



STRATEGIC HUMAN RESOURCES MANAGEMENT (SHRM): CONCEPT & TRENDS IN CONTEXT OF MODERN BUSINESS ENVIRONMENT

Dr. Birendra Kumar Gupta

Assistant Professor, HOD, Department of Commerce,
Karamchand Bhagat College Bero, Ranchi University Ranchi.

ABSTRACT

In today's rapidly and ever-changing business environment, the critical importance of competitive advantage is being recognized globally by all businesses. Further, firms are actively looking for ways to ensure that their core competencies are developed to the fullest extent possible to stay in tune with today's business environment. In this context, it is interesting to note that Strategic human resource management (SHRM) is being considered as a very important phenomenon by practicing managers both in India and abroad. Review of related research in the area suggests that SHRM emphasizes upon a thorough understanding of effective HR practices which could facilitate desirable operational returns and subsequently an enhanced organizational performance. The present working research paper seeks to explore and highlight the concept and importance of SHRM and put forward the managerial implications of SHRM for practicing managers to ensure that organization's performance is in tune with increasing competition.

Keywords: Human Resources, Strategic Human Resource Management, HR Practices, Competitive Advantage, Organizational Performance

INTRODUCTION

The modern day business environment is changing at a very rapid pace. Among the various reasons for this pronounced change are globalization, increased customer expectations, greater variety of choices being available for customers, the surge in e-commerce and countless others. The level of competition in modern business is extremely high and in order to remain competitive in this environment firms need to ensure that they cater to the needs of their customers in a better manner than their competitors by ensuring that they bring about innovations in their ways of doing business to keep the customer interested (Barney, J. B., & Wright, P. M. 1998). Retaining the existing customers and also expanding the existing customer base is crucially important for all businesses. To survive and flourish it is mandatory for firms to have a committed team of workers who are skilled and well-versed with the latest trends. It is an era of competitive advantage and all firms are trying hard to ensure that they build, develop and ensure competitive advantage over their rivals. Given this scenario, the role of HR managers in any firm has gained in importance over the last few years. It is one of the tasks of the HR manager to ensure that employees are trained, developed, and retained over a long period of time to ensure that a firm's HR team plays a vital role in its competitive advantage and business success (Wright, P. M., McMahan, G. C., & McWilliams, A. 1994).

SHRM is an evolving field which focuses upon thoroughly understanding and aligning the most effective HR practices to ensure that the organizational performance is optimized to the maximum possible extent (Delery, J. E., & Doty, D. H. 1996).

OBJECTIVES

The main objectives of the current paper are to:

1. Gain a thorough understanding of Strategic Human Resource Management and explore its relevance and importance for modern day businesses
2. To look into the SHRM philosophy that advocates the implementation of most effective HR practices for a well-optimized organizational performance.
3. To critically examine the existing and potential linkage between HR practices and organizational performance.
4. To suggest effective and relevant HR practices beneficial for modern organizations for enhancing their performance.

The dynamics between HR and Competitive Advantage

The term competitive advantage which now is a very often used term in management literature these days was first put forward by Michael Porter who emphasized that competitive advantage comes into the equation when a firm focuses upon value creation from the customer's point of view by providing them with products and services meeting their requirements and having differentiation from those being offered by competitors (Porter, M. 2007). The concept of differentiation which lies at the heart of competitive advantage was conceptually elaborated further bringing into light generic strategies which emphasized upon cost leadership with a differentiation focus from a given firm's point of view (Jennings, D. F., & Lumpkin, J. R. 1992). Further, another view put forward was the resource-based view which argues that competitive advantage is very largely dependent upon the available value addition resources at the disposal of any given firm. The managerial implications of the resource based view is that human resources that are aligned properly with the core competencies of any firm are instrumental in leading to its enjoying competitive advantage over its rivals. The important aspect is to understand that success that is brought about through the quality of human resources of any firm leads to a sustainable success and it is almost impossible to be copied by rival firms. Thus, quality of human resources well aligned with the core competencies and objectives of the firm leads to strategic advantage over rivals and facilitates sustainable competitive advantage which is invaluable in today's business environment (Akan, O., Allen, R. S., Helms, M. M., & Spralls III, S. A. 2006).

Exploring the strategic dimensions of HRM

In management it has been observed that over the last few decades the importance of HR resources in any firm has increased very sharply. All firms today realize that an committed, loyal and skilled work-force is a prerequisite for success and keeping this in view firms these days allocate a sizeable section of their financial resources for the purpose of ensuring that recruitment, training, development, staffing and all related HR activities are given their due share of importance to ensure a firm's success (Thite, M. 2004). There has been a pronounced shift from Human Resources to Strategic Human Resources where the dominant focus is upon ensuring that human resources of any firm are aligned optimally with the firm's objectives and core- competencies. This paradigm shift from human resources to strategic HRM has enabled firms to remain competitive in the market and gain competitive

advantage over rivals by ensuring that there's that balance actualized between organizational goals and its work force. It will not be an overstatement to say that Strategic HRM drives today's modern and highly competitive business environment.

Organizational Performance and the crucial role of SHRM

As documented by various studies and endorsed through available real life business scenarios it is an undisputed fact that the level of competition in today's times is very high and surviving in this business environment is not an easy task. Any firm has to ensure that it brings about continuous improvements in its products and services to ensure that it delivers value to its customers to remain competitive in this environment (Boxall, P. 1996). Further, firms realize that HR quality is its most vital resource and it is the single most important driver of competitive advantage. So, ensuring that HR is in tune with a firm's core competencies and well aligned with a firm's objectives is mandatory for business growth and survival in today's dynamic and ever competitive business environment.

Keeping the above view in mind as already pointed out firms allocate a sizeable amount of its financial resources upon training and developing its human resources to remain competitive in the market. In this scenario practicing managers have been very interested in exploring answer to the question that whether there exists a pronounced relationship between HRM and organizational performance? This is an area of immense interest among both practicing managers as well as researchers. A great deal of studies has been carried out in this context both in India and abroad and review of literature suggests that there are ample studies confirming the positive relationship between adoption of HR practices and enhanced organizational performance.

Suggestions and Conclusions

Based on the above aspects that have been covered in course of this article it can be said that there's no doubt among academicians and practicing researchers of the contemporary times that human resources are the single most dominant source of competitive advantage for any firm and the expenses involved in developing and nurturing of human resources involves significant outlays of funds from a firm's perspective which as per traditional approach of management is considered as an operating expenditure. However, the strategic view of HR suggests that these costs should be better viewed as investment in capital assets. Further, though reviews of related literature strongly endorses the fact that there exists a positive

relationship between investments in HR and organizational performance, practicing managers should also keep in view that there are various dimensions of HR that need to be taken into consideration to ensure and understand the thorough linkage between HR practices, investments needed and organizational performance of any firm. Moreover, there may be unidentified and complex linkages between HR and other resources of a firm as well which need to be explored in context of improving the organizational performance of any firm. A thorough understanding along these lines will definitely empower practicing managers to align their respective firms HR practices optimally to actualize greater organizational returns.

References

- Akan, O., Allen, R. S., Helms, M. M., & Spralls III, S. A. (2006). Critical tactics for implementing Porter's generic strategies. *Journal of Business Strategy*, 27(1), 43-53.
- Barney, J. B., & Wright, P. M. (1998). On becoming a strategic partner: The role of human resources in gaining competitive advantage. *Human Resource Management (1986-1998)*, 37(1), 31.
- Boxall, P. (1996). The strategic HRM debate and the resource-based view of the firm. *Human resource management journal*, 6(3), 59-75.
- Delery, J. E., & Doty, D. H. (1996). Modes of theorizing in strategic human resource management: Tests of universalistic, contingency, and configurational performance predictions. *Academy of management Journal*, 39(4), 802-835.
- Jennings, D. F., & Lumpkin, J. R. (1992). Insights between environmental scanning activities and Porter's generic strategies: An empirical analysis. *Journal of Management*, 18(4), 791-803.
- Porter, M. (2007). Porter's generic strategies. Retrieved June, 14, 2009.
- Thite, M. (2004). Strategic positioning of HRM in knowledge-based organizations. *The learning organization*, 11(1), 28-44.
- Wright, P. M., McMahan, G. C., & McWilliams, A. (1994). Human resources and sustained competitive advantage: a resource-based perspective. *International journal of human resource management*, 5(2), 301-326.