

The new human resources management in the 21st century: a strategic view

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Abstract

Parallel with the changes in the global arena, the qualifications of the workforce has been changed. The changes of the workforce required a shift from traditional personnel management to human resource management. With the evolution of HRM, this field has gained a more strategic perspective in both academic literature and practice. Human resources have started to be seen as an inimitable and most valuable factor for organizations to gain competitive advantage. With this perspective, HRM departments has gained more importance and become strategic players in the organization. Today, the new HRM requires being strategic partner in the organization by aligning all the HR functions with the mission, vision and strategies of the organization.

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In this paper, first the evolution of HRM from past to present will be discussed in a theoretical concept. Then the role of human resources for organizations to gain competitive advantage and the innovations in HRM in the 21st century will be analyzed in a strategic view.

Key Words: Human Resource Management, Strategic Human Resources Management, Competitive Advantage.

Since the formal HRM function and department was initiated in 1920s, there have been considerable changes in both theory and practice of HRM. People and how we manage them are becoming more important today because many other sources of competitive success are less powerful than they once ever. Traditional sources of success can still provide competitive leverage but a lesser degree now than in the past (Pfeffer, 1994). According to the Resource Based View (RBV), organizations can gain competitive advantage by their valuable, rare and inimitable internal resources. Considering this, it is possible to say that high quality workforce can create this advantage. The change that has most impacted organizations in the past decade has been the increasing realization that human resources of an organization are the primary source of competitive advantage. It is now accepted that high qualified employees in the organization and the way how they are managed is very important to gain competitive advantage. HRM must change as the business environment and the world in which it operates changes. Parallel to these changes in technology, globalization and dynamics of labor market, the way to manage human resources has changed. HRM managers have moved from handling simple personnel issues to making a strategic contribution to the future directions and development of the organization. With the evolution of HRM function from traditional to strategic, its roles and importance has gained more attention. The HR function and its process now have become more

strategic and HR managers have been a part of the top management team. This strategic approach to HRM has led this function to be involved in strategic planning and decision making processes by coordinating all human functions for employees. Aligning the strategies of the organization with the HR functions has become the essential part of gaining competitive advantage. The role of the HR for the 21st century is named as strategically reactive in business strategy implementation through supporting the long term strategies with the necessary employee qualifications and developing the cultural and technical capabilities required for the strategies of the organization.

The need for managing the employees strategically in the 21st century also requires the management and the organization structure to be more flexible. The work system has started to change with autonomous work groups with high qualified workforces, outsourcing some of the operational HR functions, downsizing, delayering, employee participation to the decision systems, high wages for the high qualified human resources, virtual and network organizations.

The Evolution of Human Resources Management

If we take the year 1920 as when many believe the first formal HRM function and department was initiated, then it is possible to think that the field is nearly 90 years old. During this 90-year period, there have been considerable changes in both science and practice of HRM. The human resource management function, once responsible for record keeping and maintenance, has evolved into a strategic partner (Ferris et al., 1999). It will give a perspective if we look at the evolution of HRM in a historical period briefly.

People who worked during the 1600s to 1700s were guided by a craft system. Under this system, the production of goods and services was generated by small groups of workers in relatively

small workplaces, usually in a home. In the early 1900s, many changes occurred in the work place. After industrial revolution, machines and factory methods that increased production were introduced. However, several problems occurred with this increased production. Since the machines required several people to operate them, the number of workers increased dramatically. This forced managers to develop rules, regulations and procedures to control the workers. Some of the regulations required an increase in job specialization, which led to boring, monotonous jobs (Anthony, Perrewe and Kacmar, 1996). At that time, with the effect of Scientific Management, workers were seen as a part of a machine without considering that they were social human beings. All the jobs were broken into specific tasks.

The next step in the development of human resources occurred in the late 1920s and early 1930s by Hawthorne Studies. As a result of these studies, the social side of workers was realized by managers and the effect of social factors on the performance was understood.

Expanding on the human relations school of thought including academic findings from various disciplines such as psychology, political science, sociology and biology, the behavioral science era was born. This era focused more on the total organization and less on the individual. It examined how the workplace affected the individual worker and how the individual worker affected the workplace. Many believe that the modern day fields of organizational behavior and human resource management grew out of the behavioral science (Anthony, Perrewe and Kacmar, 1996).

In the early years, organizations set up welfare secretaries whose jobs were to keep track of employees' welfare. Through the years, the welfare secretaries' jobs encompassed more duties parallel with the new laws and employee rights were passed. They started to keep up all files about employees, maintain payroll systems and counsel employees (Anthony, Perrewe and Kacmar, 1996).

Parallel with the changes in some factors like technology, globalization and work force, HRM began to take more attention from the organizations and it became a formal department. The increase in the importance of HR has not happened accidentally. Rather, these trends are a function of specific changes in the business environment. With the increased rate of globalization, a firm's ability to compete in a global environment becomes increasingly contingent on having the right people. Pressures from competitors, shareholders and customers require people that can create new products, services and processes ahead of the competition (Brockbank, 1999).

Strategic Human Resources Management

The importance of fitting structure, systems and management practices to an organization's stage of development is widely accepted. As the organization grows and develops, it needs change. By understanding how an organization changes as it grows, it is possible to understand how human resource management must change (Baird and Meshoulam, 1988). Perhaps the change that has most impacted organizations in the past decade has been the growing realization that people are an organization's primary source of competitive advantage. It is now widely accepted that an organization's success is determined by decisions employees make and behaviors in which they engage. Managing people as an organization's primary asset has inspired HR to become increasingly more effective at developing programs and policies that leverage talent to align with organizational competencies and at executing organizational strategy (Ruona and Gibson, 2004). The field of HRM has recently seen the human resources that it selects, trains and retains move from a supportive to a strategic role in organizations. This occurred because in strategic management sources of competitive advantage were no longer sought in external, but in the

internal environment of a firm, namely in its resources, particularly its human ones. Accordingly the field of HRM reconsidered its own role, resulting in the emergence of a new distinct discipline termed Strategic Human Resources Management (Wielemaker and Flint, 2005).

Recent works on business strategy have indicated that firms' competitive advantage can be generated from firm human resources. According to the resource based view, the firm that can develop sustained competitive advantage through creating value in a manner that is rare and difficult for competitors to imitate. Traditional sources of competitive advantage such as natural resources, technology and economics of scale have become increasingly easy to imitate (Chang and Huang, 2005).

Driven by a number of significant internal and external environmental factors, HRM has progressed from a largely maintenance function to the source of sustained competitive advantage for organizations operating in a global economy (Ferris et al., 1999: 385). Environmental factors such as uncertainty, technological innovation and demographic changes affect human resource strategy. Numerous environmental characteristics have been investigated to determine how they constrain human resources or strategy formulation ((Lengnick-Hall and Lengnick-Hall, 1988).

By the effect of these factors; human resource planners started to learn the language and techniques of strategic planning, assumed a more proactive stance in promoting strategic thinking in the human resources area and extended the personnel function well beyond the limits of its traditional activities (Miles and Snow, 1984). Human resources can make contributions to strategy and strategic planning in a number of ways. Systems such as performance appraisal, staffing, training and compensation help enable managers to implement the organization's strategic plan. Human resources planning also links strategic management and business planning with these systems (Greer, 1995).

The concept of strategic human resource management evolved with an emphasis on a proactive, integrative and value-driven approach to HRM. Strategic HRM, views human resources as assets for investment and the management of human resources as strategic rather than reactive, prescriptive and administrative. The definition of strategic HRM highlights two important dimensions that distinguish it from traditional HRM. Vertically, it links HR practices with the strategic management process of the firm and horizontally, it emphasizes that HR practices are integrated and support each other (Andersen, Cooper and Zhu, 2007).

Most of the writings indicating greater integration between HRM and strategic business planning take either of two predominant approaches. One group of authors suggest a reactive role for the HR function, viewing organization strategy as the driving force determining HRM strategies and policies. These authors have concentrated on developing specific HRM strategies to fit identified business objectives. They contend that HR systems such as selection, training and compensation should be tailored to match the company's objectives and product life cycles. A second group of authors suggest that HR should also play a more central and proactive role by becoming involved in the strategy formulation process itself (Golden and Ramanujam, 1985).

As a result, today's leading edge human resources staff is actively engaged on the management team, contributing participants in the planning and implementation of necessary changes. Human resource staff needs to be business oriented, aligned with the business and effective as consultants and business partners. The integration of human resources with the business requires a new paradigm for managing human resources in an organization (Walker, 1994).

It is desirable to integrate human resources management and business for some reasons. First, integration provides a broader range of solutions for solving complex organizational problems. Second, integration ensures that human, financial and technological resources are given consideration in setting goals and assessing implementation capabilities. Third, through

integration organizations must explicitly consider the individuals who comprise them and must implement policies. Finally, reciprocity in integrating human resources and strategic concerns limits the subordination of strategic considerations to human resources preferences and the neglect of human resources as a vital source of organizational competence and competitive advantage. This reduces a potential source of sub optimization (Lengnick-Hall and Lengnick-Hall, 1988).

Integration refers to the involvement of HRM in the formulation and implementation of organizational strategies and the alignment of HRM with the strategic needs of an organization. To achieve strategic integration and alignment of HRM with business strategies, a documented HRM strategy would also be useful as it can make more concrete the role and authority of HR managers in corporate decision making and increase capacity to cope with externalities such as a tight labour market. A documented HRM strategy helps the organization to develop and HRM vision and objectives and to monitor performance (Andersen, Cooper and Zhu, 2007).

The difference between traditional personnel management and strategic HRM is shown briefly in Table 1 (Anthony, Perrewe and Kacmar, 1996).

(Insert Table 1 about here)

To make HR managers more available for participation in strategic decision making processes, it is argued that the responsibility of routine execution and administration of HR practices should be delegated to line managers as they have direct and frequent contact with employees and a capacity to understand, motivate, control and respond quickly to employees (Andersen, Cooper and Zhu, 2007).

The New Human Resources Management for the 21st Century

HR must now be judged on whether it enhances the firm's competitive advantage by adding real, measurable economic value as a business partner. The HR function and its processes now must become a strategic player (Beatty and Schneier, 1997).

21st century HR requires factors like; increased centrality of people to organizational success, focus on whole systems and integrated solutions, strategic alignment and impact, capacity for change. These factors are described below briefly (Ruona and Gibson, 2004).

- *Increased Centrality of People to Organizational Success:* Undoubtedly the most powerful force affecting the evolution of HRM is the increased centrality of people to organizational success. The emergence of resource based views of organizations has placed increasing importance on intellectual and social capital.
- *Focus on Whole Systems and Integrated Solutions:* It is clear that HRM has become increasingly systematic during their evolutions. With the strategic proactive role of HRM, the challenge for HRM is to continue to develop innovative systems by focusing on the integrated functions and systems of organization.

- *Strategic Alignment and Impact:* 21st century HR has become more integrated by its measurement efforts and it is expected that the importance of these efforts will increase in the coming years. This is all being driven by increased pressure to work on issues that are most important to the business and to provide organizational leaders with understandable information that helps them to make better and more strategic decisions about the workforce. Ultimately, it is essential to work together to enhance HR's capacity to contribute to organizational and financial performance.
- *Capacity for Change:* Today's organizations must thrive in complex and unpredictable environments and must be extremely agile. This demands the development and implementation of structures and processes that facilitate incremental change.

The new human resources management for the 21st century should play a strategic role by contributing the strategy formulation process and being a strategic partner during the implementation of these strategies. The HR practices should be designed consistent with the strategies of the organization taking into consideration the essential HR needs. In parallel with these, organizations can be able to be more flexible, flat and agile in order to struggle with the changes in the competitive environment by gaining competitive advantage with their HR assets.

HR professionals need to lead flatter organizations by encouraging individuals to exercise more initiative, autonomy and accountability by providing tools and techniques that improve their effectiveness and by enabling the acquisition of critical competencies through continuous learning opportunities (Schoonover, 2010).

Conclusion

Strategic human resources management has gained more importance for the organizations in recent years because human resources are seen as the most valuable assets of the organizations for gaining competitive. Human resources departments have started to play a strategic role in the organizations and all HR functions are integrated with the mission, vision and strategies of the organizations. The new HRM perspective for the 21st century requires HRM to be strategic partners of the organization that coordinates all functions and supporting the strategies by attracting and retaining the essential qualified employees.

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Table 1**DIFFERENCE BETWEEN STRATEGIC HUMAN RESOURCES APPROACH AND
TRADITIONAL PERSONNEL APPROACH**

Dimensions	Strategic Human Resource Approach	Traditional Personnel Management Approach
Planning and Strategy Formulation	Participates in formulating overall organizational strategic plan and aligning human resource functions with company strategy	Involved in operational planning only
Authority	Has high status and authority for top personnel	Has medium status and authority
Scope	Concerned with all managers and employees	Concerned with hourly, operational and clerical employees
Decision Making	Involved in making strategic decisions	Makes operational decisions only

Integration	Fully integrated with other organizational functions like marketing, finance etc.	Has moderate to small integration with other organizational functions
Coordination	Coordinates all human resource activities like training, recruitment etc.	Does not coordinate all human resource functions