is essentially seen as developing the culture, competencies and combination of personnel that form the basis of firm's core competencies (See Figure 1).

3. Approaches to Strategic focus of HR function: An overview

A review of the models describing HR function, show how the function and associated specific competencies evolved overtime as to what should be the role of HR in an organization. However, issues in these models are not discussed.

Historically, the HR role was seen as bureaucratic in nature, it was

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[2] See Appendix Table 2

focused on control of employees and compliance of policies and procedures. Overtime, as trade unions were formed it changed the role of HR to that of a negotiator in collective bargaining. During the 1970s HR managers were mostly seen as performing administrative function, often its importance as a strategic partner was neglected. Later, in 1990s, as competition became fierce the focus moved towards HRM's strategic role.

While differentiating the levels of HR function Legge (1978) defined HR roles in terms of "conformist innovator" and "deviant innovator". As a conformist HR department implement policies for improved organizational performance within the existing organizational goals and value system. In contrast the deviant HR department work towards introduction of new ideas for better organizational outcome which require a great deal of effort to convince top management towards new activities that can enhance organizational performance.

Another approach view HR function as a hierarchal set up comprised of three levels referred to as the 'clerk of works' function of 1960s carrying out routine day to day tasks as administrative support departments. The 'contract manager' level function which is more of the 1970s style role with managers mostly performing the function of line managers and lastly the 'architect' function representing the 1980s style where HR managers plan and develop the business (Tyson & Fell , 1992).

It is further argued that HR roles can be viewed as a combination of behavior and strategy, where managers have four choices the 'Traditional/Conservative' choice aiming at efficiency and cost effectiveness, the 'Radical/Conservative' choice protect top managers' interests in contrast to workers , the 'Pluralist/Innovative' choice focus on productivity growth while the 'Unitarist/Innovative' choice favour merit and employee development (Guest, 1990).

For some HR roles can be at an 'intervention' versus 'non-intervention' level or at a 'strategy' versus 'tactic' level, which sets in two tactical and

two strategic role i.e 'advisers', 'change makers', 'handmaidens' and the 'regulators' (Storey, 1992).

Strategic
Change makers   Advisers

Interventionary ————————————————— Non-interventionary

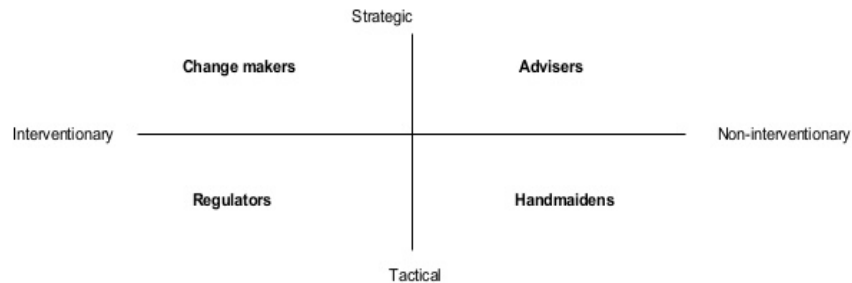Regulators   Handmaidens

Tactical

Fig. 1 Storey's HRM Model
Source: Storey, J. (1992) New Development in the Management of Human Resources

A widely accepted but prescriptive model, describe four imperatives for HR function as   a 'strategic partner', 'change agent', 'employee champion', and 'administrative expert' also grouped as strategic and operational in nature (Ulrich, 1997). As a 'strategic partner' HR practices and processes are aligned to support organizational strategy and the 'change agent' function ensure change is implemented and facilitated across the organization. The 'employee champion' role involve fair dealing, communication with employees, organizing group meetings and surveys to seek feedback etc. As an 'administrative expert' this time consuming function involves recruitment, employee financial compensation, setting policies and processes etc (Ulrich, 1997).

Future/ Strategic Focus

Strategic Partner	Change Agent
Administrative Expert	Employee Champion

Processes ... **People**

Day-to-day/ Operational Focus

Fig. 2 Ulrich (1997) HR Model
Source: Ulrich, D. (1997). HR of the future: Conclusions and Observations. *Human Resource Management,* 6(1), 175–179.

However, some critics believe a crucial function of mirror showing to top management is missing from these four competencies. Also, it is the line managers who are to be held responsible for employee performance rather than HR itself and that 'leading by example' is more effective than communicating through line executives the importance of organizational changes (Feiner, 1998).

Recently Ulrich (2013) proposed that HR strategy should aim at six HR roles of being a 'positioner', ' activist',' champion',' builder', 'innovator' and 'integrator'. These competencies provide 'global standards for what HR professionals should be, know, and do' to positively impact business outcomes. Therefore, these competencies should be seen in the processes of the organization and in improved outcomes.

For example, HR professionals as 'strategic positioners' have an 'outside-in' view of the organization which require them to develop understanding about the various levels of a business and finance so as to create organizational strategy, meet expectations of their customers and possess the ability to understand future business needs. A 'credible' manager builds trust to win customer's loyalty by keeping promises and dealing with clarity leaving no ambiguity. A 'capability builder' drives abilities and strengths of an organization towards organizational identity and culture reflected in customer, quality and innovation. A 'change manager' initiate, implement and sustain change through changes in systems processes and structures. 'Innovators and Integrators' know how to address business problems of managing human capital, ensure financial security for better business performance. Finally, technology know how is essential for HR function to manage tasks and communication successfully. Empirically, HR managers are best as 'credible activists', they perform poorly in the use of technology and in rest of the four competencies most managers show a lower level of competence (Ulrich et al., 2012).

Similarly, literature on outsourcing services is widely debated and HR department is viewed as the most affected it. Kanter (2003) view outsourcing

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as a threat and believe in future most HR activities will eventually disappear. On the contrary (Delmotte and Sels 2008) study whether outsourcing is linked to strategic HR focus, transactions cost minimization or both. They report outsourcing is linked to organizational efficiency and those focusing on cutting cost are not the ones who outsource activities.

4. Current and Future Roles of HRM Functions

Current perception about most HR departments is that they are highly focused on the traditional administrative function. They perform activities that are restricted to the design and development of rules/regulations, appraisal system, planning of employee recruitment, pay/ compensation and trainings etc (Huselid, Jackson & Schuler,1997).These traditional roles can be considered as reactive in nature, which rely on top-down authority and consider human resource as an expense rather than an investment. HR personal therefore carry a reputation of being incompetent 'clerk of works' performing routine tasks as generalists who have little contribution and know how about their strategic role in the organization (Ulrich, 1997).

A survey report also reminds us of the lack of HR role as a strategic partner and integrator.   Majority of the HR departments lack strategic planning that integrates with the overall business strategy (Kaplan & Norton, 2001). Apart from the traditional yardstick of measuring HR value to the organization, it must also prove its ability to deliver at the strategic table (Ulrich, 2000). A step towards strategic focus mean; the function must be able to identify the drivers of organizational strategy. For instance, many of the day to day time consuming activities of HR can be outsourced or automated, employee competencies and consulting skills can be upgraded to build its image of a strategic partner who can influence organizational culture that makes a positive change. It is these measures that HR can take when it comes to its contribution to organizational value addition. In fact it is so important to the organization's competitive advantage that organizations attaching importance to its employees are also those that are the most profitable organizations (Pefeffer, 1998)

For example world's best and profitable companies like Google, Facebook and Marathon Petroleum are also the best employers (Connor, 2015). Besides financial security they also care for the social, health and emotional security and wellbeing of to their employees. Their work environment and cultures encourage 'innovators', 'builders', change managers', credible activists' 'integrators' etc. They bring talent to work places and have smart work force. The secret of their success is full utilization of their work force for their own benefit and that of the organization. In other words, a common feature of successful organizations is that their HR practices offer inclusive and supportive work environment, employee empowerment, on job employee trainings to maximize their potential (Pfeffer &Veiga, 1999). Such practices lead to human capital development and the whole HR process with strategic impact.

Organizations growth and strategic planning involve changes in workplace systems and processes, since HR experts are better equipped with past organization wide changes they can contribute in predicting potential effects of new systems on employees and firm's processes.

Society of Human Resource Management (2008) in its survey while studying the evolving role of HRM also report that HR function has notably changed in the last two decades from its traditional role to business strategy through leadership and talent management. It is reported that three areas of HR involvement in setting the strategic goals staffing, training and development and employee compensation, because they have better know how of employee market as to what the organization wants and what its current and future employees can deliver. Furthermore, research suggests that twenty percent of employees have required skills to meet future needs of an organization in the next ten years. Hence, during the strategic growth process, HR experts are better able to assess training needs for achieving future strategic goals.

Apart from the above discussion other areas of extended strategic partnership role of HR function that deserve attention include, organization's internal consistency and the impact of external factors. For example,

pressures of 'financial outcomes' lead to internal inconsistency when tradeoffs arise between reduced employee cost and better employee welfare (Evans, 1999).

Finally, HR function should also take into account the extent to which external factors can influence HR policies. Although earlier models like Beer, et al (1984) mention the link between external effects of trade unions and government on organizational policies, most strategic human resource management models neglect the influence of government employment policies, and that of its legal, economic and environmental regulations on organizational operations and outcomes. Organizational policies are to a great extent determined in the context of specific country's own setup. Therefore, HR function has yet to establish its contribution in this direction (Jackson and Seo, 2010).

The above mentioned areas of strategic role of HR function provide a broader view of the current role of HR function and the gap that needs to be met for the HR function to become a strategic partner. The current and future of strategic HR management should not have a narrow administrative focus, but also need to view HR role as a 'strategic partner' which would require specialized knowledge, and abilities necessary to implement organizational strategy.

These may include learning based culture, innovation, change, agility and development of intellectual capital but also about new strategic directions of firm's HR functions in terms of environmental sustainability, internal consistency and proactive planning and growth by being realistic in its approaches and actions.

However, from the above discussion a pessimistic view about the future of HR is inferred i.e the strategic partner's role implies that employers being capitalists cannot exercise their bargaining power as opposed to the capitalism thesis (Thompson, 2003). The optimistic view of the HR function focus not on HR processes but on its contribution to strategic capabilities

like innovation, lean and process improvements etc. confirm that HR is needed in the future (Brewster, et al, 2011).

Conclusion

Historically, the traditional role of HR function was described to be highly focused on administrative roles, which needs to expand beyond a limited function in an organization. In contrast, the strategic focus of HR function is a relatively new concept which relates various roles of the function with strategic direction of an organization. Often the competencies associated with strategic direction are the roles of HR defined as a change agent, a strategic partner, employee champion and administrative expert. These roles when aligned with the strategic policies are assumed to provide a competitive edge to the organization.

Overtime the administrative focus of organizations has been reduced with outsourcing of activities as well as the adoption of technology and automation of HR processes. As a result HR professionals have now more time to focus on strategic issues. Although the role of strategic competencies has gained importance but is still in the process of taking place, the long term success of strategic focus rely on enhancing the strategic roles and competencies of the HR professionals. In other words an organization's work force and their competencies determine to a large extent its competitive advantage. However, the future of HR has been questioned in the literature, whether increasing importance of strategic focus implies declining bargaining power of the employer as a capitalist. The present and future of strategic HR management is concerned not only about knowledge and learning based culture, innovation, change, agility and developing intellectual capital but also about new strategic directions of firm's HR functions in terms of environmental sustainability, internal consistency and proactive planning and growth by being realistic in its approaches and actions. All of these directions provide the new premises for strategic role of organization's HR functions in the next century in broader terms

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Appendix

Table 1
Comparison of Traditional HRM versus SHRM

	Traditional HRM	SHRM
HRM Responsibility	Staff specialists	Line manager
Focus	Employee relation	Partnership with internal and external stakeholders
Role of HR	Transactional, change, follower and respondent	Transformational, change, leader and initiator
Initiatives	Show, reactive, fragmented	Fast, proactive, integrated
Time horizon	Short term	Short, medium, long
Control	Bureaucratic role, policies,	Organic-flexible, whatever is

	procedures		necessary to succeed
Job design	Tight division of labour, independence, specialization		Broad, flexible, cross training teams
Key instruments	Capital, products		People, knowledge
Accountability	Cost centre (view Human resource as cost)		Investment centre (view human resource as asset

Source: Mello, A.J. (2001). Strategic Human Resource Management in Aswathappa, K. (2005) *Human Resource and Personnel Management* (4th ed.). New Delhi: Tata Mc Graw Hill Publication.

Table 2
Era of HR Resource Strategy

HR Strategy Era	The-Person Job Fit Era	The-Systematic Fit Era	The Competitive Potential Era
Strategic Drivers	Vertical Integration	Globalization	Knowledge Based Competition
	Economies of scale	Diversification	Innovation & Change
	Efficiency & Productivity	TQM/Reengineering	Outsourcing, Alliance
			Network Organization
Focus of HR Strategy	Administrative	Strategy Implementation	Strategy Formation
	Job Centers	System (e.g. Team)	Competencies
	Task	Behavior/roles	Knowledge/Learning & Culture (Values)
Prevailing Logic	Analysis (Job Analysis)	Synthesis (Integration)	Generative
	Deductive	Deductive	Inductive
Key Design Parameters	Division of Labour	Internal (horizontal fit)	Strategic Value of Capital
	Work Standardization	External (vertical fit)	Uniqueness (Firm Specific)
	Employment Stability	Bundling	Knowledge Creation/Transfer & Integration
	Efficiency (Input/output)	High Performance Work Systems	Agility (Flexibility & Fit)
	Ease of Replacement	Configuration	Architecture of Multiple HR Systems
	Minimum Investment	Contingency Models	
Measurement	Efficiency (Cost	Synergy among	Intellectual Capital

Issues	per Hire)	Practices	
	Validity/Utility	Rater Agreement/Reliability	Competencies
	Turnover, Absenteeism	Strategy	Balance Scorecard
	Department Size	Firm Performance	

Source: Snell, S.A. et al. (2006). HR Strategy: The Era of Our Way. In Hitt, A. et.al. (Eds). (2006). Handbook of Strategic Management. New York, USA: Blackwell Publication.