

Advances in Strategic Human Resource Management
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Strategic Human Resource Management (SHRM) and People Competency
Maturity Model
Lecture - 01 B
Evolution and Nature of Strategic Human Resource Management

(Refer Slide Time: 00:16)

**Strategic Human Resource
Management: Emergence and Evolution**

What is Strategy?

- Originates from the word 'strategos', a general, who organises, leads and directs his forces to the most advantageous position.
- The main emphasis of strategy is to enable an organization to achieve competitive advantage with its unique capabilities by focusing on present and future direction of the organisation.

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Now, we will look at the Strategic Human Resource Management because it is closely connected to HR function. To understand this strategic management, we must first look at what is the strategy? The word strategy originates from a 'strategos'. That means, a general who organizes, leads and directs his forces to the most advantageous position.

So, the main emphasis of a strategy is to enable an organization to achieve competitive advantage with its unique capabilities by focusing on present and future direction of the organization.

(Refer Slide Time: 00:59)

Classical Strategic Management Process

- Establishing a mission statement and key objectives for the organization
- Analysing the external environment
- Conducting an internal organizational analysis
- Setting specific goals
- Examining possible strategic choices
- Adoption/implementation of chosen choices
- Regular evaluation of all the above

(Ansoff, 1991; Mello, 2006)

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In a classical strategic management process, we start with establishing a mission statement. What is the mission statement? Mission statement is the statement of the reason for the organization to exist. Here, we must distinguish mission statement and vision statement as well. Mission statement is the statement of the reason to exist wherein vision statement is about how an organization sees itself in the long term. Vision may not get implemented in the near future or even foreseeable future.

Vision by definition has to be inspiring. Mission also has to be inspiring, but this gives the reason for existence and mission is more related to regular engagement of the organization

with its various stakeholders. So, after establishing mission and vision statement, organization need to keep analyzing the external environment, they need to conduct an internal organizational analysis.

Many of you must have come across terms like SWOT analysis or BCG metrics or GE 3 by 3 metrics or Mackenzie's 7S framework. These are some of the examples of doing internal organizational analysis. Based on the internal organizational analysis, we set the specific goals. Goal setting thing, got a setting a specific goal has been understood very well in the movement of management by objective.

The movement was started by Peter Drucker in 60s and 50s. There was lot of emphasis on mutual goal setting, translating the strategic goals into the operational goals and translating the organizational operational goals to the departmental goals and so on and so forth at the level of employees. And that has to be done with the mutual agreement and negotiation between the different levels of organization, different hierarchical levels of the organization.

So, after doing the organizational analysis, this is our organization need to set the specific goals, then examining the possible strategic choices. A thing cannot be called strategy if that does not involve choice. There has to be certain choices for a disposition to be called strategy. What are the most general, what are the most prominent choices a business organization faces, we are going to look at in a short while.

But adaptation and implementation of choice is the very next step after the setting and specific goals. And then this process has to be supported by a regular monitoring, regular evaluation. Mission, vision, strategic option, long term objectives, if they are set up and the follow up is not taken regularly.

If the matrixes matrices are not developed to regularly check the movement of the organization, departments, functions, teams and employees, that strategy cannot get implemented. So, the regular evaluation is equally important aspect of the strategic management process.

(Refer Slide Time: 04:52)



Strategy in Real Life

- In real life the process is generally not formal and rational.
- Strategy emerge in response to an evolving situation.
- Effective strategies combine deliberation and control with flexibility and organizational learning.

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In the real life, you might have come across in many business organizations. If you ask what is your strategic document? Many organization may not have a strategic document. But organizations generally have a long term objective and they have a tentative theory based on which they wish to achieve those objectives.

Strategy actually emerges in response to evolving situation and as a result of that, one document may not remain relevant for a very long time. But there is a essential feature which is the interaction of the business and environment at the interface of which strategy evolves. Effective strategies combine a deliberation and control with flexibility and organization learning. What it means? It means there is a equally important aspect called reflection at the organizational level along with action for strategic formulation.

Organization once set up this strategy need to keep scanning the environment and should be flexible enough to change the course of action. Organization also have to keep learning like individual which learn in order to cope up with environment which learn in order to respond to the external stimulus or external stimuli, organizations also have to learn. Like individual where learning may start with intuition or concrete experience and may lead to abstraction, conceptualization and experimentation.

Business organizations also can look at the learning in the form of their insights, in the form of observations of those insights, application of some of the actions arising out of those insights and institutionalization of some of the systems processes within the organization. So, strategy is a dynamic process that includes reflection, learning and has to have flexibility.

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A long term business strategy must be based on core idea about how the firm can best compete in marketplace. So, popular term for this core idea is called generic strategy.

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Generic Strategies		
Generic Strategies	Management Process and Systems	Competencies and Resources Required
Cost Leadership	<ul style="list-style-type: none"> • Efficiency driven • Generally economies of scale • Process Excellence 	<ul style="list-style-type: none"> • Tight cost control • Tight management control system • Structured organizational responsibility
Differentiation	<ul style="list-style-type: none"> • Innovation driven • Generally unique capabilities driven • Engineering excellence 	<ul style="list-style-type: none"> • R&D and its strong coordination with marketing • Incentives for value adding innovation • Flexible and agile organizational system
Niche or Focus	• Combination of above towards a particular segment	

Generic strategies are generally of three types. You study; you look at the slide column wise. So, there are three types of generic strategies, suppose in the literature: the cost leadership, differentiation and niche. According to the generic strategy, management processes and system are differently designed and implemented in any business organization. According to generic strategies, organizations and people working in those organization require different sets of competencies and resources.

So, now we will look at the different management processes systems, competency and resource required to implement three different generic strategies. First is cost leadership. An organization following the cost leadership claims or aims at providing good or services at the

cost which no other competitor can provide in a particular market. So, naturally the process is the management process is the system in the organization following the cost leadership has to be efficiency driven.

These organization operates on the economies of the scale and in these organization following the processes masterfully, efficiently following the processes is the essence of the management system. So, we can also imagine what is the kind of competencies required in the management in an organization which is following the cost leadership.

So, the first and foremost, the organization's following cost leadership has to operate at the tight cost control. They have to have a tight management control system as well to ensure to lock any pilferage in the resources. Generally, organizations following cost leadership has to have structured organizational responsibility.

There has to be a predictability to enhance efficiency in any system. And that predictability comes with the clear structure of the organizational responsibility. It is also must be noted that organizations following the cost leadership generally measure their performance in the form of very objective and measurable parameters.

In order to have objective and measurable parameters, organization responsibility have to properly structured and communicated. Second generic strategy is called differentiation. An organization following differentiation strategy aims at providing services or product which no other competitor can offer in the market place. So, naturally these organizations are innovation driven. They are generally driven by unique capability.

Many of you might be thinking about Apple as an example which is following the strategy of differentiation. These are organization which are generally engineering excellence. You see in the Apple products they are engineering marvel as well as design marvel. When an organization is aiming at providing services or product which no other business organization is capable of providing in the market place. Naturally they have to have strong emphasis on R and D.

But that R and D cannot be for the R and D sake that R and D or research and development cannot be for just knowledge creation. It has to result into some product and services which customers must value. Because of this requirement the R and D department of the organizations following differentiation strategy has to work in the very close collaboration with marketing department.

They provide incentives to their managers and employees not on the efficiency, but they provide most valuable incentive to their managers and employees for value adding innovations. They have to be very flexible and have to develop agile organizational system.

Third generic strategy is called niche or focused. When an organization is providing a service or product which is uniquely entertained, which is uniquely desirable by a niche of a market segment, just a slice of a huge market we can call organization following the niche strategy. Niche strategy is emerges at the combination towards a particular segment.

So, whatever is most desirable for a particular segment they closely build the association with the customers that is why the customer intimacy is a very important feature of organization following the niche strategy.

They consistently offer unique product and within that segment they keep improving the product as well. Many of you might be thinking about some product like Harley Davidson or in India Bullet. If you look at the total market size of the Harley Davidson in comparison to the general all motorbikes that may not be very high.

But their customer segment is very committed for that product and this company the Bullet or Harley Davidson closely work with their customer segment. In order to create the events, in order to build the community among themselves etcetera. So, these are the examples of organizations following the niche generic strategy.

Looking at this description you can see how HR function will be very different in organizations following different generic strategy. For example, recruitment. Recruitment in

an organization following cost leadership will look at the efficiency oriented parameters and competencies among its prospective employees.

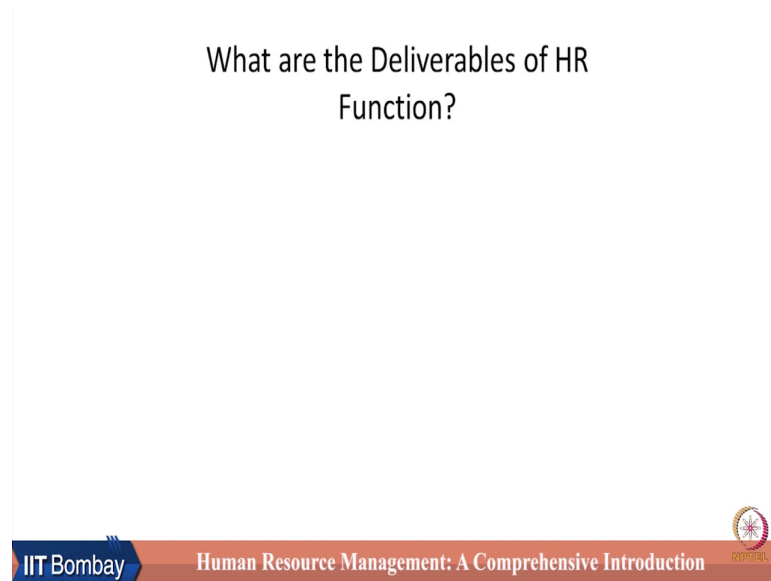
Whereas recruitment process in organization following differentiation strategy will look at the innovativeness, will look at the high qualification and experience of developing novel things, thoughts, services or product in any new recruit in the organization. Organization following the niche strategy will aim at recruiting people who have strong knowledge base above that particular niche or that particular product which organization is servicing or offering.

Similarly, we can look at how the training and development function will be different in the organization following different generic strategy. If we take the example of training in development, training in development in the organization following cost leadership will be focused on efficiency following the systems and processes, making people aware of the best practices, etcetera.

Whereas in the differentiation the emphasis of training and development of the employees in the organizations will be about helping them to innovate more, helping them in creative thinking, etcetera. Whereas the training and development function in an organization following the niche strategy will be aiming at making the employees more well-versed and bring the employees closer to the preferences and needs of their segment which they are very specifically serving.

Similarly, we can look at the functions like compensation management, time management, performance management system, etcetera. How they will be different in the organizations following different generic strategy? What are the deliverables of the HR function?

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We need to understand that deliverable for production function is to produce as many product as possible in as less time as possible. So, here we park our discussion on the connection of the strategy and HR function.