CHAPTER – 1
INTRODUCTION

1.1 INTRODUCTION

The most valuable resource for an organization is its PEOPLE or Human Resource this is an un-debatable and mostly accepted fact across the globe. At the same time most corporate mission statements and annual reports of the companies reflect the same message frequently. People are the most valuable resource for a firm’s business. Recognising the importance of and managing its Human Resource is a key factor that gives the competitive advantage to any organization. It also provides the professionals working to the HR functional areas with elevated status of organization and improved employee performance. Putting a right person at a right job and that too at a right time is the most important for the sustainable success of an organization. The recognition of HR Management, however, presents a professionals functioning in this field with new challenges and lot of role changing. Taking an example, the HR functions, with an idea of highly centralized strategic roles, attract the expectations that, simply partnering the top management is not enough for HRM. It has to direct the success of an organization with enhanced employee performance.

It has become a proven and accepted fact by the both corporates and academics that the human capital in an organization is the real source of competitive advantage, if the policies and practices of people management are made and implemented strategically. As mentioned by Beer, Spector, Lawrence, Quinn, Mills, & Walton, (1985) “Nowadays, it is a common belief in both the business and the academic world that the human resources of an organization can be a source of competitive advantage, provided that the policies for managing people are integrated with strategic business planning and organizational culture.” This approach puts an emphasis on the importance of analogy between human resource policies and organizational objectives. Recent researches have focused on the links between human resource management and employees performance by Guest (2003, 2004); Purcell (2002, 2004), and much of the available and growing international literature in this field denotes that HRM is directly linked in a very close manner to the strategies which are evolving, especially in the bigger organisations whether
private or public. Number of studies has produced evidences and findings to find out the facts in organisations under public sector in that duration when this sector has grasped the implementation of managerial practices and principles of the private sector.

There is always a necessity to doubt the genuineness of association of SHRM practices with the Performance of Employees and whether a statistical analysis of data establishing the relation between Strategic Human Resource Management (SHRM) and employees’ performance may prove the direction of the link. Is it possible where a performing organization can attribute its worthy performance to the value of its HRM practices or its performance is due to some other unidentified factors? There is another issue which is raised when it comes to the meaning of being strategic in human resource management. What are those factors or an approach that enables a business organization adopt HRM practices that may be called ‘Strategic’ or is there any measure to know the difference between the approaches to HRM being ‘Strategic’ and not to be so STRATEGIC?

This study has especially been conducted to know the fact if there is an impact of SHRM practices and the Employee Performance in an organization through testing hypotheses, taking employee performance as dependent and SHRM practices as independent factors.

1.2 HUMAN RESOURCE MANAGEMENT: A CONCEPTUAL FRAMEWORK

Being inspired by the concept of welfare capitalism dealing with employees was introduced in the form of Personnel Management in many of the large companies. Widespread of unemployment during the Great Depression of 1930s is largely held responsible curtailment in the expected co-operative climate. Collective bargaining was introduced as a standard for regulating the relationship between employee and employer. And at the time when the markets changed where clients demanded the customised and better quality of products, the technical system was rigid enough and less responsive. Higher expectations from a talented, better skilled and well qualified work-force, too, put challenges to the motivational assumptions of
management that negotiating for higher salary and wages was actual profit for the monotonous dead-end jobs. There was also an additional force on the industrial structure that settlements across the industry might push rise in the labour costs to that extent that businesses would become helpless in the foreign competition which was expanding into global markets.

Human Resource Management is a moderately novel approach to manage people in any business. People are considered to be the significant resource in this approach. It is concerned with the people aspect in management of a business. Since an organisation is a group of people, their procurement, development of skills, motivation for advanced levels of attainments, as well as guaranteeing maintenance of their level of dedication and commitment are all important activities. These activities lie in the domain of Human Resource Management. HRM is a process, which involves of four main activities, i.e. acquisition, development, motivation, as well as maintenance of HR.

Scott, Clothier and Spriegel have defined HRM as, “A branch of management which is responsible on a staff basis for concentrating on those aspects of operations which are primarily concerned with the relationship of management to employees and employees to employees and with the development of the individual and the group.”

Human Resource Management is accountable for upholding good human relationships in the organization. It is also concerned with the development of people and achieving amalgamation of goals of the organization and those of the employees. Northcott considers human resource management as, “An extension of general management, that of prompting and stimulating every employee to make his fullest contribution to the purpose of a business.” Human resource management is not something that could be detached from the basic managerial function. It is a key component of the comprehensive managerial function.

French Wendell, defines, “Human resource management as the recruitment, selection, development, utilisation, compensation and motivation of human resources by the organization.”
According to Edwin B. Flippo, “Human resource management is the planning, organizing, directing and controlling of the procurement, development, resources to the end that individual and societal objectives are accomplished.” This definition reveals that human resource management (HRM) is that facet of management, which pacts with the planning, organizing, directing and controlling the personnel functions of the enterprise.

The advent of human resource management (HRM) can be accredited to the work of the human relationists who devoted great worth to the human factor. Lawrence Appley remarked, “Management is personnel administration”. This opinion is somewhat true as management is concerned with the efficient and effective use of both human and non-human resources. Thus human resource management is only a part of the management process. At the same time, it must be recognized that human resource management is integral in the process of management. This function is performed by all the managers. A manager to get the best of his people must undertake the basic responsibility of selecting people who will work under him and to help develop, motivate and guide them. However, he can take the help of the specialized services of the personnel department in discharging this responsibility.

In most of the large organizations, human resource department is set up under the leadership of personnel manager who has specialized knowledge and skills. The HR manager performs managerial as well as operative functions. Since he is a manager, he performs the basic functions of management like planning, organizing, directing and controlling to manage his department. He has also to perform certain operative functions of recruitment, selection, training, placement, etc. The human resource managers attach highest priority to the settlement of industrial disputes than anything else. The role of human resource management in industry is underlined by the complex and dynamic nature of environment under which the modern large-scale industries function. The impact of technology on organization structure, politicization of workers' unions, and the growing consciousness of industrial employees about their rights and privileges, have made the role of personnel management increasingly more important in industrial undertakings. The task has also been smoothened by the greater acknowledgment of the value of human resources in industry and application of human resource development (HRD).
It should always be clear as a conceptual understanding that Human Resource Management, as a theory, has emerged as a strategic approach to managing people. HRM involves the use of a wide range of tools to achieve the strategic goals of an organization, for this purpose, these tools are required to be integrated. The key tools are:

- Workforce planning
- Recruitment and selection
- Training and development
- Rewarding and motivating staff
- Communication
- Roles and responsibilities (Organizational Structures)

Keeping in view of the above, organizations need to develop the policies and strategies for human resources whether related to selection/recruitment, training and development, employee welfare, organisational culture and overall performance management that not only reflect their vision and principles but also seek to maintain an agreeable relationships between management and employees. However, it is observed that some human resource departments merely devise policies that deal with current problems or requirements, Delery and Doty (1996); Jackson and Schuler (1995).

1.3 STRATEGIC HUMAN RESOURCE MANAGEMENT

The concept HRM has gone through a long journey starting with modest beginning as personnel management in which the duties and responsibilities of personnel manager were only confined to recruitment and selection, maintaining the payroll records, keeping the track of promotions and managing other routine personnel issues etc. However the contemporary development in the field of Human Resource Management is sprouting and pointing towards Strategic Human Resource Management (SHRM). SHRM has gathered attention due to its potential impact on the functioning and hence overall performance of the organisations. Shifting from the thinking that
profits and survival of the business organisations are an outcome of technology and material management only there is a growing credence that if organisations demand to survive, compete and make profits in the global scenario they have to adopt such effective HR practices so as to attain, develop, and consequently manage the World-class Human Resource competencies.

Over a period of many- many years the subject area of HRM has engrossed much consideration across numerous disciplines owing to its contribution and impact on the bottom-line issues within the organisations. “Ostensibly, when compared to earlier forms of people management, the essence of HRM was a closer alignment of the procedures and processes concerned with work and employment relationships with overall organisational objectives.” by Bratton and Gold (2012).

Strategic HRM can be defined through the intentions and plans of a firm or organization the way its business goals are to be achieved by its people. There are three fundamental propositions related to it 1. People should be treated as capital as they are the major source of competitive advantage; 2. People who implement the strategic plan, and 3. A systematic approach should be adopted to define where the organization desires to reach and how it should reach there. However, the SHRM as a concept is still on the way to evolve as an acceptable concept, therefore, a suitable definition of SHRM may yet not be arrived at.

In broader terms, SHRM is all about systematically relating the objectives and performance of human resources with that of the organization. Precisely and being specific it tries to integrate the HRM strategies with the corporate strategies. Organisational strategies for human resource are basically the policies and programmes that may address and solve some very basic issues related to the management of human resources on well-defined strategic basis. They focus on alignment and integrating vertically with organization’s HR practices, programmes, policies and horizontally with corporate and business unit plans. Strategic Human Resource Management provides a conceptual and philosophical perspective on which the serious issues or factors related to human resources can be addressed. SHRM facilitates a strategic decisions making that creates a long-term impact on the policies and practices, responsible for success, in organization.
It may be understood as the fundamental objective of SHRM is to create in an organisation a strategic ability by ensuring that the business can afford the skilled, experienced, dedicated and self-motivated employees which are a prerequisite to achieve sustainable competitive advantage. It is aimed on providing with a sense of direction in an uncertain situation where the organisation’s needs and that of the individuals or employees as whole can be met by developing the practicable coherent HR policies. The core aspects of SHRM are as: one is that the importance is given to the integration of the HRM with business and corporate strategies, and other is the delegating HRM to line managers instead of personnel executives. Here integration is “the degree to which the HRM issues are considered as part of the formulation of the business strategies”, and devolvement is “the degree to which HRM practices involve and give responsibility to line managers rather than personnel specialists.”

Various researches in this area have highlighted a number of benefits of integration of HRM with corporate strategy, few of them are listed below

- Such integration presents a platform where a broader range of solutions are available to the complex organizational issues and problems;
- It assures the organisations to implement the corporate strategy in a successful manner;
- It ensures to be a vital factor for achieving and sustaining effective individual and organizational performance;
- It ensures that human resources are paid an equal attention and given equal and due consideration in setting goals and assessing and assessing implementation capabilities, as the technical and financial resources;
- It ensures the minimising subordination and neglecting the HR issues to strategic consideration;
- It creates a vision that provides with a long-term focus to HRM;
- It helps a firm being capable of achieving a competitive advantage over others.
Strategic HRM therefore, is a multidimensional procedure with several effects which associates business strategy and HRM, and emphasizes on the integration of Human Resource with the business environment. It is alleged that incorporation between HRM and corporate strategy subsidizes to the effective management of human resources, development in organizational performance and finally the accomplishment of the objectives of a particular business. It also helps the organizations to gain competitive advantage by creating inimitable HRM systems that cannot be copied by others.

Before going further it is necessary to have an idea about what the term strategy means. The following

1.3.1 STRATEGY

Strategy is about where one wants to go and the path in reaching the destination. Strategy is the means to create value. A good strategy is one that is able to get a definite work plan with a purpose and delivers desired results. Strategy has been defined by many Writers to have a clear understanding. Some of the good definitions are:

Child, (1972) says “Strategy is set of fundamental or critical choices about the ends and means of a business.”

According to Johnson and Scholes, (1993), “Strategy is the direction and scope of an organization over the longer term ideally, which matches its resources to its changing environment, and in particular, to its markets, customers and clients to meet stakeholder expectations.”

Richardson and Thompson, (1999) state “A strategy, whether it is an HR strategy or any other kind of management strategy, must have two key elements: there must be strategic objectives (i.e. things the strategy is supposed to achieve), and there must be a plan of action (i.e. the means by which it is proposed that the objectives will be met).”
Strategy can easily be understood as a face of an organization’s intentions ‘what to do’ and ‘how to do’ in a business. Wickens (1987) states “how the business means to ‘get from here to there’.” According to Hamel and Prahalad (1989), “The strategic intent is referred to as the expression of the leadership position, an organization wants to attain and establishes a clear norm on how progress towards its achievement will be measured. The strategic intent could be a very broad statement of vision or mission could more specifically spell out the goals and objectives to be attained over long term. The systematic approach to formulating strategy broadly understood as Strategic Management includes environmental scanning, strategy formulation, strategy implementation, evaluation and control.”

1.3.2 STRATEGY AND HUMAN RESOURCE MANAGEMENT

Firstly understanding the term business strategy is more helpful since this term has been more exhaustively explored and explained within the available literature. Boxall and Purcell (2003) argue “it is possible to find strategy in every business because it is embedded in the important choices managers and staff of the firm make about what to do and how to do it.” They have referred to it as strategic choice or the strategies adopting which the firms deal with strategic problems. Another explanation to it is that strategy is directed to either maintaining viability of the organization and/or producing sustained advantage in the markets.

There is a vital issue to be discussed if HRM is identified to be an essential part of the practice of strategic choice in a firm, can it play a role and influence the direction and shape of the evolving strategy, and how, if at all, it can? It is quite possible that with business strategy, HRM can be seen as contributing factor to strategic choice within the organization by either maintaining viability or producing a sustained advantage.

Strategic HRM, therefore, lays emphasis on the need for HR policies to be formulated within the framework of overall organizational objectives and strategies thereof, and, at the same time to be receptive to the dynamics of the external environment too. Like any other model, it is also a
model, which has to be understood and adapted by the executives just to guarantee developing the most appropriate analogy between HR and organizational strategies. That’s how the whole concept of SHRM is the integrating all human resource management functions with broad organizational goals maintaining receptiveness to the external environment.

Tompkins (2002) has explored the unresolved issues related to the meaning of SHRM and its relevance to the public sector organisations, and contends “tying it too closely to strategic planning undermines the value of the concept.” His view is “most discussions of strategic planning fail to define what the term strategy means in a public context. Because public agencies are embedded in authority networks rather than economic markets, what it means to select a 'business strategy' is much less clear. Strategies are produced in response to a variety of competing signals that emanate not from markets but from complex political, economic, legal, and organizational structures processes, and relationships.”

As the term strategy explains the both, processes and the consequences of chosen long-term orders, it may either be a deliberate and scheduled activity or a series of happenings, which leads to achieve the predetermined objectives. It essentially includes an assessment of the possible effects of the external environment and the internal environment of the organisation, the goals of the organisation set for long-term and the ways and means by which HR policies will ensure the adaptation of these policies by people for achieving these goals.

Nankervis, Compton and Baird (2005) identified that “There are three types of associations between HR and business strategies which are given as follows:

1. Accommodative type, where HR strategies simply follow organisational strategies, accommodating the staffing needs to already made business strategies. So strategic HRM, in this sense, is just to follow the organisation’s business strategy.
2. Interactive type, which exists a two way communication process between HRM and corporate planning wherein HRM contributes to, and then reacts to, overall business strategies. By this type, strategic HRM means an active contributor to strategy development and its execution.

3. Fully integrated type, when the HR specialist, through both formal and informal interactions, is intimately involved in the overall strategic process it is a real reflection of strategic human resource management in practice.”

The strategy as a concept has evolved to be a significant aspect of management as the dynamics and complication of the business environment have been continuously increasing. It is fairly clear that various schools of thought are not entirely complete and debates over their virtues exist as they are grounded on diverse paradigms. There are key differences between theories which perceive strategy as deliberate and intended approach designed by top management and those which view strategy as growing, actions arising from discourse and linkages of people within the organization. This leads to an understanding that the concept of strategy is not neutral and depends on how it is defined and used in organisations and will influence the conceptualization of human resource management.

Although detailed discussion over the importance of human resource and HR policies to business has been done through researches and other literary contributions but still there is an eternal debate is on over whether HR or HRM are really contributing factors to the competitive advantage of for business. There are empirical evidence that strategic HRM within the private sector is quite limited and almost non-existent in the public sector.

Various studies provide most support for the practice of Strategic Human Resource Management. Martell and Carroll (1995), for example, reporting on a small survey, suggested “two thirds of their sample had integrated HRM and strategic planning systems within their organisations. Further, HRM executives were involved in planning processes and were strategic partners. However, they also concluded that, while considered important, HRM was not seen as
important as other business functions, e.g. marketing and finance, in its contribution to overall organisational success.”

Some international including two current Australian studies suggested that the association that connects the Strategic Human Resource Management theory and SHRM practice is still slightly fragile. “While advances have been made toward the alignment of HR and business plans and the alignment of all HRM processes and integration of HRM within organisations, HR managers still have to demonstrate their credibility and the contribution they can make to the business” is concluded by Tebbel (2000) and Kramar (2000)

Experts raise doubt on the underlying theories and practicable applications of popular HRM models, similar type of apprehensions also arise for SHRM. As Guest (1997) and several other writers have also questioned managerial focus, strategic perspectives and ‘realities’ of HR practice for SHRM.

1.3.3 DIFFERENT APPROACHES OF SHRM

Extensive research on various studies by management thinkers have suggested following approaches to Strategic HRM

1.3.3.1 The Resource-based Approach

The resource-based approach of SHRM is based on the principle that competitive edge can be created by an organization which obtains and develops its human resources that allow it to learn quicker and implement its learning more commendably than its competitors, wherein people are the resource which includes total amount of expertise, experience, knowledge, judgment, risk-taking propensity and wisdom of individuals associated with the organisation. Kamoche (1996) suggests “in the resource-based view, the firm is seen as a bundle of tangible and intangible resources and capabilities required for product/market competition.” The primary aim of resource-based HR strategy is to formulate policies and develop strategic capabilities in order to
achieve a strategic fit between resources and the opportunities and deriving a value addition from the effectively deploying resources.

In accordance with the theory of human capital, resource-based theory lays emphasis on investment in people adds to their value in the firm. The strategic goal should be to ‘create’ firms which are more intelligent and flexible than their competitors, by hiring and developing more talented staff and by extending their skills base. Resource-based strategy is therefore concerned with the enhancement of the human or intellectual capital of the firm. As Ulrich (1998) states “Knowledge has become a direct competitive advantage for companies selling ideas and relationships. The challenge to organizations is to ensure that they have the capability to find, assimilate, compensate and retain the talented individuals they need.”

A convincing rationale for resource-based strategy has been produced by Grant, (1991) “When the external environment is in a state of flux, the firm’s own resources and capabilities may be a much more stable basis on which to define its identity. Hence, a definition of a business in terms of what it is capable of doing may offer a more durable basis for strategy than a definition based upon the needs (eg markets) which the business seeks to satisfy.”

1.3.3.2 The Strategic Fit

The HR strategy should be aligned to the business strategy that is the “vertical fit”. HR strategy should be an integral part of the business strategy, contributing to the business planning process as it happens. Vertical integration necessitates to provide congruence between business and human resource strategy so that the latter supports the accomplishment of the former and, indeed, helps to define it. Horizontal integration with other aspects of the HR strategy is required so that its different elements fit together. The aim is to achieve a coherent approach to managing people in which the various practices are mutually supportive.
1.3.3.3 High Performance Management

High-performance management aims to make an impact on the performance of the firm through its people in such areas as productivity, quality, levels of customer service, growth, profits and, ultimately, the delivery of increased shareholder value. High-performance management practices include rigorous recruitment and selection procedures, extensive and relevant training and management development activities, incentive pay systems and performance management processes.

The characteristics of high-performance work system may be viewed as:

a. It is a careful and extensive system HR functions, i.e., recruitment, selection and training.
b. It is a system that is formal to share information with the people who work in the organization.
c. It has a clear job design;
d. It develops high-level participation processes.
e. It involves monitoring of attitudes.
f. It emphasizes on routine performance appraisals.
g. It develops properly functioning grievance handling procedures.
h. It designs and implements promotion and compensation policies for recognition and financial rewarding to high-performing employees.

1.3.3.4 High Commitment Management

A great emphasis on enhancing mutual commitment is one of the main characteristics of HRM in an organisation. High commitment management sets at creating an environment of mutual commitment from both sides, so that behavior is primarily self-regulated rather than controlled by sanctions and pressures the individual from outside forces and the relationships within the organization are based on high level of trust.
The approaches to achieve high commitment have been designated by Beer et al. (1984) & Walton (1985). They may be listed as:

1. The development of career ladders and emphasis on trainability and commitment is taken as highly valued characteristics of employees at all levels in the organization.
2. A high level of functional flexibility with the abandonment of potentially rigid job descriptions is adopted.
3. An environment is developed where the reduction of hierarchies and the ending of status differentials are done.
4. A heavy reliance is developed on team structure for disseminating information, structuring work by team work and problem solving through quality circles.
5. Job designing is done in such a way that provides jobs that have a considerable level of intrinsic satisfaction;
6. New forms of assessment and payment systems are developed and, more specifically, merit pay and profit sharing policies are implemented.
7. A high involvement of employees in the management of quality is ensured.

High-commitment management approach involves treating its employees as business partners whose interests are protected and whose suggestions are respected on matters that are related to them. The aim is to create a climate where an ongoing and fearless dialogue between managers and employees takes place, time to time, in order to share expectations and information on the organization’s mission, values and objectives. This develops mutual understanding about what is to be achieved and a framework for managing people to ensure that it will be achieved.

1.3.4 SHRM MODELS

Many HRM models have highlighted the types of relationship between HR strategies and organization’s business strategies.
1.3.4.1 Matching Model, Strategic Fit or the Hard Variant of HRM

According to Fombrun et al., (1984) “One of the first explicit statements of the HRM concept was made by the Michigan School….. HR systems and the organization structure should be managed in a way that is congruent with organizational strategy (hence the name ‘matching model’).”

They further explained that there is a human resource cycle, which consists of four generic processes or functions that are performed in all organizations. These are:

1. Selection – matching available human resources to jobs
2. Appraisal (performance management);
3. Rewards- ‘the reward system is one of the most under-utilized and
4. Development- developing high-quality employees

The ‘matching model’ given by Fombrun et al. (1984) highlights the ‘resource’ aspect of HR and emphasizes on the effective utilization of this resource like other resources to fulfill organizational objectives. It means, like all other resources, human resources should be obtained at cheaper rates, used sparingly and developed and exploited as maximum as possible. The matching model is based on Chandler’s (1962) finding that an organization’s structure in an outcome of its strategy. In their model of strategic HRM, Fombrun et al. (1984) expand this premise and emphasise on ‘tight fit’ between organizational strategy, organizational structure and HR system. The organizational strategy is pre-eminent; both organization structure and HRM are dependent on the organization strategy.

1.3.4.2 Harvard Model or the Soft Variant of HRM

As the Harvard school suggested that there are two characteristic features of HRM; one, the line managers take larger responsibility to ensure the alignment of competitive strategies and personnel policies; second, personnel department has the mission of making policies that govern
how personnel policies are developed and activities are implemented that make them more mutually reinforcing.

The model highlights the interests of different stakeholders in the organization, and how their interest are linked with the objectives of the management.

The Harvard model help determine, in different contexts, the nature of SHRM, which include the following

1. The effect and influence of different stakeholders and other situation variables on HRM policies in the organization.
2. The extent of communication with employees is used to maximize commitment.
3. The level of emphasis laid on employee development.

1.3.4.3 Warwick Model

The Warwick model recognizes the changing nature of business environment. It takes care of the shift in the business scenario (from stable to turbulent or vice versa) in an increasingly globalized workforce. The model gives full recognition to external context of SHRM and identifies a two way rather than a one way relationship with the organizational strategy.

1.3.4.4 Guest’s Model

Guest’s Model is based on the following four HR outcomes:

1. Strategic Intent
2. Flexibility
3. Commitment
4. Quality
He sees these outcomes as a package necessary to accomplish the desired Organizational outcome.

1.4 DEPARTURE FROM HRM TO STRATEGIC HRM

The belief, that there is a fundamental strategic shift which has taken place in area of HRM and that is forcing firms to perform better, is the underlying logic behind HRM and firm performance. Traditional approach HRM and SHRM have been differentiated by the experts in two ways, Delery and Shaw, (2001); Brian and Huselid, (2006).

First, the main focus of SHRM is on overall organisational performance level over on the performance on an employee or individual level. Of late, many of the studies done on the link between HRM and performance have focused mainly on the indicators of organisational and financial performance more than the indicators of employee’s behaviour. As an example, those studies tried to measure a firms’ performance by its profit, market share, quality and product development, return on investment, and return on assets. Hence, the strategic perspective in HRM, which looked at business, firm or the whole industry level, made the field more attractive and important than it was previously been. Second, the effects of HR practices in the entirety of HR practices on organisational performance was examined by the SHRM researchers, whilst under traditional HRM, the impact of only individual practices on employee performance was focused. The logic behind SHRM theory is that the “HR system is the appropriate level of analysis when researchers seek to examine the effect on firm-level performance” Delaney and Huselid, (1996). HR, as systems or bundles, must create greater impacts than individual human resource practices put together, simply because the whole is greater than the sum of its particles and, as suggested by Barney (1995), “individual HR practices in isolation are limited in their ability to gain a competitive advantage.”

Number of points of criticism and doubts are put forward related to value creation by human resource management (HRM), meaning whether or not it really makes a contribution towards the implementation of the strategic objectives of organisation directly, and improve performance
Hope–Hailey et al. (1997). The concept Strategic HRM (SHRM) which emerged in early 1990s put a higher emphasis on an approach to HRM which is integrative and value–driven in nature. “SHRM focuses on issues such as the fit between human resource practices and organizational strategic management, the involvement of the HR function in senior management teams, the devolvement of HR practices to line managers and the value that is added to organizational performance by HRM” Bowen and Ostroff, (2004).

Despite number of efforts in researches in the field of SHRM, e.g., Becker and Gerhart, (1996); Wright et al. (2003), there are ongoing discussions as to whether there exist any organizations actually practicing SHRM, are line managers really involved in transforming HR function to be more strategic and whether SHRM really a value addition to the bottom line Martell and Carroll, (1995). There are evidences from some advanced economies tried to affirmatively answer such questions. As an example, “businesses in America are known to employ SHRM more frequently and passionately than Japanese or Taiwanese businesses” by Huang, (1995). Although, a small body of knowledge also exists alluding to SHRM practices in African countries, its tenacity and performance-oriented outcomes are yet to be properly documented.

It was the time in early 1980s which witnessed the inception of using and developing the term 'strategic human resource management'. While the strategic link is the common thread, the literature ranges over a diversity of areas of con-cem. In the beginning a case of a proactive HRM presence at strategic level was made based on criticism against the functional role of perceived weaknesses and/or evidence of environmental pressures which demonstrate the strategic nature of human resources, Miller and Burack, (1981); Gehrman, (1981); De Santo, (1983); Kaufman, (1984); Frohman and Frohman, (1984); Dyer, (1984). Kanter (1983); Baird and Meshonlam (1988) for example, suggests “organizations need a process of strategic human resource management to help them deal with the rate of 'strategic surprises' which generate needs for flexibility and innovation. Organizations need to develop a culture which harnesses creativity and enterprise.”
A part of the available literature provides some proofs where strategic integration is not adequately developed and advances the reasons so as to why achieving it would be beneficial for firms Devanna et al, (1981); Rowland and Summers, (1981). An extent of support for strategic integration is shown in the findings of some literatures that ninety two percent of surveyed opinion leaders, i.e., university faculty, leading consultants, managers and human resource specialists had a feeling that people were the major factor responsible for organizational success and suggested certain vital changes in HRM practice. 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 training and career development opportunities; rewards and recognition tied to performance and less adversarial labour-management relations” Alper and Russell, (1984).

Devanna et al. (1984) view strategic human resource management “as part of the solution to two issues: declining worker productivity and the declining rate of innovation in industry and believe that 'More effective systems for managing human resources will lead to increased effectiveness in organizations and employee performance.”

Schuler and MacMillan (1984) suggest “if an organization can capture the control of strategic behaviour in the industries in which it competes, it will gain competitive advantage and its competitors will be placed in a reactive role. By effectively managing key human resource management practices of planning, staffing, appraising, compensating, training and development, and union-management relationships, the organization would be able to attract and retain qualified employees who are motivated to perform and there will be outcomes of greater profitability, low employee turnover, high product quality, lower production costs, more rapid acceptance & implementation of corporate strategy and enhanced employee performance.”

In summary, while progress continues to be made, there is not, it would seem, unity of thinking as to what constitutes a theory of strategic human resource management.
1.4.1 UNDERSTANDING HRM v/s SHRM

There is a difference between concepts of HRM and SHRM as they are different on various grounds. Differences can be drawn clearly on the following grounds

1. Human Resource Management or HRM implies the governance of manpower in a thorough and structured manner in an organisation on the other hand, SHRM is known as a managerial function which implies framing of human resource strategies in a way to direct employees’ efforts towards the goals of an organisation.

2. As a process, HRM is reactive in nature whereas, SHRM is proactive as a management function.

3. Under human resource management, the responsibility of human resources lies with the HR executives, while in strategic human resource management, the task of managing the same, is a responsibility of the line managers.

4. HRM follows an approach where it stresses on applying management principles while managing people in an organisation it is known as fragmented approach, and as opposite to it SHRM takes a way of an integrated approach where business strategy is lined up of with the company’s HR practices.

5. Emphasis of human resource management is mainly laid on various aspects of employee relations, ensuring employees motivation, therefore the organisation necessarily follows the employment laws and rules, on the contrary, SHRM lays emphasis on the wholesome partnership all the constituent groups within or outside the organisation.

6. HRM focuses on short-term objectives of business that’s why supports short-term business goals and outcomes, while SHRM looks for long term objectives of the firm hence supports long-term goals and results.

7. HR manager responses to the change under the premises of human resource management, therefore the human resource manager plays role of change follower, hence pursues transactional leadership style. Conversely under SHRM, the human resource manager is an imitator hence a change leader thus follows transformational leadership style.
8. HRM considers the capital and products as primary element, but SHRM takes people and their knowledge as the building blocks of its base.

9. A conventional Human Resource Management is a cost centric approach on the contrary the strategic HRM is an approach which is an investment centre.

10. Under the conventional human resource management a stringent control over employees is practiced. As against this, in strategic human resource management, no such control is imposed, rather the rules for managing manpower is participative and lenient.

1.4.2 ADVANTAGES OF SHRM

SHRM has emerged as being major issue especially for the line management of the organization as the daily HR procedures have to change and line managers have to get new responsibilities. Besides their routine jobs they have to take over tasks and duties of HR Managers and hence they would become fully accountable for their teams. Therefore the introduction of the Strategic Human Resources Management has become significant challenge for the HR Department. While, on the other hand, the introducing the SHRM comes as a blessing with many fold benefits for all, i.e., the leadership team, managers, human resources department, employees, and the business.

The organizations usually think of implementing the underlying principles of the SHRM in the moment of the crisis, which creates a pressure on employees (human resources) and line managers because they can see the introduction of SHRM as a part of the issue. The managers think an immediate effect of SHRM policies without realising the fact that cause of the problem is the internal crisis and they can feel it when they are asked to change their attitudes and behaviors. Therefore it has to be taken into the account that the benefits of introducing SHRM may not be visible immediately as because the new practices and procedures need sufficient time to get settled.

The HR leaders generally tend to mix the different approaches of SHRM and HR Strategy together while they are independent. Realising the fact is very-very important that the Strategic
Human Resources Management is wholly independent of the HR Strategy. The strategic approach is all about to know how Human Resources work and not about the vision of human resources. The great organization can align both with patience as it takes its own course of time.

The main advantages of introduction the Strategic Human Resources Management are divided into following divisions

- It provides the new ways of evaluating the assets and measuring the human capital.
- It gives a scope of strategic HR planning.
- It facilitates redesigning HR processes and Rigor.
- It vouches for HR outsourcing of non-value added processes.
- It provides a consistent management of functions and skills.
- It creates good support for human resources development.

If an organisation introduces the SHRM and wants to draw the benefits, organization has to start assessing the value of human capital, it needs to assess its employees, and it has to compare its assets with the ideal profile of employees (more on Strategic Planning). The proper assessment of jobs, skills, and competencies is the first step to building a better business. It has to go through many fit-gap analyzes to ensure that all plans and initiatives are aligned with the primary goal of the strategic Human Resources (more on HR Goals and Objectives).

The Strategic HRM can bring many benefits for employees, managers and the organisation. Some of them may be listed as given below

1. Through introduction of SHRM the human resource becomes more predictable as all proposals come with proper arguments, information, and relevant data.
2. SHRM allows considerations for the ability of employees to accept the change. It makes HR Managers to design a proper communication and change implementation plan and facilitates the HR Professionals to maintain a balance between developing human capital and focusing on critical business targets.
3. SHRM creates a strong basis for developing more on HR Strategies and the redesigning core HR Processes. The streamlined HR processes make the HR department agile and more efficient which is a great benefit of introducing SHRM.

4. A consistency in the management of functions and skills is the other benefit of SHRM which introduces strategic workforce planning.

5. SHRM helps Human Resources build a unique HR story. The storytelling engages employees because they can visualize the journey and vision of the company. They can imagine the result. It also strengthens the development of HR Professionals because they can show positive examples of the change in their discussions with managers and employees.

6. When an organisation introduces SHRM practices, a huge pressure on HR employees is created as they have to learn new skills. They have to develop new skills for facilitation, negotiation, project management and leadership. They have to recognize what influences the business results most because it is the most important in the interest of the company.

The SHRM proves to be an excellent opportunity for HR professionals for their own development as they become an expected part of cross-functional teams and also it is a great moment for Human Resources. The role of HR Director shifts from solving issues on daily basis to developing the team. The talent development programs start making sense and strategic skills become important.

1.5 PERFORMANCE

If one is unable to define performance one will not be able to measure and manage it. It is widely accepted fact that performance is a multidimensional construct and its measurement entirely depends on a number of features. However it is essential to identify whether the objective of measurement is to evaluate performance outcomes or is it to evaluate behavior.

There are a variety of views on what performance is. It can basically be regarded as the record of outcomes achieved. Individually, it can be defined as a record of an individual’s own accomplishments. The performance is related to past, i.e., something that an individual leaves
behind. Latham, Sulsky and McDonald (2007) emphasized on the fact that a performance is a prerequisite for feedback and goal setting processes.

\[
\text{Performance} = \text{Skill to do} + \text{Will to do}
\]

Oxford English Dictionary defined performance as: ‘The accomplishment, execution, carrying out, working out of anything ordered or undertaken.’

It refers to outcomes or accomplishments but it also explains that performance is all about doing the work and results achieved. Performance can hence be defined as behavior by which individual, teams and organizations get their work done.

Performance is not accidental or just by luck; it is a result of series of organized and integrated activities which leads to the achievement of individual, team and the organizational objectives.

An employee’s performance depends on mainly three factors, i.e., skills, knowledge and motivation.

Campbell (1990) explained that performance is behavior and it should be distinguished from the outputs or outcomes because they can be exploited by various systems factors. A more comprehensive view of performance is that it is defined as embracing both behavior and outcomes.

Performance is also defined by Brumbach (1988) as Performance includes both behaviors and results. Behavior is demonstrated from the performer who transforms performance from idea to action. Thus, while defining the performance of individuals and teams both inputs, i.e., behavior and outputs, i.e., results need to be considered.
1.5.1 HUMAN RESOURCE MANAGEMENT AND PERFORMANCE

Scholars have been making efforts to understand whether the HRM practices have or not any effect on the performance of employees and hence organisations for which they generally take one of two perspectives into consideration. One is the systems perspective and the other is strategic perspective, former one tries to study the effects of specific HRM practices, such as training according to Bartel, (1994) and information-sharing according to Morishima, (1991). Delery and Doty, (1996) state “However, the debate has now shifted towards a more integrated management approach of investigating how the overall set of HRM practices may ultimately contribute to the competitive advantage of the organisation.” The above shift underlines the utmost importance of human capital in relation with attainment of improved employee performance and achieving better competitive edge.

A long standing debate which is embedded in detail in the relevant literature is about what is precisely meant by performance. Researches in this field face the challenge to define the factors and variables which can be used for such an analysis. The performance measurement definitions differentiate among employee activities, their outputs, their outcomes and the efficiency.

Berman, West & Wang (1999) conducted research in few of the U.S. counties and tried to examine the use of performance measurement human resource management. The finding of their research states “performance measurement is widely used but many measures reflect traditional concerns with compliance, but measures are also used to assess reforms in recruitment and compensation. Importantly from a public sector perspective this study also finds that mission orientation and broad support affect the use of performance measures in HRM, as well as technical ability to gather such data.”

Lynn (1998) has pointed out some of the vital issues at a macro level especially in the public sector, not unlike as what has been indicated by Purcell (2004), Guest, Michie, Conway & Sheehan (2003) with respect to human resource management and performance, and the intervening process linking HRM systems and organizational performance, remains unexplored.
The questions raised by Lynn (1998) for the public sector are given in the following lines that

“How can we conceptualize the performance of governments in terms of the many types of outputs and outcomes, results and processes, adding value to democratic constituencies?

• How can we evaluate the contribution of actual and proposed administrative reforms, for example those premised on competition or on outcome measurement to governmental performance?

• What are the positive and normative implications of different approaches to situating the power to allocate and take risks with public resources?

• How can we situate the power to allocate and take risks with public resources?”

Arthur (1994) studied the steel mini mills in USA and examined the effect of various HRM approaches on the productivity in these mills, the findings of this work highlighted that the mills which have higher commitment systems had advanced level productivity along with lesser scrap rates, and lower employee turnover than those mills which had rigid control systems. Also, the relationship between turnover and manufacturing performance was moderated through human resource systems.

In the early research conducted by Youndt, Snell, Dean, & Lepak (1996) highlighted the link between HRM strategy and performance and their conclusions supported the contingency approach to HRM. They studied a set of possible relationships between strategy and performance through formulating hypotheses. This research addressed about two facts, one about measurement and variables that might be used and other deals with, whether a functional level study is better than a business level study is considered. This research hoist related themes to that of Hutchinson, Kinnie, & Purcell, (2001).

Guest et al. (2003) conducted a study of three hundred and sixty six companies using subjective and objective performance measures which confirms an association between HRM and performance but could not succeed to show a cause-effect relationship between HRM and performance.
Purcell (2004) studied effect of people management on firm’s performance. He stated that “While some have been able to show a relationship between human resource policies used and performance outcomes it was often difficult to explain why, when and how this association existed and to identify the interconnections.” He also concluded that the impact of people management on organization’s performance is short term.

Gollan (2005) identified that there are various issues that an organisations should consider while conducting sustainable extraordinary performance workplace result through high involvement management. He also noted that corporate survival and corporate profitability are considered as a component but are also included in the equation that fulfill employee ambition and needs at the workplace.

Hutchinson, Kinnie and Purcell (2001) conducted a study on why and how people management practices affect organizational performance. In addition to the philosophy of people management and performance a variety of features representing the difficulty of indicating performance effect are identified. First, the association between human resource practices and business performance has been identified at different levels ranging from the plant level to the corporate level. Secondly, there is a lack of agreement on what formulates an HR package. Thirdly, there are different ways of measuring HR practices and a partial utilization of performance measures. Fourthly, in a number of cases sophisticated measurement techniques are used and these are difficult to understand. Finally, a few studies also takes into account the reaction of employees so it was difficult to understand how the HR practices leads to improved levels of performance.

1.5.2 STRATEGIC HRM AND PERFORMANCE

Collings and Wood, (2009); Paauwe, (2009) have indicated that human resource management is still developing and going through a process of evolution and therefore relatively an immature field of study. As thorough the literature it is clear that, as of now, there is no consensus on the definition of HRM. Some of the authors have put attention to the effectiveness of HR
department, by Teo, (2002), and others have mentioned the skills, knowledge and competencies for HRM, by Hitt et al., (2001). However, the concept of HRM has been defined as individual practices or a collection of practices by the majority of studies and books by the experts and researchers in this. According to Noe et al. (2006) “HRM refers to the practices and policies affecting employees’ behaviours, attitudes and performance.” They considered on several important HR policies about HR planning, recruiting, training and development, compensation, performance management, and employee relations, which, in turn, may have a positive impact on employee or organisational performance. Besides, Way (2002) suggested staffing, compensation, flexible job assignment, teamwork, training and communication as some of the practices which can be claimed as most commonly applied practices.

Furthermore, Pfeffer, (1994) proposed the sixteen best human resource management practices based on which most of the empirical research has been conducted related to the connect between HRM and performance. He further suggests that the logic behind the use of these practices is that, more the use of practices, such as training and skill development, promotion from within, participation and employment, and information-sharing, the higher is the assurance of productivity and profitability across all organisations, irrespective of their contexts and conditions. Pfeffe, (1998) redefines HRM practices in his work entitled ‘Seven practices of successful organisations’, and emphasizes “these practices are expected to enhance organisational performance and enable the organization to gain a competitive advantage.” He listed these practices as “Employment security, Selective hiring of new personnel, Self-managed teams and decentralization of decision-making as the basic principles of organizational design, Comparatively high compensation contingent on organizational performance, Extensive training, Reduce status distinctions and barriers, including dress, language, office arrangements, and wage differences across levels, Extensive sharing of financial and performance information throughout the organisation.”

This may not be considered as an exhaustive list of HR practices, however, as the studies by different researchers and experts have suggested other types of HR practices while assessing and examining the relationship of HRM practices and employee performance. It is clear from the
available literatures that it is difficult to find two similar studies which may have worked on the same HR practices, as a result, there is an obvious gap in the researches in the field of HRM and its effect on performance, is that there is no consensus on which of the HR practices are responsible for improving employee performance. Paauwe, (2009); Guest, (2011) Even if some of the experts employed the few practices in the similar names their underlying meaning may have indicated something entirely different, therefore, there is an urgent need for a specific theory that can serve the purpose, and a research have to be conducted which addresses to and pay an attention to filling this research gap.

1.6 PURPOSE OF THE STUDY

The impact of SHRM has never been felt as it is being felt now because of global economy, cutthroat competition and diverse workforce and to gain competitive advantage.

Sustained competitive advantage through the continuous development of required competencies of an organisation can be attributed to its human resources. Therefore managing human resources to gain competitive advantage is essential for gaining the sustained performance of organisations. Every other resource in an organization than its human resources is passive and requires human efforts in order to create value. Therefore the key to sustainable profits for the organisationis its productive workforce, only recently during the closing years of twentieth century it has been widely accepted fact that people in a firm, and not product, markets, cash, buildings, or equipment, are the critical for the profitability of a business enterprise.

The importance of human resource and managing this resource for optimum benefit of the company has become a core strategic area for any profit making organization. A lot of study in west has been done on the topic but very few in Indian contexts. Some of the study conducted show that a shift is taking place in the pattern of HRM practices in Indian organizations from traditional administrative type to a more strategic and proactive type.
Therefore, a study on the relation of strategic human resource management and how it is affecting employee performance is required for the following reasons:

1. To emphasize the importance of Human resource in gaining competitive edge in the era of globalization and cut throat competition.
2. To find out the direct co-relation between employee performance and strategic Human Resource Management.
3. To find out the impact among employee performance and different practices/dimensions of Strategic Human Resource Management.
4. Emphasizing importance of the SHRM in Indian context and its role in effecting the overall employees performance.

Indian Power Sector has been growing fast and there the market is now open to private bidders and multinationals therefore the public sector companies are facing stiff competition from their private counterparts. In such a situation the relevance of the subject gains more importance as it has to attain competitive edge against their competitors and practicing strategic HRM is sure to be one of the ways of achieving it.

In order to compete Indian Power PSUs will have to adopt several strategies in almost every field including HR as there has been instances where publically owned companies have become sick and have gone to BIFR because they did not adapt and respond to the changing needs undermined the importance of strategic human resource management. Several failures in different fronts of HR, be it recruitment, compensation, industrial relation have led to debacle of several well to do companies. The need of strategic HR has never been felt as urgent as is being felt now. This emphasizes the need of study in Indian perspective.

The paradigm shift in HR has also made it important to do in depth analysis of Strategic HR functions as well.
The primary contribution of this Research is to explore the Strategic HR functions which constitutes the key result areas (KRAs) of HR Professionals viz. selection, process, performance management systems, learning and development process, compensation, career development and promotion, work climate employment engagement and employee relations. The present research undertakes a study of selected Power Sector PSUs. Very little research demonstrating the links between Strategic HRM and its impact on employee performance have been undertaken in the Country and therefore, this Research will focus on very important HR functions whose appropriate management will have a definite impact on the business performance of the organization.

Present research study will make efforts to find out the relationship between the combination of different HR practices and employee performance. It will try to answer the question if Strategic HRM is really important and a key factor for effecting employee performance.

1.7 LIMITATIONS OF THE STUDY

The proposed study makes an effort to look into the impact of SHRM practices on employees’ performance at public power sector units India. Although utmost care has been taken in the process of data collection, analysis and interpretation but the results may not be generalized because the sample has been taken of the organizations from selected public power sector units. The findings of study may not be applicable to other similar industries in the private sector. This is a major limitation of study. Moreover the study has been conducted for a limited time period and on a confined sample that’s why data may not be considered as sufficiently applicable for all the time. The present findings are based on the survey method and hence depend entirely on the perception of the selected respondents especially on some issues.

1.8 ORGANISATION OF THE STUDY

The study presented in the thesis is covered in five different chapters. The chapter wise presentation of the study is given below
**Chapter One** states in detail about the background of the study, the statement of the problem, objectives of the study, significance of the study, and limitations of the study.

**Chapter Two** presents an extensive review of literature. Here the various types of literature, i.e., books, research papers, Ph. D. thesis, articles and features relevant to the study are dealt with in-depth review.

**Chapter Three** focuses on research methodology that provides research questions and hypotheses, sampling techniques, explanations for the techniques for collection, classification of data and analytical methods used in the study.

**Chapter Four** is dedicated to the data presentation and analysis of the field data collection in the course of the research.

**Chapter Five** gives a summary of the major findings of the present research study. Conclusion of the study; recommendations have been made based on the findings drawn from the study and prospects have been identified for future researches in the given field of study.