Human Resource Management

MGC2430

Strategic HRM

What is Strategy?

Strategies define the direction in which an organisation intends to move and establishes a framework for action to achieve a particular strategy
- Maximising strengths and opportunities
- Minimising weaknesses and threats

Resource Based View (RBV)

HRM can play a strategic role by seeking sources of internal competitive advantage (employees) that are valuable, rare, inimitable and non-substitutable

The resource-based view of HRM (Barney and Wright, 1998) hypothesised that people and (more importantly) how they are managed are a source of competitive advantage
- i.e. people are the most valuable resource

Approaches to SHRM

Best Practice (Universalist Approach)

- Some HR practices better than others
- One best way of doing things (e.g. interviews)
- However, policies, cultures, unions may weaken best practice relevance

Best Fit (Contingency)

- How can we fit our HR policies and practices to the organisation?
- How the practice fits into the organisation's environment
- However, seen as simplistic, lack of consideration of employee interests

The Configurational Approach

- How we constantly configure HR practices to the firm's goals
- Ensures HRM is integrated with organisational strategy
- Involvement of line managers and employees

Strategic Management

Aims to achieve and sustain competitive advantage

Strategic HRM

'The pattern of planned HR deployments and activities intended to enable the firm to achieve its goals' (Kramar et al., 2014)
HRM's role is to ensure the company's resources provide it with a competitive advantage

Types of Strategies

Directional (corporate level): where do we compete? What businesses are we in?
- Concentration strategies (concentrating skill base, developing employee skills, transferring staff into specialised areas)
- External growth strategies (aligning cultures and practices)
- Divestment or downsizing (outsourcing) strategies (outsourcing certain functions)
Competitive: how do we compete in that business?
- Generic strategic types (cost, quality, innovation)
Strategic Choice
- The ways an organisation will attempt to fulfil its mission and achieve its goals

SHRM Model

Assumptions:
- Model assumes unitarist view of power (employees/managers share same goals)
- Consistent with 'hard HRM'
Strengths
- Horizontal fit (synergy)
    - How do elements of HR system work together?
    - Organisational level
- Vertical fit (adding value)
    - How do HR strategies add value?
    - Social level, organisational level, etc.
- Temporal fit
    - How does HR adapt to and plan for the future
Critiques of SHRM model
- May not be the most effective way of managing people (focused on achieving business strategy, views employees as resources, oversimplifies relationships)
- HRM has been criticised on ethical grounds (not ethical – employees viewed as resources)

Strong HRM = High in distinctiveness, consistency and consensus (Bowen and Ostroff, 2004)
- Distinctiveness: features that allow the HRM practice to stand out in the work environment
- Consistency: is established when there is agreement amongst employees and managers
- Consensus: establishing an effect over time whereby the effect occurs each time the entity is present – regardless of form of presentation

Career Development

Components of Career Development

Learning

Change in the level of knowledge displayed
- Acquiring new or altering knowledge and skills that results in a change in the level of knowledge displayed
- Can be immediate: learning a new fact
- Can be accumulative: job experience

Training

Formal learning process
- Organised activity aimed at imparting information and/or instructions to improve the performance or to help attain a required level of knowledge or skill
- Types of training
  - On-the-job training
  - Classroom training
  - Training centres
  - Coaching

Development

An increase in skills
- An ongoing effort made by employees and employers to increase knowledge, skills and abilities of employees
- Continuous, strategic, often planned to reach a goal, can be used as a motivator

Issues in Career Management

- Organisations view employees as a resource to drive outcomes and deliver a competitive advantage
- Younger generations looking for employment in a job for life sense rather than employability
- Hudsons (2004) estimate cost of replacing key staff is 150% of their original salary and benefits

Career Development

Career development provides a challenge to meet the employees' career goals and the priorities of the organisation
- Employees: career interests, needs and aspirations, etc.
- Employers: right people, right jobs at the right time, attracting and retaining talent

Career Management and SHRM

For career management programs to be successful, they need:
- Horizontal integration
  - HR planning/succession planning
  - Performance management
  - Training and development
  - Recruitment (internal)
- Vertical alignment
  - Individuals and managers clear on organisational strategy

Why Doesn't it Always Work?

- Often just added onto the performance appraisal process
- The conversation is often short-term
- Sometimes it looks for and provides a quick fix
- It is about exploring options, not telling people what they are
- It must be genuine

Career Development Drivers

Careers have become:
- Protean: where the employee manages the process and not the employer
- Boundaryless: it crosses various areas across the organisation
- Portfolio: a collection of work activities based on areas of interest and core capabilities

Should organisations invest in employees?
- 'Employers are understandably reluctant to make big investments in workers who might not stay long. But this creates a vicious circle: Companies wont train workers because they might leave, and workers leave because they don't get training.' – Forbes, 2012

Drivers

Technological changes: the way work is done, how it is done and where it is done (outsourcing has driven one element of this driver)
Demographic changes: increased part-time, more women in the workforce, flexible hours, telecommuting, work/life balance requirements
        'The war for talent' – shortage of skilled workers

Career Management Strategy

- Tailored for individual development needs (no two people have identical developmental needs)
  - Periodical performance appraisal is important
- The strategic approach (HR is the lead) will bring together key HR policies/practices – recruitment, reward, development
- Line managers are critical in this process
- Results can be:
  - A focus on the needs of the employers and employees
  - Increased clarity
  - Action plan to move forward

Is time, or lack of it, an excuse for not doing this?

Reward Management

Why Reward Management

Primary objectives
- To attract the right people at the right time for the right jobs
- To retain the best people
- To develop the required workforce
- To motivate employees by recognising and rewarding high performers

Secondary objectives
- Needs fulfilling for employees
- Equitable - feels fair
- Legal
- Affordable / cost-effective
- Strategically aligned

Intrinsic vs Extrinsic

Extrinsic Rewards
- Associated with but external to the job
- Financial rewards
- Developmental rewards (learning and development)
- Social rewards (work/life balance)

Intrinsic Rewards
- Arise from the job itself
- Interest and challenge
- Task variety and autonomy

Which Reward Works Best?

A poorly designed system may drive poor behaviour

Lindrop 2009 found:
- New 'voice' mechanisms now in place
- Such as joint management-employee consultative committees
- Organisation asks employees which rewards best motivate them, and use this to motive in the future

Reward

'A reward can be anything tangible (financial reward) or intangible (psychological reward/wok satisfaction) that an organisation offers its employees in exchange for their potential or actual work contribution' – Nankervis, et al. (2017)

What Constitutes Reward?

Base Pay
- Fixed component of remuneration
- Job-based pay: based on occupation, role, etc.
- Person-based pay: based on skills/competencies

Other Rewards/Benefits
- Voluntary – fringe benefits (company car, etc.)
- Good for attracting strong candidates
- Good for retaining high performers

Performance Related Rewards

Performance related reward plans
- Collective: encourage group work and cooperation by rewarding groups
- Individual: reward individual efforts too to avoid freeloading
- Share plans: share in ownership of organisation

Criticisms
- Kohn (1993) state they fail because:
    - Motivate to pursue reward, rather than do a good job, manipulate behaviour, harm productive working relationships
- Heery (1996) argues employee wellbeing is threatened because:
    - It contradicts employees' need for stable and secure income
    - Overwork syndrome may lead to more stress

Rewards an the SHRM Model
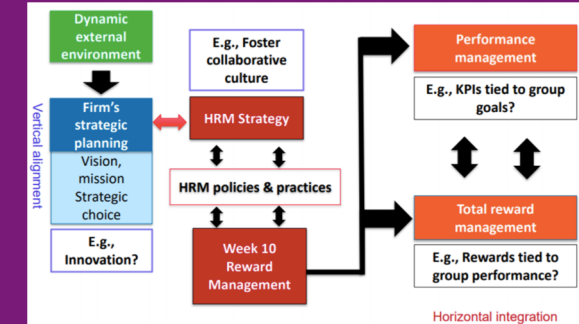
Task Motivation 'Process' Theories

Agency Theory
- Interests of principle (organisation) and agents (employees) not necessarily aligned – performance pay most effective way to align employee/employer interests

Reinforcement Theory (Skinner)
- Behaviour is a function of its consequences
    1. Positive reinforcement (giving positive response for good behaviour)
    2. Negative reinforcement (removing negative response for good behaviour)
    3. Punishment (giving negative response for bad behaviour)
    4. Extinction (removing positive response for bad behaviour)

Expectancy Theory
- Behaviour dictated by the expected reward – behave in order to receive certain reward (promotion, pay, etc.)

Equity Theory
- Rewards should equal contribution → 'input : output' ratio
- Should be fair, relative to other employees

- One of the biggest costs to the organisation
- Easy to get it wrong – much harder to get it right
- Monetary rewards not the only driver
- Employee voice is important (directly or through unions)