

Does the HR Strategy matter?

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Introduction

It is a matter of regret that some so-called human resources practitioners do not only understand the importance of the Human Resources Strategy but are also clueless as to how the human resources strategy is developed and implemented. This article intends to elaborate on why human resources strategy matters to any organisation. According to Ratton and Gold (2012), Human resource management (HRM) is a strategic approach to managing employment relations which emphasizes that leveraging people's capabilities and commitment is critical to achieving sustainable competitive advantage. This is accomplished through a distinct set of integrated employment policies, programmes and practices, embedded in an organizational context."

Storey (2007), defined "Human resource management as a distinctive approach to employment management which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce using an array of cultural, structural and personnel techniques."

According to Price (2011), HRM is: "a philosophy of people management based on the belief that human resources are uniquely important in sustained business success. An organization gains a competitive advantage by using its people effectively, drawing on their expertise and ingenuity to meet clearly defined objectives. HRM is aimed at recruiting capable, flexible and committed people, managing and rewarding their performance and developing key competencies."

A well-crafted HR strategy provides documented linkages between the organizational strategy and the people strategy within the organization. The HR Strategic Plan provides a written guide to how people policies and procedures will interact with the organizational activities to ensure that the organization can successfully achieve performance. It breaks down the organizational strategy into HR-specific contributions and develops a workforce plan alongside the financial plan for the organization.

Versions of Generic HR Strategy

1. High-Performance Work System (HPWS).

One landmark study (Huselid, 1995) created a popular framework that can be used as a kind of generic HR strategy. The framework is known as the high-performance work system (HPWS). HPWS improves firm performance and works well across much different organization.

2. Commitment Versus Control Strategies

According to Arthur (1992), there are two very different overall HR strategies, labelled "commitment"

and “control.” The commitment HR strategy would include:

- Broadly defined tasks.
- High levels of employee participation.
- Highly skilled workers.
- Extensive training.
- High wages.
- High benefits.

However, the control HR strategy would represent the opposite:

- Narrowly defined jobs.
- Low participation.
- Low skill requirements.
- Intense supervision or control.
- Limited training.
- Low wages.
- Low benefits.

3. Value Matrix Approach

According to Lepak and Snell (1999), a firm can implement four possible HR strategies (commitment, performance, compliance, and partnership) tied to four distinct job groups representing different types of workers (strategic, core, support, or collaborative).

What is the Impact of the HR Strategy?

The primary impact of an HR strategy is on the employees themselves, in terms of what they have, feel and do in an organisation.

Impact on Employees

Commitment HR strategies have a positive effect on how employees feel and increase their satisfaction.

This is what is often called employee engagement. One study found that the HR practices in petrochemical refineries were related to how plant managers evaluated the skills of the workforce (Wright et al., 1999). Another study found that HR strategies were related to the skill levels, creativity, and expertise of employees within a group of Japanese organizations (Takeuchi et al., 2007). According to Sun et al. (2007), commitment HR strategies mean better performance on core tasks, more going beyond the call of duty, greater willingness to share knowledge, and generally lower quit rates or turnover. Given this background, it can be safely argued that a coherent HR strategy influences customer satisfaction.

Impact on Finance

A corpus body of evidence exists that shows links between HR strategies and a variety of financial outcomes. According to (Huselid, 1995), in a study of the HR practices at more than 700 companies HR practices were shown to be related to both financial and stock price measures of performance. Those connections are demonstrated in studies of the banking industry (Delery and Doty, 1996), manufacturing firms (Youndt et al., 1996), in firms in New Zealand (Guthrie, 2001), and other U.S. cross-industry studies (Datta et al., 2005; Snell and Youndt, 1995). Therefore it can be strongly argued that a well-crafted HR Strategy has a direct bearing on the profitability of any organisation.

Huselid and Becker (2000), found that “Based on four national surveys and observations on more than 2,000 firms, the effect of a one standard deviation change in the HR system is 10-20% of a firm’s market value.” Quantitative analysis of this research shows that a very small increase in the use of Human resources systems could result in more than a 4 per cent increase in return on a firm’s assets (Combs et al., 2006).

Impact on Operations

Labour productivity, quality, and shrinkage—all key to operations—are also affected positively by HR strategy. One important study (MacDuffie, 1995) examines the impact of an overall HR strategy in automobile manufacturing plants. The results show a strong positive impact on labour productivity (the number of employee hours required to assemble a vehicle) and on quality (the number of customer-reported defects of the automobiles produced). According to Ichniowski et al. (1997), a study of steel production lines sees HR strategies associated with a greater percentage of “uptime” for the lines. In support of this line of argument Collins and Smith (2006), stated that HR strategies are also related to innovation, quality, workers’ compensation costs, and shrinkage.

Impact on Customers

According to Schneider et al. (1985), HR strategies are linked to employee attitudes, and the way employees perceive their experience with management is strongly related to customer satisfaction results. In tandem with this argument Schneider et al. (1998), were of the view that the service climate—which refers to employees’ shared perceptions of what practices will be expected, rewarded and supported—is especially important in making a positive impact on customers. Rogg et al. (2001), was of the view that HR practices drive cooperation, customer orientation, employee commitment and

managerial competence—and therefore have a major influence on customer satisfaction. In a study of call centers it has been found that HR practices emphasizing employee training, discretion and rewards lead to higher service quality as measured by customer satisfaction surveys. HR practices are also related to higher revenue per call as well as net revenues per call, which seems to say that when customers are very satisfied, they buy more (Batt et al.)

Conclusion

In light of the above discussion, it is difficult if not impossible to escape the conclusion that HR strategy has the most significant impact on what employees do on the job.. Any serious and progressive organisation must have a well-documented HR Strategy that is aligned to its business strategy.

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