

1. Strategic human resource management

1.1 Human resource management (HRM)

Human resource management (HRM) is the proactive management of people, which includes sourcing and managing people within the employer-employee relationship. It involves the productive use of employees' skills, experience and attitudes to achieve the organisation's strategic and operational goals. It also requires thinking ahead and planning ways to create an environment of competitive advantage for an organisation while meeting individual employee needs.

It is the responsibility of human resources professionals and managers to implement proactive and fully-integrated HRM practices in their workplaces. Other practitioners who may also have responsibility for HRM in an organisation include other senior level employees with HRM expertise, external consultants and other outsourced providers who administer and provide a range of HRM services on a project or ongoing basis.

Increasingly, traditional HRM functions are being outsourced. However, these services still need to be understood and managed competently from within the organisation by the relevant human resources professionals.

This requires HRM to be managed closely, linking all stakeholders, suppliers and customers to maximise the effectiveness of all HRM initiatives.

Basic HRM functions required in an organisation are:

- > planning human resource needs (i.e. how many employees are required?)
- > identifying qualifications, skills and attitudes that are required
- > recruiting and selecting appropriately-skilled people
- > motivating, assessing and rewarding employee performance
- > educating and training employees
- > organising, monitoring, and evaluating HR activities and outcomes
- > management of employee issues and grievances.

1.2 HRM strategy

A strategy, broadly defined, clarifies the direction an organisation intends to go and establishes the framework for action it intends to take to get there. A strategy should reflect the organisation's approach to achieving its objectives. Therefore, an HRM strategy provides the foundation for effective HRM by identifying critical people-management issues and the means for the organisation to address them.

a) Objectives

Within the HRM strategy, a number of clearly articulated objectives should be developed. It is important that these objectives are clearly linked to the organisation's objectives and specifically address the key issues facing the organisation.

HRM objectives include outcomes and activities. The HRM objectives outline what is to be achieved in specific terms, with the overall objective being to maximise workforce levels of productivity and performance.

b) Policies and procedures

HR policies and procedures are then developed to support the objectives in the strategy and are the mechanics behind the objectives. Policies and procedures clarify the 'how'. They articulate the processes that must be followed to achieve the HR objectives and provide employees with a clear picture of their rights and responsibilities as part of the employment relationship.

HRM strategy should be designed to help an organisation to achieve its organisational business goals. The human resources professionals should therefore be confident that the HR objectives are aligned to the organisational business goals, and that the policies and procedures are relevant and help create a competitive advantage.

1.3 Purpose of HRM strategy

Organisations need to adopt a strategic mindset if they are to maximise the return on their HRM investment. Failure to be aligned at the strategic level will result in a negative impact on the capacity of the HRM function to contribute to the achievement of the organisation's operational and corporate goals.

A clear link between the organisation's HRM objectives and those of the business will ensure that HRM strategy supports the organisation to achieve its business objectives. HRM will:

- > ensure the organisational business planning processes are supported by a relevant and effective HRM function
- > forecast and manage HRM requirements as part of the strategic planning process
- > design and manage the culture, climate and organisational processes of the business to create a productive and efficient working environment
- > identify the mix of competencies required across all levels of the organisation, and a strategy to build and maintain these competencies
- > assess and manage the performance requirements needed across the organisation.

Without a strategic view, HRM activities may fall short of adding maximum value to an organisation, and may be reactive in shaping the relationship between the organisation and its employees.

For example, an organisation may have forecast a downturn in sales in a given area. The resultant need is to reduce labour costs, requiring a reduced head count and improved employee performance, to ensure the corporate business plan objective is still achieved. Such goals necessitate specific human resources objectives and activities, such as the introduction of a performance-based reward system to motivate employees to improve productivity levels.

1.4 Influences that affect HRM strategy

To ensure the HRM strategy supports and contributes to the achievement of the business objectives an analysis of the major factors that may impact on the HRM function should be undertaken before the HRM strategy is developed. This approach to development of the HRM strategy also ensures that the human resources manager is proactive, rather than simply reacting to issues as they arise. An analysis of both internal and external influences should occur.

1.4.1 Internal influences

Internal influences are those factors that relate to the internal operation of the organisation. Internal influences may include:

- > culture of the organisation
- > business mission and vision
- > corporate business objectives
- > management and leadership
- > turnover and age of the workforce
- > skills, knowledge and experience of the workforce.

Such issues must be considered in terms of their possible impact on the organisation and how the HRM strategy can minimise any negative impact and maximise positive outcomes for the organisation. For example, how will the business objectives impact on employee numbers and the structure of the organisation? Will the organisation have the skills and knowledge required to achieve its objectives? What can the organisation expect in terms of attrition rates, and how should this be managed? How does the management style in the organisation affect the likely effectiveness of HR programs?

By completing a thorough analysis of all of the factors within the organisation that may impact on HRM, a proactive, effective HRM strategy can be developed.

1.4.2 External influences

The HRM strategy should also identify the external influences on the organisation and the likely impact on HRM. **External influences** are those issues that are imposed on the business from sources outside the organisation that may include:

Political influences

These influences relate to the nature of the relationship between the government, employer organisations, unions and the business community. A political change (e.g. change of government at state or federal level) may have significant impact on the regulation of employment law. Issues such as management of strikes, secondary boycotts, enterprise bargaining and minimum terms and conditions of employment may differ from state to state, and between federal and state government legislation.

Legal influences

These influences encompass the myriad of laws and regulations regarding issues such as employee entitlements, equal opportunity (including harassment, discrimination and affirmative action), and health and safety. The HRM strategy must reflect the organisational obligations in all of these areas and include policies that prevent potential breaches and subsequent penalties, and workplace consequences.

Technological developments

These influences impact on the way in which a product is produced or a service is delivered. Technological advancements will influence areas such as the type and level of skills required. Functions within HRM (e.g. employee recruitment and selection, training and development, remuneration and benefits, and health and safety) must keep pace with and reflect the level of technological advancement within the organisation. For instance, our increased reliance on electronic technology in the workplace has put increased demands on employees' skill levels and flexibility.

Organisation changes

These changes (e.g. degree of competition, downsizing, mergers, nature of customers and suppliers) all require specific corporate strategies, which then influence HRM requirements. For instance, there has been significant change in the retail and manufacturing sectors, with many Australian producers looking overseas for production of their merchandise in order to remain competitive. This has created labour management issues such as retrenchment, use of casual and temporary employees, and union issues.

Economic influences

These influences encompass issues such as unemployment levels, the inflation rate, level of investment and availability of credit, and impact on the stability of business, markets and employment. Such issues will directly affect an organisation and, in particular, in HRM areas such as employee levels, salaries and benefits, and training and development budgets.

Social and cultural influences

These influences are constant - with longer hours of work and greater demands placed on full-time employees a growing concern - and there is increasing expectation that organisations must provide a better balance between work and personal life if they are to retain effective employees. These solutions include looking at supports such as childcare and aged care programs, communication strategies, flexible work practices and career management. With regard to cultural issues, equal opportunity legislation demands that organisations take into consideration the rights of employees from minority backgrounds - such rights extend to religion, language, beliefs, needs, sexual orientation and political persuasion.

1.5 Effective HRM systems

The key elements of an effective HRM system are:

Strategy and policy that is linked to corporate business plans provides the foundation for effective HRM by identifying the critical issues and means for the organisation to address these issues.

Operating systems and procedures gives effect to company policies (i.e. the processes that make a policy work). These must be practical and relevant to organisational needs, having regard to availability and accessibility to resources and other workplace considerations.

Consultation and communication enables an organisation to gain employees' understanding of, commitment to, and involvement in corporate programs.

Training and education equips employees with the knowledge and skills necessary for them to effectively carry out their duties and effect change.

Delegation of responsibility (and authority) clearly defines employees' key result areas (KRAs) and key performance indicators (KPIs) detailing job-related responsibilities and accountabilities, and empowers employees to achieve.

Documentation provides information on employees, policies and procedures to enable the organisation to effectively manage its employees and achieve its objectives.

Evaluation and review enables policies, procedures and performance to be adjusted in line with changes within the organisation or its environment.

1.6 The future of HRM

HRM assists an organisation to reach its business goals through the productive use of its human resources. To achieve this objective, it must be identified as a key strategic issue and is the responsibility of all managers rather than just the human resources manager. This also leads to the need for HRM to be fully integrated into the values and behaviours of line managers (i.e. practiced, and modelled to others).

The HRM function has broadly shifted from reactive, operational-level responsibilities to one that involves strategic initiatives, organisation design, and enterprise-based employee relations. Consequently, the human resources manager's competencies need to include personal, business and organisational learning that includes leadership, consulting expertise and effective problem-solving. Future HRM strategies and functions will include:

- > devolution of traditional HRM responsibility to line managers
- > up-skilling of line managers in HRM
- > concentration of strategic-level HRM initiatives involving effective consultation across all levels of the organisation
- > HRM professionals acting as internal consultants to other employees with HRM responsibility
- > provision of strategic HRM expertise to the executive group
- > outsourcing of operational-level HRM functions
- > creation of a genuine learning culture
- > managing diversity.