

Universitat de València
Degree in Business Management and Administration

Academic year 2021-22

STRATEGIC HUMAN RESOURCE MANAGEMENT

TOPIC 1 THE ROLE OF HRM IN BUSINESS STRATEGY

Group: OR
Lecturer: Dr Victor Oltra

Updated 10 February 2022

UNIVERSITAT ID VALÈNCIA
Escuela Universitaria de Estudios de Empresas, Juan José Benito Piqueras

TOPIC 1. THE ROLE OF HRM IN BUSINESS STRATEGY

- 1.1. Key HRM concepts.
- 1.2. Key HRM challenges.
- 1.3. Evolution of thinking on the HR function.
- 1.4. Evolution of the role of the HR function.
- 1.5. The need for a strategic approach to HRM.

References:

Baron, J.N. & Kreps, D.M. (1999). *Strategic Human Resources. Frameworks for general managers*. Wiley, Chapter 1.

Delery, J.E. & Doty, D.H. (1996). 'Modes of theorizing in strategic human resource management: Tests of universalistic, contingency, and configurational performance predictions'. *Academy of Management Journal*, 39(4): 802-835.

Gómez-Mejía, L., Balkin, D. & Cardy, R. (2007/2012/2016). *Managing Human Resources* (5th/7th/8th International-Global Ed.). Pearson - Prentice Hall, Chapter 1. [2016 edition available as ebook in online library]

Herrera Gómez, J. (2001/2009). *Dirección de recursos humanos. Un enfoque de administración de empresas*. ACDE/Ramón Llull, Chapters 1 & 2.

Pfeffer, J. (2005). 'Producing sustainable competitive advantage through the effective management of people'. *Academy of Management Executive*, 19(4): 95-106. Reprinted from *Academy of Management Executive*, 1995, 9(1): 55-72.

UNIVERSITAT ID VALÈNCIA
Escuela Universitaria de Estudios de Empresas, Juan José Benito Piqueras

Lecturer: Dr. Victor Oltra

1.1. KEY HRM CONCEPTS

Human Resources (HR)
People who work in an organization (also called staff, personnel, employees, associates, etc.).

Human Resource Strategy
A firm's deliberate **use of human resources** to help it to **gain an edge against its competitors**. The grand plan or general approach an organization adopts to ensure that it effectively uses its people to accomplish its mission and strategic goals.

Human Resource Tactic
A particular **HR policy or programme** that helps to advance a firm's strategic (HR-related) goal. Different implementation methods can be used.

UNIVERSITAT ID VALÈNCIA
Escuela Universitaria de Estudios de Empresas, Juan José Benito Piqueras

Lecturer: Dr. Victor Oltra

1.2. KEY HRM CHALLENGES

Source: Gomez-Mejia et al. (2007, p. 4; 2012, p. 31; 2016, p. 31).

UNIVERSITAT ID VALÈNCIA
Escuela Universitaria de Estudios de Empresas, Juan José Benito Piqueras

Lecturer: Dr. Victor Oltra

1.2. KEY HRM CHALLENGES: (a) Environmental

- **Rapid change**
- **The internet revolution** (e.g., information overflow, online recruitment, online learning, etc.)
- **Workforce Diversity**
- **Globalization** (e.g., worldwide company culture, global recruitment, industrial transformation, virtual teams, etc.)
- **Legislation** (e.g., increased potential liability, discrimination risks, etc.)
- **Evolving work and family roles** (e.g., dual career families, family-friendly policies, etc.)
- **Skill shortages & rise of the service sector**
- **Natural disasters**

UNIVERSITAT ID VALÈNCIA
Escuela Universitaria de Estudios de Empresas, Juan José Benito Piqueras

Lecturer: Dr. Victor Oltra

1.2. KEY HRM CHALLENGES: (b) Organizational

- **Competitive position** (cost, quality, distinctive capabilities)
- **Decentralization**
- **Downsizing**
- **Organizational restructuring** (e.g., M&As, delayering, etc.)
- **Self-managed work teams**
- **Small businesses**
- **Organizational culture** (e.g., cultural adjustments to keep up with environmental changes)
- **IT** (e.g., telecommuting, electronic monitoring, etc.)
- **Internal & data security** (e.g., employee rights, etc.)
- **Outsourcing** (e.g., layoffs, quality risks, data risks, etc.)

UNIVERSITAT ID VALÈNCIA
Escuela Universitaria de Estudios de Empresas, Juan José Benito Piqueras

Lecturer: Dr. Victor Oltra

1.2. KEY HRM CHALLENGES: (c) Individual

- **Matching people and organizations** (e.g., fit between individual values and organizational culture, etc.)
- **Ethics and social responsibility** (e.g., performance mis-reporting, labour law fraud, pressure to apply unethical selling methods, etc.)
- **Productivity** (e.g., increasing relevance of the 'knowledge-based economy' and intangible human capital) – key role of ability, motivation & quality of work life
- **Empowerment** – goal of having enthusiastic, committed people who achieve goals because they believe in and enjoy their work (internal vs. external control)
- **Brain drain** – organizational & national
- **Job insecurity** – major source of stress, role of unions, etc.

UNIVERSITAT ID VALÈNCIA
Lecturer: Dr. Victor Oltra

1.3. EVOLUTION OF THINKING ON THE HR FUNCTION

- **Classical school** – 'homo economicus' (early 20th Century)
 - People as a production factor and only financially motivated.
 - Strict separation between 'thinkers' (managers) and 'doers' (workers).
 - Key contributors: F.W. **Taylor** ('principles of scientific management'), H. **Fayol** ('functions and principles of management').
- **Human relations school** - 'homo socialis' (from 1920s)
 - People also have non-financial motivations, esp. related to the social group.
 - Influence of the informal organizational structure.
 - Key contributor: E. **Mayo** – 'Hawthorne experiments' (Western Electric Co.).
 - Surprise that external/technical factors just have a limited effect on behaviour – perception of being valued and appreciated is more important.
 - Basis for further contributions on motivation (e.g., A. Maslow, 1920s; F. Herzberg, 1950s) & leadership (e.g., D. McGregor; 1960s, R. Likert, 1960s).

UNIVERSITAT ID VALÈNCIA
Lecturer: Dr. Victor Oltra

1.3. EVOLUTION OF THINKING ON THE HR FUNCTION

- **Social systems school** (from 1930s)
 - Deepening on studying intrinsic motivation (Herzberg's 'motivating' factors).
 - Importance of organizational behaviour issues (motivation, leadership, groups, communication, culture, decision making, etc.), which contributed to lay the foundations for HRM.
 - Key contributors: C.I. Barnard, R. Cyert, J.G. March, H.A. Simon, etc.
- **Integrative approaches** (from 1950s)
 - Broad diversity of management theories, with different implications for how to manage people in organizations: neoclassical school, socio-technical school, systems approach, contingent approach, strategic approach, etc.
 - Key contributors: A. P. Sloan, P. Drucker, Aston group (D. Pugh et al.)
 - Current relevance of a **strategic approach** to HRM (e.g., M. Armstrong, D. Guest, S. Dolan, J. Storey, R. Schuler & S. Jackson, J. Baron & D. Kreps, L. Gómez-Mejía et al., J. Pfeffer, etc.)

UNIVERSITAT ID VALÈNCIA
Lecturer: Dr. Victor Oltra

1.4. EVOLUTION OF THE ROLE OF THE HR FUNCTION

FOUR STAGES IN THE EVOLUTION OF THE ROLE OF THE HR FUNCTION

- I. CLASSICAL MODEL
- II. LEGAL-CENTRIC MODEL
- III. ORGANIZATIONAL BEHAVIOUR MODEL
- IV. BUSINESS-STRATEGIC MODEL

UNIVERSITAT ID VALÈNCIA
Lecturer: Dr. Victor Oltra

1.4. EVOLUTION OF THE ROLE OF THE HR FUNCTION (I): CLASSICAL MODEL

Purpose: To maintain internal order and discipline, and maximize efficiency of operations.

Unit name: Personnel Office, Personnel Department

Characteristics:

- 1) Orientation towards technical and clerical employees.
- 2) Strict supervision and control of operators' work.
- 3) Focus on 'personnel' paperwork (contracts, payroll, etc.).

Management style: Authoritarian.

Professionals: Lawyers / Labour relations specialists.

Position in organizational chart:

UNIVERSITAT ID VALÈNCIA
Lecturer: Dr. Victor Oltra

1.4. EVOLUTION OF THE ROLE OF THE HR FUNCTION (II): LEGAL-CENTRIC MODEL

Purpose: To apply labour law and reach agreements with (usually unionized) employees (especially on salaries).

Unit name: Personnel Department

Characteristics:

- 1) Orientation towards technical and clerical employees.
- 2) Focus on complying with legislation (contracts, social security, wages, etc.) and collective bargaining.
- 3) Labour-related legal advisory services.

Management style: Authoritarian.

Professionals: Lawyers / Labour relations specialists.

Position in organizational chart:

UNIVERSITAT ID VALÈNCIA
Lecturer: Dr. Victor Oltra

1.4. EVOLUTION OF THE ROLE OF THE HR FUNCTION (III): ORG. BEHAVIOUR MODEL

Purpose: To optimize activities related to people, using HR techniques developed in the field of organizational behaviour (selection, training, etc.), in addition to labour relations issues.

Unit name: Human Resources Department

Characteristics:

- 1) Little focus on managers.
- 2) Diversity of independent and disconnected HR practices.
- 3) Lack of connection to overall business strategy.

Management style: Paternalistic → Participative

Professionals: Less % lawyers / more % other specialities (esp. psychologists)

Position in organizational chart:

UNIVERSITAT ID VALÈNCIA
Lecturer: Dr. Victor Oltra

1.4. EVOLUTION OF THE ROLE OF THE HR FUNCTION (IV): BUSINESS-STRATEGIC MODEL

Purpose: To optimize employees' contribution to fulfil the business strategy, combining economic rationality with people development.

Unit name: Human Resources Department.

Characteristics:

- 1) Focus on all types of employees (including managers).
- 2) HR strategy and business strategy are highly intertwined.
- 3) HR function is developed following a strategic logic.
- 4) Focus on consistency among HR practices.

Management style: Contingent (mainly participative).

Professionals: Multidisciplinary teams (including economists).

Position in organizational chart:

UNIVERSITAT ID VALÈNCIA
Lecturer: Dr. Victor Oltra

1.4. EVOLUTION OF THE ROLE OF THE HR FUNCTION: (IV) BUSINESS-STRATEGIC MODEL

CHART EXAMPLE

- Increased relevance of the HR function, at the same level of other functions.
- Involvement of the HR function in business strategy development (formul. and implement.).
- Different (inter-related) HR strategies are grouped within the same HR unit.

UNIVERSITAT ID VALÈNCIA
Lecturer: Dr. Victor Oltra

1.5. THE NEED FOR A STRATEGIC APPROACH TO HRM

The three-dimensional scope of HRM

HUMAN RESOURCE MANAGEMENT (HR practices in the 'strict sense')

Set of organizational policies and practices aimed at:

- Achieving the proper human structure for meeting organizational goals.
- Having, at all times, people with the necessary competencies (knowledge, skills, attitudes).
- Designing the necessary incentives to trigger the maximum interest from people towards the organization, its goals, and the assigned tasks.

LABOUR ADMINISTRATION

- Administrative (routine) tasks necessary for managing people.
- Application and monitoring of compliance with (collective) agreements on wages and working conditions, and with overall labour law and obligations.
- Occupational health and safety (OHS).

HRM SUPPORT TOOLS (management skills that support HRM)

Specific activities, practices and approaches to managing people that have a direct effect on behaviours, attitudes, satisfaction, commitment, etc., of a person or a small group of people within an organization.

Examples:

- Leadership programmes
- Teambuilding activities
- Mentoring / coaching
- Communication systems
- Conflict management

IMPORTANT: These activities are usually developed by line managers, in co-operation with HR specialists.

UNIVERSITAT ID VALÈNCIA
Lecturer: Dr. Victor Oltra

1.5. THE NEED FOR A STRATEGIC APPROACH TO HRM

HUMAN RESOURCE MANAGEMENT (HR practices in a 'strict sense')

Set of organizational policies and practices aimed at:

- Achieving the proper human structure for meeting organizational goals.
- Having, at all times, people with the necessary competencies (knowledge, skills, attitudes).
- Designing the necessary incentives to trigger the maximum interest from people towards the organization, its goals, and the assigned tasks.

TRADITIONAL ('TECHNICAL') HRM

- HR policies focused on satisfying needs of (internal and external) stakeholders.
- HR policies focused (independently) on recruitment & selection, training, assessment compensation, and labour administration.
- Reactive, traditional view of the business and of employee relations.

STRATEGIC HRM

- Establishing a design for an integrated set of HR practices, so they can be implemented optimizing two consistency criteria:
 - Consistency among the different practices (horizontal/internal fit).
 - Such practices synergistically help organizational goals to be achieved (vertical/external fit).
- Proactive, forward-looking view of the business and of employee relations.

UNIVERSITAT ID VALÈNCIA
Lecturer: Dr. Victor Oltra

1.5. THE NEED FOR A STRATEGIC APPROACH TO HRM

SO, WHY SHOULD WE REGARD HRM AS A STRATEGIC ACTIVITY?

1. BECAUSE PEOPLE ARE CRUCIAL FOR BUSINESS SUCCESS (OR FAILURE)
2. BECAUSE PEOPLE ARE A KEY SOURCE OF COMPETITIVE ADVANTAGE → VRIO* ANALYSIS OF R&Cs**
3. BECAUSE STRATEGIC DECISIONS, ESPECIALLY IN RAPIDLY CHANGING ENVIRONMENTS, NEED A PROACTIVE FOCUS ON HRM

*Value, Rarity, Inimitability, Organization
**Resources & Capabilities

UNIVERSITAT ID VALÈNCIA
Lecturer: Dr. Victor Oltra

1.5. THE NEED FOR A STRATEGIC APPROACH TO HRM

As a result...

HRM ISSUES MUST BE AN INTRINSIC PILLAR OF STRATEGY DEVELOPMENT, BOTH IN FORMULATION AND IMPLEMENTATION STAGES, AND...

...CONTRARY TO TRADITIONAL APPROACHES TO HRM, WHICH REGARDED PEOPLE AS A COST TO BE **MINIMIZED**, **PEOPLE MUST BE CONSIDERED AS AN INVESTMENT TO BE OPTIMIZED**

