

CONCEPTUAL MODEL OF HR PRACTICES WITH CORPORATE STRATEGIC MODEL AND ORGANIZATIONAL STRUCTURE

ABSTRACT

The rapidly changing global business environment demands a very high knowledge on the part of the human resource managers to function effectively as strategic business partners. The emergence of SHRM as a paradigm shift generated more value-added core responsibility, and emphasized the need to integrate HR practices with business strategy. The purpose of this paper is to analyze the matching of HR strategy with organizational structure and corporate strategy and HR capabilities (HR capital). The characteristics of human capital that affect organizational strategy and the relationship between HR strategy and organizational strategy is recognized. Measuring the key HR issues in strategy provides the alignment between HR and business process and ultimately, what can be used to link the financial outcomes.

HR alignment is a vital process to advance agency accountability. By defining, maintaining and assessing HRM goals and measures, communicating them throughout the organization and using the information to make management decisions, organizations are able to ensure that the management of human resources contributes to missions accomplishment and that managers are held accountable for their HRM decisions in support of mission accomplishment.

Among the other benefits, HR alignment with mission accomplishment increases, human capital like, HR's ability to anticipate its customer's need, increases the organization's ability to implement strategic business goals, and provide decisions-makers with critical resource allocation information.

KEY WORDS:-Human capital, organizational strategy, HR strategy, competitive strategies.

INTRODUCTION

With rapid changes in the business environment, organizations are increasingly looking at human resources as a unique asset that can provide sustained competitive advantage. In most organization the department of Human Resource is viewed as an administrative function and ignores the need and opportunity to align it with its strategic plans. As much as people are viewed among the most important resources to firms, HR strategy would be the central to achieve competitive advantage. Firms should view HR strategy as an important tool for integrating competencies inside organization and for matching employment capability with organizational strategy and investigate how various combinations of capabilities can lead to competitive advantage. So, it is believed to be important that the management of the human resources should be in perfect fit with the management of the organization as a whole and its strategic plans.

REVIEW OF LITERATURE

Once the business strategy has been determined, the HR strategy is implemented to support the chosen competitive strategy. In this sense, a HR strategy is concerned with the challenge of matching the philosophy, policies, programmes, practices and process, is the way that the employees will stimulate and reinforce the

behavioral role to be appropriate for each competitive strategy (Schuler, 1989, 1992). An important part of the HR strategy debate has focused on the integration or 'fit' of business strategy with HR strategy. This helps to design and implementation of the strategic option chosen by the company depends fundamentally on the human factor (Jackson and Schuler 1995).

For performing efficiently an organizational strategy should be supported by distinctive capabilities that built upon efficient combinations of knowledge, abilities and behavior, which is to be originated from the employees, with other factors possessed or controlled by the company (Prahalad and Hamel, 1990).

The personnel competencies that the employees possess and apply in the execution of their jobs, the company's human resource become key strategic factors for its competitive advantage (pfeffer, 1994). It is noted that the organization's strategic, technology, financial and its value is based on the competencies of the employees. The importance of th HR capabilities is, as a determinant of HR strategy that has to be incorporated in the organization strategy.

Since organizational capabilities are constructed by efficiently combining the organization's assets with the competencies of its employees, the workforce effectively becomes the foundation and location of competitive advantage through employees' contributions to the development and maintenance of the core capabilities (Barney, 1991; Pfeffer, 1994).

In this view, HR strategy need to be designed in the way that encourage employees to acquire and develop those competencies that needed to build core competency, and retain those employees that having valuable competencies, especially, those that is not

easy for the company's competitors to acquire other than by "poaching" (Colbert, 2004). Be the way we can assume that the strategic value and uniqueness of human capital are two of the most important determinants of alternative HR strategy.

Effective human resource management strategy systematically organize all individual human resource management measures to directly influence employees' attitude and behavior in the way that leads business to achieve its competitive strategy. Sustained competitive advantage could be generated from a firm's human capital by design in firm's strategic needs which is required to implement a competitive strategy and achieve operational goals. This study focuses on the alignment of human capital with corporate HR strategy and organizational structure.

CORPORATE STRATEGY

An emphasis on HR leads to understanding the role HR plays in strategically building a competitive advantage. As greater congruence between corporate strategy and HR results in the more effective organization strategy will be, where different valuable skill rises out of the human capital. Thus organization pursuing different strategies will require different skills in personnel and this is where HR needs to be aligned with strategy. The need to match strategies and HR has implications for both the recruitment of personnel and organizational performance results in success of the organization (Wright, Smart, McMahan, 1995). By measuring the key HR contribution towards the corporate strategy, execution of the HR function is transformed into a source of valuable creation for the organization.

Somewhere, few organization managers feel that their HR officers are true strategic partner. That is

those officers included in business planning from the beginning, throughout the implementation, for a decision that has been made already. For HR to become more involved in line-level, decision making would like to have greater knowledge of the organizational mission and to get more involved and innovative in broad, organizational HR issues that impact most of the organization's HR functions.

HR STRATEGY

According to Armstrong (2009), strategic Human resource management emphasizes the need for the HR plan and strategies to be formulated within the context of overall organizational strategies and objectives and to be responsive to the changing nature of the organization's external environment. It is an approach which requires interpretation and adaption by practitioners to ensure the most suitable fit between HR business strategies and plans. Thus, the overall themes of SHRM are the integration of all HRM functions, adherence to broad organization goals and responsiveness to the external environment.

There are two distinct functions of HR, where the first one deals with HR strategic effectiveness, which is the HR function and development of an organization's employees to support its business goals, where the second is the HR function of administrative effectiveness on which most HR departments spend their time. The administrative function includes recruitment, selection, training, performance appraisal and compensation plans (Huselid, Jackson, & Schuler, 1997)

According to Werbel and DeMarie (2005), HRM practices create procedures that constitute the building of employees' knowledge and skills throughout the organization to promote valued and unique

organizational competencies which support competitive advantage. Strategic HRM is a paradigm in managing HR in the modern organization which is hinged on the understanding that the most critical resources that any organization must provide itself of its HR, since it is the HR that is responsible for coordinating the other factors of production to spur corporate performance. Strategic HRM aims to achieve strategic fit. It produces HR strategies that are integrated vertically with the business strategy and are ideally an integral part of that strategy. Vertical integration is necessary to provide congruence between business and HR strategy so that the latter supports the accomplishment of the business strategy and helps to define it. SHRM is also about horizontal integration which aims to ensure that the different elements of the HR strategy fit together and are mutually supportive (Armstrong 2008). It enables strategic decisions to be made that have a major and long-term impact on the behavior and success of the organization by ensuring that the organization has the skilled, committed and well-motivated employees it needs to achieve competitive advantage. Cooke et al (2005) asserted that SHRM is an efficient function that copes with environmental changes. It directly and indirectly benefits companies because it changes passivity into initiative, transmits organizational goals clearly and encourages the involvement of line managers.

Marchington (2008) argue that SHRM positively influences firms performance because it generates structural cohesion, an employee-generated synergy that propels a company forward, enabling the firm to respond to its environment while still moving forward.

Developments in SHRM thinking are explored through the best-fit, best practice and configurationally approaches which have a profound impact in the understanding of the contribution SHRM can enhance human capital, through

increased competitive advantage and added value. Indeed, it becomes clear that whether the focus of SHRM is on alignment with the external context or on the internal context of the firm.

HR needs to acknowledge what it does now, with what it needs to do to provide value to the organization's bottom line. Once the gap is recognized, HR needs to measure itself to guide itself, and prove its worth as an ongoing strategic unit. Ultimately the organization determines the effectiveness of strategy development, implementation and subsequent competitive success. A strategic approach that is aligned with HR ensures that an organization's employees' skill and abilities contribute to the achievement of its business goals (Huselid, Jackson, & Schuler, 1997).

HR needs to be part of the organization's strategy development and needs to take a comprehensive approach that aligns its actions with the entire organizational strategy. In order for HR to effectively align itself with the strategy of an organization, it must present top management with solutions that address the strategic need and support of the organization (Freedman, 2004). On the Harvard survey found that 80% of HR departments lack a strategic planning process that aligns its spending with the organization's strategy (Norton, 2001). The motivation to correct these HR problems is high because of the strategic integration of HR into an organization achieves a competitive advantage. Moreover HR has much to contribute in a strategic supporting role, where the ultimate goal is to support an organization through the management of human capital, which is the major subset of the broader organization's strategy.

ORGANIZATIONAL STRATEGY

When HR expands its traditional administrative role, it can have a significant impact on an organization's

value creation. To properly align HR with an organization's strategy, it needs to be organized with corporate strategy as well with all department strategy where human capital leverages all other areas of an organization. Therefore, the HR department needs to ensure the human asset is effectively aligned with the strategy chosen by the organization. To capitalize on this leverage, organization needs to adopt a new perspective of HR (Becker, and Huselid, 2001). Instead of the traditional administrative function of being a cost center, focused on compliance, the administrative role should work on efficiency by accepting HR into the strategic planning initiatives.

The alignment between HR and the strategy of an organization begins with a strategy focused professional, where the next the HR system needs to be created in alignment with the organizational strategy. HR needs to ensure that employees are strategically focused on every element of the HR function, from beginning with planning, hiring, compensation, reviews, training etc, needs to be developed in order to enlarge the human capital in the organization.

COMPETITIVE STRATEGIES

Among the key business issues that may impact on HR strategies include proposals on increasing competitive advantage through innovation leading to product/service differentiation, productivity gains improved quality and cost reduction (Armstrong 2009). Competitive advantage model argues that employers have three basic strategic options in order to gain competitive advantage: cost reduction, quality enhancement, innovation (Schuler & Jackson, 1987).

Wright and Snell (2005) suggest that seeking fit requires knowledge of the HRM practices necessary to elicit those skills and behavior,

and the ability to quickly implement the desired system of HRM practices.

HUMAN RESOURCE ALIGNMENT

HR alignment means integrating decisions about people with the decisions regarding the results of an organization is trying to obtain. By integrating human resource management (HRM) into the organization planning process, by emphasizing human resource (HR) activities that support broad organization mission, goals, and building a strong relationship between HR and management, agencies are able to ensure that the management of HR contributes towards mission accomplishment and that managers are held accountable for their HRM decisions. This is especially important in light of achieving defined strategic goals and measuring progress toward those goals. The HR executives and HR leaders need to work together to fully integrate HRM into the strategic planning process so that it will become a fundamental, contributing factor to the organizational planning and success. The process here is to integrate human resource management goals, objectives and strategies into the organizational strategic plans where, HR managers has to focusing on organizational activities that assist to make decisions, emphasizing on the internal HR efforts for efficiency, as the internal issues are more important to the success of any HR program. Finally hr executives have to examine the progress and find the ways of impact for the success of the organization as the whole. Generally this out-put oriented measures and make improvements to the HR-specific policies and procedures, goals and the mission of the organizational issues.

The relationship between HR and management is becoming more collaborative. HR executives are being to earn a set of management bench. HR line managers are

becoming more consultative and involved in day-to-day line management activities. Still there is a long way to go if HR is to become a strategic partner at all levels. To be so, HR needs to build its own internal competencies to deal with organizational issues, educate itself on the organizations' missions, program and find ways to offer creative and innovative solutions to organizational wide issues.

CONCEPTUAL MODEL OF HR PRACTICES

To facilitate the changes recommended above, HR has to have a strong, collaborative working relationship with the corporate management and line management. Since there is no tradition in the HR function as a strategic partner, much depends on personal relationships established by HR officials with top managers and key line managers. Meanwhile, HR and the management needs each other more than ever. Authorities are being delegated to line managers, HR staffs are being downsized and top management is being asked to show how its resources are being used to support mission accomplished. For this HR must be able to make share accountability for ensuring that the use of human resources is not only complies with the laws, rule and regulations, but adds to the success of the organization. This shared accountability is being to occur as the HR management is being to earn a position at the strategic management level.

With developing relationship between HR and management, both at the top and line levels, accountability should become a shared responsibility. Managers are making more and more HRM decisions while HR staff is becoming more involved in broader organizational issues. This means that both HR staff and managers are ultimately accountable for effective, legal compliant of HRM functions. At this point, the measures typically focus on outputs and processes

and are generally internalized to the HR function. The data are used mostly to make improvements to HR-specific policies and procedures. While this kind of measurement is important, measures should also focus on organizational outcomes. Information from these measures should then be used to inform as organization's decisions and find solutions to organizational issues. Finally, it must continually assert the absolute critically of effective HRM to organizational success. Also developing and enhancing HR information systems in support of mission accomplishment, improves the initiatives for the alignment process.

MEASURING HR FROM A COST/ BENEFIT ANALYSIS

Often organizations do not pay much attention to HR function as the HR lacks it accountability. It slightly impossible for the HR department to achieve its full potential until it can demonstrate the role plays in creating organizational value and its return on investment (Frangos, Fitzenz, 2002). Usually, HR's value is reported like from cost saving in the HR process, rather than on what HR achieves from a business return on investment. Leading research from the consulting industry cites that 40% of HR executives are asked to sit at the strategy table, while 60% play a passive role (Frangos, Norton, 2001). This implies that HR lacks the tools to describe and measure the value of the HR role. So by without measuring the effort of the HRs' strategic contribution to the organization, organization cannot manage the human capital as a strategic asset. Most organization will agree that HR plays an important part in its success, but, continue to prevent HR from being included in the true strategic objectives of an organization. Being to describe the strategic benefit, HR is to recognized as valuable contributor.

To overcome the resistance, as HR having a say in organizational strategy, HR needs to measure and identify the benefit from being a part of the strategic process (Mills, 1985). HR needs to measure its impact on organizational strategy and its efforts to build programs to better manage the development of an organization's human assets, likely to measure the organizations' competencies, leadership, culture, alignment, and learning (Norton 2001). Measuring these parameters, the issues provide a framework describing the drivers of an organizations strategy. In reference to each measurement, HR will be accountable for the organization's readiness for each component of the strategy.

HOW THE HR OBJECTIVES ARE MEASURE OF STRATEGIC INCLINATION?

1. Strategic competencies are to understand what competencies needed, available, and plan to close the gap. The measures of strategic readiness should plan for the strategic talent gap and key employee retention.
2. How to built the Leadership on pipeline, where the strategic measures the leadership gap and employee survey of leadership
3. How to internalize share of vision and align with strategy? Is it to be measured by the culture alignment survey and the percentage of personal understanding of strategy.
4. How is the alignment of personnel goals linked with to its organizational goal is measured by, the percentage of goal alignment and with the percentage of Incentive aligned.
5. The sharing of Knowledge, learning and experience in the strategy is measured by sharing across department with best practices, key people, teams as well as rewards provided.

With these measurements, HR has a means to discuss

strategy with top management and also highlight HR's challenges and contributions to the organization's strategy. More while, the response become as a source of organizational alignment and allows for repositioning their goals and roles as strategic partner in the corporate strategy.

INCREASING HR PERSONNEL COMPETENCIES

An increased change in the duty of HR requires as a change in how HR professionals think and act. It is also required that senior management has to change what they expect from HR, for that corporate management must show that they believe HR can play an important strategic role, beyond administrative duties along with the up gradation by HR professionals. HR professionals should aware of business, can influence the culture of the work place, and make positive change happen within an organization. By doing so, will bring the personal creditability to HR, as contribute in a strategic management. HR must earn respect and to know how to measure the effectiveness in terms of business competitiveness, rather than employees' good feelings. HR must lead an organization's culture, rather which consolidate, or downsize in order to contribute value. To be considered a strategic function, HR must escape its perception of the incompetent support staff (Ulrich,1997).

CONCLUSION

This paper has reviewed the relevant literature and the considerable discussion and deconstruction of SHRM, various elements of competitive strategies and the links between these elements. Researchers has examined that the HR policies and practices may be used to provide coherent and comprehensive HR bundles. This has led to suggestions that there is one

best way in which SHRM should be delivered and moreover that this has a positive impact on human capital. Review examines how well HR strategies can be aligned with wider organizational goals has also been examined. Best fit HRM is the idea that HR practices should and does vary between organizations depending on business strategy or market, product circumstances. Competitive strategies are deemed strategic in linking HR policies and practices to the goals of the business and the external context of the firm, and are therefore contributing in different ways to performance. Increasingly, many firms are pursuing competitive strategies aimed at cost reduction, quality improvement and innovation with the goal of gaining competitive advantage through HR. Conclusively, the contribution of corporate strategy, in touch with the contribution of SHRM should be closely linked to the changes in different business environment including micro and macro context. If HR is to work as an equal partner in the organization's strategic efforts, it must be able to be a part at a strategic level to others in the organization as about the HR responsibility in supporting strategic objectives. For that aligning HR and strategic plans is an important endeavor for every organization. A study strongly support the alignment between strategies, human capital, and Performance and thus shows the potential role of HR can play in implementing strategy and developing an organizations' competitive advantage (Wright, Smart, McMahan, 1995). Alignment between HR activities and strategy planning can perform by HR department. Moreover HR has to expand and go beyond an administrative function and focus more on how it can support the organization in strategic planning and implementation.

By increasing the competencies of HR personal, the department will increase its creditability and be integrated into a strategic role. When HR measures

itself from a business perspective and by the value it brings to the organization, top management will not ignore HR in the participation of strategy process. Instead, corporate management will welcome HR input because it will have a clear understanding of how HR affects the bottom line from a business and/or strategic standpoint. By inter-locking HR measures with items concerning the ongoing business, HR becomes aligned with strategy through dependent tasks that are accounted for inter-dependently.

In result, an organization's people and their skills ultimately determine the effectiveness of strategic plans, and its implication. In its purest form, HR is best suited for leveraging an organization's personnel that implements the organizations' strategic process.

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