

Strategic human resource management

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Chapter overview

In Chapter 1 we examined the theoretical debates on the nature and extent of the human resource management (HRM) model. Chapter 2 discusses the concept of strategic HRM (SHRM) and explores various themes associated with SHRM. It begins with introducing the traditional prescriptive strategic management model, the strengths, weaknesses, opportunities and threats (SWOT) model. The chapter then goes on to examine competing SHRM models: the 'matching' model, the 'control-based' model, the 'resource-based' model and an 'integrative' model, before reviewing some important dimensions associated with SHRM: organizational performance, re-engineering, leadership, workplace learning and trade unions. The chapter introduces the reader to some key aspects of international HRM.

Chapter objectives

After reading this chapter, you should be able to:

1. Explain the meaning of strategic management and give an overview of its conceptual framework
2. Describe the three levels of strategy formulation and comment on the links between business strategy and HRM
3. Explain three models of human resources (HR) strategy: control, resource and integrative
4. Comment on the various strategic HRM themes of the HR–performance link: re-engineering, leadership, workplace learning and trade unions
5. Understand some international aspects of HRM

CHAPTER OUTLINE

Introduction

1. The strategic planning model shows how corporate- and business-level strategies, as well as environmental pressures, determine the choice of HRM structures, policies and practices.
2. A number of important questions are addressed here: How do higher-level corporate decisions affect HRM? Is it possible to identify a cluster or 'bundle' of HR practices with different strategic competitive models? Do firms that adopt certain bundles of HR practices experience superior performance?

Strategic management

1. Definition: 'strategic management' refers to a pattern of managerial decisions and actions that determines the long-term performance of the organization.
2. Strategic management requires a constant adjustment of three interdependent poles. [\[SEE FIGURE 2.1\]](#)



HRM IN PRACTICE 2.1

This example emphasizes the importance for managers and HR professionals of understanding the links between business strategy and HR strategy.

Model of strategic management

1. The prescriptive management literature describes many different strategic planning models. Most, however, replicate what we have done, reducing the basic idea to the SWOT model.
2. The model reduces the strategic management process to five neatly delineated steps. [\[SEE FIGURE 2.2\]](#)

Hierarchy of strategy

The prescriptive model depicts different levels of strategy: corporate, business, and functional. Strategies must be integrated. [SEE FIGURE 2.3]

Business-level strategy

1. At a functional level, HR strategy is formulated and implemented to facilitate the business strategy goals.
2. Business–HRM links are classified in terms of **low-cost**, **differentiation** and **focus**. Four simple business-level strategies are discussed, with relevant examples: the **low-cost leadership strategy** (for example Wal-Mart), the **differentiation strategy** (for example Tommy Hilfiger), the **focused low-cost leadership strategy** (for example Rent-A-Wreck car hire) and **focused differentiation** (for example Mountain Equipment Co-operative). [SEE FIGURE 2.4]
3. Miles and Snow's (1984) strategic models are examined: **defenders**, **prospectors**, **analysers** and **reactors**. In a **proactive** orientation, the HR specialist helps to formulate strategy; in a **reactive** one, the HR function is fully subservient.
4. Some models emphasize the importance of the environment as a determinant of HR policies and practices.



HRM IN PRACTICE 2.2

This article suggests that there is a gap between the rhetoric and practice associated with SHRM.

Strategic human resource management

1. SHRM literature is rooted in manpower (sic) planning.

Concepts and models

1. *Strategic HRM* is described as the process by which managers seek to link human assets to the strategic needs of the organization.
2. *HR strategy* is discussed in terms of an 'outcome' – the pattern of decisions relating to HR policies and practices.
3. The environment as a determinant of HR strategy is examined [SEE FIGURE 2.5], as is the notion of 'upstream' or 'first-order' strategic decisions. HR approaches are 'third-order' strategic decisions.

The matching model

1. In Devanna et al.'s model, HRM strategy and structure are linked to and influenced by environmental forces. [SEE FIGURE 2.6]
2. This model proposes that SHRM should be concerned with matching the 'five Ps', which reinforce employee role behaviour for each generic Porterian competitive strategy.
3. The notion of 'fit' is also a central tenet of Beer et al.'s model (go back to Chapter 1 and look again at Figure 1.3).
4. Limitations of the matching model: **conceptual** – predicated upon the rational view of strategic decision-making; **empirical** – limited empirical support for the model.

Human resource strategy models

1. This section of the chapter examines the link between business strategy and HR strategy. HR strategies are the pattern of decisions regarding HR policies and practices used by management to design work, select, train and develop, appraise, motivate and control employees.
2. Three models differentiate 'ideal types' of HR strategy:
 - a. the control-based model
 - b. the resource-based model
 - c. the integrated model.

The control-based model

This section discusses management structures and HR strategy as instruments to control all aspects of the labour process in order to secure higher efficiency and profitability. Individual, bureaucratic and technical controls are discussed:

- a. *Process-based control* is adopted when the mean–ends relationship is certain.
- b. *Outcome-based control* is adopted when the means–ends relationship is less certain.

The resource-based model

This emphasizes the strategic value of human assets and continuous workplace learning. Whereas the matching SHRM model focuses on external 'opportunities' and 'threats' (from SWOT), the resource-based SHRM model focuses on the strategic significance of internal 'strengths'.

1. Organizations can identify which resources are potentially strategic by using Barney's (1991) criteria: (a) value, (b) rarity, (c) inimitability and (d) non-substitutability. The organization's resources and capabilities *shape* strategy. [SEE FIGURE 2.7]
2. Limitations of the resource-based model: **conceptual** – conceptual vagueness, an imbalance giving too much attention to internal resources at the expense of external competition; **empirical** – little evidence that many firms have adopted the 'learning organization' or 'soft' SHRM model.

The integrative model

This characterizes two dimensions of HR strategy:

- a. *Acquisition and development* focuses on internal human capital.
 - b. *Locus of control* focuses on monitoring employees' compliance.
1. Using these two dimensions, four 'ideal types' of *dominant* HR strategy – **commitment**, **collaborative**, **paternalistic** and **traditional** – can be posited. [SEE FIGURE 2.8]



HRM IN PRACTICE 2.3

This case illustrates how a North American airline, Air Canada, introduced a low-cost leadership business strategy (Zip Air Inc) and a low-cost HR strategy to achieve its strategic goals. Can you think of other examples?

Evaluating strategic human resource management and human resource strategy

1. Critical organizational theorists have questioned the linear and 'rational' choice model because of lack of information, time and 'cognitive capacity'.
2. SHRM and HR strategy thesis focuses too much on the link between external marketing strategies and the HR function and pays insufficient attention to internal operating strategies.
3. The notion that a commitment HR strategy *follows* from a real or perceived 'added value' competitive strategy is plausible in theory but problematic in practice. Managerial behaviour is influenced also by the *indeterminacy* of the employment contract.
4. Achieving the goal of a '*close fit*' between business and HR strategy may contradict the goal of employee commitment and cooperation. The foregoing analysis suggests that there is no 'one best way' of managing contradictions.

Dimensions of strategic human resource management

This part of the chapter examines five important themes associated with SHRM. With the exception of leadership, they provide an introduction to the following chapters in the text.

1. *Organizational performance* – examines the HRM–firm performance link and introduces students to some of the methodological challenges of measuring the impact of HRM that are examined in more detail in Chapter 13.
2. *Re-engineering* – it is claimed that the process leads to flatter organizational structures, redesigned work teams, the use of IT and senior management commitment.
3. *Leadership* – considered important in the 'soft' HRM model in order to develop a high level of employee commitment and cooperation.

4. *Workplace learning* – posited to be a central building block in the resource-based SHRM model and in the ‘learning organization’.
5. *Trade unions* – draws attention to the contradictions between the normative HRM model and trade unions, and introduces the debate on ‘partnership’ between management and unions.

● International and comparative strategic human resource management



HRM IN PRACTICE 2.4

This report draws attention to the international HRM issue of overseas postings. What are the leadership and gender implications associated with this report?

International human resource management

This deals with issues and problems associated with the globalization of business, for example the cross-national transfer of key employees, the orientation of expatriates (foreign service employees) and cultural issues. This field of study tends to adopt a prescriptive ‘how to’ approach.

Comparative human resource management

This section focuses on the nature of and reasons for the differences in HRM practice across national boundaries. This field of study addresses such questions as: Can the Anglo-American HRM model be transplanted to other countries? To what extent are HRM practices culturally determined?

1. The ‘European’ HRM model has, at least in theory, a greater potential for ‘partnership’ between management and labour and might therefore find support among newly elected social democratic governments in Europe (for example, New Labour in Britain and the SPD in Germany).

ENGAGING IN CRITICAL THINKING

Reflective question

Is the resource-based SHRM model distinctive? How does this model relate to the debate on ‘hard’ and ‘soft’ variants of HRM?

Help

This question requires you to evaluate (that is, estimate the value or worth of something in the light of its truth and utility, remembering to include your personal judgement) the strategic HRM models. A comprehensive answer would define strategy and explain HRM–business strategy links. One way for students to explain the difference between the two SHRM models is to use the SWOT approach. The matching model emphasizes external ‘opportunities’ and ‘threats’ facing the firm, whereas the resource-based model draws attention to internal ‘strengths’. Barney’s (1991) four criteria for identifying potential strategic resources should be discussed: (a) value, (b) rarity, (c) inimitability and (d) non-substitutability. It may be suggested that a focus on external forces mirrors the ‘hard’ HRM model. The resource-based approach, with its focus on ‘knowledge capital’ and learning, reflects many of the features contained in the ‘soft’ HRM model. Hint: Look again at Figure 2.8 and ask whether it is more useful to differentiate between a ‘traditional’ HRM strategy and a ‘high-commitment’ HR strategy rather than notions of ‘hard’ and ‘soft’ models.

Chapter case study

AIR NATIONAL

This case illustrates the HRM–business strategy link. The case is based upon Trevor Colling’s 1995 article, ‘Experiencing turbulence: competition, strategic choice and the management of human resources in British Airways’, and post-September 11, 2001 newspaper reports on restructuring in the airline industry. Hint: see also

HRM in practice 2.3, which discusses a new business and HR strategy recently introduced by Air Canada. Enter Air Canada’s website, in particular the company’s new services, for further information. Also think about the four HR strategies depicted in Figure 2.8 in terms of Air Canada’s new business strategy.