# AN OVERVIEW OF STRATEGIC INTEGRATION AND DEVOLVEMENT OF HRM FUNCTION

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## ABSTRACT

*In modern organizations, it is recognized that people are key assets for developing competitive advantages and different organizations are trying to excel in market on the basis of this key resource. There are numerous studies that are highlighting the importance of human resource in achieving organizational goals. However, we can hardly find any study that is focusing on the role of HR department as a key functional unit not only in strategy implementation stage but also at strategy formulation stage. This paper presents a model for analyzing the integrative aspects of HRM and its effects on organizational performance.*

**Keywords:** *Strategic Integration, devolvement, Line of Sight & Organizational Performance*

## INTRODUCTION

The significance of human resource in improving organizational performance is largely acknowledged by academicians as well as the practitioners (Becker & Gerhart, 1996). The managerial function that has a leading role in this dimension is human resource management (HRM). HRM includes "systems, processes, policies and practices that effect employees' attitudes, behavior and performance" (Noe et al, 2010). HRM as a field of study evolved through different phases. It is originated from a simple concept of personnel administration and nowadays practiced as a multifaceted concept of Strategic Human Resource Management (SHRM).

The focus of this research is to analyze the evolution of SHRM and its implications for organizations. The main focus is on integrative aspects of SHRM i.e. how firms can fully integrate the HR activities in the organization vertically as well horizontally and how this integration can help the organization in achieving high performance.

### The evolution of SHRM

A number of environmental factors affected the development of HRM, some of which are highlighted here. While a majority of the researchers who have discussed the history of HRM start from the industrial revolution of 19th century, however, it emerged much earlier. The HRM was there like in management of clans, apprenticeship and workers contract systems (Dulebohn, Ferris, & Stodd, 1995).

As identified by Deadrick & Stone (2014) HRM perhaps evolved earlier than other management functions. Management of human resources has come to mind since the association of people into social units like tribes. Division of labor, recognizing the differences of productivity of individuals, occurred with evolvement of tribes mainly for hunting and then farming. This was a major development in field of human resource management. People were engaged in several roles in their civilization, craftsmen developed tools for farming, later they were supported by some semi-skilled or unskilled workers. Similarly majority of people were engaged in farming. Therefore, it was a natural division of labor, which caused variations in the productivity of different craftsmen and professions. These variations created many trade opportunities. And with all these developments issues of human resource management emerged and were either managed through the natural allotment of useful roles, or by the supervision of tribal elders (Deadrick & Stone 2014).

During last decade of eighteenth century the industrial revolution started into European nations as well as in United States. With the emergence of industrial revolution, researcher observed significant changes in the livelihood of the individuals. The society started to move from rural farming into an industrial society in which a large number of individuals started to earn their living from manufacturing. The machine work started to replace the traditional artisan work which was mainly based on human skills and the factory system organization started to emerge (Dulebohn et al., 1995). With the increase of productivity from factories new types of employment relationship emerged. Because of emergence of these production system, there was a need to manage huge numbers of workers, however, the tendency of management practices were mainly mechanistic not humanistic (Dulebohn et al., 1995). The owners and top management were interested to get their work done through strict and close supervision. They were hardly interested in wellbeing or safety of employees, and they were mainly

controlled with force and fear (Slichter, 1919). The same administrative approach continued upto the nineteenth century.

In 18th century, Robert Owens (CEO of a factory) changed several features of managing the workforce. He introduced "welfare to work" systems for improving the work environment of employees and their wellbeing (Dulebohn et al., 1995). Especially, he acknowledged that his "welfare to work" system improved working environment. In several cases, these management practices developed into a new sophisticated and caring system in which employees were offered different facilities like company accommodation, discount stores, schools, hospitals, retirement benefits, life and health insurance etc (Dulebohn et al., 1995).

DeNisi, Wilson & Biteman, (2014) noted that in industrial revolution, different scientists and practitioners started to focus on approaches that can increase workers' productivity, and they introduced different models to manage employees. For example, Taylor (1947) put emphasis upon identification of single best way to carry out each task through the explanation of work by analyzing jobs in a scientific manner, and flouting the work in smaller parts. However, this approach reduced workers' autonomy and focused on close supervision of workers so that they perform their jobs as per identified standards. Frederick W Taylor in his principles also introduced the use of scientific methods in selection and training. Similarly, it was also suggested that employees can be motivated for more productivity through the provision of more monitory rewards.

Max Weber a German sociologist at almost same time argued that overall company's performance can be enhanced by developing work procedures and chain of command system. He has introduced a concept "ideal type of bureaucracy" that provided some useful guidelines to manage large size organizations through formal rules, regulations and formal hierarchy of authority. Similarly, Henry Fayol in his administrative model also suggested the effective way to solve the administrative issues that emerged after the growth of factory types of organizations. These new designs of jobs based on scientific principles and the consequential autocratic management systems significantly improved the workers' productivity (DeNisi, Wilson & Biteman, 2014).

In 1930s, some personnel administrators started to criticize the mechanistic view of these classical scientists and practitioners. They organized some experiments

and evaluated the influence of various administrative arrangements on employees' performance. The most famous experiments were the Hawthorne studies of Elton Mayo during 1930s. These researchers concluded that the workers needs and perceptions had an important impact on their wellbeing and productivity of workers. This new approach to management was known as Human Relations movement, and stressed to acknowledge employees social needs (Roethlisberger & Dickson, 1939).

Armstrong (1994) argued that the significance of better management of people in organizations by fulfilling people social needs and effective leadership was highlighted in 1930s. Although, human relations movement started with its criticisms on the mechanistic assumptions of classical theorist (like Fredric W. Taylor, Henry Fayol and Max Webber) about the people that by nature they did not want to work, they need close supervision to get the desired work done etc. But, human relations approach stressed that human resources made important contributions to organizations and are more valuable than other resources of organization. As a result, the term "personnel management" was replaced with the label "human resource management", which emphasized that human resources are assets to organizations. The change of personnel management into HRM was a complex move and for several years it was labeled both as "personnel management" and "Human Resource Management". However, the philosophy behind the HRM was quite different from the term personnel management, HRM in its approach is more proactive rather than reactive, system view rather than piecemeal approach, treats labor as valuable assets rather than cost, is goal-oriented rather than relationship-oriented and ultimately is based on commitment rather than compliance (Guest & Hoque, 1991). Personnel management was considered as an administrative arm of employers, while HRM considers human as a valuable resource with unique set of needs and an integral part of organization (Torrington and Hall 1998).

In 1980s, the above mentioned developments in the field of HRM and new challenges posed by complex business environment a "new" HRM function was emerged (Kochan, Katz, & McKersie, 1986). In this new function the role of HR department is considered as a strategic partner in organizations and it was recognized that integration of HR strategy into overall business strategy is a key to perform this role. Galbraith and Nathanson (1978) were among the first scholars to define a link between HR strategies and corporate or business

strategies. It was broadly acknowledged that in today's knowledge based economic systems human resources are vital to achieve the sustainable competitive advantage. Therefore, it can be concluded that HRM has changed from a "personnel administration" function to a human relations, then industrial relations, and most recently strategic HRM function.

Storey (1989) highlighted four features of SHRM that differentiate it from traditional personnel management or HRM:

- ➢ it is clearly associated with corporate strategy;
- ➢ it ask for employee commitment rather than their obedience or compliance;
- ➢ employee commitment is achieved from strategic integration of different sub functions of human resource management like, recruitment and selection, training and development, rewards management, performance appraisal and management etc and
- ➢ it requires an ownership of many of HR practices by the line managers which were primarily in the domain of personnel managers only. The ownership from line managers will help to foster integration.

Considering the above mentioned studies on the evolution of HRM, it can be concluded that HRM evolved from its humble origins in conventional personnel administration or personnel management to the more recent concept of SHRM. Personnel Administration was mainly welfare oriented and concerned only for the basic needs of workers. Later on, during its mature phases (1940s to the 1970s), personnel administration      witnessed a boost in its status and professionalism, especially concerning the matters of industrial relations (IR) matters (Armstrong, 1997 and Gunnigle et al, 1997). Subsequently, firms started to recognize human as a key resource like other resources of the organization, the concept of HRM was emerged and widely recognized as a discipline different from traditional personnel management. HRM was more people oriented and it recognized the human as assets rather than cost. Therefore, the philosophy behind human resource management was different from the assumptions of personnel administration. The focus of HRM was on creating and maintaining an effective system for attracting, developing and retaining the most important human asset of the organization. In early 1980s, SHRM emerged as a new approach to the management of this valuable asset of the organization which not only focuses on

employees' development but also on their contributions in organizational performance.

## The Integrative aspects of SHRM

Sheehan and Cooper (2011) highlighted that in personnel administration, the practices like staffing, training and development, compensation, career development were performed effectively. However, during that period, HRM was carried out without a clear integration either between the functions or towards overall corporate strategy. The management of human resources obtained more recognition and authenticity after the emergence of SHRM about 30 years ago. In SHRM the main focus is on the integration between HRM and the business or corporate strategy, and the internal coordination and integration among a set of HRM practices (e.g., Kaufman, 2014; Ulrich, Allen, Brockbank, Younger, & Nyman, 2009).

Therefore, the integration of HRM demands a central place of HR unit in any decisions that are taken at strategic or operational level and also encourages the line managers to take responsibility for HRM, not just the HR department. Similarly, it also reminds the decision makers that an investment in people is a key managerial priority for achieving high performance in organizations. It requires organization wide commitment to HRM. Lengnick-Hall and Lengnick-Hall (1998) argued that there are three main reasons of the wide recognition of HRM integration. First, HRM integration provides a wider range of solutions for solving complex organizational issues and problems. Second, it makes sure that all resources human, technical and financial, are given appropriate consideration in developing organizational strategies and evaluating implementation capabilities. Finally, it reduces the subordination of HR considerations and further highlights the importance of human resources as a vital source of organizational competence and organizational advantage.

Similarly, Guest (1987) identified that integration can be achieved at three levels, integration of HRM policies with business strategy, internal integration of a set of HRM policies and distribution of some of HRM function to the line managers. This is further elaborated by Guest and Hoque (1994) who argued that "the key is strategic integration". It means people strategy and business strategy must be aligned; the HR policies must be consistent with each other and the value of line managers must be sufficiently acknowledged in the HR philosophy to ensure that

they will implement it effectively. In their discussion, they concluded that in organizations where this type of integration is fully achieved, there is increasing evidence that a distinctive set of human resource practices leads to superior performance.

Gratton and Truss (2003) proposed a three dimensional strategy model of HRM integration. First, dimension is an alignment between HR strategy and corporate or business strategy. Second a horizontal alignment between individual HR sub-functional areas; and, third dimension, is an action or implementation dimension which shows the degree to which the HR strategy is effectively implemented by employees and line managers into their day-to-day practices. Sheehan (2005) argued that involvement of strategic HRM in strategy formulation requires a specific set of symbolic and ritualistic gestures from all the stakeholders. However, these symbolic gestures are not enough to get the desired HR outcomes. The symbolic changes should be accompanied by certain tangible changes both from the people working in HR department and other stakeholders in the organization. The managers and other people working within the HR function must clearly understand the difference of philosophy behind the conventional personnel management approach and SHRM and be prepared to incorporate the necessary changes (Beer, 1997).

SHRM redefines the role of HR manager and ask them to adopt more of a business partner role in their organizations. In particular, this role calls for a clear understanding of link between HR strategy and business strategy as well as an understanding of basic business processes (Dyer & Ravees, 1995). However, the many HR managers may not be meeting the challenge of this new role. They were found capable in managing the technical activities of HRM like, staffing, developing and rewarding employees but the strategic HRM capability level, which support the business partner role, was found lower (Huselid et al. 1997). Similarly, Sparrow and Marchington (1998) found that many of the HR managers failed to realize the requirements of their new role and do not have the enough confidence to perform the new role of strategic business partner.

Losey (1999) argued that the mere changes of titles of those who are involved in management of human resources and the convincing statements regarding the importance of human resources in organization are not enough to influence challenges posed by the significant shift from personnel management to SHRM.

This type of attitudinal changes made by HR professionals must be accompanied by essential changes in their knowledge and skill base.

## THEORETICAL FRAMEWORK

The following theoretical framework can be developed on the basis of above mentioned integrative aspects of SHRM. It shows that horizontal integration, vertical integration, strategic HR competency, top management commitment and recognition for strategic role of HR department, support and commitment to HRM from line managers and devolution of HRM functions to line managers are the independent variables and organizational performance is the dependent variable. In addition, employees' line of sight is taken as moderating variables because; it is also an important aspect in strategic integration of HRM. Employees' line of sight is defined as "an employees' understanding of the firm's strategic goals as well as the actions necessary to accomplish these goals (Boswell et al., 2006)". In an integrated system of HRM the employees understanding of overall strategic goals of organization is also an important aspect. They will be in a better position to perform their roles when they know that what is expected from them and how they can contribute in the accomplishment of overall organizational goals.

**Figure: 2.1**
**THEORETICAL FRAMEWORK**
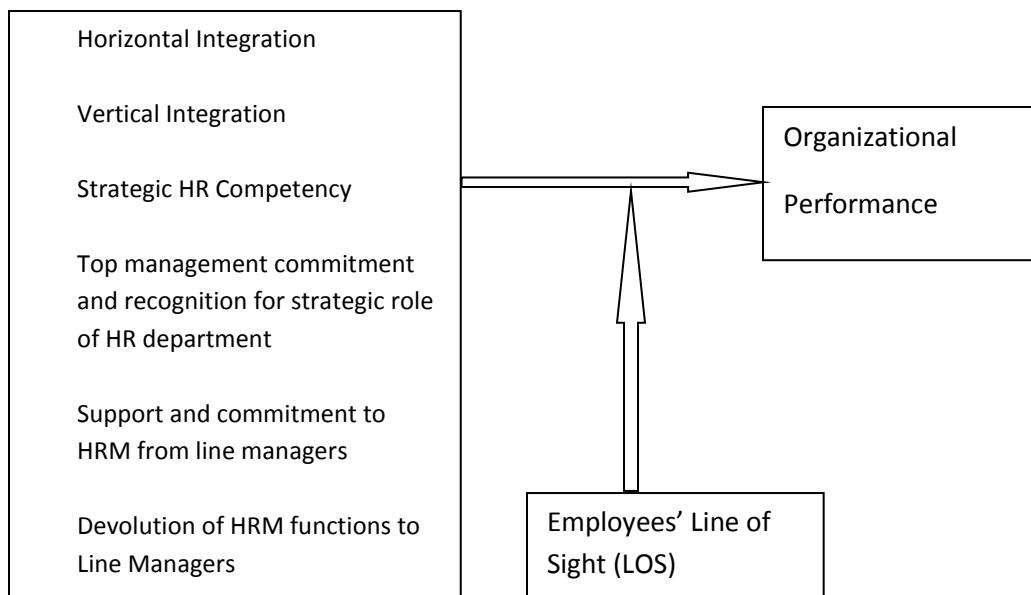
## DISCUSSION

As discussed earlier, strategic integration and devolvement of HRM function are integrative parts of SHRM. Figure: 2.1, shows the most important integrative aspects of SHRM. An effective integrated system of HRM will enable the practitioners to use the HR function as a strategic business partner. Strategic HRM Integration takes the role of HR department as a strategic business partner which works with and supports both top management and other line managers in accomplishment of overall organizational goals. It covers both horizontal and vertical integration- the degree to which HR functions is involved in the process of overall strategy formulation of the firm. Top management commitment and recognition for strategic role of HR department is also an important integrative aspect of HRM.     It will evaluate the overall standing of HR department relative to other functional units of the organization. e.g. the representation of HR department in BOD or senior Committee level, HR Manager/Director reporting relationship with  CEO and top management acknowledgement of HR department as a strategic business partner.

Similarly, the support and commitment available to HR functions from the other line managers of the organization is also vital to achieve full integration of HRM. Devolvement of HRM refers to the devolution of human resource responsibilities from human resource managers to line managers. In this scenario it is evaluated that to what extent line managers are involved in activities that were previously in the domain of HR specialists. Horizontal Integration refers to the degree to which HR strategies are internally aligned.  Vertical integration refers to strategic alignment of HR functions with business or corporate level strategy. Strategic HR competencies refer to the capabilities of HR professionals to respond the changing business conditions and overall effectiveness of HR function. LOS refers to an employee's understanding of the firm's strategic goals as well as the actions necessary to accomplish the goals (Boswell et al., 2006). All these variables are used to explain the integrative aspects of SHRM.

The integration of HRM effectively encourages the line managers to take responsibility for HRM, not just the HR department. Similarly, it ensures that HRM is given a much more central place in any decisions that are made at the strategic or operational level, and reminds decision makers that an investment in people is a key organizational priority.

## CONCLUSION

HRM is well recognized as a key activity in the field of management. It is widely considered as an important tool in supporting organizations' performance, competitiveness and sustainability.  HRM has progressed from its humble origins in personnel administration or personnel management concepts. This evolution reveals the increasing organization-wide commitment to human resource of the organization. This transition, however, has triggered extensive discussion within the researchers and practitioners about the successful strategic positioning of, and responsibility for, HRM (Beer, 1997; Dyer and Holder, 1988; Guest 1987; 1989). There is concern, for example, that in many organizations we can see the change of designation or titles of people associated with human resource management but HR department failed to get the required respect and often ignored while taking strategic level decisions. The HRM integration is still to be realized (Beer, 1997; Johnson, 1997; Kochan and Dyer, 2001; Storey, 2001) where HRM integration is defined as the full integration of HRM with organizational strategy; both vertically and horizontally (Schuler, 1992; Beer et al., 1984; Devanna et al., 1984; Dyer and Holder 1988; Guest, 1987, 1989).

The theoretical framework regarding the strategic integration of HRM and its influences on organizational performance (Figure 2.1) can be presented as a schematic diagram for an empirical study to be implemented for data collection. This framework elaborates the important integrative aspects of HRM and explains that how this integration could lead to high performance for the firms.

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