

# Human Resource Management

## Unit 1 (Part 2)

Introduction to Human Resource Management



### This lecture will cover:

- 1) The history of human resource management
- 2) The definition of human resource management (HRM)
- 3) Human resource duties and practices
- 4) Strategic human resource management (SHRM)
- 5) SHRM concept from research to practice
- 6) Unit Conclusion
- 7) Exercise

#### 4) Strategic Human Resource Management (SHRM)

- ❑ HR department advises top management or makes decision on staffing, training, and compensation after top management decided relevant business strategy.
- ❑ HR is viewed as a business within the firm with **three product lines** as following;
  - ✓ **Firstly**, administrative services and transactions. Focusing on resource efficiency and service quality.
  - ✓ **Secondly**, the business partner service. Human resource business partner (HRBP) is to develop effective HR system, help to implement business plans.

#### 4) Strategic Human Resource Management (SHRM)

- ✓ **Thirdly**, strategic partner or strategic human resource management (SHRM).

The SHRM is to contribute HR on business strategy based on the considerations of human capital, business capabilities, readiness, and develop HR practices strategic differentiators.

The function of SHRM focuses on knowledge of HR and the business, competition, the market, and business strategy.

#### Strategic Human Resource Management (SHRM)

HR is viewed as a business within the firm with **three** product lines.

##### ADMINISTRATIVE SERVICES & TANSCTIONS

practices on compensation, hiring and staffing. It stresses on resource efficiency and service quality

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##### HR BUSINESS PARTNER (HRBP)

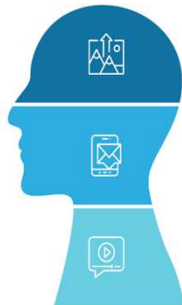
develop effective HR system, help to implement business plans, talent management

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##### SHRM

contribute HR on business strategy based on the considerations of human capital, business capabilities, readiness, and develop HR practices strategic differentiators

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#### Function of SHRM

Focuses on



**Strategy** means organizational schemes that are formally established as guidelines for leading the organization to achieve its goals. Strategy must be flexible, link to objectives, internal & external factors.

#### 4) Strategic Human Resource Management (SHRM)

- ❑ The effective of SHRM requires to understand the strategy concept as a guideline plan for the intended implementation.
- ❑ There are 2 types of guidelines for dealing with different situations.
  - 1) Strategy formulation is done before it happens
  - 2) Strategy development is done with intent and purpose.

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#### 4) Strategic Human Resource Management (SHRM)

- ❑ Organization strategy is a set of alternative choices.(Boxall & Purcell, 2003)
- ❑ Strategy is the crisis perspective of executives have planned for organization capability, or the internal risk, external threats affecting the organization change, and deploy its resources effectively. (Hofer & Schendel,1986)
- ❑ Good strategy must be linked to the complex internal and external factors that must be taken into account in planning development for a competitive advantage. (Boselie ,2011)

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#### 4) Strategic Human Resource Management (SHRM)

- ❑ Therefore, the strategy means organizational schemes that are formally established as guidelines for leading the organization to achieve its goals. And strategies can be flexible according to the environmental conditions that may happened unexpectedly.
- ❑ Strategies are linked to complex factors such as organizational objectives, internal factors, external factors, planning, developing strategies for a competitive advantage.

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#### 5) SHRM Concept from Research to Practice

- ❑ Many organizations rely heavily on human capital for a competitive advantage.
- ❑ The market value added depends on intangible assets such as knowledge, core competencies and organizational potential.
- ❑ Then, human resources should be a resource that creates more value for the organization.
- ❑ However, most HR is adhering to the general administrative task rather than the value-added functions.(Lawler, 2005).

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#### 5) SHRM Concept from Research to Practice

- ❑ Dave Ulrich, said strategic human resource management is a mirror of business goals. And, it acts as a window linking the work between HR departments and customers and investors.
- ❑ At present, the organization is aware of HR, whether it is the concept of governance, practices, competence of employees. or data analysis.
- ❑ The HR professional should have the ability to transform important information related to HR analytics for department managers (line manager) to be used (Thansetthakij, 2015).
- ❑ Strategic human resource management is a focus on organizational performance rather than individual employee. (Becker & Huselid ,2006)

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#### 5) SHRM Concept from Research to Practice

Strategic human resource management concept is the integration of human resource management with business strategy.

The integration of HRM and business strategies will result in effective HRM, improve organizational efficiency and lead organization to success.

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### SHRM Concept from Research to Practice

Rely on Human Capital

**Integration of HRM with Business Strategy**  
By practice 2 main dimensions are:

**1- Develop line manager to be an expert in personnel management**

**2- Integration of internal fit and external fit**

**Internal Fit**- relationship between strategy and HRM activities

**External Fit**- relationship between HRM strategy with environment

### 5) SHRM Concept from Research to Practice

- ❑ There are two main dimensions of this integration concept:
  - 1) The development of line manager to be an expert in personnel management. Because, line managers are close to their employees, they can create incentives for employees and supervise work, solve any problems that arise in a timely manner.
  - 2) The relationship between human management strategies and fit with the environment. On the other hand, the internal fit or horizontal fit, is the relationship between strategy and human resource management activities

### 5) SHRM Concept from Research to Practice

- ❑ The SHRM concentrates on the overall picture of the organization and link the operations with the organization's strategy respectively. In the past 25-30 years, many scholars have studied the effectiveness of the application of mechanical human resource management in organizations
- ❑ Richard & Johnson (2001) found strategic human resource management affects organizational performance, reduces turnover rates and increases marketing results and increases production rates

### 5) SHRM Concept from Research to Practice

- ❑ Dyer and Reeves (1995) proposed a study to test organizational efficacy in SHRM research:
  - 1) human resource outcomes such as employee behavior
  - 2) Organizational outcomes such as productivity, quality and service
  - 3) Financial accounting results such as income from investments and profits
  - 4) Stakeholders or results in the capital market

SHRM studies on four dimensions of Dyer & Reeves (1995)

Scholars	Dyer and Reeves Organizational Efficacy in SHRM Dimensions			
	Human Resources	Organizational	Financial	Stakeholders
Arthur (1994)	Turnover rate	Productivity and quality		
Batt (2002)	Absenteeism		Sale growth	
Batt et al (2002)	Absenteeism			
DeJery & Doty (1996)			Average return on assets and equity	
Guthrie (2001)	Employee retention	Productivity		
Huselid (1995)	Turnover	Productivity	Total return on capital	
Ichniowski et al (1997)		Productivity		
Way (2002)	Turnover	Productivity		

### 5) SHRM Concept from Research to Practice

- ❑ In addition, Way & Johnson (2005) address five widely used theoretical concepts related to SHRM namely **resource-based view**.
- ❑ It is a theory that looks at organizational resources, that they are valuable, rare, inimitability, or difficult to replicate, and internal processes (organization) or activities that will give a sustainable competitive advantage.

### 5) SHRM Concept from Research to Practice

❑ Further, the **systematic agreement theory** that provides a conceptual framework for the harmonization of organizational design, strategy and organizational culture for the same goal consists of four areas:

- 1) **Structural alignment**: the harmonization of goals of different activities or processes in the organization.
- 2) **Cultural alignment**: leadership creates organizational culture that supports organizational strategies.
- 3) **Performance alignment**: the necessary results of the organization to lead the organization to success
- 4) **Environmental alignment**: the external environment that is in line with the organization's strategy.

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### 5) SHRM Concept from Research to Practice

- ❑ Inasmuch as, John (n.d.) conducted a study on the evolution of human resource strategies by dividing the paradigm of strategic human resource management into 3 eras including; 1) person-job fit 2) systemic fit and competitive potential.
- ❑ Strategic human resource management, starting from the age of people fit with the job focusing on efficiency and productivity.
- ❑ Then entering to the second and third eras focusing on knowledge-based competition, innovation and change, learning, culture uniqueness, promptness and smart human capital.

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### 5) SHRM Concept from Research to Practice

❑ Lengnick-hall et al. (2009) divided the evolution of strategic human resource management into seven categories:

- 1) explaining contingency perspectives and fit
- 2) shifting from a focus on managing people to creating strategic contributions
- 3) adjusting HR system components and structure
- 4) expanding the scope of SHRM
- 5) achieving HR implementation and execution
- 6) measuring outcomes of SHRM
- 7) evaluating methodological issues

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### 5) SHRM Concept from Research to Practice

❑ Ulrich et al (2012) recommend HR professional to stress on the business from outside to inside organization. This is to enable firm adding sustainable value. Six important trends of the change as following;

- 1) society including; individual lifestyles, family, ethics, religion, and expectation of well-being
- 2) technology refers the technology disruption on human on the aspect of life span and working
- 3) economics the economic cycles (recession or growth) shape consumer and government confidence, the capital flow, investment

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### 5) SHRM Concept from Research to Practice

- 4) politics concerning with regulatory affect the expectation on government of corporate, personal lives
- 5) environment involves with the limit resources that provide energy, over and above firms need to manage social responsibility
- 6) demographics are the changing of birthrates, education, aging society, income level affect to consumer behavior.

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**5) SHRM Concept from Research to Practice**

HR Professional Six Competencies Source:  
Adapted from Noe et al (2012), p. 6 as shown in the figure

**HR Professional Six Competencies**

**HR 6 Competencies**  
Professional

- 01 CULTURAL and CHANGE STEWARD**  
1-2 DEALING WITH SYSTEM PROCESS
- 02 OPERATIONAL EXECUTOR**  
1-2 DEALING WITH SYSTEM PROCESS
- 03 STRATEGIC ARCHITECT**
- 04 BUSINESS ALLY**
- 05 TALENT MANAGER/ ORGANIZATIONAL DESIGN**  
3-5 DEALING WITH ORGANIZATION CAPABILITIES
- 06 CREDIBLE ACTIVIST**  
6 DEALING WITH RELATIONSHIP

**5) SHRM Concept from Research to Practice**

- ❑ The six competencies can be interpreted with the practical duty;
  - 1) Operational executor, HR professional implement workplace policies, advance HR technology, administer the daily work of managing people.
  - 2) Cultural and change steward, HR professional should develop and value organizational culture, help employees navigate organizational culture, manage work life balance, encourage innovation.

**5) SHRM Concept from Research to Practice**

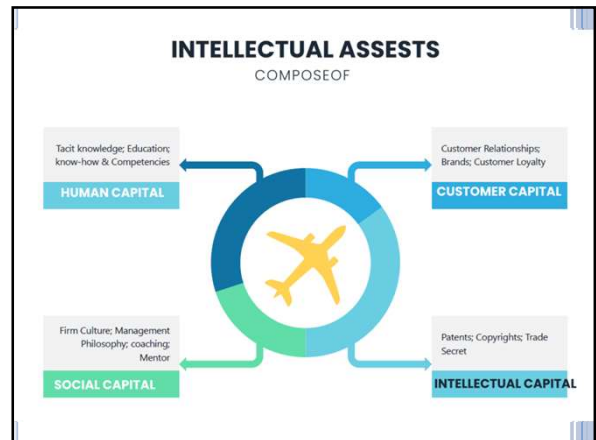
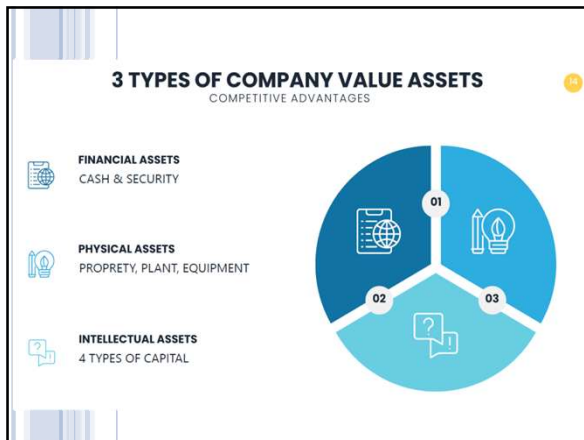
- ❑ The six competencies can be interpreted with the practical duty;
  - 3) strategic architect, the HR professional should recognize the business trends and its impact to organization, the performance which has a positive influence to organization, develop people strategies that contribute to business strategy.
  - 4) talent manager or organizational designer is to develop talent, design reward systems, and shape the organization

**5) SHRM Concept from Research to Practice**

- ❑ The six competencies can be interpreted with the practical duty;
  - 5) The business ally is the understanding how business return on the profit. This means that a deep knowledge on organization's business, cost, profit, customer, and competitors.
  - 6) credible activist, HR professional concerning with the delivering result with integrity, share information, build trusting relationships, influence others, provide candid observation, take appropriate risk.

**5) SHRM Concept from Research to Practice**

- ❑ The Present day, more companies are interested using intangible assets and human capital to gain advantage over the rivals.
- ❑ There are three types of company's value assets that important for the firm to provide goods and services as following;
  - 1) cash and security or financial assets
  - 2) property, plant, equipment or physical assets
  - 3) intangible assets. Whereas, the intangible asset composes of human capital, customer capital, social capital, and intellectual capital.



#### 5) SHRM Concept from Research to Practice

- ❑ To completely benefit from employees' knowledge, organization has to focus on developing and empowering the workforces.
- ❑ The empowering refers to giving employees responsibility and authority to make decisions regarding all aspect of product development or customer service.
- ❑ In addition, the organization should become knowledge-based firm by capturing the learning at employees, team, and company level. This is also known as learning organization.

#### 5) SHRM Concept from Research to Practice

**Learning organization** means the organization embrace a culture of lifelong learning, enable all workforces to continually acquire and share knowledge. Meanwhile, employees should be encouraged to identify problems, making decisions, continuously learning, and improve. It is for the purpose of adapting change and dealing with the effect of the changes.

#### 5) SHRM Concept from Research to Practice

- ❑ The challenging for HR professional is to enhance the employee engagement. It is referring to the level of employees are highly involved in the work, the strength of their commitment to their responsible task.
- ❑ The employees are engaged and committed to the organization they work for which allows organization competitive advantage, high productivity, better customer service, and lower turnover rate.
- ❑ Into the bargain, HR professional must systematically plan to recruit, attract, retain, develop, and motivate highly skilled workforces and managers. It is called talent management.

#### 5) SHRM Concept from Research to Practice

- ❑ Alternatively, HR professional needs to find alternative work arrangement which is the independent contractor, on-call workers, temporary workers, and contract company workers.
- ❑ The benefit of alternative work arrangement might happen on both individual and organization. Today, more people need flexible working, balancing work and family responsibilities.
- ❑ On the other hand, the organization is easier to add or terminate temporary workers when needed. Meanwhile, the part-time workers may consist of valuable skills that current employees may not have that needed for specific project.

**6) Conclusion**

- ❑ This unit introduced the evolution of HRM , the functions of human resource professional.
- ❑ It is derived from working design, personnel management, human resource management and the strategic HRM
- ❑ HR professional should practice to enhance the organization strive to success.
- ❑ The strategic HRM is to align HR activities with the business strategy.
- ❑ The HR professional should compose of six competencies namely; operational executor, cultural change steward, business ally, talent management/organizational designer, strategic architect, and credible activist.

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**6) Conclusion**

- ❑ HR can be view as three organizational product lines including; administrative services, business partner services, and strategic services. Additionally, helping the organization dealing with globalization, sustainability, and technology changes.
- ❑ The HR professional should consider how the internal and external environment goes, how the work shall be done, the expectation of employees, and the value placed on human capital and intangible assets.

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**Activities**

- ❑ Divided students into 6 groups, each group select one of the six HR competencies discuss and analyze the what should HR practices in accordance with each competence that most beneficial to the organization, and present in class.

Operational executor	Talent management/ Organization designer
Cultural change steward	Strategic architect
Business ally	Credible activist

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**Exercises**

- 1) What are the three product lines that HR has been view?
- 2) How could HR retain high skilled workforces?
- 3) What should HR practices to augment knowledge, skills, and capability of employees?
- 4) How could you explain the organization intellectual assets?
- 5) What are the six key external contexts affecting the business?
- 6) Describe reasonability of HR department.

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