

# Strategic Approach to Human Resource Management

## การจัดการทรัพยากรมนุษย์เชิงกลยุทธ์

Somchat Visitchaichan<sup>1</sup>

### บทคัดย่อ

เมื่อไม่นานมานี้หลายคนก็ยังคงได้แย้งกันอยู่ว่า ทรัพยากรมนุษย์เป็นหนึ่งในปัจจัยที่สำคัญที่สุดที่มีอิทธิพลต่อความสำเร็จและความล้มเหลวขององค์กรในปัจจุบัน โดยเฉพาะอย่างยิ่งในช่วงที่เศรษฐกิจตกต่ำเช่นในขณะนี้ ในปัจจุบันการจัดการทรัพยากรมนุษย์มีบทบาทที่สำคัญมากในการสร้างและรักษาความได้เปรียบทางการแข่งขันขององค์กรในภาคธุรกิจ ซึ่งแตกต่างจากบทบาทที่เคยมีมาในอดีตที่เกี่ยวข้องเฉพาะการรับสมัคร การอบรม การประเมิน และการสร้างแรงจูงใจให้กับพนักงาน ในระยะเวลา 20 ปีที่ผ่านมาบทบาทและความสำคัญของ พนักงานในการเพิ่มประสิทธิภาพในการทำงานและประสิทธิภาพขององค์กร ได้เป็นที่ยอมรับในองค์กรธุรกิจขนาดใหญ่อย่างมากมาย แนวทางที่เป็นที่นิยมก็คือการนำหลักการ และแนวความคิดและปรัชญาในการจัดการทรัพยากรมนุษย์สำหรับพนักงานระดับหัวหน้างานและผู้จัดการขึ้นไป ที่มีความสัมพันธ์เชิงกลยุทธ์กับเป้าหมายและนโยบายโดยรวมขององค์กรนั้นๆ หลักการและแนวความคิดนี้ถูกนิยามเรียกว่า การจัดการทรัพยากรมนุษย์เชิงกลยุทธ์ ซึ่งถูกพัฒนามาจากแนวความคิด และรากฐานความเชื่อที่ว่า กลยุทธ์สำหรับทรัพยากรมนุษย์ จะต้องมีความสอดคล้องและ สัมพันธ์ กับกลยุทธ์สำหรับธุรกิจ

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<sup>1</sup> Dr. Somchat Visitchaichan is currently a lecturer at School of Business Administration, Assumption University of Thailand

และกลยุทธ์ สำหรับองค์กรโดยรวม รวมถึงนโยบายการจัดการทรัพยากรมนุษย์ จะต้องมีความสัมพันธ์และสนับสนุนกันอย่างต่อเนื่องกับกลยุทธ์สำหรับทรัพยากรมนุษย์ ซึ่งจะนำมาซึ่งความสำเร็จ และการบรรลุเป้าหมายของกลยุทธ์เหล่านั้น จุดประสงค์หลักของบทความชุดนี้ คือการทบทวนวรรณกรรมที่มีความสำคัญ และการเสนอแนวความคิดที่เกี่ยวข้องกับทฤษฎีและงานวิจัยทางด้านการจัดการทรัพยากรมนุษย์เชิงกลยุทธ์ ในตอนท้ายของบทความผู้เขียนได้นำเสนอ กรณีศึกษาของ บริษัท แยนเนอรัล อีเล็คทริก ซึ่งเป็นองค์กรข้ามชาติขนาดใหญ่ ที่ได้นำแนวความคิดเกี่ยวกับการจัดการทรัพยากรมนุษย์เชิงกลยุทธ์มาใช้ในทางปฏิบัติ และประสบความสำเร็จเป็นอย่างดี ซึ่งจะทำให้ผู้อ่าน ได้เรียนรู้ถึงประสบการณ์ที่เกิดขึ้นจริง ซึ่งจะเป็นประโยชน์อย่างมากสำหรับองค์กรขนาดใหญ่ โดยเฉพาะองค์กรในประเทศไทย

## Abstract

*Recently, it has been argued by many people that human capital is one of the most critical factors influencing both the success and failure of twenty-first century organizations, particularly during this economic turmoil. Today, HRM plays a critical role in creating and sustaining the competitive advantage of a business organization rather than what has been historically an administrative role to select, train, evaluate and motivate employees. During the past two decades the important contribution of employees to improved organizational and labor market performance has been explicitly acknowledged by many large-scale business organizations. A common strategy for doing this has been the adoption of an integrated employment philosophy and strategy usually for salaried employees at supervisory and managerial levels. This approach is basically called a strategic approach to human resource management, and often based on the belief that a human resource strategy should be integrated with an organization's corporate and business strategies, and that human resource management policies*

*should be interrelated and consistently reinforce the human resource strategy, and therefore the achievement of these strategies. The purpose of this article is basically to review relevant literature and discussion about theoretical concepts and current researches on strategic approach to human resource management. The author finally examines the General Electric Company as a case study of large multi-national organization in which the adoption of strategic human resource management successfully took place and concludes by discussing some of the experiences that could be learned for other large-scale organizations, particularly those operated in Thailand.*

## **Introduction**

Recently, it has been argued by many people that human capital is one of the most critical factors influencing both the success and failure of twenty-first century organizations, particularly during this economic turmoil. It is true in the case of Thailand and elsewhere that during the economic crisis there are more pressures to downsize and shrink spending on human resources, particularly those at the 'rank and file' level in the organizations because there are less resource and profits to be made. Nevertheless, this does not mean that the importance of human resources in all hierarchical levels in the organization will have to be ignored nor organizations will only attempt to minimize or cut the cost of human resource. In fact, more and more large-scale multi-national organizations in the private sectors are continuously seeking ways to better manage their human resources, especially those at the supervisory/managerial level and to improve productivity and increase organizational effectiveness. Among multi-national organizations, one of the most fundamental ways to achieve this is through the successful adoption of the strategic approach to human resource management. Schneider specifically addressed the importance and costs of human resources by introducing an economic measure of productivity and organizational effectiveness. (Schneider, 1997: 14-19) From a human resource management perspective, it can be argued that in order to solve the productivity problems in many organizations, the congruence between human resource systems and business strategies needs to be examined. And it is suggested that different strategies require different structures. So must human resource management suits a particular strategy. (Devanna, Fombrun and Tichy,

1982: 47) Therefore, human resource management has several vital contributions to make to the formulation of business and corporate strategy. In Thailand, this underlying belief and management philosophy has recently gained much popularity among private business organizations (both overseas and locally based operations). For example, it works with and convinces senior executives that people are a strategic investment, not just an expense. Because the knowledge, creativity and skills of people can provide an organization's distinctive competitiveness, so strategic human resource management is an important arm of strategic planning and management. As a consequence, there needs to be a clear, planned link between business strategies, organizational change programs and human resource policies. If this can be accomplished, then the operational task of implementing HR strategies will have a clear direction, a rationale and validity because of its demonstrable relevance to organizational performance.

Today, HRM plays a critical role in creating and sustaining the competitive advantage of a business organization rather than what has been historically an administrative role to select, train, evaluate and motivate employees. Many HR professionals will now need to acquire competencies in many new business related areas in order to carry out their expanded role to truly add value to the organizations. Sherman, Bohlander and Snell (1996) have beautifully identified core competencies of the future human resource professionals, these competencies are summarized below:

1. Business capabilities: HR professionals will have to understand the business of their organizations thoroughly and possess the ability to be a true business partner with others in the organizations. This requires an understanding of its economic and financial capabilities as well as an understanding of basic business processes.

2. State-of-the-art HRM practices: HR professionals will be the organization's behavioral science experts. This includes both technical competence in the traditional human resource function in areas such as employee selection, training and development, appraisal, compensation, and legal requirements as well as competence in organization development technologies, such as team building, communication, organization design and so forth. HR professionals should develop competencies that keep them abreast of changes.

3. Management of change process: HR professionals will need to be able to manage change processes so that HR activities are effectively merged with the business needs of the organization. (Sherman, Bohlander and Snell, 1996: 6-11)

These three competencies including the ability to integrate business, HRM and management of change will help HR professionals become truly strategic

business partners and move organizations in positive business directions. From this perspective, it is important to review relevant literature and discussion about concepts, theories, and approaches in Strategic Human Resource Management.

## **A Strategic Approach to Human Resource Management**

As it has been argued by Porter (1985) that to sustain competitive advantage, an organization must have a commitment to improvement, innovation, and change. Important sources of these qualities, which cannot simply be replicated by competitors, are superior human resources management capability. From this perspective, employees should be recruited with care, treated as permanent rather than dispensable, seen as a source of continuous improvement in productivity and, trained on an ongoing basis, to support more sophisticated competitive advantage. (Porter, 1985: 42-43) This provides support that strategic integration should be well developed in organizational contexts. Research, carried out by Alper and Russell in 1984, indicated that 92 per cent of a survey of American opinion leaders (including academic faculty, leading consultants, business managers and human resource professionals) felt that human resources were a major factor in an organization's success and recommended certain key changes in HRM practices. They advocated an increase in the input of human resource considerations at strategic planning, an attitude of treating employees as assets, more participation and greater involvement for employees; effective and open communications, less rule-oriented policies and practices, better management development opportunities, motivation and rewards tied to performance and less adversarial labor-management relations. (Alper and Russell, 1984: 120-125)

During the past two decades the important contribution of employees to improved organizational and labor market performance has been explicitly acknowledged by many large-scale business organizations. A common strategy for doing this has been the adoption of an integrated employment philosophy and strategy usually for salaried employees at supervisory and managerial levels. This approach is basically called a strategic approach to human resource management, and often based on the belief that a human resource strategy should be integrated with an organization's corporate and business strategies, and that human resource management policies should be interrelated and consistently reinforce the human resource strategy, and therefore the achievement of these strategies. The adoption of the strategic human resource management approach to employee management by large multinational corporations became more widespread during the late 1990's in Thailand. This trend is evidenced in many annual business reports for the past

couple of years of most international private corporations such as Philip Morris, Proctor and Gamble, Unilever, and the Coca-Cola group of companies. The reasons for such popularity are obvious. It can be argued that strategic human resource management, which developed tighter links between corporate strategy and human resource planning, is more common when organizations become concerned with economic survival. (Dunphy, 1987: 44) Similarly, Stace (1986: 1-2) claims an increasing number of organizations... are consciously linking human resource strategies with their business and organizational change strategies" and placing "a great deal of importance on developing and maintaining the workforce behaviors and characteristics necessary to achieve the organizational mission. This commitment is backed by resources of many kinds.

In particular, the economic turmoil in Thailand has forced organizations to critically review their human resources management practices to make sure that employees at supervisory and managerial levels are treated on the basis of their competencies and evaluated on job-related performance rather than according to stereotypes or biases. The conceptual framework of this paper is therefore strategic approach to human resource management. Strategic human resource management is the integration of human resource management with the strategic mission of the organization. It adapts human resource policies and practices to meet the challenges faced by the organizations today, as well as those who will face in the future. Based on this approach, human resource departments should then take a proactive role in guiding and supporting organizational efforts to meet the changing demands of their environments.

A strategic approach to human resource management is employee management, which is based on the notion that an employment strategy can serve to align the internal and external characteristics of an organization in such a way that corporate objectives are achieved. (Devanna, Fombrun and Tichy, 1982: 50) This notion has its basis in the 'contingency' approach to management, which proposes the need to develop a strategy, which creates the best 'fit' between the organization and its environments. Although this approach to employee management moves beyond proposing an ideal employee management practice, and explicitly identifies the links between organization structure and strategy, it is based on an simplistic view of the way organizations operate. People in organizations are viewed as rational, cohesive entities, which pursue stated organizational objectives. To better understand theoretical concepts, and practices of strategic approach to human resource management, it is important to therefore review some of important findings from current researches and studies on the subject of strategic human resource management.

## **Current Research On Strategic Approach To Human Resource Management**

One of the most important studies on strategic approach to human resource management which had the objective of examining how organizations should be thinking about the role and management of human resources in relation to overall organization strategies in the earlier 1980s is that by Nininger (1980). He identified many environmental challenges relating to human resource management which organizations must deal with in the 1980s and suggested that organizations which succeed in linking strategy and human resource planning will also be effective in meeting such challenges. Based on his study, seven principles were identified as being critical to the effective integration of human resources with strategic planning and management. They include:

1. There is an overall corporate objective and that the human resource aspects of that objective are evident.
2. A process of developing strategy within the organization exists and is understood, and that there is explicit consideration of human resource aspects.
3. Effective linkages exist on a continuing basis to ensure the integration of human resource considerations with the organizational decision-making processes.
4. The office of senior management executives provides the climate for integrating human resource considerations to meet the needs of the business.
5. The organization at all levels establishes responsibility and accountability for human resource management.
6. Initiative development in human resource management is important to the needs of the business.
7. It includes the responsibility to identify and interact in social, political, technological and economic environments in which the organization is and will be doing business. (Nininger, 1980: 33-46)

Throughout the 1990s Mark Huselid and Brian Becker engaged in a program of research that is premised on the view that a firm's HR architecture has the potential to become a strategic asset with direct benefits for firm's profitability and shareholder value. This study is based on the view that in addition to HR contribution's to the overall quality of human capital, the basis of that strategic influence is through HR's alignment with the firm's strategy implementation process and that an appropriately focused measurement systems is indispensable for today's organizations to guide and evaluate this strategic HR role. This research focused



on the level of the firm (a broad cross-section of publicly traded firms: firms with sales greater than USD 5 million and more than 100 employees), as opposed to individual employees or work groups. The data were collected on more than 2,800 respondents over the course of four surveys with a typical response rate of averaging nearly 20 percent. The initial 1992 survey was limited to the fundamental elements of a professional, developed HR system designed to develop and maintain a high-performance workforce. These items measured the percentage of the workforce that was covered by such policies as validated selection procedures, promotion from within, annual performance appraisals, merit-based promotions, incentive pay programs, hours of training, and information sharing systems. This measure was broadened considerably for the 1994 and 1996 surveys, which included the extent to which firms used different types of incentive compensation programs, the degree to which HR and business strategies were aligned, and how well the firm's strategy was communicated and understood throughout the firm. Under these two research surveys, indicators on other characteristics that could complement a High-Performance Work Systems (HPWS) included the professional competencies within the HR function as reflected in their effectiveness across different functional activities, as well as senior leadership styles that emphasize motivation and vision, rather than command and control. In the 1998 survey, the focus of the study has been shifted to how two other systems that support strategy implementation including knowledge management and business performance measurement could leverage the influence of the HR strategy. Results of the study confirmed the belief that systems matter and that successful strategy implementation require the support of various intellectual capital systems, and revealed that firms scoring higher on the HPWS index are as well rated higher on their usage of knowledge management systems and Balanced Scorecard-style business performance systems. In addition, senior management in these high-performance firms adopts a philosophy that supports this approach by reviewing the organization's employees as a source of value creation. The results of the last survey by Mark Huselid and Brian Becker in 1998 suggested a pattern of relationships among several intangible assets that are influenced by the HR architecture and strategically focused measurement systems which can be summarized as follows:

1. To measure financial impact of strategic approaches to HRM, strategy implementation is more crucial than strategy content. Research indicated that a 35 percent improvement in the quality of strategy implementation, for the average firm, was associated with a 30 percent improvement in shareholder value. A similar improvement in the suitability of the strategy itself had no effect on firm performance.



2. There are three drivers for strategy implementation including employee strategic focus, HR strategic alignment, and effective knowledge management. To be more specific, HR strategic alignment and the knowledge management systems also drive employee strategic focus.

3. A balanced performance management system affects firm performance through its impact on employee strategic focus, which in turn drives effective strategy implementation. (Becker and Huselind, 1998: 53-101)

Another important large scaled survey on strategic human resource management is that of the Price Waterhouse Cranfield Project, which has undertaken a series of surveys with over 1,000 organizations in the UK since 1990. Research indicated that many organizations in the UK do claim to take a strategic approach to human resource management. Research revealed that 49% of the organizations in the UK were committed to a strategic approach to human resource management and can be inferred from the survey as possibly having adopted such an approach. This can be evidenced from the fact that many of the heads of HRM were on the main board of directors during 1990s. A little over 50% of the organizations in the UK claim to have a direct involvement in the development of corporate and business strategies from the outset, with a further 9% having involvement in implementation. Of these, 7% have no strategic role while about one third claim to have a consultative role. In regard to the existence of an HRM strategy in these organizations, half the UK respondents claim to have a written strategy, about a quarter claim an unwritten strategy and the rest have no strategy — do not know or do not answer the question. A conclusion can be drawn from these surveys that a number of organizations in the UK do understand the relationships between the needs of the business and HRM strategy. To a certain extent, these organizations realize the importance of strategic approach to human resource management and attempt to adopt such an approach. (Hussey, 1996: 78-79)

Another useful survey, which is related to the study of the critical link between corporate strategy and HR strategy, as well as the relationships between line managers and HR professionals, is that by Hutchinson and Wood in 1995. They undertook a survey of 27 UK organizations for the Institute of Personnel and Development, to examine the trend in HRM. In more than 80% of these organizations, there has been a trend towards greater line responsibility over the last five years, and in most of these the change was from a centralized and controlling mode of operation. Research also revealed that both line managers and HR professionals had some difficulty in adjusting to the change and new

business situation and that the strategic, proactive and consultative role of HR will expand, although responsibility for much of its implementation will pass to the line. These findings as well confirm their assumption that more organizations in the UK would recognize the importance of the strategic role of human resource management and there has been a trend in adopting strategic approach to human resource management. (Hussey, 1996: 89-90) To further understand the concepts and practices of the adoption of strategic approach to human resource management, I will examine the General Electric Company as a case study and thus discuss some of the experiences that could be learned for other large-scale organizations in the next following discussion

### **Strategic Human Resource Management: The General Electric Company as a Case Study**

More and more multi-national organizations in the private sector are at the moment adopting strategic approaches to human resource management. In this final section, we will then review briefly a case of large multi-national organization in which the adoption of strategic human resource management successfully took place. Using the General Electric Company as a case study, this section explores for instance how the company builds and develops its quality human resource organization. The General Electric Company is, based on a survey conducted by Fortune magazine in 1998, among one of the most successful and admired companies in the United States. GE's market value is now the highest in the world and its revenues exceeded \$100 billion in 1998. The company currently operates in more than 100 countries around the world and employs 290,000 people worldwide, including 155,000 in America. The success and continuous growth of the corporation lies in the fact that the company believes that the Human Resource function is a critical player in driving GE's business agenda and thus must be staffed by very high quality individuals. At GE, the human resource personnel/specialist is truly a value-added business partner who is a fully participating member of the business decision-making committee. (Stockman, 1999: 143-144)

Basically, there are three strategies that GE takes to build its quality HR organization. I will briefly review them here.

- 1) Creation of business-minded HR professional through the GE Human Resource Leadership Program (HRLP): The HRLP, which was developed in the 1950s, is a two-year development program crafted to develop human resource competency and business acumen. These skills are enhanced through a combination of hands-on rotational assignments and educational workshops. The HRLP typically comprises of three eight-month rotational assignments; a position within

key human resource areas, a choice of either a cross-functional role outside of HR or a rotation on GE's Corporate Audit Staff, and an additional human resource role with a different focus from their initial HR assignment. After individuals have successfully completed the HRLP, they are then placed in permanent human resource positions within the business unit in which they worked during the program.

2) Transfer of individuals from other business functions within GE into HR: If individuals express their interests in human resources and possess the acumen for HR, they may then be given the opportunities. These people can develop their functional human resource knowledge by attending GE courses delivered by both internal GE Human Resource professionals as well as external consultants.

3) Attraction of experienced HR professionals from places outside of GE: These HR professionals are recruited from other large multi-national organizations in similar industries and possess the human resource acumen and experience, but lack the GE cultural knowledge. In essence, the infusion of experienced HR professionals from other organizations into GE allows diverse ideas and perspectives to permeate the HR organization.

The above-mentioned strategies (the HRLP, internal transfers, and external hires) employed by GE can be used to provide a standard guideline/model for other organizations in Thailand wishing to enhance the quality of their HR and business functions. From the above discussion, it can be conceptually argued that GE has to a certain extent successfully adopted a strategic approach to human resource management by concentrating on the development and execution of two critical human resource strategies, namely human resource development and strategic recruitment of managerial employees. From this perspective, the importance of having a quality human resource organization to drive the future of business becomes logical. Successful development and execution of these three strategies implemented by GE mentioned earlier can definitely produce the types of diverse, high quality human resource organization that is needed to effectively operate in today's intensely competitive business environment. (Stockman, 1999: 144-146)

The above briefed description of three strategies employed by the General Electric Company to build its quality HR organization help us to understand the attempt to link between corporate strategies and human resource management policies, and of course the way multi-national corporations adopted Strategic approaches to Human Resource Management from a Western perspective. Organizational efforts made by the General Electric company is a strategic attempt to answer such questions as "how human resource policies and practices can be

developed and executed to meet the challenges faced by organization today" and "how human resource strategy can be adapted to align both internal and external characteristics of the company in such a way that corporate and business objectives will be achieved". From this perspective, we can learn that senior management executives and human resource department at General Electric have attempted to take a proactive role in guiding and supporting organizational efforts to meeting the changing demands of its environment. In conclusion, there are some good lessons from the GE practice developed and originated in the Western which can strategically be learnt for other multi-national organization in the private sector, particularly those operated in Thailand.

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