

A Model for Implementing HR'S Strategic Role

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Understanding HR deliverables is an essential process for acknowledging its important role in driving organizational performance, in contrast with its traditionally elusive role. An organization can quantify the HR's overall strategic impact by finding the proper ways for measuring its impact on the success drivers. This paper aims to identify and describe the steps needed in order to implement HR's strategic role. The article reviews the relevant literature regarding the integration of HR into business performance measurement and suggests some guidelines for creating a HR scorecard.

Keywords: human resources, measurement, strategic map, HR Scorecard

1. Introduction

Since the early 20th century, due to the works of Frederick Taylor and Elton Mayo regarding the human relations movement, we are familiar with the concept of human resources management. Although initially perceived as a function which dealt with problems such as payrolls, benefits and other few administrative aspects, nowadays HR focuses on strategic matters like succession planning, talent management, mergers and acquisitions, career management and other labour relations.

In the context of globalization, technological advancement and economic crisis, various researchers began documenting ways of creating business value through the strategic management of the employees.

Lately, strategic human resource management became a subject of ongoing discussion for academics. Its definition and relationships with other aspects of business planning and strategy vary, but the common agreement is that SHRM is a complex process that is constantly evolving and that there is a need of understanding its usefulness.

2. Strategic Human Resource Management

Strategic Human Resource Management (SHRM) is defined as “*the undertaking of all those activities affecting the behaviour of individuals in their efforts to formulate and implement the strategic needs of business*” (Schuler, R.S., 1992) and as “*the pattern of planned human resource deployments and activities intended to enable the organization to achieve its goals*” (Wright, P.M., McMahan, G.C., 1992).

The human resource management is an integral part of how an organization is going to achieve its mission and only by integrating it into the organization's strategic plan one can keep people aligned with the

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objectives of the organization. Having quality professional practices and services is a must, but this shouldn't be the only focus of the best HR practitioners. They are able to combine their attention to basic administration while also making important strategic inputs that have a positive impact on the future of the organization.

John Sullivan points out human resources professionals often think they are being strategic when they are actually being tactical. He states that being strategic means having a business impact on the organization's corporate goals and objectives and that a certain program is strategic only if it meets the following criteria (Sullivan J., 2004):

- It has a broad impact.
- It focuses on future needs.
- It has the potential to provide a sustainable competitive advantage.
- It has the potential to generate at least 1 percent of revenue or profits.
- It has a direct impact on long-term corporate goals.

We deduce that the acknowledgement of HR's strategic impact needs to take into account financial, but also nonfinancial measures. In this case we need to differentiate between *lagging indicators* on one hand and *leading indicators* on the other hand. Lagging indicators are those which give us a better understanding of the past and are mostly financial metrics and leading indicators are those which help us prepare for the future. The latter category of indicators differs for every organization but some examples can include customer satisfaction, employees strategic focus or the R&D cycle time or any other indicators that assess the status of the key factors (Becker B. et.al., 2001, p. 30).

In order to clarify the elusive role of HR, we have to determine the relationship between key success factors at the intersection between HR and the organization's strategy implementation plan as shown in figure no.1.

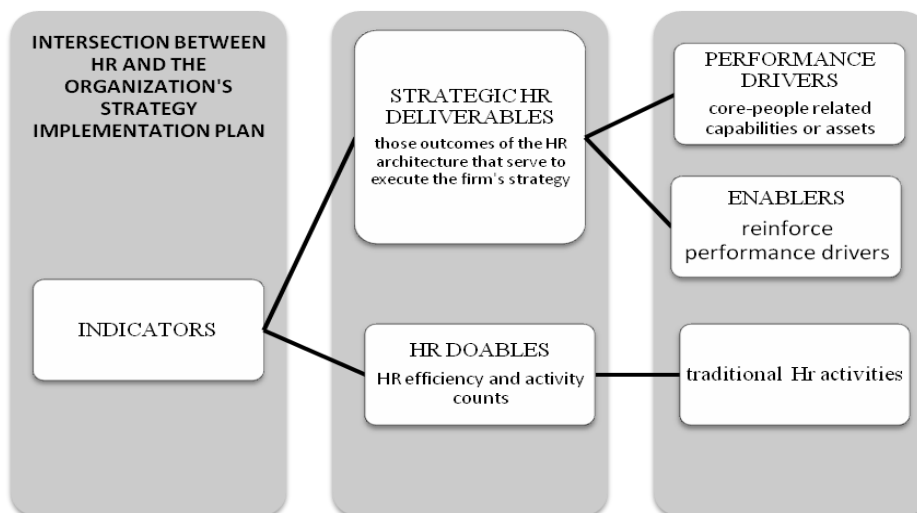


Figure 1. The intersection between HR and the organization's strategy implementation plan

Source: after Becker B., Huselid M., Ulrich D., (2001)

3. How to measure HR's strategic influence?

Various researchers argue that the alignment between the personal objectives of the employees with the ones of the organization is a driver of positive behaviour (Rucci A. et. al., 1998), but the problems appear when practitioners want to establish exactly how, for example a certain training affects the revenues.

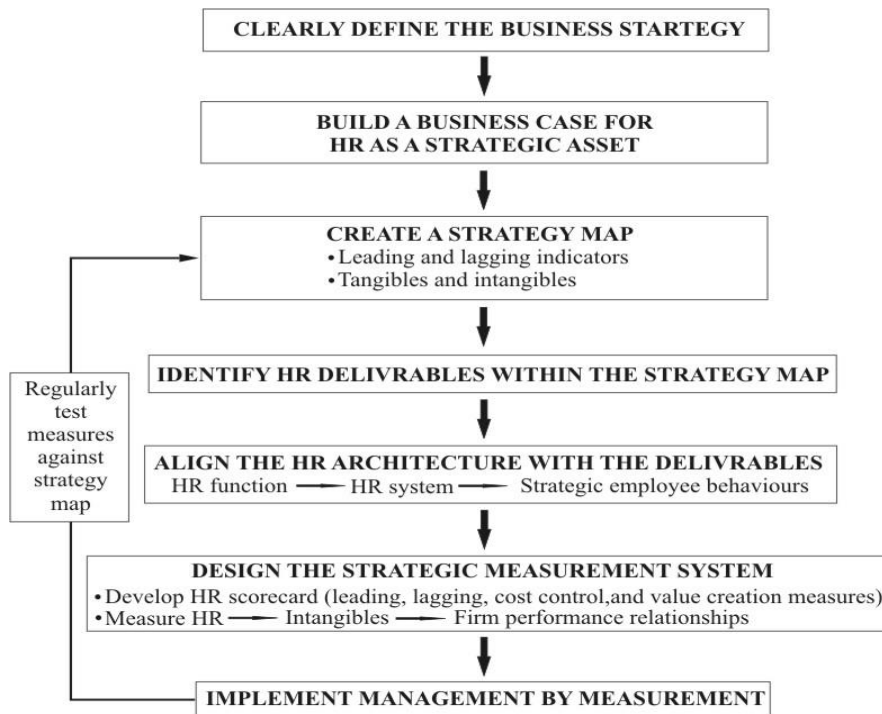


Figure 2. Transforming the HR Architecture into a Strategic Asset
Source: Becker B., Huselid M., Ulrich D., (2001)

The question regarding the quantification of HR’s strategic role remains one of the biggest challenges of our times. One recent and appreciated model of formalization of HR’s strategic role was elaborated by researchers Becker, Huselid and Ulrich (Becker B. et.al, 2001) which developed a seven steps model as presented in figure no.2 and in the summary below:

Step 1: Define business strategy

The involvement of HR in the strategy design is necessary mainly if we think about its implementation. When strategic goals are not developed taking into account the way in which it will be implemented, they tend to become very generic (Becker B. et.al., 2001, p. 36), with no guarantee of their success.

Step 2: Building a business case for HR as a strategic asset

After clarifying its strategy, HR professionals must have an accurate view on why and how HR can support that strategy. According to an ongoing research of the above mentioned researchers, the strategy implementation, rather than strategy content, differentiates successful from unsuccessful firms and moreover, successful strategy implementation is driven by employee strategic focus, HR strategic alignment and a balanced performance measurement system. Figure no. 3 depicts the influence of HR on strategy implementation.

Step 3: Create a strategy map

An accurate performance measurement system must cover all the elements from de value chain and all the links between them. The best way of making sure that all the processes are covered, we should design what Robert Kaplan and Dave Norton define as a strategy map as shown in figure no.4.

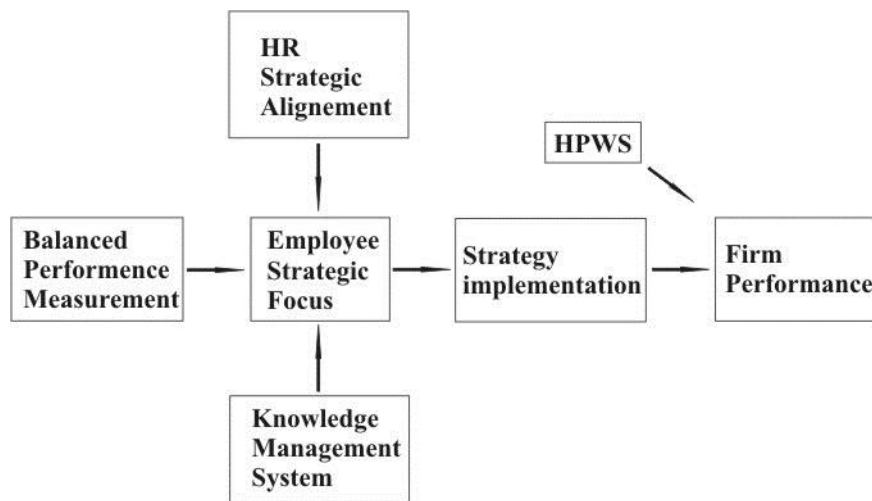


Figure 3. HR and Strategy Implementation
 Source: Becker B., Huselid M., Ulrich D., (2001)

The strategy mapping is a tool that explicitly shows how value is created for the company (Kaplan, R.S. & D.P. Norton, 2000), as shown in figure no.2. The four box model (of the traditional balanced scorecard) is transformed in a strategic map which places the four perspectives in relation to each other to show that the objectives support each other.

The design of the strategic map shows the cause-effect relationship between the elements. Improving performance in the objectives found in the Learning and Growth perspective enables the organization to improve its Internal Process perspective objectives, which in turn enables the organization to create desirable results in the Customer sector which finally leads to affect the Financial perspectives.

Step 4: Identify HR deliverables within the strategy map

Taking in account that HR creates much of its value at the point of intersection between the HR system and the strategy implementation system (Becker B. et.al., 2001, p. 42), practitioners need to have a 360 degrees view and understanding both roads: the *knowledge about the business* on one hand and a *full appreciation of the HR part*.

Some human resource performance drivers are elementary (employee competence, motivation etc.) so it is very difficult to place them on the strategy map. In order to do so we need to figure out which HR deliverables support the firm-level performance drivers from the strategy map (Becker B. et.al., 2001, p. 42).

Step 5: Align the HR architecture with HR deliverables

If the previous step told us on which deliverables we should focus on, the next step answers the question “How can the HR system be structured in order to provide proper deliverables?”.

In order to align the HR architecture with the HR deliverables we need to take into consideration the internal components of the HR system and determine the way in which each supports the other elements that represent the value chain (the external alignment).

Step 6: Design the strategic HR measurement system

In order to measure the HR- firm performance relationship we need to develop valid measures for HR deliverables and this consists of two parts: the correct choice of HR performance drivers and enablers and the correct choice of measuring those deliverables. The hard part refers to jumping the gap between operational measures (traditional) and strategically measures which means identifying the intangible elements.

Step 7: Implement management by measurement

After finishing all the previous steps we encounter the new powerful management tool, as named by its designers, and we discover that it is more than just keeping score of the HR deliverables, the internal and external alignment of the scorecard, Hr professionals will have new insight into what it takes to actually manage HR as a strategic asset (Becker B. et.al., 2001, p. 51).

Also, once we develop the HR scorecard it is imperative that we constantly review that work we have done and constantly adjust it to the new context that arises because some drivers or enablers won't be always strategically significant.

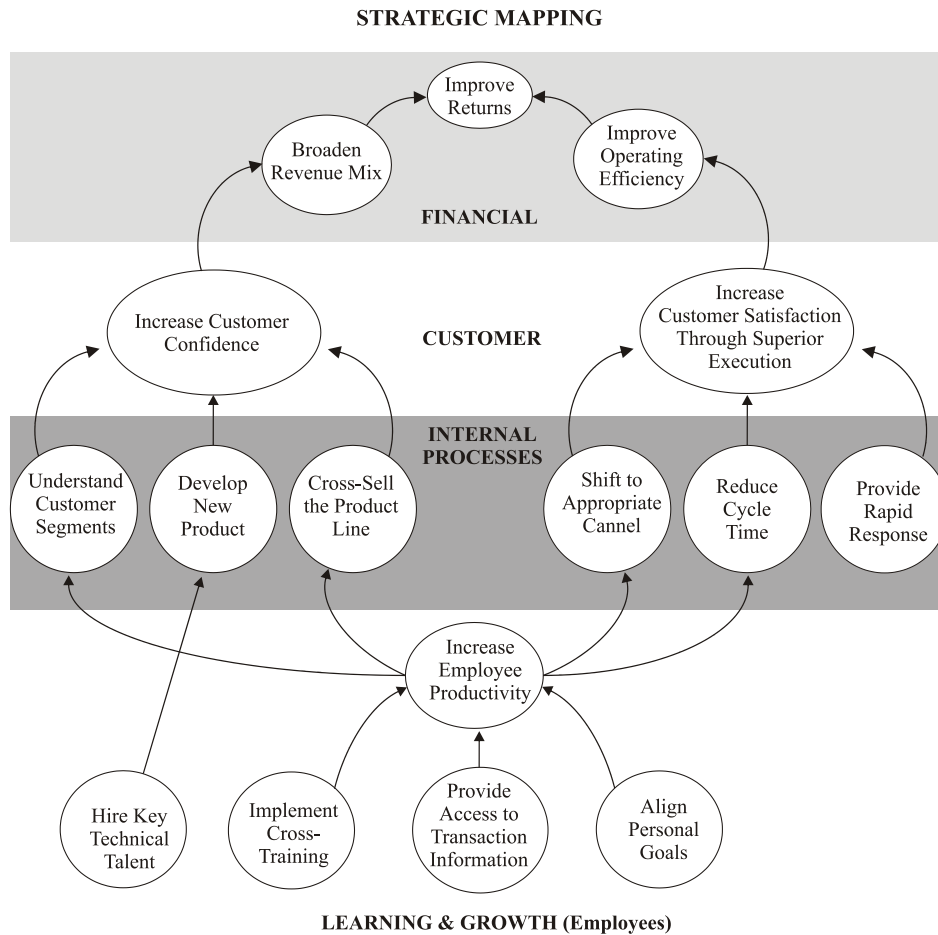


Figure 4. Balanced Scorecard Strategy Maps
Source: Kaplan, R.S. & D.P. Norton, (2000)

4. Conclusions

Organizations whose leaders regard the development of people as one of the primary responsibilities of all managers have a competitive advantage because a person whose personal learning goals are aligned with those of the organization is likely to be fully engaged and highly productive.

The Balanced Scorecard represents a set of indicators that assures a unitary presentation of the management vision regarding the performance control and supposes the relational approach on four dimensions: financial perspective, customers' perspective, internal business processes and organizational learning and growth perspective.

Developing a HR scorecard is necessary in order to manage HR as a strategic asset and to demonstrate HR's contribution to a organization's financial success.

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