What makes a good HR strategy and how does one develop it? These are just two of the fundamental issues tackled by *Strategic Human Resource Management*, an innovative new text on Strategic Human Resources Management (SHRM). The book provides a comprehensive and thematic view of SHRM, giving up-to-date thinking and research evidence on how to take a strategic perspective, with company examples.

**Introduction**

**Operating at a strategic level is about shaping rather than supporting business strategy**

HR management can make a direct contribution to the performance of an organisation and this imperative means that HR professionals should focus on strategic human resource management (SHRM), which goes beyond administrative and bureaucratic approaches in the management of people. HR practitioners need to shape rather than merely support business strategy; it has considerable implications for skills and approaches to HRM.
Contents

Part One looks at the concept of SHRM and the relevance of environmental factors; Part Two examines theories and the link between performance, the role of the HR department, and HR strategy; Part Three considers the overarching themes within SHRM, including employee engagement, corporate social responsibility, change management, knowledge management, and talent management; and Part Four identifies new forms of SHRM and key future trends in the field.

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**Key Points**

- At the heart of SHRM is a belief that the stronger the alignment between business strategy and HR strategy, the higher the level of organisational performance. The focus of SHRM is on the longer-term strategic needs of the organisation, rather than day-to-day HR policies and practices.

- If HR practices are to have impact they must be aligned with the organisation’s strategy. The business context should drive the HR agenda. SHRM is focused on establishing which configurations of HR practices are best linked with the organisation’s business performance.

- Key strategic SHRM imperatives include human resource development, talent management, managing employee relationships, fostering employee engagement, corporate social responsibility, and management of change.

- In future HR professionals must become *partners and provocateurs*, according to the CIPD, being seen by other business leaders as having a real share in the ‘voice’ and influence in the organisation.
Introduction

SHRM focuses on the longer-term strategic needs of the organisation and its people rather simply day-to-day HR policies and practices. This means aligning HR strategy, policies, plans, and practices within the organisation’s corporate or business strategy.

Part 1: The Context of SHRM

The Global Context

Global trends have had a substantial impact on organisations. Rapid developments in IT and communications technologies, increased competition in global markets, changing organisational structures and models all mean that the organisation is affected. This means that SHRM needs to take account of a wide range of global themes: these include the need for adaptable and flexible organisations, extended global supply chains leading to outsourcing and off-shoring, and an increasingly diverse workforce needing updated competencies and skills and innovation and knowledge sharing processes. All of this means that leaders need to think and act from a global perspective.

Globalisation, therefore, presents HR professionals with the opportunity to deliver a wide range of HR interventions that add value to an organisation. In order to achieve this they need to work in partnership with key stakeholders at both a strategic and operational level.
The Changing Work Context

Work has changed considerably over the last decade or so. Population and demographic changes have been accompanied by changing attitudes to work and how people see work in the context of a broader life. There has been greater emphasis at work on flexibility, both from the perspective of the employer who needs to continually improve their competitive position and from the point of view of employees who seeks flexibility to help them balance work and life outside work. Another trend has been an overriding concern for productivity. This has had a key impact on the way human resources needs to be managed, how organisational forms are managed, and a climate of high performance/high involvement and high commitment work systems and practices becoming prominent. There is an emphasis on teamwork, requiring development of skills involving teamwork, interpersonal interaction and employee motivation.

Strategic Management Context

The strategic management context has meant HR professionals have sought to become strategic partners aligning their work with corporate strategies. This means the business context should drive the HR agenda and requires value adding approaches with an emphasis on purpose, focus and a well formulated strategy and methodology, with corresponding measurement, with the aim of impact on organisational performance. HR leadership must display personally strategic business acumen combined with pragmatism.
Part 2: Strategic HRM

What is SHRM?

SHRM sees close alignment between corporate strategy and HR strategy with the aim of achieving a higher level of organisational performance. It closely links together component HR strategies, covering rewards, organisational development and performance management example. It focuses on configuring HR practices to best link with organisational performance.

Foundation of SHRM

The strategic approach of SHRM draws on the Resource Based View of the firm (RBV). This holds that what makes a firm successful is its exploitation of its unique strategic assets. These assets give sustainable competitive advantage, by exploiting those resources that are valuable, rare, inimitable, and non-substitutable. SHRM impacts on organisational performance because the human aspects of a firm’s resources are a very important component.

The resources of human capital cover employee knowledge, skills, and abilities, working relationships that arise between groups and individual employees and together these form social capital. The quality of these interpersonal and intergroup relationships give a distinct source of competitive advantage which is hard to copy. For example, Toyota is famed for its lean production methods-called the Toyota Way-which are not just a set of techniques, but are bound together by embedded management and cultural processes. The advantages that the organisation gains through its human capital need to be considered, understood and managed through its HR systems and processes.

The resource-based view (RBV) of the firm has become the dominant theoretical framework within the SHRM field.
SHRM and Performance

A central focus of concern has been to try to establish the link between SHRM and organisational performance. HR professionals are regularly called upon by senior colleagues to provide management information relating to the contribution made by HR activities e.g. data such as return on investment (ROI), Balanced Scorecard evaluations of the HR department and HR activities, or benchmarking of HR policies and practices against other organisations. Being able to provide these kinds of data is a core requirement for HR managers keen to establish their credibility.

Part 3: Strategic Imperatives

The changing nature and scope of SHRM is illustrated by the strategic imperatives described below.

SHRM and Human Resource Development (HRD)

The purpose of HRD is to develop human expertise. The strategic HRM aspect is particularly the development of intangible human intellectual and social assets and setting out how they can be expected to help the organisation achieve its goals. For example, a firm seeking competitive advantage through innovation requires HRD in a number of strategic areas: induction, sponsorship of targeted postgraduate qualifications for research and development people, and financial support for attendance at development and networking events such as conferences.
SHRM and talent management

Talent management is one of the most important challenges facing organisations in today’s increasingly competitive globalised economy. As they aim to stay ahead with increasingly global competitors, the focus on talent has become one of the key concerns of organisations today. Talent management seeks to harness the potential of targeted key employees who can be defined as employees who routinely exceed expectations and exhibit the right behaviours and agility and learning approach. It is important that talent management is strategically aligned and that it focuses on employees perceived to be critical to competitive advantage. There is an internal focus, for example by appointing internally, use of well-designed induction and development. There must also be an external focus, for example hiring in the external labour market. There is a need to build succession planning and career development plans and all of this can be measured using qualitative and quantitative methods.

SHRM and employment relations

The employment relationship is at the heart of SHRM since it defines the nature and character of the relationship an organisation has with its employees. Whilst at one level the employment relationship is an economic transactional one, the employer purchasing time and skills for an agreed level of remuneration. However, employers also seek more than time and skills, for example seeking flexibility, loyalty and willingness to go the extra mile to meet customer needs. Employees will also have needs such as job and income security and also job satisfaction and the ability to balance work and life outside work.
Another aspect of employment relationships is articulation of the employee voice, where employees are given the opportunity to have their say in organisational decision-making. This might be through participation where their interests are represented collectively, for example by joint consultative committees or works councils. Or it might be by involvement; typically involvement is at the level of the work through briefing groups, team working, quality and improvement groups, and employee suggestion schemes. The positive benefits of fostering and channelling the employee voice is encouragement of all employees to think about the organisation and the factors that influence its success and sustainability.

**Employee engagement**

Whilst there is no commonly agreed definition of employee engagement, there is widespread consensus that engagement ensures that individuals in their work context invest intellectual energy into thinking about the task, physical energy and absorption with the task and positive emotional energy focused on getting the job done. There also is a social dimension to engagement through positive connections with others. Research suggests that engagement leads to high performance, high profitability and productivity, and lower levels of intention to quit, improved health and well-being, and lower sickness absence. Raising the level of engagement makes sound business sense. HR interventions such as performance management systems, rewards, development, employee involvement and corporate responsibility all help to create a climate conducive to high levels of employee engagement. HR professionals also need to support line managers in the creation of an engaging work environment.
Knowledge management

The priority for HR in knowledge management is how best to tackle the strategic and operational HR implications of a knowledge management strategy, which is commonly associated with innovation. HR needs to help managers address the people and organisational issues necessary to achieve innovative knowledge and processes. Line management involvement is key to effective knowledge management strategies: therefore HR professionals need to help build constructive relationships and working partnership with this group.

SHRM and corporate social responsibility (CSR)

Interest in Corporate responsibility or CSR has risen significantly in the last few years, with the HR and business benefit that it provides, such as improved corporate image and reputation and increased employee trust in management. An organisation managed in an ethical and socially responsible manner in order to achieve sustainability makes good business sense—it provides a means to attract new customers and employees; it increases customer satisfaction and develops longer-term relationships, with increased employee satisfaction, motivation and morale; it improves customer retention and employee rates.

Given this context, the HR function must pay attention to CSR since it needs to be embedded in the culture if managers and employees are to really put this into practice. HRM policies and processes are required to build employee and management buy-in and for CSR to be linked to employee engagement.

CSR is being seen increasingly as a strategic priority and a potential source of competitive advantage
The management of change

The majority of HR departments would see their role as contributing to the management of change, and certainly the nature of change affecting most organisations is both considerable and fast-paced. However, for HR departments to be operating at a strategic level in this area, they must take on a proactive and integrated role, becoming involved at a business level and not just with aspects of implementation. With the right knowledge strategic HR practitioners can contribute a great deal, as a subject matter expert on people aspects of change decisions and the theory of change management. In addition, they can contribute to the political and emotional dimensions of change. It has to be acknowledged, however, that there is a considerable gap between the potential for such involvement and the reality.

EXAMPLES OF SHRM IN PRACTICE

- SHRM and Toyota

Toyota is regarded as one of the most efficient companies in the world because of the Toyota Production System (TPS) based on lean production and kaizen (continuous improvement) principles. These are the heart of its approach to business strategy. TPS places great emphasis on teamwork that reflects a learning climate characterised by collaboration, cooperation, and trust. The company believes that teams are better at solving problems, and that people learn from each other.

The HR function is viewed as playing a key leadership approach in the company’s improvement processes. HRD is a particularly key activity and is part of a broader ‘Human System’ which focuses on development, recruitment, and retention with the aim of making everyone a member of the Toyota learning climate.
• SHRM and Standard Chartered Bank

Standard Chartered Bank has 75000 employees, the bulk of whom are based in the Near and Far East. Its HR strategy is global with a ‘one bank’ culture founded on the belief that consistency across the company is essential to ensure alignment of HR processes and practices in support of the culture.

The bank’s five core values are Courageous, Responsive, International, Creative and Trustworthy. The values are an integral part of the bank’s culture and ways of working. In addition to performance objectives, all employees have values objectives relating to how they will demonstrate the values in their role every day. The bank’s approach to variable compensation also takes into account how an employee demonstrates the bank’s values.

Talent very much lies at the heart of the bank’s HR agenda: ongoing development is critical for even the strongest performer and recruitment is based on identifying individuals with the recurrent patterns of thought, feeling, and behaviour associated with success on the job, as well as cultural fit.

The bank also focuses strongly on employee engagement and has used the Gallup ‘Q12’ engagement index for many years. Each team is given its own personal scorecard based on this process and is expected to develop a plan for improvement for the following year, working with the team’s HR manager. The combination of a focus on talent and on core values creates a culture where people feel their views matter, and where they are able to spend their working day doing what they do best, which the bank feels is important for individual wellbeing, engagement, and performance.
Part 4: New Forms of SHRM

The Chartered Institute of Personnel and Development (CIPD) has set out a vision for how HR should be in the future over the next five years. It proposes in its report Next Generation HR (2010) that HR professionals need to become what is described as *partners and provocateurs*, to be seen by business leaders as having a real share in the voice and influence in the organisation. Such HR leaders will need to have a dynamic and holistic world view, combined with personal savvy, presence and the ability to engage in difficult conversations with a view to challenging prevailing orthodoxies. This view has substantial implications for the development of HR professionals: HR professionals will need to have the ability to take a much more holistic view of the workings of an organisation combined with the personal skills to become real influencers.

If the nature of work is different in future, there may be a need for a different type of recruit to the profession. Likewise, a different role for the HR function may attract a different kind of person to work in the field (CIPD 2010)
About the Authors

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