

# Exploring the Aura of Strategic HRM for Organizational Dexterity

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**Abstract** - Strategic Human Resource Management (SHRM) covers the entire HR strategies used by organizations and attempts to quantify their influence on the performance of the organization. SHRM is a process for evolving and executing HR strategies that are associated with business plans and help the organization attain its objectives. This paper will explore the impression of SHRM in organization skillset and the link between strategic human resource management practices and organizational performance while using the resource-based view (RBV) approach in organizations. Existing research has highlighted or recommended that organizations use either a comprehensive and integrated approach or the best fit strategy to acquire a strategic advantage. The significance of SHRM for businesses will be discussed in this paper. The purpose of this paper is to inform people by providing an insight into the different components connected with Personnel Management and SHRM. It was possible to find many studies on these topics, and the most relevant ones were taken into consideration. To avoid the accumulation of too much data, redundancy, and irrelevance to present activities, the period of the 1990s has been taken into consideration. The method of collecting data is secondary, hence, the majority of the literature was sourced from internet databases and reputable Indian and international books and publications.

**Keywords:** Strategic Human Resource Management, Resource-Based View, Human Resource Strategy, Business Strategy

## I. INTRODUCTION

Strategic Human Resource Management includes the entire HR strategies used by different organizations and attempts to quantify their influence on the performance of the organization overall. Design and implementation difficulties are addressed in this domain.

Progressive companies created and applied new HR practices in the 1920s, resulting in a strategic approach to human resource management. A small but noticeable privileged group of employers strove to change the traditional rule and control management approach during this period. As a result, strategic human resource management (SHRM) is no longer a novel notion, but rather a topic that has evolved into an important and valued perspective on HR's role. SHRM denotes a focus on how Human resource management (HRM) is vital to an organization's success.

SHRM, according to Ian Clark, "focuses on how businesses may improve their competitive performance" by better considering and utilising their people resources.

Organizations are increasingly recognising the significance of integrating human resource practices into the strategy that leads to improved performance.

Strategic HRM, as described by Wright and Mc Mahan is a structure of planned human resource distributions and activities that allows an organization to accomplish its objectives. The definition also includes some elements, first and foremost, it focuses on an organization's human resources, which are the most valuable resource for attaining a competitive gain. Second, Employees can acquire a competitive advantage through HR policies, procedures, and programmes, based on the concept of activities. (Wright & McMahan, 1992).

## II. THE OBJECTIVES OF THE STUDY

To study the impact of SHRM on organizational skillsets and the relation between SHRM practices and organizational performance while applying the resource-based view (RBV) practice in organizations. To gain a strategic advantage, existing research has emphasised or advised that organizations employ either a complete and integrated approach or the best fit strategy.

## III. METHODOLOGY

This research is purely based on secondary data. It was possible to find several studies on these topics, and the most relevant ones were taken into consideration. To avoid the accumulation of too much data, redundancy, and irrelevance to present activities, the period of the 1990s has been taken into consideration. The method of collecting data is secondary, hence, the majority of the literature was sourced from internet databases and reputable Indian and international books and publications.

## IV. THE FRUITION OF SHRM

Theoretical research published in the early 1990s set the foundation for later practical research, which began to appear around the same time. It was discovered that there is a significant difference between fit and flexibility, which has had a long-term impact on the field. It has been proven that seeing HR systems as a set of HR practices improves organizational outcomes.

Strategy mapping was created in the 1990s as a technique for connecting strategy with HR (vertical fit). The term “human resource advantage” was coined to introduce the idea of “competitive advantage” into the domain of human resources. The concept of organizational social capital was also examined and how HR practices may help organizations build and harness it for competitive advantage was examined too. According to various studies, there is a correlation between HR systems and organizational performance.

Empirical research backed up prior HR design proposals, which were expanded to account for leadership styles and corporate subcultures. Employee contributions and person-environment fit were considered significant factors of HR ideology and policies, expanding the concepts of fit and flexibility. When analysing the effects of SHRM, a broad agreement arose on the necessity for several indicators of organizational performance.

According to data, privately-owned or foreign-owned enterprises are more likely to embrace HRM. International academics are focusing their attention on the phenomenon of SHRM in underdeveloped countries. An excellent place to start is determining the degree of abstraction and breadth of an Organization’s HR strategy. Employees’ connection to strategic objectives adds to our understanding of the implementation process. Understanding the decision-making procedure in human resource management can help us better comprehend this complicated subject. Mergers and acquisitions are getting greater attention, as is SHRM’s role in assisting with their effective implementation. The role of SHRM in knowledge-based competitiveness is currently being researched and analysed. While most of the SHRM study published to date may be categorised as coupling (Webb, 1968), it is unlikely to produce breakthrough insights. Coupling is vital while a topic is just getting started, but once a baseline of understanding has been achieved, marginal contribution becomes less relevant. The risk of coupling research is that prior study errors will be repeated (Webb, 1968).

## **V. SHRM AND ORGANIZATION PERFORMANCE - THE RESOURCE-BASED VIEW (RBV)**

According to Penrose (1959), organizations may create economic value not just by having resources, but by successfully and innovatively managing those resources. In 1984, Birger Wernerfelt coined the phrase “resource-based vision of the organization.” In empirical research comparing the performance of organizations in the same industry, performance variances were observed (Cubbin 1988; Hansen and Wernerfelt 1989). (Ismail Wan Khairuzzaman Wan *et al.*, 2010)

Resource-based View herein after RBV is based on early monopolistic competition models (Chamberlin, 1933), and it varies from neoclassical microeconomics in its emphasis on organization heterogeneity. RBV is the most often used

theory in SHRM, both in theory development and as a foundation for empirical research. It has aided in the development of a macro viewpoint in the domain of HRM research. HR systems may be one-of-a-kind, causally ambiguous, and synergistic in their enhancement of corporate competencies, making them inimitable. By considering RBV as a mediating process in this connection, the current work adds to the literature.

HR practises are the most prevalent technique for businesses to shape and influence workers’ talents, attitudes, and behaviour to achieve organizational objectives. Strategic HR strategies may assist businesses in identifying and using knowledge and capabilities inside the organization, which can aid in innovation. Chen and Huang (2009) looked at the link between HR practises and an organization’s effective performance, taking into account the mediation effect of knowledge management (KM) competency. (Ismail Wan Khairuzzaman Wan *et al.*, 2010)

HR practices have been studied in the past to see how they affect knowledge management and innovation performance. The influence of human resource practices on organizational results has been studied in just a few research. Creative and versatile individuals, risk-takers, and an understanding of uncertainty and ambiguity are necessary to start innovative operations in organizations (Madsen and Ulhoi, 2005). This would lead to their staff coming up with more creative ideas and engaging in more inventive activities. Employees must contribute new ideas and share information as part of the continual innovation process. Employees may be challenged to solve challenges and join in the decision-making process that influences their jobs by allowing them to use their heads instead of their hands. (Madsen and Ulhoi, 2005)

### *A. Financial and Non-Financial Evaluation of Performance*

The objective of a performance evaluation system is to see if resource allocation is in line with the organization’s strategic goals. According to recent research on Italian manufacturing companies, there is a rising interest in using instruments that are based on a larger variety of performance evaluations. An organization’s human capital strategy has a significant influence on its financial performance. Physical assets, such as industrial equipment and inventories, are well-suited to financial accounting. However, since intangible assets account for a greater proportion of an organization’s market value, there is a rising demand for metrics that better reflect these assets.

Non-financial measurements, such as research and development productivity, emphasise domains of intangible traits, providing investors with a better picture of an organization’s overall success. Before making financial decisions or allocating resources, managers may generate thoughtful estimates of the organization’s progress. Employees will have better access to information about the specific tasks needed to achieve strategic objectives.

### B. RBV Proactive Mediating Effect

Environmental practices in the workplace that goes beyond regulatory compliance can have a constructive effect on the bottom line. An organization's proactive attitude to the environment is likely to encourage the development of new resources and capabilities, which might assist the Organization to acquire competitive advantages. Corporate environmental policies may have a big influence on the bottom line when they're mediated by good organizational capabilities. The more an organization's ability to change, the better it will perform in terms of environmental performance. According to study findings, more financial investment in advanced technology or innovation is inadequate. The ability of businesses to meet customer expectations is strongly dependent on their capability to innovate and deliver new things at a fair price. The mediator elements between proactive environmental management and financial performance have been identified as organization resources and competitive advantages.

## VI. SHRM - THE NEED FOR THE HOUR

The significance of people management is growing, as evidenced by the increasing use of the phrases "Human Resource Management" (HRM) and "Stress-Free Human Resource Management" (SHRM). Some companies are realising that their people are among their most valuable strategic assets, and their leaders are reconsidering how they manage them. Human resources are currently described as "individuals' talents and energy that are available to an organization."

The majority of SHRM research dates from the late 1990s to the early 2000s. It's becoming more commonly acknowledged as necessary for designing and executing thoughtful solutions to business demands. Recruitment, performance assessment, remuneration and incentives, and training and development are the four important areas of personnel policy decisions identified by Fombrun *et al.*, 1984. HRM is a field that focuses on managing human resources to meet organizational objectives. The HRM strategy of an organization seeks to achieve such organizational objectives by connecting the Organization's employee's demands with its goals and objectives. This research will be evaluated if SHRM is a good match (best practice) or a necessity (best fit) for companies looking for a competitive advantage and long-term success. The objective of "people management" is to achieve the goal at every level of management, although HRM differs from SHRM in that it emphasises "what-thing" rather than "what-person." In HRM, people are referred to be "strategic" human resources rather than just "human resources." They are an essential tool for formulating and executing an organization's strategy. (Fombrun *et al.*, 1984)

The majority of strategy content development overlooks internal context and process challenges. Problems may arise when it is too late if strategists do not evaluate how actions

will be carried out. One of the goals of this research is to connect HRM and strategy, with an emphasis on making a more "process-centred agenda" possible.

Personnel strategy in the workplace is a crucial strategic decision that has a substantial impact on competitive advantage, organizational structure, and culture. It's becoming increasingly clear that the optimal personnel strategy is dependent on the unique characteristics of each organization. Organizations can choose from a range of personnel policy options, with the ultimate selection being driven by the need to ensure that the organization's workforce strategy aligns with its overall strategic goals. Strategic human resource management approaches boost employee productivity and an organization's ability to meet its goals. The aims and objectives of an organization are more likely to be realised when personnel practices are incorporated into the strategic planning process. To successfully deal with future operations, organizations must create "business leaders" and "innovators" utilising the SHRM Approach.

## VII. SHRM INITIATIVES - SOME INDIAN PERSPECTIVES

Because of the economic reforms in 1991, the general trend in Indian business is in favour of SHRM methodologies. The impact of restructuring, the economic change to an open market, and increased competition from both within and outside the organization have put a strain on all operations within the organization. There is a need for a common requirement among the decision-making group to develop talents, resources, skills, policies, and macro and micro HRM activities, which convert into strategic Human Resource roles and improved organizational learning capacities.

Some of India's most significant companies have also taken the lead in this area, bringing to light novel concerns in strategic human resource management. Foreign corporations that have been functioning in India after the liberalisation of the economy do not limit HRM programmes and techniques, as are Indian enterprises', but instead cover a larger variety of HRM topics. Many experts have studied the effects of shifting economic conditions on organizational and management structure, strategy, culture, and values. They have recommended that quality, cost competencies, corporate moral principles, employee development, motivation, and teamwork be improved, that the HRM function be strategically integrated, and that line management be more involved in HRM.

Budhwar (2000) emphasises the importance of research in the Asia-Pacific region, notably in India, Latin America and China all of which are growing economies. There is a compelling need to look into the HR practices in these sectors. Using a variety of techniques and perspectives, the key empirical studies on HRM in India relevant to the changing environment have been done. (Budhwar, 2000)

### VIII. SHRM - FIT AND FLEXIBILITY

In the framework of Strategic Human Resource Management, the link between fit and flexibility is confusing. There is little agreement on the definitions and values of each. This research provides the theoretical framework for comprehending the strategic importance of human resources in an organization. Its goal is to align key components of the HR system with the organization's strategic demands while also allowing for flexible responses to a range of strategic requirements.

In organizational research, the notion of fit has served as the foundation for much theoretical development. The assumption that organizations are more efficient and/or successful when they attain fit vs when they don't is inherent in all approaches to fit. Fit, according to Nadler and Tushman, is "the degree to which one component's requirements, demands, goals, objectives, and structure are congruent with those of another component" (p. 40). (Nadler & Tushman, 1980).

Strategic flexibility is described as "an organization's capability to adapt to a variety of demands from changing competitive contexts." Organizations with flexibility can adjust present practices in response to non-transient changes in the environment. Teece, Pisano and Shuen stated that enterprises in dynamic settings must "...reconfigure the organization's asset structure, as well as execute the required internal and external reforms" (1997: 520). (Teece, Pisano and Shuen, 1997)

When organizational change is required or an organization has embraced competing competitive goals, a focus on improving fit might be harmful. Milliman *et al.*, (1991) stated that the Strategic HRM literature has shown two links between fit and flexibility. While without explicitly advocating a negative connection, these writers indicate that the two cannot coexist. The "orthogonal" concept contends that fit and flexibility are at different extremes of the same continuum. (Milliman *et al.*, 1991)

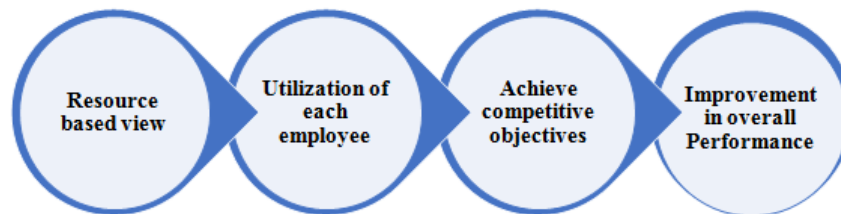


Fig. 1 Implementation of Resource-Based View and its outcome. (copyright @ Ray Chaudhuri & Mukherjee)

In fig. 1 it has been found that by implementing a resource-based view an organization can utilise each employee to the utmost to achieve their competitive objectives which will result in providing overall higher organizational performance.

The first point of view on the fit or flexibility connection suggests that these factors are independent of one another, which Milliman *et al.*, (1991) refer to as the "complementary" viewpoint. According to this point of view, both principles are necessary for organizational performance. The problem is to adapt to change (which requires flexibility) to develop a fit between a corporation and its surroundings. We believe that fit and flexibility are complimentary, owing to their emphasis on various characteristics of organizations. Fit may be defined as a state that occurs to some degree at any given moment and includes both internal (HR characteristics) and external (strategy) components. Fit can only be evaluated as a snapshot since it deals with interactions among a group of dynamic dependent components. (Milliman *et al.*, 1991)

The majority of definitions of flexibility refer to the "capacity" to fulfil a wide range of demands in a changing environment. Flexibility is a quality of an organization, not a momentary state. In contrast, to fit's emphasis on the interface of two variables, one internal and another external, flexibility is considered completely internal. A match between an organization's strategy and the abilities or qualities of diverse workers was the second relationship studied in Strategic HRM. Many studies have shown a correlation between management traits and corporate-level strategies including diversification, restructuring, and building and harvesting. Wright, *et al.* (1995) discovered that the link between a team's specific talents and its performance varies among the various tactics in empirical research. This relationship has also been investigated at the level of the complete human resource pool's competencies (as opposed to just top managers). (Wright, *et al.* 1995)

### IX. FINDINGS AND CONCLUSION

The relevance of Strategic Human Resources Management (SHRM) in any corporate organization cannot be overstated in terms of assisting the firm in achieving its goals. Every firm must prioritise strategic human resource management to accomplish its objectives.

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