

The Relation between Business Strategy and Human Resource Management: Conceptual Review

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Abstract— whilst there has been increasing interest concerning the relationship between business strategy and human resource management, limited research attention has been paid providing evidence in support of them. This study investigates business strategy and human resource management. The findings indicate a strong relationship between business strategy and human resource management. Further, the results provide support for the assertion that business strategy and human resource management fit can significantly assist a firm in improving performance. Therefore, support is obtained for the efforts at aligning business strategy and human resource management.

Index Terms— Business Strategy, Human Resource Management.

I. INTRODUCTION

Growing integral between human resource management and business strategy is one of the most important requests that are placed upon modern strategic human resource management. Survival and success of organizations increasingly depend on their ability to build highly skilled workforces and to release the full potential of their human resources. During the last two decennia, there has been a set of important developments in the literature of the issues related to the management of people and significant attention has been directed towards HRM practices (Haris and Ogbonna, 2001:158). several go even further by stating that a firm's human resources form the basis of the firm's competitive advantage. In this view, human resources are the most important assets of an organization. At the same time, in growing to the importance of human resources as such, it is believed to be important that the management of the human resources should be in perfect suitable with the management of the organization as a whole and its strategic plans. HRM strategy systematically organizes all individual HRM measures to directly affect employee behavior in a way that leads businesses to achieve their competitive strategy. (Huang, 2001: 134). In view of the fact that the goals and necessities of each of the competitive strategy types are different, the management of the human resources of the corporation should be in line with the corporation's overall strategy. This means that human resource management carries the promise that if people are regarded and managed as strategic resources, the corporation can obtain a competitive advantage and so achieve excellent performance (Heijltjesa and Witteloostuijn, 2003: 33). Changes or trends that are emerging today such as globalization, changes in the nature of work, and technology affect human resource management to be more business-oriented and strategically focused. Ulrich (1997)

referenced that HR managers should not only have administration skills and expertise but should also be champions of employees, change agents, and strategic partners of an organization. In this context, HRM practices can be a source of competitive advantage of the organization, especially when they are aligned with the organization's competitive business strategy (Begin, 1991; Cappelli & Singh, 1992; Jackson & Schuler, 1995).

II. OBJECTIVE

this research aims to assess the acquired knowledge of business strategy and human resource concepts with the purpose of answering the following question: What is the relation between business strategy and human resource management?

To answer this question, this study seeks to examine business strategy and human resource management understanding as to the meaning of these two concepts. As specific objectives, we seek : (1) to know the relation between business strategy and human resource, and (2) to identify which concept of business strategy and human resource in the existing literature

III. THEORETICAL FRAMEWORK

Several organizations will go under, some will continue to exist and some will not only continue but flourish. The result of that, firms constantly search for newer sources of competitive advantage, one of the most important being human resource management (HRM) that has the potential to improve and sustain organizational performance and determine the organization's fate (Jayaram, 1991; Terpstra, 1994: 13) Recent academic research has attempted to demonstrate the impact of HRM on firm performance and the relationship between the practices and corporation outcomes is discussed best in the strategic human resource management literature (Pfeifer, 1998, Rogers and Wright,1998). Traditional HRM factors alone are no longer sufficient in maintaining a firm strategy. Even though the human resource sections have historically been bureaucratic functions within organizations, its role has been focused on pursuing more flexible and creative means to deliver services in constantly changing environments (Lepak et al., 2005). Human resources professionals are increasingly expected to become much more reacting, responsive, and ultimately make a strategic contribution to their company. Hiltrop (1999), in his research, asked the human resources managers and personnel officers in 319 companies in western Europe about HR policies and practices of their firm and found out that employment security, opportunities for training and

development, recruitment and selection from within, career development and teamwork, participation and proactive personnel planning as the most important practices. In fact, the role of human resources is to acquire, develop, manage, motivate and gain the commitment of the employees. In a knowledge-based competitive economy, the adoption of appropriate human resource practices is important to ensure effective strategy implementation. Human resource management practices create procedures that constitute the building of employees' knowledge and skills throughout the organization to promote valued and unique organizational competencies that support competitive advantage (Werbel and DeMarie, 2005). Strategic human resource management has become a more central issue to management literature from the experimental research view linking HRM practices with corporation performance and profitability (Delaney and Huselid, 1996; Huselid, 1995; Becker and Gerhart, 1996). A general model is employed to conceptualize relations between business strategy, HRM. Business strategy can be thought of as a group of decisions about the direction of a firm. Corporations select business strategies in accordance with evaluations they make about their distinctive competencies and the environment in which they wish to compete [Mintzberg 1990]. the focus of this study is on the human resource management function and business strategy. In short, the interest is specifically in the relationship between business strategy, HRM. While each firm tailors its particular business strategy to fit its unique distinctive competencies, needs, and circumstances, it is useful to apply a simplifying framework when developing theoretical constructs [Daft 1984; Dubin 1978].

IV. CONCEPT OF BUSINESS STRATEGY

Business strategy is a set of interrelated decisions that bring about some competitive advantage for the organization compared to competitors. Miles and Snow proposed general strategies of the organization as follows: defensive, analyst, reactive and passive. Schuler and Jackson introduced a classification for competitive strategies similar to Porter including cost leadership strategy, innovation, and quality improvement. (Farahi, 2006) The strategy is a long-term plan of action designed to achieve a particular goal or a set of objectives. The main management function, the strategy states how business should be conducted in each area of operations in order to successfully accomplish the goals and objectives. A well-crafted business strategy aligns with the core mission and vision and acts as a road map for sustained profitability, competitiveness and growth. Strategy can also be defined as the continuous process a company undertakes to prepare for its future and knowing the exact steps it needs to take to implement its plan of action to achieve a competitive advantage. The McKinsey research specified some common ground in existing definitions: strategy involves making choices, and these choices matter. A business cannot serve all customers in all markets with all products and services, just as it cannot invest in every different form of physical or human resource, or implement every possible management process. Clear and consistent resource development and deployment decisions are at the heart of anyone's definition of strategy. Also, and these choices matter because they largely determine who wins and loses business games. Empirical research has

shown time and again that strategy and execution choices made at the level of the business unit broadly explain performance differentials across firms. The McKinsey research further identified four fundamental elements of any business strategy: strategic posture, competitive advantage, business concept, and value delivery system.

V. CONCEPT OF HUMAN RESOURCE MANAGEMENT

Management scientists defined that human resource management is the process of selecting, inducting employees, providing orientation, learning training and development, appraising the performance of employees, deciding compensation and providing benefits, motivating employees, maintaining relations with employees and their trade unions, ensuring employees' safety, welfare and healthy measures in compliance with labor laws of the land. Human Resource Management includes management functions like planning, organizing, directing and controlling. It includes procurement, development, maintenance of human resources. It helps to achieve individual, organizational and social objectives. Human Resource Management is a multidisciplinary subject. Also, It involves the study of management, psychology, communication, economics, and sociology. It involves team spirit and teamwork. It is a continuous process. Many have been debated and written in the literature regarding the field of Human Resource Management (HRM); its contents, practices and applications, and; its extents and limitations. Human resource management (HRM) has started to be considered as a broad function covering personnel management strategies, policies, practices and overarching philosophies (Schuler and Jackson, 1987a, 1987b). Although HRM models originally were virtually disconnected from strategic thinking, the increasing importance of intangible resources has highlighted firms' workforce and social issues as a central element of strategy (Arago'n Sa' nchez et al., 2003; Boxall, 1996; Boxall and Purcell, 2003; Budhwar, 2000; Buller and Napier, 1993; Carmona Moreno, Ce'spedes Lorente and Je'rez Go'mez, 2000; Hendry and Pettigrew, 1992). In (1989) Guest offer four major policy goals that distinguish the new concept of Human Resource Management from the 'personnel' management; these are First is encourage the commitment of employees to increase their performance and also be loyal to the organization as a whole; the second is an emphasis on the quality of employees engaged in organizations goes a long way in producing quality goods and services, which is of great benefit both to the customers and the organization. The third is ensuring flexibility plays an important part in the way employees are organized, this makes them be adaptive and receptive to all forms of changes in all aspects of their jobs such as work hours; working methods and; the fourth is Integrating organizational goals into strategic planning in order to make these policies cut across ranks and files of organization and ensuring that they are gladly accepted and implemented on a daily routine by line managers

VI. THE RELATION BETWEEN BUSINESS STRATEGY AND HUMAN RESOURCE MANAGEMENT

There is a close connection between human resources management and corporate strategy, which in turn refers to

the business environment and organizational development. (Grundy, 1997: 474-475). It is mightily accepted that a company's human resource management (HRM) practices should be matching to the strategy of the whole company. Human resource management implies that if people are considered and managed as valuable strategic resources, the corporation can achieve a competitive advantage and as an outcome demonstrate superior performance (Pfeffer, 1998). (Heijltjesa and Witteloostuijn: 2003: 33) say This means that the management of human resources must be corresponding to the firm strategy, as the goals and prerequisites of each of the strategy profiles are different. The assumption of a close link between business strategy and HRM methods is based on the contingency theory. This theory underlines that human resource management methods are selected in accordance with the type of competitive strategy adopted by a business (Huang, 2001; Lepak et al., 2005) A well-crafted business strategy aligns with the core mission and vision and acts as a road map for sustained profitability, competitiveness and growth. Dyer and Holder offered another kind of classification for HRM strategies in correspondence with business competitive strategies. They introduced "encouragement", "investment" and "involvement" strategies for HRM in correspondence with the competitive 0 strategy typology of Schuler and J Earn Hachu and SS Liu conducted a study entitled "effects of aligning organizational culture and business strategy with HR system on firm performance" in China. They examined the alignment of culture and business strategies by encouraging human resources and utilizing HR systems and their effects on performance. That study was conducted using empirical data from 451 companies in South China. Results show that alignment between HR and organizational culture and business strategy is very important in these companies.

VII. CONCLUSION

The topic of the business strategy and human resource management is receiving growing attention and this study highlights the idea that the business strategy and human resource management are becoming important, not fringe activities in organizations today. It also suggests that for many organizations, The business strategy and human resource management appears to be viewed as a value driver with many benefits. The business strategy and human resource management can be a source of opportunity, innovation, and competitive advantage' this paper analyses whether the relation between HRM and business strategy does exist. and from previous literature, it is proved that the business strategy and human resource management has a positive relationship with social responsibility

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