"A Conceptual Study on the Relationship of HR Strategies with Other Constructs"

Indira Sharma[1], Manmeet Singh[2]

[1]Academic Associate at IIM Indore, Prabandh Shikhar, Rau- Pithampur Road, Indore (MP)
[2]Faculty at   Medi-Caps Institute of Technology & Management, Pigdamber road, Indore (MP)

Abstract:-

Purpose: **This paper seeks to:**

- **Review the literature on HR Strategies with special reference to the relationship of HR Strategies with other constructs.**
- **Establish a relation between Strategic Human Resource Management (SHRM) and HR Strategies.**
- **Determining the research gap in this area.**

Design/methodology/approach: **The paper intends to provide a conceptual review of the past literature in the areas of HR Strategies. The paper is divided into 3 parts:**

- **Describes and examine the published works in HR Strategies.**
- **Established a relation between SHRM and HR Strategies.**
- **Established a relation between the HR Strategies and the other variables like business outcomes, Business strategies, Core competencies, HR Outsourcings, Knowledge management etc.**
- **The review identifies the limitations of the literature and outlines future lines of research for this field.**

Findings: **The review also showed that HR Strategies are related to other variables like; business outcomes, business strategies, organizational strategies, core competencies, HR outsourcing and knowledge management etc.**

Research limitations: **The main limitation of this review is that the study is completely based on secondary source of review no primary study is done. Thus, the study does not provide any empirical evidence to support the literature of the article. All the provided literature is written based on the findings gained from the previous studies.**

Practical implications: **HR Strategies affect other constructs like; organizational effectiveness, Change management and organizational development etc. This study can increase the knowledge of formulation and implementation of HR Strategies in any organization which will in turn enhance the effectiveness of the managers. This in turn can help the organization to operate at high efficiency.**

Intangible Originality/value: **The study helps the scholars orient their research in HR Strategies by providing them a better understanding of the construct. Also provides a ray of direction in which the field is going and what are the existing gaps.**

I. INTRODUCTION

Change is sweeping through our lives and institutions whether we want it or not. It has become inevitable everywhere regardless of country, culture and corporation. This is creating more challenge to the industries resulting into unstable than ever before. Manufacturing industries are thus seeking to gain competitive advantage at all cost and are turning to more innovative sources through HRM practices (Sparrow, Schuler, & Jackson, 1994). In the current era Human Resource is being considered the prime source of competitive advantage; distinctive competencies can be obtained through highly developed employee competence, distinctive organizational cultures, management process and systems. Thus, the organization's human resource management policies and practices must fit with its strategy in its competitive environment.

II. STRATEGIC HUMAN RESOURCE MANAGEMENT (SHRM)

The concept of SHRM became popular in the 1980s with the development of two models viz. the Matching model and the Harvard model. These models proposed the integration of strategy and HRM. Jackson and Schuler (2000) contented that HR is seen as "potential contributor to the creation and realization of the organization's mission, vision, strategy and goals". Schuler (1992) concluded that, SHRM is largely concerned with 'integration' and 'adaptation'. Its purpose is to ensure that HRM is fully integrated with strategy, HR policies are coherent and HR practices are accepted by line managers. Gradually, SHRM started becoming more popular. Researchers defined SHRM in different ways. Some of them are:

III. LINK BETWEEN SHRM AND HR STRATEGY

SHRM and HR Strategy are closely related to each other. Bamberger & Meshoulan, (2000) contented that SHRM is not unrelated to HR strategy. Indeed, the formulation and enactment of an HR strategy is designed to "link HR policies and practices with the strategic goals and objectives of the firm" (Truss & Gratton, 1994) is a key element of SHRM. Thus, if SHRM is the process by which organizations seek to link the human, social, and intellectual capital of their

members to the strategic needs of the firm, espoused HR strategy is the road map that organizational leaders use to secure that link, and emergent HR strategy is the road actually travelled.

IV. HR STRATEGY

The history of HRM reflects the continuous innovation and adaptation of new techniques and methodologies. The field of HRM successfully developed and introduced new techniques, practices, and roles in the past few decades. Due to this continuous development HRM is developed into which, responds to emergent sources of organizational uncertainty (Jacoby, 1985) i.e. HRM is developing its strategic role to meet the challenges of the changing environment. With the changing dynamics, the HR Practices are becoming more strategic in nature hence there is greater need for HR Strategy. HR Strategy means accepting the HR Practices as a strategic partner in the formulation of the company's strategies as well as in the implementation of those strategies through HR activities such as recruiting, retaining, motivating, rotating and rewarding personnel.

Miles and Snow, (1978) conceptualized HR strategy as an outcome, the pattern of decisions regarding the policies and practices associated with the HR system.

V. RELATIONSHIP OF HR STRATEGIES WITH OTHER VARIABLES

HR Strategies are related with various constructs. Important variables for the study are discussed as under:

A. Relationship between HR Strategies and Business Outcomes

Pardo and Prelines (2008) analysed the impact of HR Strategies on business outcomes. The results revelled that the grouping of practices into three factors. The first factor, which is comprised of practices related to the development of worker abilities including participation, training and the existence of an internal job market, is called the development factor. The second factor, which encompasses the position design and remuneration system variables, is called the organic factor in that organic structures offer similar position design and remuneration systems. The last factor concerns aspects related to the selection process and the duration of the working relationship, which is therefore called the hiring factor. On the basis of the presence and absence of the above discussed factors in the organization Pardo and Prelines (2008) designed 4 types of HR Strategies namely: Null Strategy, Make Strategy, Buy Strategy, and Inconsistent Strategy.

Delery and Doty (1996) in their study depicted that profit sharing, result-oriented appraisals, employment security, participation and internal career opportunities affect return on assets and return on equity in positive manner. Thus, it is clear that the HR Strategies affect the business outcomes.

Wright and McMahan (1992) stated that in order to generate higher business outcomes, a high degree of fit must exist both between HR practices and organizational strategies.

B. Relationship between HR Strategies and Business strategies

Business strategy can be understood as an integrated and coordinated set of obligations and events developed to take advantage of core competencies and to increase competitive advantage (Liao, 2004). These strategies are designed to gain on the organizational resources (Dess et al., 1995), and to guide the future course of actions which are directed to achieve end results (Slevin and Covin, 1997).

Researchers classified the business strategies in different forms. Following is the types of business strategies classified by different scholars:

- Miles and Snow (1984) classified business strategies into: prospector, defender and analyser.
- Porter (1985) classified strategies into: cost leadership, differentiation and focus strategy.
- Schuler and Jackson (1987) classified strategies into: cost-reduction, innovation, and quality enhancement.

Many scholars supported to develop a formal HR strategy statement which provides a link between business strategy and HR practices (Nininger, 1982; Rothwell and Kazanas, 1989; and Storey, 1994).

Schuler and Jackson (1987) also pointed out that an organization has to systematically integrate the HR Strategy with the business operation strategy to effectively enhance its competitiveness and management benefit.

Koys (2000) concluded that the HR Strategies and business strategies are linked together. He further elaborated that the most common elements on the formal HR Strategy statements are employee development and recruitment and staffing. His study found that formal business strategies are more common than formal HR strategies. He reported that the companies are less serious about developing formal HR Strategies as Eight-eight (88) percent of the business strategies they received were informal documents while only 65 percent of the HR Strategies were formal documents.

Sharma and Mehlawat (2011) conducted a study to identify the impact of HR Strategies and business strategies on the bank's performance in Indian banking sector. They concluded that those banks which have promoted the HR Strategies and Business Strategies in the field of Promotion, Training, Reward System, Productivity, Job Security and Placement performed better in comparison to the other banks which did not promoted. The results revelled that banks such as Panjab National Bank and HDFC Bank have also improved their performance. In contrast Bank of Rajasthan Ltd. has not adopted any HR and Business strategies properly so the performance of this bank was not as per the required standards.

Huang (2001) contented that an effective linkage among business strategy, HR Strategy and reward systems enhances organizational performance and create competitive advantage. Latter on Hsieh and Chen (2011) suggested that reward systems is an important part of an organization's HR Strategy. He attempted to build a reward system that ideally suited to HR Strategy and competitive strategy. Based on the individual characteristics of competitive strategy designed by Porter viz; differentiation, overall cost leadership, and focus. They designed corresponding HR Strategies viz; innovation-oriented HR Strategy, contribution-oriented HR Strategy, and commitment-oriented HR Strategy. The results revelled that when an organization selects the overall cost leadership business strategy, it adopts a contribution-oriented HR Strategy.

From the above literature it is clear that many studies hold this fact true and rational; that HR Strategies and business strategies are linked together. Martell and Carroll (1995) examined 115 business units and came up with the results that half of them linked business strategy with HR strategy.

C. Relationship between HR Strategies and Core competencies

Core competencies are the integration of capabilities and accumulative knowledge such as techniques, management, and so on that are significant for companies to gain their competitive advantages. The industries with core competencies can create or offer services or products with lower capital and more different features than their competitors. Core competencies are not physical assets, so their characteristics are irreplaceable, peculiar, and hard to copy. In addition, core competencies can also strengthen customer's core value, create differences from competitors, and build up the capacity to enter new markets (Quinn et al., 1990; Li and Huang, 2007).

Lin, Lee, and Tai (2012) explored the influence of a corporation's HR Strategies on its core competencies using the scales of HR Strategies and core competencies as research tool. The study objects were the supervisors of the department of human resource of the core component manufacturers in Taiwan. The results revelled that the HR Strategies have significant and positive influences on the market access competencies, integrity-related competencies, and functionality-related competencies of core competencies. Moreover, the study results also indicated that the moderating effects of the organization's age on the relationship between HR Strategies and core competencies and the moderating effects of the organization's size on the relationship between HR Strategies and core competencies were significant.

D. Relationship between HR Strategies and HR outsourcing

Outsourcing is defined as the transfer to an outside provider of a function previously performed internally (Finlay & King, 1999; Lepak et al. 2005).

Elmuti (2003) concluded that outsourcing, as a strategy, results in better deployment of business activities, however limited empirical investigations have been reported on HR outsourcing (Lilly, Gray & Virick 2005; Bolat & Yilmaz 2009).

HR departments are getting more strategic in approach in the organisations (Ulrich 1996; Woodall, Scott-Jackson, Newham & Gurney 2009). Hence the focus of HR managers is not on monitoring and updating policies and programs of recruitment, training, performance appraisal and compensation etc. But, HR managers are expected to be more flexible, efficient, and contribute strategically to the organisations. Therefore, many HR managers started engaging with outsourcing to meet these objectives (Lepak, Bartol & Erhardt 2005).

Lepak et al. (2005) concluded that organisations should outsource peripheral functions and internally perform those functions that central to their competitiveness. By outsourcing peripheral functions, organisations are able to concentrate on core functions that help differentiate them from the competition (Delmotte & Sels 2008).

Halim and CheHa (2010) observed the extent to which different types of HR Strategy influenced HR outsourcing. The research was specific to the manufacturing organizations. They mounted six types of HR Strategy namely: Expansion HR Strategy, Quality Conscious HR Strategy, Cost minimization HR Strategy, Commitment HR Strategy, Employee development HR Strategy, and Conventional HR strategy.

Halim and CheHa (2010) examined the extent to which different types of HR strategy influence HR outsourcing. The findings suggested that organisations rely on outsourcing of training, recruitment, payroll and HRIS functions when they espouse expansion HR strategy. Quality conscious HR Strategies were significantly related to the outsourcing of payroll and HRIS functions. In addition, cost efficiency HR Strategy was significantly related to outsourcing of recruitment but in opposite direction. Commitment HR Strategy was significantly related to the outsourcing of training and payroll functions while conventional HR Strategy was associated only to outsourcing of training functions. However, employee development HR Strategy was not related to any outsourcing activities.

They further interpreted the results that organisations outsource only small portions of these functions when they pursue cost efficiency HR Strategy. In this case the organisations anticipate that the external vendors could not provide suitable candidates for the organisations since they do not understand well the culture of the organisations. Besides, organisations should foresee the danger of losing internal experts by engaging with outsourcing and thus, it is crucial for them to maintain at least a minimal level of in-house recruitment expertise as protection. Conventional HR Strategy was found to be negatively related to outsourcing training HR

functions. This reflects that the traditional organisations do not value and appreciate the contribution of the employees and consider outsourcing strategy is inappropriate for their organisations. Thus, the results showed that these types of organisations were unlikely to rely heavily on outsourcing strategy.

E. Relationship between HR Strategies and Knowledge management

Bordeianu and Buta (2015) contented that HR Strategies in organizations should include a separate subcomponent, which is Knowledge Management Strategy. They believed that the principles or the strategies implemented yesterday by organizations might prove their inefficiency today hence should be modified (Drucker, 2004). This is because the competitive advantage obtained/maintained by the company depends today, overwhelmingly by the type, quality and the value of the knowledge that the organization possess.

They suggested that effective Knowledge Management strategy should be a balanced focus on people, process and technology which features at the core of the firm's strategy. Certainly, implementing any strategy requires, first, a strong commitment of senior managers in this process, as they trigger the whole mechanism of change. Since that reshaping organizational culture means changes at the level of each employee, these depend heavily on the commitment and demonstrated competence of the managers who lead them directly. Active participation of top management levels is necessary for successful change, and learning organizations and creating the right environment for learning and knowledge transfer cannot be built only from the training department / training.

According to Bordeianu and Buta (2015) a culture that encourages change is an essential feature of organizational learning. The new organizational culture based on knowledge is an essential component of knowledge supportive environment to which contributes all the components of the organization management and which ultimately condition sustainability and performance decisively. HRM has to be the catalyst for culture change– connecting the traditional to the new methods, to leverage the collective knowledge in an atmosphere of "openness" with a competitive advantage. Thus, the HRM role can shift into a new value delivery model and can be seen as a more value added, becoming a strategic resource.

F. Relationship between HR Strategies and Unionization

Godard and Delaney (2000) proposed a new paradigm in Industrial Relations. They stated that the changing pattern of traditional, adversarial unionism toward innovative High Performance Work Practices or HR Strategies. They concluded that the development of new paradigm in the workplace has had a negative impact on unionization. Researchers (Eaton and Voos, 1992; Keefe, 1992) have provided evidence documenting that some unions have made positive contributions to technological change and economic

performance in the American context. Chen (2007) found a positive and statistically significant effect of HPWPs on unionization.

Colvin (1999) investigated factors influencing the adoption of dispute resolution procedures in the non-union workplace. The results suggested that both institutional pressures and HR Strategies are factors driving the adoption of non-union procedures. Results also supported for a link between the use of high performance work systems (HPWPs) or HR Strategies and the adoption of non-union dispute resolution procedures.

Hence, it can be concluded that implementation of HR Strategies reduces the unionization rate at the workplace or firms with lower unionization rate are more likely to implement High Performance Work Practices or HR strategies due to less resistance from trade unions. Although none of the study in this relation is found in Indian context.

VI. CONCLUSION

The inevitable change in the environment, everywhere regardless of country, culture and corporation is influencing the organizations. This challenge can be managed well with the help of HR Strategies framed as per the organizational goals. That means a tailor made HR Strategies for every organization is must to cope up with the existing changes. The literature review reflected that HR Strategy has relationship with each and every function of the organization thus it is must to be taken better care off. It is recommended that the other functions like; business outcomes, business strategies, outsourcing, core competencies, knowledge management, unionization, etc. should match the existing HR Strategies or new HR Strategies should be framed to manage the varies functions and cope up with the existing or new change.

REFERENCES

[1]. Abdul-Halim, H. and Che-Ha, N. (2009).Testing the dimensionality of integrated HRM strategy among Malaysian manufacturing organizations, *International Journal of Business and Management*, vol.4, no.10, pp.120-134.

[2]. Bamberger & Fiegenbaum (1996) *Human resource strategy: formulation, implementation and impact*. Sage Publication, Inc.

[3]. Bordeianu, o., & Buta, s. (2015). Linking human resources strategy with knowledge management strategy to drive measurable results. *USV Annals of Economics & Public Administration*, 15(1), 169-175.

[4]. Chen, J., & Wang, L. (2007). Locus of control and the three components of commitment to change. *Personality and Individual Differences*, 42(3), 503–512.

[5]. Colvin, Alexander J.S. (1999). *Citizens and Citadels: Dispute Resolution and the Governance of Employment Relations.* Ph.D. Diss., Cornell University.

[6]. Dean Elmuti, (2003). The Perceived Impact of Outsourcing on Organizational Performance, *American Journal of Business*, Vol. 18 (2), pp.33 – 42

[7]. Delery, John E., and Harold D. Doty. (1996). Modes of Theorizing in Strategic Human Resource Management: Tests of Universalistic, Contingency, and Configurational Performance Predictions. *Academy of Management Journal*, Vol. 39(4), pp. 802–35.

[8]. Delmotte, J. and Sels, L. (2008). HR Outsourcing: Threat or Opportunity? *Personnel Review*, Vol. 37(5), pp. 543-563.

[9]. Dess G. G., Gupta A., Hennart, J. F. and Hill C. W. L. (1995). Conducting and Integrating Strategy Research at the International, Corporate and Business Levels: Issues and Directions. *Journal of Management*, Vol. 21, pp. 357-393.

[10]. Drucker, P. F. (2004). *Managing the non-profit organization: Practices and principles. Taylor & Francis*.

[11]. Eaton, A. and Voos, P. (1992). *Unions and Contemporary Innovations in Work Organization, Compensation, and Employee Participation*. In Mishel, L. and Voos, P. (eds) Unions and Economic Competitiveness. New York: M.E. Sharpe.

[12]. Finlay, P. N., & King, R. M. (1999). IT sourcing: a research framework. *International Journal of Technology Management*, 17(1-2), 109-128.

[13]. Godard, J. and Delaney, J. (2000). Reflections on the High Performance Paradigm's Implications for Industrial Relations as a Field. *Industrial and Labor Relations Review*, 53(3): 482–502.

[14]. Hsieh, Y. H., and Chen, H.M (2011). Strategic fit among business competitive strategy: Human resource strategy and reward system. *Academy of Strategic Management Journal*, 10(2) pp. 45-60.

[15]. Huang T C (2001). The Effects of Linkage Between Business and Human Resource Management Strategies. *Personnel Review*, Vol. 30, No. 2, pp. 132-145.

[16]. Jackson, S. E. & Schuler, R. S. (2000). *Managing human resources: A partnership perspective*. Cincinnati, OH: South-Western College.

[17]. Jacoby, S. M. (1985). *Employing bureaucracy: Managers, unions, and the transformation of work in American industry*, 1900-1945. Columbia University Press.

[18]. Keefe, J. (1992). *Do Unions Hinder Technological Change?*. In Mishel, L. and Voos, P. (eds) Unions and Economic Competitiveness. New York: M.E. Sharpe.

[19]. Koys J Daniel (2000). Describing the Elements of Business and Human Resource Strategy Statements. *Journal of Business and Psychology*, Vol. 15, No. 2, pp. 265-278.

[20]. Lepak, D. P., Bartol, K. M., & Erhardt, N. L. (2005). A contingency framework for the delivery of HR practices. *Human resource management review*, 15(2), pp.139-159.

[21]. Li JQ, Huang TK (2007). A Study of Corporate Culture Based Strategies for Improving Core Competitiveness of China's Pharmaceutical Enterprises. *Asian Journal of Social Pharmacy*. 2(1), pp.1-4.

[22]. Liao Yao-Sheng (2004). Business Strategy and Performance: The Role of Human Resource Management Control. *Personnel Review*, Vol. 34(3), pp. 294-309.

[23]. Lilly, J. D., Gray, D. A., & Virick, M. (2005). Outsourcing the human resource function: Environmental and organizational characteristics that affect HR performance. *Journal of Business Strategies*, 22(1), 55.

[24]. Lin C. H., Lee D. Y., and Tai C. (2012). A Study on the Relationship between Human Resource Management Strategies and Core Competencies. *International Journal of Organizational Innovation*, 4(3), pp. 153-173.

[25]. Martell K and Carroll S J (1995). How Strategic is HRM? *Human Resource Management*, Vol. 34, pp. 253-267.

[26]. Miles, R. E. and Snow, C.C. (1984). Designing strategic human resource systems. *Organizational dynamics*, Vol. 13.

[27]. Miles, R.E. and Snow, C.C. (1978*). Organizational Strategy, Structure, and Process.* New York, McGraw-Hill.

[28]. Nininger, J. R. (1982). *Managing human resources: A strategic perspective.* Ottawa: Compensation Research Centre of the Conference Board of Canada.

[29]. Pardo P. I. and Perlines H. F. (2008). The relationship between Human Resource Strategies and business outcomes: A configurational approach. *Portuguese Journal of Management Studies*, 12(2), pp. 45-58.

[30]. Porter, M.E. (1985). *Competitive advantage: Creating a sustaining superior performance*. New York: Free Press.

[31]. Quinn J. B., Doorley T. L., Paquett, P. C. (1990). Technology in Services: Rethinking strategic focus. *Sloan Management Review*. 31(2): 78-87.

[32]. Rothwell, W. J. & Kazanas, H. C. (1989). *Strategic human resource development.* Engle wood Cliffs, NJ: Prentice Hall.

[33]. Schuler, R. S. (1992). Strategic human resources management: Linking the people with the strategic needs of the business. *Organizational Dynamics*, 21 (1), 18-32.

[34]. Schuler, R., & Jackson, S. (1987). Linking competitive strategies with human resource management practices. *Academy of Management Executive*, 1(3), 207–219.

[35]. Sharma, R. P., and Mehlawat, S. (2011). Impact of human resource management strategies and business strategies in Indian banking sector. *International Journal of Computer Science and Communication*, 2(1), pp. 159-164.

[36]. Slevin, D. P. and Covin, J. G. (1997). Strategy Formation Patterns, Performance, and the Significance of Context. *Journal of Management*, Vol. 23, pp. 189-209.

[37]. Sparrow, P., Schuler, R. S., & Jackson, S. E. (1994). Convergence or divergence: human resource practices and policies for competitive advantage worldwide. *International Journal of Human Resource Management*, 5(2), 267-299.

[38]. Storey, J. (1994). *New wave manufacturing strategies: Organizational and human resource management dimensions.* London, England: Chapman.

[39]. Tamer Bolat and Ozgur Yilmaz. (2009). The relationship between outsourcing and organizational performance: Is it myth or reality for the hotel sector? *International Journal of Contemporary Hospitality Management*, Vol. 21(1), pp.7 – 23

[40]. Truss, C. & Gratton, L. (1994). Strategic human resource management: a conceptual approach. *The International Journal of Human Resource Management*, 5(3), 663-86.

[41]. Ulrich, D. (1996). *Human Resource champions. The next agenda for adding value and delivering results*. Boston, Mass: Harvard Business School Press.

[42]. Woodall, J., Scott-Jackson, W., Newham, T., & Gurney, M. (2009). Making the decision to outsource human resources. *Personnel Review*, 38(3), 236-252.

[43]. Wright P and McMahan G C (1992), "Theoretical Perspectives for Strategic Human Resource Management", *Journal of Management*, Vol. 18, No. 2, pp. 295-320.