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Integrating Human Resource Management with Organizational Strategies

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Integrating Human Resource Management with Organizational Strategies

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I. INTRODUCTION

The essence of Human Resource (HR) is strategic and if properly aligned, it can have a lot of contribution in enabling an organization to have a successful strategy and financial base. In order for the HR to earn itself a position at the strategic table it will require to maintain a strong administration foundation. This strategic approach should be aligned with the human resource so as to ensure that an organization's employees, skills and abilities are made use of in the achievement of its business goals (Huselid, Jackson & Schuler, 1997).

II. THEORETICAL REVIEW OF LITERATURE

This study involved review of related literature combined with analysis and synthesis. This was carried out through usage of literature review. The exercise involved accessing literature available in print form as well as accessing electronic databases which are acceptable in the contemporary management studies.

III. LITERATURE REVIEW

The human resource plays a very significant role in the success of organizational performance. Garavan, (2007) says that there is now an established trend where there are well chosen human resource development practices that have a directly affect both individual and organizational performance. The HR has to and will have to take a serious leadership role in contributing to the development of the human resource as a contribution to organizational development. This will definitely require that the HR transforms itself from a process oriented and administrative approach to a strategic one (Gold, 2011).

There is an increasing need to strategically steer managerial practices of an organization into strategic management. This need calls for the

integration of organizational strategies with global HR management practices (O'Donnell & Garavan, 1997).

For Organizations; both in public and private sectors to be successful they will require to have in place effective HR management practices so as to successfully execute their organizational strategies and goals (Sthapit, 2008). In this context they will require to do an analysis of both internal and external environmental factors that are directly or indirectly related to the organization. This analysis will require a strategic approach aimed at influencing key stakeholders as well as formulation of strategic HRD plans and policies in line with the organizations business strategy (Becker & Huselid, 2001).

IV. THE HUMAN RESOURCE

Globally both the government and private sector managers, believe that investing in human capital is key to the success of any country's economy (Sthapit, 2007). This strategy may not be effective however without a properly organized and implemented HRD structure (Haslinda, 2009). The full potential of the human resource department will only be achieved when it fully demonstrates its active role in creating organizational values and return on investment. HR should not only be reported on cost savings but also on what it contributes to a business return on investment (Frangos & Fitz-enz, 2002).

According to Frangos and Norton, (2001) HR does not have the tools to describe and measure its role in organizations. 60% of HR executives were found to be playing passive roles as found out in a study that was carried out in the consulting industry.

For human capital to be managed as a strategic asset, there should be efforts to measure the HR strategic contribution. Frangos and Fitz-enz (2002) suggested five main ways through which the HR process can be evaluated. These include; the cost, the period it will take, what will be achieved, number of errors or mistakes in the process and the responses from the employees. To bring out the HR to a respectable position due to its business value will require that it must and has to measure itself in a business manner; this will also call for its alignment with other departmental goals as well as being wholly involved in the overall strategy.

Many of the HR departments do not have strategic planning processes that align their spending to

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be in line with their organizations strategy. One survey done at Harvard found out that 80% of the departments had no strategic planning process in place. If the HR has to be successful it will require being more interdependent with the other departments within the organization and also be required to take a more comprehensive role which aligns itself and its activities with the organization strategy. This according to Freedman (2004) will correct any aspects that affect or interfere with the integration of the organization strategy. This will offer the organization a competitive edge.

Through the management of human capital the ultimate goal and purpose of organizational strategic development will be achieved. This will require coming up with ways and means which are supportive to the organization strategies (Freedman, 2004).

V. ALIGNING HUMAN RESOURCE DEVELOPMENT WITH ORGANIZATIONAL STRATEGY

According to Becker & Huselid (2001) there has to be an adoption of a new perspective by the HR in order to ensure that the human asset is well aligned to the organization strategy.

This shall come about when the HR stops being a cost centre that only focuses on compliance. It has to align itself with the organization strategy. The HR department has to come to a recognition that it is a strategic asset to an organization in terms of duties undertaken and should focus more on value creation. It should also convince the top management that it plays a critical supportive role in the organization strategic planning.

Employees' skills should be developed in line with the organizational strategy requirements to ensure that they are strategically prepared. Enhancement or development of the human capital should be focussed on each and every aspect of the HR functions. It should start right from hiring, compensation, reviews, training among others (Becker & Huselid, 2001).

According to Righimer & Energy, (2002) the HR has to extend its influence over and above administrative roles and also be more strategic while moving towards a strategic role. This does not imply that the HR abandons the administration duties but be operating at both administration and strategic levels. This can be achieved through automation or outsourcing to enable the HR staff to focus more on the strategic levels and come up with more strategic initiatives (Galford, 1998).

The organization also needs to state that that it acknowledges the importance of HR in its business success (Frangos, 2002). In order for the HR to strategically and effectively contribute to the organization strategy it will require to have staff with business knowledge and financial skills as well as

enhanced consultation and technological skills. It will therefore require competent people in place to effectively come up and carry out its strategies and initiatives. This strategic engagement will enable the HR to play a more strategic managerial role by being well equipped with technical skills (Frangos, 2002). This will bring about an alignment between HR department goals and those of the organization.

The measuring of key HR contributors to organizational strategy will provide an alignment between the HR and the business processes and be the ultimate link to the financial business outcomes. This in turn will transform the HR function into a source of value creation and hence creating more benefits to the organization (Ulrich, 2000).

VI. APPROACHES TO HR STRATEGY

Looking at it from a strategic point of view, human resource strategy is a statement of intent in an organization in regards to how it manages its human resources. According to Tyson, (2000) these intentions provide the basis for plans, development and programs for change with an aim of developing capability in order to give an organization a competitive edge. According O'Donnell and Garavan, (1997) integration of the HRD policy and the organization policy is the most effective way to doing this.

According to Tseng and McLean (2008), the success of any business will depend to a big extent on an organization's ability to use its employee skills as well as expertise in building its strategy. The organization should also highlight the strategic roles of HRD and integrate the HRD policies with the organization strategy.

There is a great need for aligning the HRD activities with organizational strategy. Swanson, (2000) demonstrated the importance of this alignment as its supporting role is important, and also contributes its strategic value in shaping the business strategy.

VII. THE EXTERNAL ENVIRONMENT

According to Stalpit, (2008) what is making organizations to increasingly adopt the practice of formulating and implementing long-term organizational strategies is the rapidly changing environment. This calls on organizations to proactively address the external environmental changes through integration of all functional areas into the overall organization strategy. In order to provide a sustained competitive advantage organizations are increasingly viewing the human resource as that unique asset that can provide that much desired competitive edge (Wright, 1998).

The importance of managing the human resource has come about through the recognition of the many changes taking place in the business environment. These changes include but are not limited

to increased globalisation, changing demographics of the workforce, organizations increased focus on profitability and growth, technological changes, intellectual capital and the never ending changes that organizations have to go through (Krishnan & Sighn, 2003).

The political, legal, economic, social cultural, natural, technological and global forces have to be considered while making policy decisions and practices on HRD as they have to be in compliance and in view of both internal and external environments. According to Sthapit, (2009) this is because many times these forces are beyond the control of organization management but very critical to the organization's performance, success and outcome.

VIII. THE BUSINESS STRATEGY

The people factor plays a very critical role in a successful business strategy. Human resources are the most valued asset in many organizations. For the organization to get much value it has to make use of their knowledge, skills and abilities. The way in which the human resource is managed, deployed and the availability of skills and knowledge all have a contribution to the business strategy.

According to Abuqayyas, (2007) the business strategy shapes individual HR strategies for example if the business strategy is on improving customer service, it may be translated into training plans or performance improvement plans.

An organization cannot succeed without developing the human resource at all levels and in all dimensions. These will include areas like HR training, management / executive development, career development and organizational development (Sthapit, 2008; Singh & Sthapit, 2008). Such efforts will contribute in discharging the stipulated Human Resource Development (HRD) roles so that challenges of strategy implementation can be converted into successes in organizations (Sthapit, 2008).

The long-term competitiveness of an organization will be determined by whether the organizations' human resource is durable, difficult to imitate and substitute and whether it also enables the organization to differentiate itself from its competitors (Festing & Eidems, 2011). Skills and competencies of staff enable an organization to be more flexible and dynamic in confronting strategic challenges (Garavan & Carbery, 2012).

Conversion of human capital into organizational value is also another way of looking at the relationship between HRM and business strategy. The evaluation of the human capital is a useful tool as it informs the development of business strategy in terms of current and potential capabilities of human capital. According to Abuqayyas, (2007) the only way to achieve business success will be by how an organization is successful at

managing its human capital, achieving this potential and embedding it in products and services which have a market value.

IX. HUMAN RESOURCE MANAGEMENT AND ORGANIZATION PERFORMANCE

HR has made a significant contribution to the success of business/organizational goals as well as enabling them have a competitive edge over other organizations. There has been recognition of HR skills, abilities and experience and their contribution to the success of organizations (Armstrong & Baron, 2004). According to Cole, (2004) the HR function brings in the strategic value of the people in an organization by contributing to value addition and competitive advantage. An effective HRM strategy organizes all individual HRM measures and directly influences employees' attitude and behaviour leading an organization to achieve its competitive strategy (Huang, 2001). The organization is hence able to attain a competitive advantage and superior performance (Kelliher & Perret, 2001).

In order to implement the best systems of HRM practices it will be necessary to establish the requisite knowledge and understanding (Wright & Snell, 2005). These strategies will include productivity gains, quality, reduced cost of business and innovation as well as product/service differentiation (Armstrong, 2009).

According to Leopold, (1999) integration is achieved when the formal structure of an organization and the human resource systems are aligned to an extent where they drive the strategic objective of the organization.

X. COMPETITIVE EDGE

There is a very important need to match personnel selection and workforce profile with the desired business strategy (Gunnigle & Moore, 1994). A human resource (HR) department should be focussed on achieving the desired organizational goals otherwise a department that is highly administrative with no strategic integration shall not be able to provide a competitive edge and may thus lose its relevance.

Huselid and Becker, (1997) established that there were noticeable and substantial financial returns for the organizations where HRM systems were aligned with business strategic goals. Ulrich, (1998), also observed that one of the four roles of the key HR role is to become a strategic business partner. Youndt and Snell (1996) also found out that where firms employed HR practices according to the stated strategies they were seen as having better perceptual performance. According to Martell and Carroll, (1995); Schuler and Walker, (1990) the alignment of the HRM systems to the business strategy is a one-way vertical fit whereas two-way vertical fit is where HRM systems not only align to the business strategy, but also contribute in strategy formulation.

In order for the HR department to influence business functions the line managers have to be trained to a point of understanding HR processes and practices in order to enable them partner well with the HR department (Krishnan & Sighn, 2003). The line managers training will eventually contribute to successful implementation (Mello, 2001).

XI. CONCLUSIONS

The conclusions of the research were as follows;

The integration of the HRD policy as well as practices that are well aligned with global human resource management will eventually turn an organizations managerial practice into strategic management.

- An analysis of the internal and external environment should be done. This should also involve strategically approaching key stakeholders in the formulation of HRD policies and plans in line with the organization's business strategy.
- In order for the HR to be respected for its contribution to the business value, it has to be involved in the overall business strategy. It also must measure itself in a business manner; by ensuring that it aligns itself with other departments' goals and objectives.
- Proper management of the human capital or resource is the main objective for HR in supporting the organization's strategic development.
- For the HR to be a strategic contributor and offer support in business success, it will require to have the right calibre of people in place to carry out its planned strategic initiatives as well as outlining competencies and skills. All policy decisions and practices related to HRD should be made in compliance and in view of both the internal and external environments.
- A good business strategy that is successful is informed by people factors and that in many organizations people have become the most valued asset.
- The human resource is critical as it provides the potential for sustained competitive advantage. Human skills and competencies go a long way in enabling an organization to be more flexible in overcoming its strategic challenges.
- Majority of the organizations have increasingly come to view the human resource as a unique asset that can provide sustained competitive advantage. Business success can only be achieved if organizations are successful at managing their human capital to achieve a competitive edge.
- The manner in which the human resource is managed, deployed, motivated, developed and the availability of skills and knowledge will all shape the business strategy.

XII. RECOMMENDATIONS

- There has to be recognition that the HR department and its functions is a strategic asset in the organizational strategy.
- The HR department has the responsibility of ensuring that the organizations' employees are strategically placed and aligned with the organization's strategy.
- The HR functions should be properly and strategically developed in order to enhance the human capital at different levels including hiring of staff, compensation /remuneration, performance reviews, training and development, separation, succession planning among other aspects.
- It would be worthwhile to ensure most of the routine and administrative duties are automated or outsourced in order to make way for the HR staff to focus on more strategic initiatives. The automation and outsourcing will enable the HR personnel to operate at both administrative and strategic levels.
- Every organization's human resource should be developed at all levels and in all dimensions. These include areas like HR training, management /executive development, career development as well as organizational development.
- Lastly but not least there is a significant need to match personnel selection and workforce profile with the desired business strategy.

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