

STRATEGIC HUMAN RESOURCE MANAGEMENT: THREE-STAGE  
PROCESS AND INFLUENCING ORGANISATIONAL FACTORS

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**Abstract:** A three-stage model for the process of strategic human resource management is developed in this paper. The three stages cover strategy formulation, implementation and evaluation. The inter-linkages in this dynamic model have been explored. The organisational factors that have enabling or deterring influence on the success of each of these three stages have been discussed. The paper highlights the key role played by HR professionals in these three stages.

## STRATEGIC HUMAN RESOURCE MANAGEMENT: THREE-STAGE PROCESS AND INFLUENCING ORGANISATIONAL FACTORS

Organisations are increasingly looking at human resources as a unique asset that can provide sustained competitive advantage. The changes in the business environment with increasing globalisation, changing demographics of the workforce, increased focus on profitability through growth, technological changes, intellectual capital and the never-ending changes that organisations are undergoing have led to increased importance of managing human resources (Devanna, Fombrum, & Tichy, 1981; Wright, 1998). In this scenario, a human resource (HR) department that is highly administrative and lacks strategic integration fails to provide the competitive advantage needed for survival, thus losing its relevance. Huselid and Becker (1997) found that there were noticeable financial returns for the organisations whose human resource management (HRM) systems have achieved operational excellence and are aligned with business strategic goals. According to Ulrich (1998), one of the four roles of HR personnel is to become strategic business partner. Youndt and Snell (1996) find that firms employing HR practices according to the stated strategy are regarded to have better perceptual performance.

In recent years a host of papers have been published which look into the strategic aspects of HRM. Kazmi and Ahmad (2001) classify various definitions of strategic human resource management (SHRM) based on strategy-focused, decision-focused, content-focused and implementation-focused approach. According to the strategy-focused approach, which is supported by authors like Mathis and Jackson (1985) and Beer, Spector, Lawrence, Mills, and Walton (1984), HRM is strategic by its very nature and all its elements have strategic linkages. The decision-focused approach formulated by Devanna et al. (1981) is based on three decision-making levels, namely operational, managerial and strategic and considers HRM at strategic

level to be SHRM. According to content-focused approach that is proposed by Torrington and Hall (1995), SHRM emerges when HRM elements match the organisation's strategy. According to the implementation-focused approach that is brought forward by Miles and Snow (1984), SHRM is when HRM systems help in the formulation and implementation of business strategies.

However, it is the definition based on implementation-focused approach dealing with alignment of HR policies and practices with business strategies that has gained momentum in the works of various researchers (Brockbank, 1999; Delery and Doty, 1996; Devanna, Fombrun, and Tichy, 1984; Golden and Ramanujam, 1985; Martell and Carroll, 1995; Truss and Gratton, 1994; Wright and McMahan, 1992). Wright and McMahan (1992: 298) define SHRM as "the pattern of planned human resource deployments and activities intended to enable an organisation to achieve its goals".

#### One-Way Vertical Fit

Aligning HRM systems to the business strategy can be considered as a one-way vertical fit (Devanna et al., 1984; Dyer, 1984; Golden and Ramanujam, 1985; Martell and Carroll, 1995; Mirvis, 1985; Schuler and Walker, 1990). This alignment has been conceptualised in various ways. Brockbank (1999) conceptualises this as strategically reactive HR. Kesler (1995) considers this alignment as the partnering role of HR where HR is highly integrated with business processes. This alignment is also seen in the contingency approach of Delery and Doty (1996).

The appropriate HR strategy for the specific organisational and business strategies is discussed in the literature. Miles and Snow (1984) have studied the differences in the HR strategies according to the organisational types, namely defender, prospector, analyser and reactor. They discuss "make" or "buy" HR strategies where HRM systems focus on building or acquiring human resources. Schuler and Jackson (1987a) discuss the kind of HRM systems

needed to align the human resources to three kinds of competitive strategies, namely innovation, quality enhancement and cost reduction strategy. Cost reduction strategy demands workers to work harder, innovation strategy requires workers to work differently and quality strategy needs them to work smarter. HR practices follow entirely different patterns for different strategies. For example, in case of innovation-based strategy, impetus is to be given for free thinking and bringing in new ideas. Performance appraisal focuses on long-term results and has a long-term focus. There are no clear-cut job descriptions and employees are given opportunity to learn across functions. The compensation offers more variety in terms of benefits like stock options and bonuses. Development of a cooperative culture is the aim.

Schuler and Jackson (1987b) have examined the HR practices followed by the firms following three kind of generic strategies, namely dynamic growth, extract growth and turnaround strategy. They have found that the HR practices vary according to these three strategies. Smith (1982a) has explored the various HR practices followed at different stages of organisational growth.

#### Two-Way Vertical Fit

Two-way vertical fit is when HRM systems not only align to the business strategy, but also contribute in the strategy formulation (Golden and Ramanujam, 1985; Martell and Carroll, 1995). The HR department's role as a strategic partner emerges in the two-way vertical fit. Lundy (1994) proposes a model for the entire strategy formulation and implementation process. In the model, each of the functions contributes in the strategy plan formulation, which in turn leads to the development of various functional strategies including the HR strategy. Brockbank (1999) conceptualises this as strategically proactive HR that involves creating future strategic alternatives. This includes activities like creating a culture change, identifying mergers and

acquisition possibilities, tracking the market and proactively making changes. Hendry and Pettigrew (1990) collate different works in the SHRM literature and point out that it is not necessary that HR strategy always precede a given strategy but it can be proactive in contributing towards the strategy formulation, understanding the linkages between structure, culture, HRM and the strategy.

Smith (1982b) points out the inadequacies in the strategically reactive HR process. The author proposes a process of two-way interactive planning of the business and HR strategy. In the two-way vertical fit proposed by Lengnick-Hall and Lengnick-Hall (1988), there is an interactive effect between business strategy and HR strategy so that each contributes to the formulation of other. This is the integrative linkage conceptualised by Golden and Ramanujam (1985) where business strategy and HR strategy are interactive.

#### Horizontal Fit

Horizontal fit refers to the alignment of various HRM systems to each other. Gratton, Hope-Hailey, Stiles and Truss (1999) and Truss and Gratton (1994) conceptualise this alignment as horizontal linkages that express the connections created between and within the people processes. Fombrun (1984) views this as the alignment of key HR systems and processes with special reference to desired performance for bringing out desired behaviours and culture in the organisation. Ichniowski and Kochan (1996) refer to the interactive effects of different HRM practices and Delery (1998) refers to Ichniowski and Shaw (1997) and states the positive outcomes of synergetic functioning of different HR practices. Delery (1998) classifies the different HR practices into two groups: one, HR practices that bring out additive outcomes with other practices and two, HR practices that have interactive effects and in concert with other practices bring out specific outcomes.

In the configurational approach of Delery and Doty (1996), the focus is on coordinating HRM systems to enhance horizontal fit, and then linking these systems to the business strategy to maximise vertical fit. Wright and McMahan (1992) consider that not only HR practices should be linked to organisational strategy, but these practices also need to be strategically linked to each other to ensure that they are promoting the same goals.

Singh (2003) gives a broader approach to looking at SHRM by integrating various functions and establishing the linkage of these functions with the business plan. It is important not only to identify HR competencies in concurrence with the business needs and develop selection and development practices to secure those competencies, but also to evolve and implement a performance evaluation plan that links the performance of the employees to the strategic goals. It is essential to have strategically-linked compensation system to improve firm performance and to retain employees with required competencies. According to Lawler (1984), once the strategic plan is developed it is necessary to design reward systems that will attract the right kind of people, motivate them to perform optimally, and create a supportive climate and structure.

#### Influencing Factors

The literature in the field of SHRM that analyses the process of involvement of HR in the strategy formulation, implementation, and evaluation has stressed on some of the critical external and internal factors involved in this process (Hendry and Pettigrew, 1990; Lengnick-Hall and Lengnick-Hall, 1988; Lundy, 1994; Mello, 2001; Schuler, 1992; Truss and Gratton, 1994). Truss and Gratton (1994) bring out five key aspects that should be present in any model explaining SHRM process. These elements are: the external environment, the business strategy that affects and is affected by the SHRM process, the internal environment – the organisational context

within which SHRM operates, SHRM comprising the HR strategy and individual HRM practices, and the outcomes of the process of SHRM.

The strategy formulation process is influenced by a number of external and internal factors. Formbrun (1984) identifies technological, economical, socio-cultural and political environment as interrelated external factors that have impact on the strategy formulation of organisations. The changes in these factors that are manifested through better information processing, automation, changes in the economic growth or growth in specific sectors, changes in the demographics of work force and political influences effect the strategic direction of the organisations and thus create the need for alignment of human resource management to these changes. Lengnick-Hall and Lengnick-Hall (1988) categorise the external environment factors into those that affect the competitive strategy formulation and those that specifically affect the human resource strategy. Competitive strategy is influenced by economic conditions, industry structure, competitive advantage, product/market scope and the distinct competence. The labour market, skills and values, economic conditions and the culture at large influence the human resource strategy formulation.

Truss and Gratton (1994) refer to the external environment as the one that provides opportunities and constraints to the functioning of HR in an organisation. In addition to the factors mentioned by Formbrun (1984), the authors also refer to Tsui (1987) and Freeman (1985) in pointing out the key external stakeholders like the government, media, environmentalists, local community organisations and consumer advocates who can influence the strategy formulation. The internal factors identified by Truss and Gratton (1994) through a survey of literature are: organisational culture, dominant coalition, internal stakeholders like the employees and management, HR department and its expertise.

Similarly, Mello (2001) refers to key external environment and internal variables that influence strategy formulation. Competition, government regulations, technology, market trends and economic conditions are key external environment variables and culture, structure, politics, employee skills and past strategy are key internal variables.

Lundberg (1985), examining various influencing factors, proposes a model for business and HR strategy. Business strategy is differentiated into current and long-term business strategy. The current business strategy determines the current HR strategy and tactics whereas the long-term business strategy and current HR strategy determine the probable HR strategy for the future. A major factor that influences the current business strategy is the dominant coalition, which in turn is influenced by the organisational culture, CEO leadership roles and the current business conditions. The organisational culture and CEO leadership roles are influenced by the organisational history that includes the founder's vision, technological investments, marketing and financial history, competition, regulations, unions, and consultants. The anticipated business conditions, which are determined by anticipated environmental conditions and state of industry, influence the long-term business strategy. Long-term business strategy is also influenced by the current business strategy.

Sparrow and Pettigrew (1987) identify the external factors like technology changes, political, social and economical climate as factors that influence the HR strategy formulation in organisations. The authors point out that internal factors like the structure, culture, internal politics, business direction and business outcomes interact with the external environment in the process of HRM.

A number of organisational factors influence the SHRM process. A few general factors are identified to be barriers to effective SHRM. Devanna et al. (1981) put forth a number of reasons

why strategic orientation may lack in the HR function. A major one is that the top management does not perceive it important to include the HR department in the decision making process. Mike Losey in an interview (Huselid and Becker, 1999) notes that CEOs must realise that additional competencies are required for HR professionals HRM now entails more than basic proficiencies like administration, transactions, compliance and keeping complaints to a minimum but is now the bottom line stuff. It is a profession that not everyone can perform and HR departments must develop competencies in dealing with strategic issues, business awareness and the ability to quantify its own the contributions/ significance. Tony Rucci in the same interview states that the three significant barriers to HR playing a more proactive role in the next ten years are “a) Lack of basic economic literacy among HR professionals, b) Lack of comfort among HR professionals to take risks and c) HR professionals who do not demonstrate courage of conviction about their principles” (Huselid and Becker, 1999: 362). Research has been carried out on the competency requirements of the HR professionals. Ulrich, Brockbank, Yeung and Lake (1995) find in a study that knowledge of business, delivery of HR practices and management of change are significant competencies of HR professionals. Also, they should have a high degree of personal credibility and should master HR practices.

For SHRM to happen, the cooperation of the line managers is critical (Ulrich, 1998). HRM is more of a line managers’ responsibility with the increasing strategic importance of HR (Brewster and Smith, 1990; Mello, 2001; Truss and Gratton, 1994) and this requires a closer relationship between HR and line managers (Becker and Gerhart, 1996). Martell and Carroll (1995) look at the inclusion of line managers in the HR policymaking process as a critical element of SHRM. Line managers could be in a better position to respond to issues concerning the employees enabling HR managers to find more time to perform strategic functions related to HRM

(Budhwar and Sparrow, 2002). However, effective participation may be constrained by factors like the lack of HR competence of the line managers, lack of training for taking up devolved HR responsibilities, inadequate time for people management issues, and emphasis on short term performance measures that causes lack of focus on achieving results through managing people (McGovern, Gratton, Hope-Hailey, Stiles and Truss, 1997).

Mello (2001) puts forth eight barriers to effective SHRM. The first one is the short-term orientation of firms. As most of the HR interventions or practices have long-term implications, short-term oriented actions can hamper effective HRM. The second one is the inability of the HR managers to think strategically. Their insufficient general management training or inability to influence colleagues in other departments is seen as a constraint. The third is lack of appreciation for HRM as a function. The fourth is lack of cooperation from the line managers and their unreliability in handling HR function in their respective departments. The fifth reason that hampers HR functioning is the increasing focus on the quantifying results. The feeling of risk in investing heavily on human resources is the sixth reason that can hamper the development of the employees for complementing organisational performance. The seventh reason that can also hamper strategic linkage is the inability of the HR practices to change according to the business needs. Most of the HR practices tend to get fixed as something permanent and then it becomes difficult to change. The final reason would be the disincentives related to changes associated with SHRM. Implementation of SHRM may involve drastic changes in the work practices and other HR processes and hence may affect a lot of employees. Bringing about change is a difficult process and people who have faced negative consequences of an unsuccessful effort to change may obstruct the change processes of the future.

This paper integrates the whole process of SHRM – formulation, implementation and evaluation. A dynamic model is proposed which looks at these three processes as a continuous one. The model is examined at each of these stages to explore the various organisational factors that influence the process of SHRM.

## THE PROCESS

The model proposes to divide the process of SHRM into three stages. Figure 1 shows the details of the three stages. The first stage is that of formulating of business strategy and translating it into HRM strategic objectives. HR strategy evolves from the HRM strategic objectives. The second stage is that of implementing HRM systems based on HR strategy. The final stage is that of evaluating/ reviewing the effectiveness and strategic integration of the HRM systems. The process of SHRM is dynamic and the three stages are closely inter-linked. The paper later discusses the enablers/ deterrents for each of the three stages. The enablers/ deterrents are those organisational factors whose presence/ absence would facilitate/ inhibit the process of SHRM.

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This model is an extension of the two-stage process that looks at the horizontal alignment of various HR practices and linkages of these practices with strategic objectives (Delery and Doty, 1996; Wright and McMahan, 1992). The three stages of the proposed model include all five key aspects of SHRM identified by Truss and Gratton (1994).

The First Stage

The formulation stage provides the ground for the happening of effective SHRM. The organisation recognises HR department as a business partner and provides it with avenues for being a proactive partner. In the first stage, the composition of the team formulating the business strategy is very important. The presence of head of the HR department in the top team formulating the organisational strategy will strengthen the pro-active strategic linkage of the HRM systems. The proactive nature of HR as described by Brockbank (1999) is suitable in this context.

This model follows the concept of Golden and Ramanujam (1985) and Lengnick-Hall and Lengnick-Hall (1988) of interactive business and HR strategy so that each contributes to the formulation of other.

The external and organisational contexts influence the strategy formulation. The external context is characterised by factors like product market situation (Lengnick-Hall and Lengnick-Hall, 1988), nature and extent of competition (Lengnick-Hall and Lengnick-Hall, 1988; Lundberg, 1985), labour market situation including demography of the available workforce (Fombrun, 1984; Lengnick-Hall and Lengnick-Hall, 1988; Lundy, 1994), government policies and laws (Sparrow and Pettigrew, 1987; Lundy, 1994), economic situation and forecasts (Fombrun, 1984; Lengnick-Hall and Lengnick-Hall, 1988; Lundy, 1994), industry perspective (Lengnick-Hall and Lengnick-Hall, 1988; Lundberg, 1985), and external stakeholders like suppliers, competitors, etc. (Freeman, 1985; Lundberg, 1985).

The organisational context refers to the organisational situation that is represented through various departments/functions. Inputs from functional areas are taken to formulate business strategy (Lundy, 1994). The head of the HR department plays a key role here in representing the organisation in terms of HR related issues. The organisational contexts that s/he represents are

the competencies, structural features with their advantages and limitations, policies and practices that are followed, cultural factors and people management issues.

An important factor in the success of strategy implementation is the availability of required competencies in the human resources. Strategy formulation is influenced by factors like whether there are the needed competencies in the organisation; possibility of training the employees for developing them and the gaps that exist in terms of competencies of the human resources. A critical factor that is important in the formulation of HR strategy is the understanding of required organisational competencies for the implementation of the business strategy. Elements of HRM like acquiring, managing and developing the competencies are important for the success of strategy implementation.

The structural features look into the structure of the organisation in terms of features that may set limitations for strategy implementation or may set constraints in the changes required for the strategy implementation. The inflexibility in these features in terms of the reporting structures and layers of hierarchy in the organisation and formal relationship among the various departments may impede communication and cause lack of alignment of various functions/departments for strategy implementation.

During strategy formulation, the head of the HR department should be able to appraise the top management about the various policies and practices that are followed and the changes that are necessary for effective implementation of business strategy. The policies and practices may be the written rules that are followed regarding jobs or behaviour in the organisation. In the organisational context, this may be related to the cultural dimensions that are a set of unwritten rules that drive the work culture and behaviour at work place.

The people management issues look into various employee-related factors that affect the productivity at work place and their impact on a business strategy formulation. Issues like high turnover of employees, lack of morale and motivation, low employee satisfaction, undesirable work-place politics etc. are looked into and their likely impact on strategy implementation is examined.

The HR head should also be able to contribute in terms of certain changes in the external environment. For example, s/he should be able to convey the changes that are occurring in the labour market and their implications on the business strategy formulation.

HRM strategic objectives are identified according to business strategy. The business strategy may be based on any of the generic strategies like cost reduction, innovation or quality enhancement. The organisation may be classified as a defender, prospector, analyser or reactor (Miles and Snow, 1984). The HR strategy is then derived from the HRM strategic objectives. This process is similar to Lundy's (1994) model of strategic management, which derives human resource plan from strategic plan based on implementation requirements.

### The Second Stage

The second stage is that of implementing various HRM systems based on the HR strategy. The vertical, horizontal and temporal linkages conceptualised by Gratton, Hope-Hailey, Stiles and Truss (1999) fit here. Various HRM systems like recruitment and selection, performance management, compensation, training and development, career management, etc. need to be aligned with the HR strategy. This is the vertical linkage. Policies and practices of various HRM systems are set or modified according to the strategy implementation needs. Based on the concept of horizontal linkage, HRM systems also need to be aligned to each other.

Implementation stage also includes initiating interventions required for organisational development or effectiveness and managing change during processes like restructuring or mergers. The latter is an example of temporal linkages. Temporal linkages deal with the sudden changes that are brought in due to strategic decisions.

Automating HRM practices and outsourcing some HRM practices can contribute to more effective functioning of the HR department. Automation of HRM practices through human resource information system (HRIS) also improves HR department's capability to collect and provide information needed for strategy formulation.

HR department plays a key role at the implementation stage. However, processes and practices are implemented for the employees and therefore line managers, employees and customers play an important role in their successful implementation. The second stage has a two-way link with the first stage. Not only are HRM systems aligned with the HR strategy, but HRM systems and their outcomes also provide information pertaining to organisational context for the formulation of business strategy. This two-way link strengthens the role of HR department as a strategic partner.

### The Third Stage

The final stage of the model deals with the evaluation / review of the effectiveness of HRM systems and their strategic integration. Wright and McMahan (1992) and Truss and Gratton (1994) consider outcomes and relevance of various HRM systems in achieving strategic objectives as an integral part of SHRM. The extent of alignment of HRM systems with business strategy and the contribution of HRM systems in achieving strategic objectives need to be evaluated in order to determine the strategic integration of HRM (Tichy, Fombrun and Devanna,

1982; Ulrich, 1989). Ulrich's (1989) relationship approach to assess HR effectiveness integrates business strategy, HR practices and performance by analysing relationship among the three.

The evaluation stage in this model includes various surveys and evaluation processes. The evaluation metrics need to be carefully constructed. Evaluation of HRM systems is difficult because most of the organisations are not very clear as to what they want to evaluate – the efficiency of the HR processes/ department, the services provided by the HR department, financial returns in terms of employee productivity, turnover, etc. or improved performance of employees of the organisation (Ulrich, 1989). According to Gordon (1972), it is difficult to devise appropriate evaluation methods unless expected outcomes are unambiguous.

In the evaluation metric of this model, defining and measuring goal achievements or outcomes of various HRM practices and activities is the first step. This may also include organisational outcomes like employee turnover (Wright and McMahan, 1992), behavioural perspective of measuring the desired behaviour of the employees (Wright and McMahan, 1992) or resource-based theory perspective of measuring the achievement of desired competencies for the organisation (Kamoche, 1996). Performance reviews and associated actions are part of this stage. In order to determine the level of strategic integration, various HRM systems are reviewed and analysed for their alignment to the strategic objectives. The gaps in their vertical and horizontal linkages are identified. The evaluation metrics also include constraints in the implementation of HRM systems, efficiency of HRM processes and level of competency of the personnel (both HR and non-HR) involved in the implementation process.

The information collected and analysed on the evaluation metrics provide feedback for making necessary changes in the implementation process. This information is also important in the organisational context of business strategy formulation.

The model provides a generic framework for the process of SHRM. The outcomes at each stage may take different forms. For example, as Budhwar and Sparrow (2002) have stated, the importance of specific outcomes at different stages may be different. A clear-cut written down personnel strategy may be very important in the British context though in the Indian context an unwritten one may be the norm. However, the process followed remains the same.

#### ENABLERS/ DETERRENTS FOR THE THREE STAGES

##### The First Stage

Figure 2 shows the enablers/ deterrents in the formulation stage of the process of SHRM. These enablers/ deterrents influence the strategic role played by the head of the HR department in the organisational context. These enablers/ deterrents can be classified into structural, cultural, individual and contextual factors.

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In the structural factors, the absence or presence of HR representative and the organisational policies regarding such representation play a significant role. If the HR department is not given a place in the strategy formulation team, many of the HR related or the organisation related issues in which the HR plays an active role would not be properly represented. The presence or absence of such representation can be a result of many factors. Some of the factors are importance for HR in the organisation, relevance and competence of the HR department and the perception regarding their ability to contribute towards strategy formulation. Martell and Carroll (1995) found in their empirical study that top management teams differentiate between HRM executives

and HRM function. HRM executives are considered valuable members of the team in spite of a relatively modest view of the importance of the role of the HRM functions.

Cultural factors like importance given to HR issues in general (Mello, 2001) and top management support for HR department and HR related issues help the HR representative in taking an active role. In many organisations HR department's function is considered to be just supportive and it is not expected to take an active role in the top management decision-making. In these cases HR will only be in a strategically reactive or an operational role. Golden and Ramanujam (1985) consider top management's expectation from HRM function as an important factor in the integration of HRM with business strategy.

The next critical factor here would be individual factors related to the HR representative in the strategy formulation team. The competency of the HR representative in her/his own field and his/her ability to represent efficiently are important factors. S/he needs to have solid knowledge of the business and the organisational context. S/he needs to keep herself/himself informed about the changes that are happening in the external context and their influence on the business and the people issues. Interpersonal dynamics can play a major role in the representation process. The ability of the HR representative to influence other representatives, including the CEO, can play a significant role. S/he also needs to understand the informal power structure, which is a critical organisational factor for integrating HRM with business strategy (Golden and Ramanujam, 1985).

Lawson and Limbrick (1996) identify the competencies required in top HR professionals for their role in SHRM. These competencies are classified under five groups: HR technical proficiency, business knowledge, influence management, functional and organisational leadership, and goal and action management.

Lastly, but not the least, are the contextual factors related to people management issues. The contextual factors are the situations (mostly detrimental) that may arise unexpectedly in the organisation. Very high employee turnover and severe skill shortage are examples of such contextual factors. Such a scenario would force the top management to take note of HR issues even if these issues are generally neglected at other times.

### The Second Stage

Figure 3 shows the major enablers/ deterrents involved in the implementation stage. The various influencing factors may be categorised into structural, cultural, operational and environmental factors.

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In the structural category, the organisation of the HR department and the various organisational policies regarding the roles to be played by the HR department are included. The first structural factor deals with the organisation of the HR department in terms of the staffing pattern of the HR department, the roles entrusted to the HR personnel, the access of the HR department to various other business units, the reporting structure within the department etc. Proper organisation will help in implementation and responding to implementation related issues. The second structural factor deals with the organisational policies regarding the HR department's participation. These policies mainly provide guidelines regarding the situations in which the HR department can intervene in the organisational functioning and the scope of changes that it can make there.

The cultural factors include the HR philosophy and the internal branding of HR. The HR philosophy integrates the various beliefs and the value systems that determine the way the organisation manages its employees. In view of these beliefs and values, certain policies or practices may be unacceptable to the organisation in the implementation of HRM systems. The second factor here is the internal branding of the HR department. The internal branding of the HR department is determined by perceptions regarding its effectiveness in the organisation, its role in enhancing employee performance, and its capability in supporting various organisational and employee-related initiatives. Tsui (1984) suggests that the effective functioning of the HR department depends on its reputation among the users of its services. Demonstrating the successes of the department can enhance its reputation. Golden and Ramanujam (1985), in their empirical study, find that demonstration of HRM expertise through HRM successes considerably enhances HRM function's credibility amongst top management.

Operational issues include flexibility of HRM systems, competency of HR personnel as identified by Ulrich, Brockbank, Yeung and Lake (1995), availability of resources, execution efficiency, support of line managers, level of HRM knowledge of line managers and level of HRM training of non-HR executives. HR practices in the organisation tend to become permanent and lose flexibility to change (Mello, 2001). Lack of flexibility adversely affects the operational efficiency of the systems as well as their ability to contribute to business strategy. Competency of HR professionals is another important factor for this stage. The HR executives should have sound business knowledge (Golden and Ramanujam, 1985). This would help them to understand the relevance of the strategy that is formulated. This would also help them to design and implement HRM systems that facilitate strategy implementation. Also, HR professionals should have good grasp of the functional area they are working in and the competency to manage

change. The implementation process may require that considerable resources be made available to the HR department. These resources may be in terms of providing better infrastructure or more personnel to do the job. HR department's efficiency in executing decisions also plays an important role at this stage.

A critical element for effectiveness of strategy implementation is the support of the line managers (Mello, 2001; Ulrich, 1998). To be an effective business partner, HR department should be able to influence the business functions. The implementation of the HR strategy inevitably involves the cooperation of the line managers so that their support is important. For the line managers to be effective in partnering with the HR department, they should have necessary understanding of the HR processes and practices. They need to be provided necessary training and so the level of HRM training of the non-HR executives also influences the success of the implementation stage.

The last category of factors that influences the strategy implementation is the environmental factor. Employment laws and regulations and the labour market situation influence strategy implementation. Abiding by the employment regulations is a significant factor in the implementation. The regulations may act as a deterrent to the implementation of certain strategies. The skills available in the labour market and the competition faced by the organisation for those skills may influence the HRM policies and practices.

### The Third Stage

Figure 4 explores the factors that act as enablers/ deterrents for the effectiveness of the evaluation and feedback stage. This stage provides feedback to the organisational context influencing the business strategy formulation and the implementation process. The factors that influence this stage may be categorised into structural, operational, and behavioural factors.

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The structural factors include the scope of the evaluation and feedback process, level of formalisation of the evaluation and feedback process, proper selection of assessors, and periodicity of evaluation and feedback. The scope of the process determines the extent to which the effectiveness and level of strategic integration of the HRM systems is to be evaluated. If the level of strategic integration is not properly evaluated then organisations take much longer to identify the gap between strategy and practices or the mismatch among practices. Higher level of formalisation will strengthen the process in terms of the content and regularity of the feedback. Higher level of formalisation also reduces the chances of evaluation becoming an irrelevant process. Proper selection of assessors or evaluators is also important and depends to a large extent on the evaluation metrics. HR professionals, line managers, employees, and/or applicants can assess the effectiveness and level of strategic integration of the HRM systems (Tsui, 1984). In addition to applicants, other external stakeholders like customers and suppliers can also provide data for assessment. The periodicity of evaluation and feedback is another important factor because evaluation needs to be a continual process.

The operational factors are the availability of required data, proper measurement techniques, required analytical skill, and technological support for data collection and analysis. One of the major problems in evaluating HRM systems or their strategic linkages is the unavailability of the required data. Data collection in organisations for HRM systems, not being prompted by explicit objectives for its utilization, is generally unsystematic. Also, there is lack of coordination in assembling the data collected from various sources. Evaluating the impact of HRM systems is a

challenge for measurement techniques because the effects of environmental and personal factors are inter-mixed with it (Gordon, 1972). Valid interpretation may not be obtained because of faulty measures or lack of appropriate measures. HR professionals may not have required analytical skill for the evaluation process so they either need to be given special training or provided help of experts (Gordon, 1972). Technological support should also be also available for data collection and analysis. A properly designed human resource management system makes data collection and analysis faster, consistent and more accurate. Large amount of data from various sources can also be easily put together.

The behavioural factors include the purported use of the evaluation results, transparency in the evaluation process, perceived and real fairness of the process, extent of implementation of the suggestions/feedback, man-hours spent on evaluation and feedback, importance given to the process, and incentives for various stakeholders. Purported use of the evaluation results is a very vital factor for the success of the implementation stage. As the results of the evaluation may be used to influence the perception of effectiveness of HR department/ HR professionals or the resource allocation based on the performance, the evaluation may be influenced by organisational politics (Ulrich, 1989). One of the major factors for the failure of evaluation stage is that HR professionals perceive it as a threat (Gordon, 1972). HR professionals may not be keen to get their performance evaluated for two reasons. One is that they were not used to being evaluated in the past and the other is that such evaluation may involve a lot of subjective assessment.

Transparency in the evaluation process is another important factor for the success of the evaluation and feedback process. There are following two aspects to transparency in this process: transparency in collecting data for assessment and transparency in sharing the results. Level of

transparency in collecting data should depend on the comfort level of the assessors otherwise the data may not be honest and reliable. Results of this process may be available only to the HR professionals or may be shared with line managers or all the employees in the organisation (Ulrich, 1989). If the results are available only to HR professional then their anxiety for themselves may be less but on the other hand, others will not be able to see the outcomes and implications of the process and may lose interest in the process.

Both perceived as well as real fairness of the evaluation methods are critical. The use of the best practices in the evaluation procedure and their validity and reliability are important. The success of the evaluation and feedback process also depends on the extent to which the suggestions/feedback given by the process in the past were found to be useful and have been implemented. Time spent and the importance given to the evaluation also determine the success of this stage. As the implementation stage includes various stakeholders, the evaluation of their participation and the linkage with reward and training will be significant in improving the implementation.

## CONCLUSION

The literature in the field of SHRM has developed up to the two-stage process with a two-way vertical fit and horizontal fit (Delery and Doty, 1996; Singh, 2003; Wright and McMahan, 1992). The third stage developed in this paper has not been explicitly taken up in existing literature. This stage is mainly derived from Ulrich's (1989) relationship approach to assess HR effectiveness. The two-stage model does not explicitly clarify how the fit will be assessed and achieved. In order to assess both vertical and horizontal fit, the evaluation and feedback stage is vital for any process of SHRM. This third stage will help in establishing self-correcting mechanisms in the process. It will also help in maintaining a better fit between the intended and

actual strategy discussed by Gratton, Hope-Hailey, Stiles, & Truss (1999). The evaluation stage will also help in demonstrating HR successes and increase the credibility of the HR department.

The model provides all the interactive linkages present in the process of SHRM, thus giving a comprehensive picture of this complex and dynamic process. The effectiveness of the process lies in giving due importance not only to each stage but also to each linkage. The process of SHRM cannot be implemented in a piecemeal manner. Anything less than the complete process described in the model increases the possibility of failure. Organisations can no longer ignore the necessity of an integrated three-stage process for SHRM that should at least include:

1. Efficient and inter-linked HRM systems linked to business strategy and
2. Monitoring mechanisms to identify and correct any sort of misalignment.

The enablers/deterrents for each stage is another important contribution of this paper. A clear knowledge of organisational factors influencing each stage provides a framework for assessing the barriers to the process of SHRM. Strategy formulation and translation are influenced by organisational factors like presence/absence of HR representation, organisational policies related to such representation, importance given to HR issues, top management support, business knowledge of the HR representative, HR knowledge of the HR representative, inter-personal relationship of the HR representative with the top management team, and contextual factors related to HR like severe skill shortage. The implementation stage is influenced by organisation of the HR department, organisational policies related to HR participation, HR philosophy, internal branding of HR, flexibility of HRM systems, competency of HR personnel, availability of resources, execution efficiency, support of line managers, level of HRM knowledge of line managers, level of HRM training to non-HR executives, employment laws and regulations, and labour market conditions.

The evaluation and feedback process is influenced by factors like scope of the evaluation and feedback process, level of formalisation of the evaluation and feedback process, proper selection of assessors, periodicity of evaluation and feedback, availability of required data, proper measurement techniques, required analytical skill, and technological support for data collection and analysis. This process is also influenced by factors like purported use of the evaluation results, transparency in the evaluation process, perceived and real fairness of the process, extent of implementation of the suggestions/feedback, man-hours spent on evaluation and feedback, importance given to the process, and incentives for various stakeholders. Organisations need to ensure the presence of relevant organisational factors in each of the three stages so that they become enablers rather than deterrents for the process of SHRM.

The paper emphasises the key role of the HR department in the process of SHRM. HR professionals perform critical roles in each stage of the process. This underlines the importance of the competencies required for top HR professionals in the first stage as identified by Lawson and Limbrick (1996), the competencies required for HR professionals in the second stage as identified by Ulrich, Brockbank, Yeung and Lake (1995), and the skills required for the evaluation process as discussed by Gordon (1972). Organisations need to continuously upgrade the skills of the HR professionals. However, importance of other major players should not be underestimated. The success of the process of SHRM is not limited to the capability of the HR professionals but encompasses all the major players discussed in the model.

As HRM evolves as a strategic partner, organisations need to look at the three stages as dynamic processes and formulate enabling processes and facilitating mechanisms for effectiveness. The paper has brought together three stages of SHRM, namely formulation, implementation and evaluation where considerable work has been done without emphasising the

inter-linkages or outlining the enabling/ deterring factors. This paper is an attempt to fill these gaps. As the three stages involve many players and stakeholders, synergy in their working within each stage and across stages is vital.

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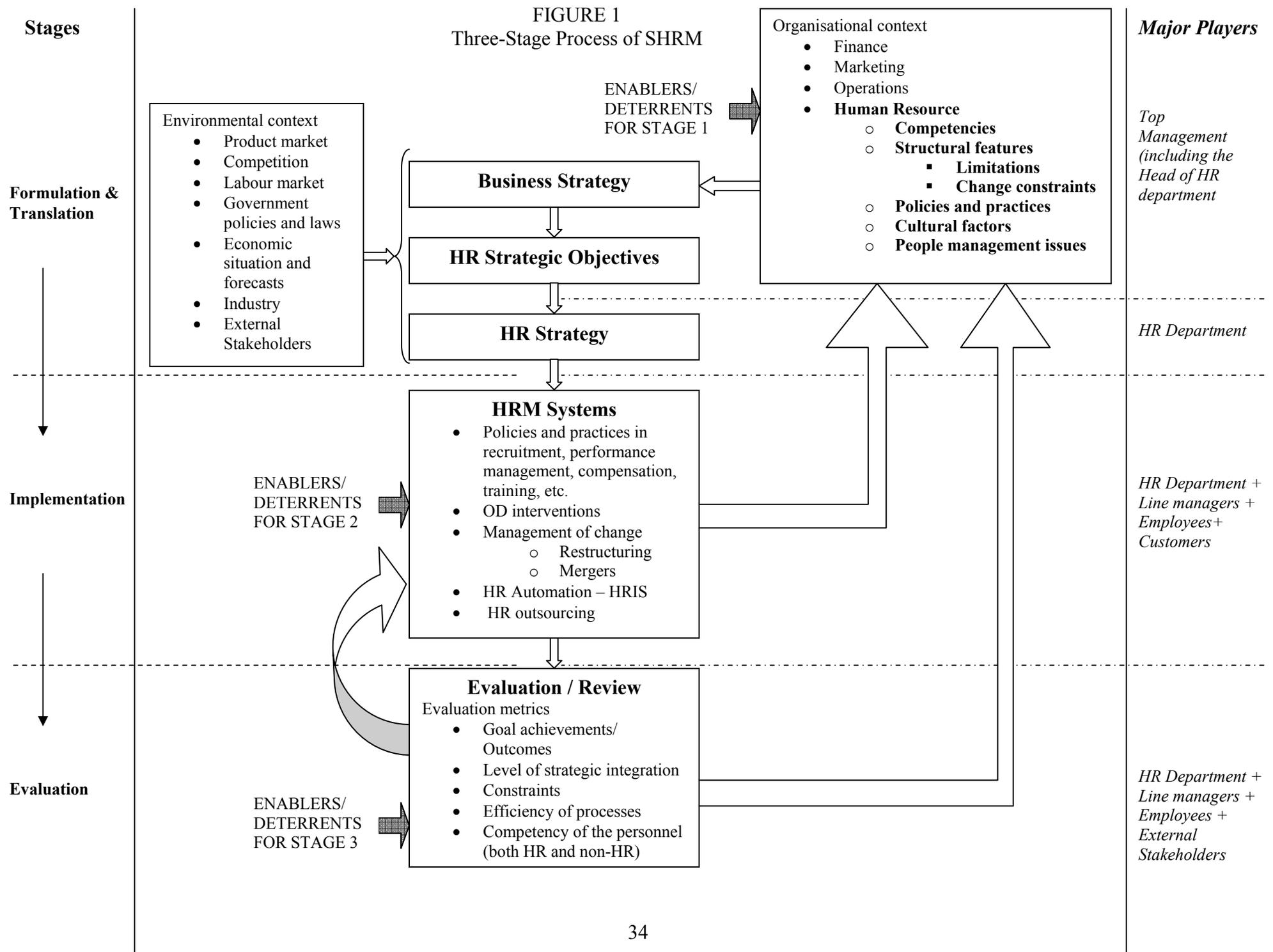


FIGURE 2  
Enablers/Deterrents for First Stage

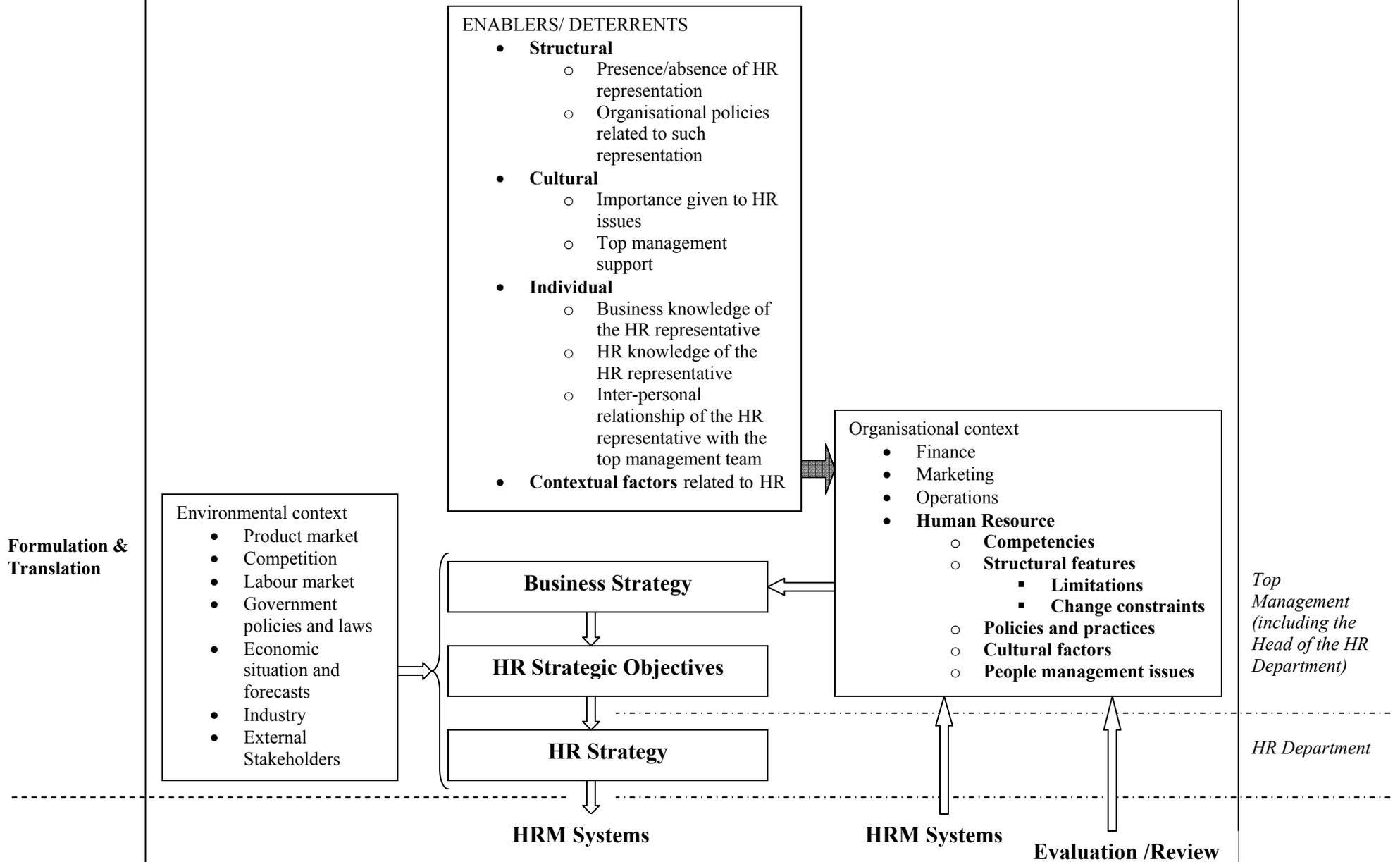


FIGURE 3  
Enablers/Deterrents for Second Stage

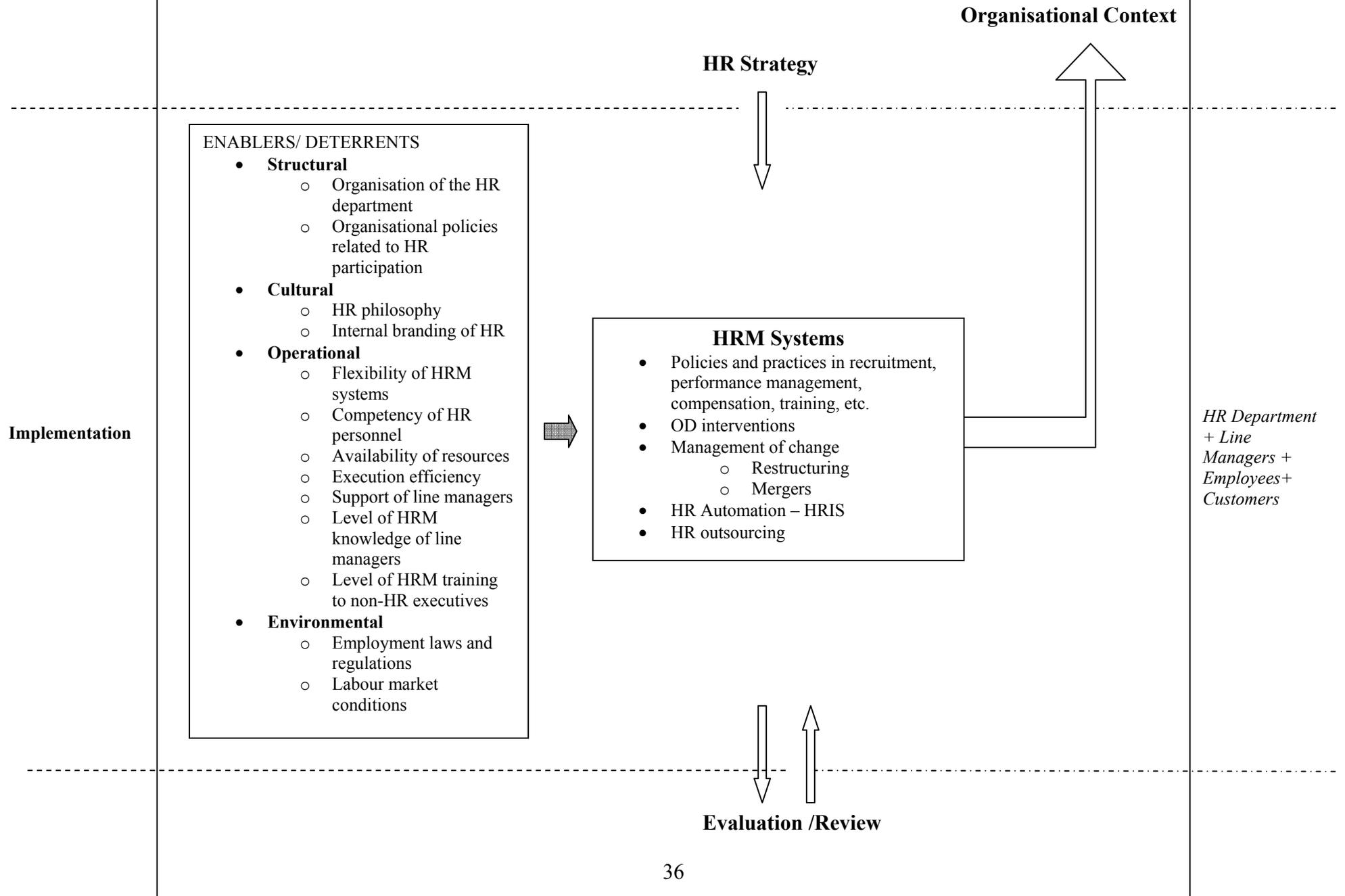
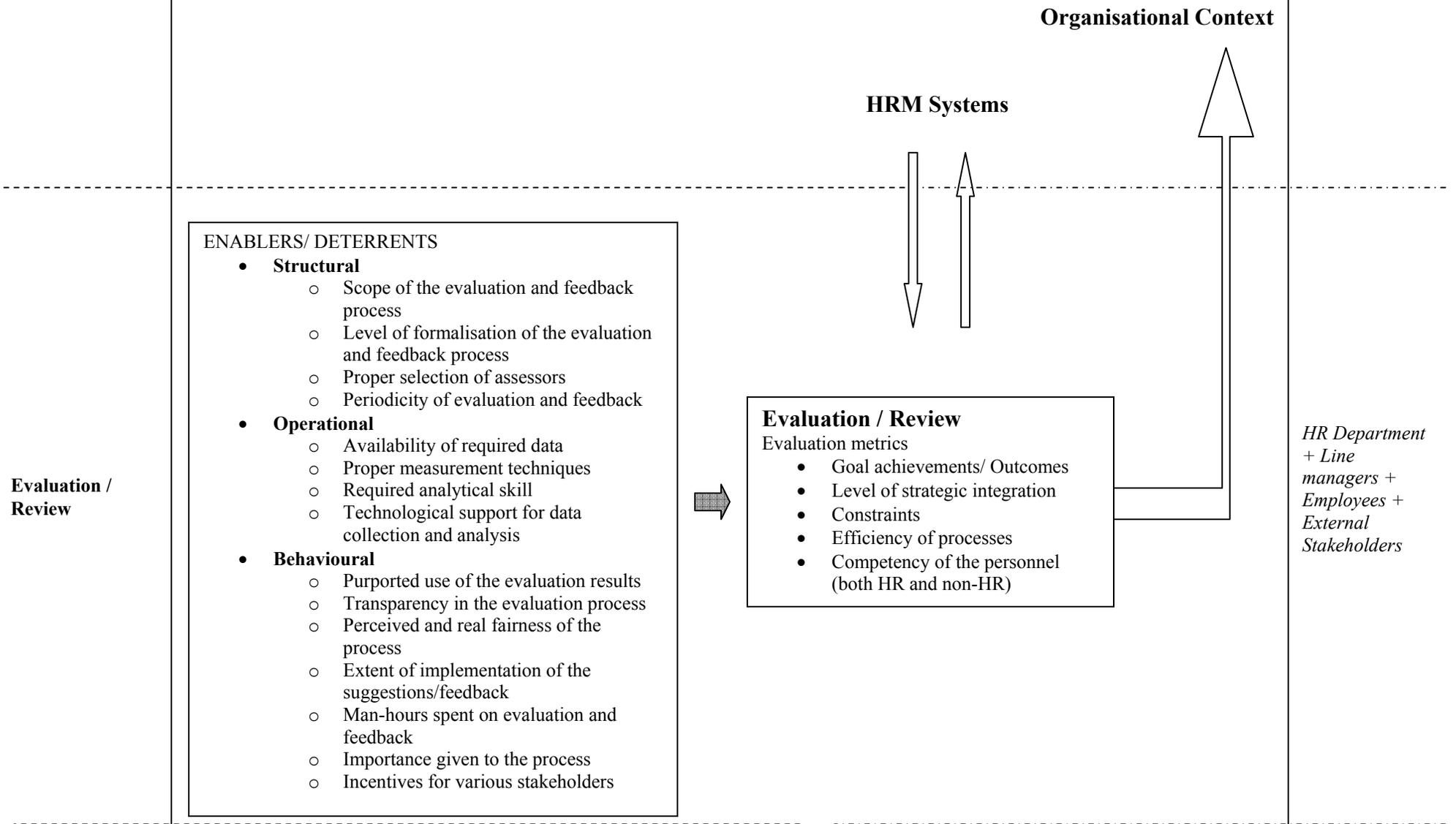


FIGURE 4  
Enablers/Deterrents for Third Stage



Evaluation / Review