
STRATEGIC HRM: ORGANIZATIONAL CODES OF ETHICS

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Abstract: This discipline covers the concepts and practices that guide and align Human Resource Management philosophy, tactical planning and practice with the strategic and long term goals of the organization, with a particular focus on human capital. It deals with the macro-concerns of the organization regarding structure, quality, culture, values, commitment, matching resources to future needs and other longer term people issues. Strategic HRM gives direction on how to build the foundation for strategic advantage by creating an effective organizational structure and design, culture, employee value proposition, systems thinking, an appropriate communication strategy and preparing an organization for a changing landscape, which includes downturns and mergers & acquisitions. Sustainability and corporate social responsibility come within the ambit of this discipline, especially with reference to organizational values and their expression in business decision making.

Key Words: Structure, Quality, Culture, Values, Commitment

Introduction: Strategic HRM emphasizes organizational codes of ethics, managing the societal impact of business decisions, philanthropy and the role of the human resource professional in improving the quality of life of employees, their families and the community at large. Before we try to explain the meaning of strategic HRM, let us first define the terms 'strategy' and 'strategic management'. The term 'strategy' is widely used in and presupposes importance. In the words of the Oxford Concise Dictionary, strategy means 'generalship'. Thus, strategy is associated with the long-term decisions taken at the top of the enterprise. The original literary meaning of strategy is 'the art and science of directing military forces'. The term strategy is frequently being used in the present-day corporate world. It envisages thinking ahead to survive and grow in a highly competitive environment'. Strategy is concerned with determining which option will provide maximum benefits. According to Jauch and Glueck, "Strategy is a unified, comprehensive and integrated plan that relates the strategic advantages of the firm to the challenges of the environment".

It is designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organisation." Strategic formulation is concerned with making decisions with regard to defining the organization's vision and mission, establishing long- and short-term objectives to achieve the organisations vision and selecting the strategy to be used in achieving the organisations objectives. Strategic implementation is concerned with aligning the organisation structure, systems and processes with the chosen strategy. It involves making decisions with regard to matching strategy and organizational structure and providing organizational leadership pertinent to the strategy and monitoring the effectiveness of the strategy in achieving the organisations objectives. Strategic management is the process of formulating,

implementing and evaluating business strategies to achieve organizational objectives. Cunningham' has defined strategic management as a manner by which organisations plan to deal with the various aspects of management like problem perception, divergent thinking, substantial resources, decisions making, innovations, taking risks and facing uncertainty. According to Bourgeois "Strategic management is a means by which management in an organisation establishes purpose and pursues that purpose through the co-alignment of organisational resources with environmental opportunities and constraints". Now that the terms strategy and strategic management are already defined, we are ready to define the term 'Strategic Human Resource Management'. Strategic human resource management is to ensure that human resource management is fully integrated into strategic planning, that HRM policies cohere both across policy areas and across hierarchies and that HRM policies are accepted and used by line managers as part of their everyday work, opines Guest.

According to Donald F. Harvey "Strategic management is that set of managerial decisions and actions that determine the long-term performance of a corporation. It includes environmental scanning, strategy formulation, strategy implementation and evaluation and control. The study of strategic management, therefore, emphasizes monitoring and evaluating environmental opportunities and threats in the light of a corporation's strengths and weaknesses". The success of an organisation depends on the people therein. This means how they are acquired, developed, motivated and retained in the organisation play an important role in the organizational success. Then this presupposes an integral approach toward human resource functions and overall business functions of an organisation. Thus, strategic HRM means a strategic look at HR

functions in line with the business functions of an organisation.

We have already mentioned that strategic business plan is formulated to achieve competitive advantage. From this specific strategy for each functional area viz., marketing, finance, production operations and human resources need to be drawn in alignment with strategic business plan to carry out the organisational plan. In other words, the formulation of organisational strategy is integrative with the formulation of functional strategies. Here, human resource strategy assumes more importance because it provides human resources for other functional areas also. Lengnick Hall and Lengnick-Hall in this respect argue in 'Strategic Human Resource Management' that reciprocal interdependence between an organisation's business strategy and human resource strategy underlines the proposed approaches to the strategic management of human resources. This suggests that we must recognize that human resources integrally affect the overall strategy of an organisation. With this in mind, we are now discussing the integrative role played by human resources in the strategic management of an organisation. The environmental scanning is followed by strategy formulation. Environmental scanning helps an organisation identify its opportunities and threats prevalent in the external environment. Here, HRM proves of great help in scanning the existing (external) environment, and thus, identifies the specific opportunities and threats of it for the organisation. Besides, HRM is also of great help to make the organisation competitive and make the best use of intelligence available. This may include the incentive plans being used by the competitors, customer- I complaints, labor laws, etc. HR also participates in strategy formulation process by supplying information regarding the company's internal strengths and weaknesses. Instances are available to mention that the unique HR capabilities of an organisation serve as a driving force in strategic options and strategy formulation. A well-known accounting and consulting firm, Arthur Anderson represents one such example. The Illinois training facility develops unique HR capabilities for the firm and that enables the firm to react quickly to the changing demands of the firm. Similarly, IBM's decision to buy Lotus was probably prompted in part by IBM's conclusion that its own resources were inadequate to enable the firm to reposition itself as an industry leader in networking systems, or at least to do so quickly enough. As stated earlier, HRM provides competent human resources to other functional areas also. In this way, HRM plays a crucial role in the successful execution or implementation of company's strategic business plan. Many such stories abound in our country.

The rationale for strategic HRM is the perceived advantage of having an agreed and understood basis for developing approaches to people management in the longer term. It has been suggested by Lengnick-Hall and Lengnick-Hall (1990) that underlying this rationale in a business is the concept of achieving competitive advantage through HRM. Strategic HRM supplies a perspective on the way in which critical issues or success factors related to people can be addressed, and strategic decisions are made that have a major and long-term impact on the behaviour and success of the organization. The fundamental aim of strategic HRM is to generate strategic capability by ensuring that the organization has the skilled, committed and well-motivated employees it needs to achieve sustained competitive advantage. Its objective is to provide a sense of direction in an often turbulent environment so that the business needs of the organization and the individual and collective needs of its employees can be met by the development and implementation of coherent and practical HR policies and programmes. As Dyer and Holder (1988) remark, strategic HRM should provide 'unifying frameworks which are at once broad, contingency based and integrative'. When considering the aims of strategic HRM it is necessary to consider how HR strategies will take into account the interests of all the stakeholders in the organization: employees in general as well as owners and management. In Storey's (1989) terms, 'soft strategic HRM' will place greater emphasis on the human relations aspect of people management, stressing continuous development, communication, involvement, security of employment, the quality of working life and work-life balance.

Ethical considerations will be important. 'Hard strategic HRM' on the other hand will emphasize the yield to be obtained by investing in human resources in the interests of the business. Strategic HRM should attempt to achieve a proper balance between the hard and soft elements. All organizations exist to achieve a purpose and they must ensure that they have the resources required to do so and that they use them effectively. But they should also take into account the human considerations contained in the concept of soft strategic HRM. In the words of Quinn Mills (1983), they should plan with people in mind, taking into account the needs and aspirations of all the members of the organization. The problem is that hard considerations in many businesses will come first, leaving soft ones some way behind. A fundamental aim of resource-based HR strategy, as Barney (1991) indicates, is to develop strategic capability – achieving strategic fit between resources and opportunities and obtaining added value from the effective deployment of resources. A resource-based approach will address methods of increasing

the firm's strategic capability by the development of managers and other staff who can think and plan strategically and who understand the key strategic issues. The resource-based approach is founded on the belief that competitive advantage is obtained if a firm can obtain and develop human resources that enable it to learn faster and apply its learning more effectively than its rivals (Hamel and Prahalad, 1989). Human resources are defined by Barney (1995) as follows: 'Human resources include all the experience, knowledge, judgment, risk-taking propensity and wisdom of individuals associated with the firm.' Kamoche (1996) suggests that: 'In the resource-based view, the firm is seen as a bundle of tangible and intangible resources and capabilities required for product/market competition.' In line with human capital theory, resource-based theory emphasizes that investment in people adds to their value in the firm. The strategic goal will be to 'create firms which are more intelligent and flexible than their competitors' (Boxall, 1996) by hiring and developing more talented staff and by extending their skills base. Resource-based strategy is therefore concerned with the enhancement of the human or intellectual capital of the firm. As Ulrich (1998) comments: 'Knowledge has become a direct competitive advantage for companies selling ideas and relationships. The challenge to organizations is to ensure that they have the capability to find, assimilate, compensate and retain the talented individuals they need.'

People also provide the key to managing the pivotal interdependencies across functional activities and the important external relationships. It can be argued that one of the clear benefits arising from competitive advantage based on the effective management of people is that such an advantage is hard to imitate. An organization's HR strategies, policies and practices are a unique blend of processes, procedures, personalities, styles, capabilities and organizational culture. One of the keys to competitive advantage is the ability to differentiate what the business supplies to its customers from what is supplied by its competitors. Such differentiation can be achieved by having HR strategies that ensure that the firm has higher-quality people than its competitors, by

developing and nurturing the intellectual capital possessed by the business and by functioning as a 'learning organization'. The HR strategy should be aligned to the business strategy (vertical fit). Better still, HR strategy should be an integral part of the business strategy, contributing to the business planning process as it happens. Vertical integration is necessary to provide congruence between business and human resource strategy so that the latter supports the accomplishment of the former and, indeed, helps to define it. Horizontal integration with other aspects of the HR strategy is required so that its different elements fit together. The aim is to achieve a coherent approach to managing people in which the various practices are mutually supportive. High-performance management aims to make an impact on the performance of the firm through its people in such areas as productivity, quality, levels of customer service, growth, and profits and, ultimately, the delivery of increased shareholder value. High-performance management practices include rigorous recruitment and selection procedures, extensive and relevant training and management development activities, incentive pay systems and performance management processes. This approach involves treating employees as partners in the enterprise whose interests are respected and who have a voice on matters that concern them.

Conclusion: It is concerned with communication and involvement. The aim is to create a climate in which a continuing dialogue between managers and the members of their teams takes place in order to define expectations and share information on the organization's mission, values and objectives. This establishes mutual understanding of what is to be achieved and a framework for managing and developing people to ensure that it will be achieved. This indicates that the overall HR strategy flows from the business strategy and generates specific HR strategies in key areas. The process takes place by reference to systematic reviews of the internal and external environment of the organization, which identify the business, organizational and HR issues that need to be dealt with.

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