Strategic Human Resource Management (SHRM)

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Its Significance in Service Organizations

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Strategic Human Resource Management (SHRM) has gained importance in managing critical resources. Currently, SHRM has become more relevant in service organizations. This essay explains the transition of Human Resource Management (HRM) to SHRM and corroborates the findings with case studies

The key dilemma confronting the HR function in organizations today is not what to do in order to be making a contribution to the business as a business partner; but how to determine priorities in allocation of scarce resources (human, financial and physical) in a way that maximizes their contribution to the achievement of the organization's business objectives. Even if the resources for the HR function were doubled, or increased tenfold, the same issue would need to be addressed: how to determine priorities for the allocation of resources in a way that maximizes the HR function's contribution to the business. Under the traditional model, four factors were seen as critical in contributing to the determination of HR strategy. These factors were the strategic/business plan of the organization; the workforce planning process; HR information; and external environmental factors (Storey 2004).

Over the last two decades there has been a profound shift in thinking about the role that people play in the success of the business, with a growing view that the management of people is a key organizational capability and one which should be highly integrated with the strategic objectives of the business. A cornerstone of this notion of SHRM is the creation of linkage or integration between the overall strategic aims of the business and the human resource strategy and implementation (Storey 2004).

There have been a number of conceptual attempts to interpret comprehensively the nature of the integration between business objectives and human resource strategy. At the broadest level is the notion that integration occurs when the human resource strategy is 'matched' with the organization's stage of development or strategic orientation or management

style. So, start-up businesses require a rather different approach to HRM from companies in decline (Baird & Meshoulam 1988); similarly multi-divisional companies have rather different requirements from those of less complex organizational forms (Fombrun et al. 1984).

The key business strategies of innovation, quality enhancement, and cost reduction require specific sets of role behaviors. These in turn propose different HRM policies in relation to job design, development, employee assessment, reward, and engagement (Shuler et al. 2001).

Theoretically it is quite possible that an intimately integrated, strategic approach to HRM will encompass nearly all the specific HRM objectives and practices and hence drive all aspects of the way labor is managed. Equally however, it is possible that the close integration of HRM with corporate strategy could, in some sectors for example, lead to a heavy emphasis on cost-reduction, eliminating all "people frills" such as coaching, communication with employees or employee welfare and making considerable use of outsourcing (Boxall 1992). The nature of SHRM assumed in the universalistic category provides for a more detailed examination and explanation of the policies and practices of the management of the organization in their approach to their labor force.

SHRM is the earnest resolution of human resource administration and policy issues so as to enhance a public agency's effectiveness. SHRM calls for inferring how personnel functions interrelate in context, recognition of their importance, and commitment by personnel managers, employees, supervisors and political leaders to work together for alteration. SHRM has emerged because of these changes (Leopold et al. 1999).The primary stakeholders are senior management whose principal role is in putting forward the precedence that the organization reckons as its strategy. Senior associates have to guide the organization and engage those middle managers accountable for departments/units (a hotel) and specialist purposes such as personnel/HRM. Strategy has to employ operational and junior managers who

enforce daily and weekly decisions, and engage supervisors/team leaders who have to achieve tangible results/carry our tasks and control staff dealing directly with customers (Leopold et al. 1999). The operational staff will have diverging levels of skill, training needs, job status (full/part time), be made up of core or non core employees, seasonal staff etc. The question here is how to make the organization's strategy pregnant for occupational groups who may be in a short term employment .Service organizations able to manage people in this systematic manner have the traits of a superior organization. But this is not all organizations have to be able to react and contend with their external markets and mange their external stakeholders – hence SHRM and marketing have inviolable functional links.External stakeholders are those who lend their financial capital to the hospitality or tourism organization in other words the shareholders. As service companies move to become PLC's (Public Limited Companies) as opposed to a family owned business external shareholders become progressively important stakeholders for senior executives to manage. The senior managers of service sector firms must be able to fulfill these expert stakeholders that their corporate business strategies are sound enough to safeguard the cash invested in them. Increasingly service organizations are expected to demonstrate that they are committing in all aspects of the company's business – including its human resources and associated strategic areas.   Government and related regulatory authorities like health and safety regulations, employment and financial laws etc., are a further pressure on organizations to move away from a mostly operational/reactive mode of operation to a strategic/proactive mode of operation based upon a conceptual understanding of business strategy which includes SHRM. One point of view is that the different demands of internal and external stakeholders can be accommodated if firms are able to render strategies and operational systems which concentrate upon the delivery of first class services to customers, clients, consumers and communities. This market driven/customer centered view of company

management has regulated the debate and pattern of SHRM, business strategy and the excellent company. This integrated advance to people management is a characteristic of marketing as service organizations compete/market on the capacity of staff to gratify rising consumer expectations (Bramham 2000).

Business or corporate strategy for service firms in sectors such as hospitality, tourism, retail etc. has to comprehend a range of varying stakeholders' interests and conciliate these within a strategy framework acceptable to them all. SHRM has had a part to play in the consolidation of staff within the pattern ascertained by the most cogent internal stakeholders – senior managers. SHRM is thus part of the wider reticulation of corporate administration and business strategy. The drive to fulfill external stakeholders and the people intensive nature of service sector environments leads to a stress on people management both operationally and strategically. Customer service and related concepts of superior companies have led hospitality and tourism businesses to a more conceptual discernment of people management. In the long term it this remains to be seen whether the strategic management of human resources has been more regulated by soft HRM (focusing on the management of culture, employee attitudes, empowerment) and hard HRM (focusing on measurable outcomes) (Megginson 1999).

Mayfair- London lies at the heart of British Tourism/Hospitality Industry and Bass group is a leading hospitality chain. Johnson (1999) observes that senior managers at Holiday inns undertook a training project that encompassed spending short periods at operative levels. This exercise led to an actualization that if front-line staff were not given authority and autonomy to resolve non-routine problems as they arose, their customers' opinion of quality and service would be badly impaired. It is important to take cognizance of the linking together of senior executives, front line staff, empowerment of staff to take responsibility for customer care/satisfaction and quality management issues. All these point to the central them in SRHM.

The organization then commenced training initiatives to equip workers to take additional responsibility for quality and problem-solving as well as enforcing fresh recruitment strategies, such as "auditions" for food and beverage staff to distinguish candidates with the "right attitudes". The "right attitudes" hints that management is looking for staff with culturally specified social skills – e g "attribute" that are often arduous to appraise. These "soft" or "tacit" skills e g abilities to execute intricate relationship roles and functions while at the same time, execute technical (or "hard") tasks. The distinction between tacit/soft skill and explicit/technical/hard task oriented- skills lies at the heart of our discussion of SHRM. Managers also recognized that the effectiveness of the new strategies would reckon on a genuine dedication to the interests and welfare of employees. The hotel gained "Investors in People recognition" in 1995. This was obtained again in 1998 and there is a process of annual review that has a section on the working environment and barriers faced by staff.

Johnson (1999) explains the aspects suggestive of SHRM approaches to people management. The primary objective of network of "mentors" is to aid graduate trainees .SHRM recognizes the institution of a new role of training officer. SHRM also considers the provision of a resource centre with free employee inter net access, languages provision and computer courses. The emphasis is on employee interests rather than being operationally driven training. The key role of supervisors/team leaders in the evolution of staff competencies and in enforcing employment policy are also noted by the author. Employee career appraisal and performance review, are part of employment strategies of mixing pay, career development, appraising potential, rewarding performance and reviewing training demands. The stress on "employability" and continuous staff development is a characteristic of SHRM. Results were analyzed independently and fed back to all departments, which were then compared with month-by-month figures and set targets for continuous improvement. All these policies were

paying off. Profits have increased steadily during the past five years, customer feedback to employees in all roles was consistently favorable and the hotel has been voted "favorite" hotel in the group by regular customers twice in the past three years. This article by Johnson is a classic example of a service sector organization which is managing its people in a coherent and strategic manner.

Lashley (1994) commences with a survey of the various claims made for employee empowerment as a means of winning the commitment of front line service workers to "delighting customers" with excellence and hence maximizing the profits of the business. Thus Lashley contends that the hospitality (and other service) organizations will need to evolve a "total quality culture". This will only be possible through a sense of personal effectiveness. They will feel powerful in their ability to affect outcomes and willingly accept obligation for successful service encounters. The article goes on to explode the myth of the universal applicability of empowerment (and other generic management techniques) as simple answers to complex issues. Drawing on examples from Marriot Hotels and Harvester Restaurants (and others) it is conspicuous that each of these initiatives is likely to represent different designs by managers and produce different impressions amongst employees who are so empowered. Lashley (1994) points to the example of McDonald are that "employee empowerment is not the only employment policy open to hospitality organizations. Many fast food and cost sector operators have become very prosperous by embracing approaches that are quite the opposite of employee empowerment. In these firms jobs are tightly outlined and scripted. Employees are permitted little discretion to do jobs in their own way. Yet these organizations are phenomenally successful. It is a fair assessment to note that employee empowerment is a much over-used term and needs to be defined through the meanings of managers, the forms adopted and the experiences and perceptions of those who are supposedly empowered. The same

comment goes for terms such as SHRM and Human Resource Planning. Lashley furnishes four broad motives for introducing employee empowerment as an employment strategy. The first objective is that in organizations where customer service requirements are difficult to predict, employees will need to be empowered to do whatever is needed for customer satisfaction. Secondly, where products are standardized and customer service needs are predictable, the key concern will be to earn greater commitment to organizational goals, objectives and quality measures. Thirdly, in other cases, employees may be actively involved in defining service standards and proposing new services or products. This is likely to occur in circumstances where there is a reasonable degree of standardization but changes are occurring in the market-place and predictability is more challenging. Finally, there are firms who are looking to bring down their costs of management and administration by reducing layers of management within the organization. Lashley makes the point that management techniques and employment strategies like empowerment are about picking out policies enabling an organization to meet its commercial objectives. Not all organizations are in the same position in relation to their customers, markets and the willingness of their employees to dedicate emotionally to the organizations values and objectives. The author also points out the need for managers to find a "balance" between "intangibles" and "tangibles" as sources of customer satisfaction.

U.S. life insurance, an industry which has been known for stability was nurtured by government regulation (Scott, O'Shaughnessy & Cappelli 1994).These firms have been encountering a great deal of turbulence from the accelerating confluence of financial services such as banking, savings and loans, investment management, and insurance. The old sureties are gone, and it's unclear what will replace them. The fact that many financial service firms are seeking growth through acquisitions and mergers underscores the lack of confidence strategic thinkers in financial services have in deciding how to grow by leveraging strategically valuable

organizational capabilities**.** In these firms, HRM is a purely administrative function, not an origin of strategic leverage. However, top managers in a couple of the life insurance firms insisted that coping with their back office functions effectively was crucial to their competitiveness. This strong divergence of opinions about the strategic importance of HRM in the same industry is not unusual, and it suggests that firms' human resource management choices may be an underdeveloped source of strategic leverage for life insurance firms.

HR practices which target specific employees' behaviors in performance appraisals and direct compensation are strongly related to increased efficiency, but that those which aim at distributing portions of organizational financial rewards to employees are associated with contracted profitability. The latter practices can be interpreted as a gift exchange between workers and management, enhancing their relationship (Chadwick & Cappelli 1998). It appears, then, that such relationship-oriented compensation practices are not as effective in this context as using compensation and appraisal which target more specific employee behaviors. This implies that the ways in which individual workers' efforts are tied to organizational outcomes in back office functions in life insurance firms should be transparently specified and rewarded by management in its compensation and performance appraisal systems. Types of compensation in which workers share in organizational financial outcomes, such as gain sharing, and profit-sharing are typically computed in arcane formulas which make their implications for employees' day-to-day activities much less obvious. Perhaps the majority of the work done in back office functions such as claims processing is fairly straightforward, making it more likely that management can successfully specify the behaviors it requires. The uncertainty about the future which plagues the industry may occur mostly at the strategic level and in the sales function; back office functions may best be occupied with efficiently implementing management's strategic decisions, rather than encouraging employees to exercise discretionary

effort and autonomy in order to tailor their services to customers' needs. A corroborating piece of evidence in this regard is the high importance many life insurance firms attach to speed, accuracy, and predictability in their back office functions, as opposed to innovation.

SHRM enhances productivity and the effectiveness of organizations. Research shows that when organizations employ such personnel practices as Internal career ladders, formal training systems, results-oriented performance appraisal, employment security, employee voice/participation, broadly defined jobs, and performance-based compensation, they are more able to achieve their goals and objectives (Mullins 2002).The merger between strategic and HR planning, focused on customer/employee linkages, provides businesses both strategic and organizational capability which can not easily be copied by competitors. The merger builds unity between customers and employees. It provides business with processes to form strategies and assess business needs, and to but deploy resources to fulfill those strategies. It provides alliances between strategic and HR planners that build synergy and complement the unique expertise of each party to the planning process. Finally, it provides for competitiveness through collaboration (Mullins 2002).

To sum up it is imperative that SHRM is a key in advancing proper processes in place to ensure that the right person is in the right job, at the right time, performing well and appropriately compensated.

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