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## The development of HR role - from P

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Tekst jest udostępniony do wykorzystania w ramach dozwolonego użytku.

**STUDIA I PRACE WYDZIAŁU NAUK EKONOMICZNYCH  
I ZARZĄDZANIA NR 3**

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**THE DEVELOPMENT OF HR ROLE  
– FROM P/HRM TO STRATEGIC HRM**

**Introduction, posing a problem**

Globalisation implies important changes in the life of companies and employees, because of the continuously changing diversified environment, the consumer society, fast procedures, constant adoption of changes, the decrease of reaction time, flexibility; the human factor comes into fore, compared with other inputs.<sup>1</sup>

Nowadays, the permanent competitiveness is the key of the survival. In spite of this, a large number of companies still think that the cost effectiveness, fulfilment of financial purposes or the dominance of other factors are critical to achieve competitiveness. But, without skilled, motivated and creative employees, the main goal cannot be realized without the human factor. That is why human resource management becomes more and more important to adopt. From the personnel administration, via personnel management, then human resource management, to strategic human resource management, its role is continuously enhancing. Its strategic importance came into focus in the eighties, through competencies, permanent learning and reformation.

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<sup>1</sup> Adekola, A. – Sergi, B. S. (2007): *Global Business Management: A Cross-Cultural Perspective*. Aldershot, UK: Ashgate.

Still, there are lots of organizations which have not discovered it so far. For instance, according to an HR-survey in 2006 in Hungary, it is not even univocal what is the HR; the half of the respondents does not have HR strategy.<sup>2</sup>

The aim of this paper is to present the point and role of HR and to prove that its strategic promotion serves to attain and maintain competitive advantage in long term.

### 1. Personnel Management or HRM?

The Hungarian and foreign researcher disagree on whether it is important to differentiate these two terms. **The international literature** itself has different approaches. Overseas, it is called Personnel/Human Resource Management, and it is not make a sharp distinction between the two terms. Contrarily, the English terminology treats apart the Personnel and Human Resource Management. While the Personnel refers to short time, then the HRM tries to make coherence in the organization for a long time, and realise the employee needs.

Significant differences are that the first is narrow-minded, reactive, which aims the influence of general managers, and has a great emphasis on bureaucratic control. Conversely, the HRM is an integrated system, related to harmonisation the top managers' development targets, the employee and business interests, that focuses looking for problems and solution orientation.<sup>3</sup>

**In Hungary**, the term also decouples. According to Gyökér (1999), the HRM exceeds the Personnel Management, and actively influences the corporate strategy, gives a structural and cultural frame for the activity. Lévai (2000) stresses that the Personnel Management is a management task because managers have to manage the 'disposable human capital'. According to Soós and Tuska (2002), the main difference is that the Personnel focuses the supply, and the other the demand. In this way, the continuous planning, improving will supplant the control, and the employee expectations will also be realized.

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<sup>2</sup> DGS Global Research felmérés (a HR Portal, a HR Mesterkurzus és a BGF Menedzsment és Emberi Erőforrás Intézetének szakmai támogatásával), Tükör a szakmának, Figyelő Trend, 2007., VII. évfolyam, 2. szám, p. 8–11.

<sup>3</sup> McKenna, E. – Beech, N. (1998): Emberi erőforrás menedzsment, Panem Kft., Budapest.

The content of **human resource management** was continually flaring in the previous twenty years.

1. According to Schuler (1987), the HRM is the recognition that employees contribute to realize the corporate targets and use different activities effectively to meet the individual, corporate and societal targets.
2. According to Henemann (1989), the main goal is the influence of employees' efficiency by different activities.
3. According to Byars – Rue (1991), it is a complex of functions in order to provide and coordinate human resource. They consider important that 'the goodwill partly reflects the value of the human resource'.
4. Fisher – Schoenfeldt – Shaw (1996) already draw with full particulars and attract the attention to some special characteristics of HRM. It concentrates on strategic needs, the whole team agrees with it and has consistent philosophy and values with the organization. It is a member of the organization as business unit and provides the clients with maximum services. The motivation is also maximum and it provides the consumers with the best available HR products. It is proactive, participates in the key decision making and it creates great workplace.
5. Varga and his co-authors (1997) emphasize the attraction, retention, motivation and utilization of labour force
6. According to Poór and his co-authors (2000, 2003), it is important that the functions build upon each other, and thus help to create the realization of organizational and individual goals.
7. Vámosi (2004) heightens 'the most efficient and most practical' employment with 'the high level realization of organizational and individual purposes'.
8. Bakacsi and his co-authors (2006) draw the attention that it is a novel approach of Personnel Management where the labour force exceeds the cost function and participates in the corporate activity integrated way and provides value added in the value creating process.
9. According to Berde and his co-author (2007), it is a complex management task because the most effective employment must be harmonized with the most proper labour force.

It can be seen that numerous Hungarian and foreign researchers have dealt with this issue, and the matter of expression has changed. The notion has been more multiple, by the constant changing of the external and internal environment

and the following key words can be emphasized: efficiency, contribution, complexity.

On the base of these, I suppose, **the human resource management is a series of activities - building upon each other, with the corporate values and philosophy in view all the time - which is able to realize the effective and competitive employment, and mutual realization of employee and organizational satisfaction and commitment.**

## 2. Corporate strategy and strategic human resource management (SHRM)

### 2.1. Paradigm changing: from the traditional HRM to strategic HRM

Let us review in brief how the function developed and became strategic!

1. In the **Personnel Administration (PA)**, the function was confined to only administrative tasks which mean the today's labour affairs.
2. Then the place was given to **Personnel Management (PM)**, when human resource activities became independent and labour affairs and personnel function divided.
3. The novelty concerning **Human Resource Management (HRM)**. The novelty is that the labour force was not considered as only cost factor, but an important participant in corporate value creating process. So thus, we can speak about an integrated and system approach. There is high development compared with Personnel Management that it appears in the organization as an independent unit, division or profit centre.
4. Then, in the eighties, the **Strategic Human Resource Management (SHRM)** appeared, and even exceeds its functional role, and the emphasis is on the contribution to competitiveness and common strategy creation.

### 2.2. The definition of SHRM, and its strategic traits

1. According to Milkovich – Boudreau (1988), a corporate approach to employees which means a consistent relation with the organizational conditions and strategy.
2. László (1996) makes a distinction between the vertical and horizontal structure of personnel function, and raises the interest to the come true the purpose; and the concurrent implementation of cor-

porate strategy, human resource strategy and employee goals. *The vertical structure* means the successive interconnection of functions; from the objective, through concrete steps of realization, to the feedback. *The horizontal* approach is the division of all functions into functions, such as motivation, stake/interest, performance evaluation etc.

3. Fischer and her co-authors (1996) analyse the difference between the HRM and SHRM from the point of view of information, administrative, functional and changing management roles; they formulate the essential differences between traditional and strategic HRM.

Table 1

A Summary of Differences Between Traditional HRM and SHRM

Strategic Roles:	Traditional HRM	Strategic HRM
Important relations	Labor-management relations	Internal and external customers
Nature of HR initiatives	Reactive and piecemeal	Proactive and integrated
Importance of corporate plan	Marginal to HR activities	Central to HR activities
Speed of decision making	Slow	Fast
Planning time horizon	Short term	Short, medium, long, as needed
<b>Informational Roles:</b>		
Nature of communication process	Indirect Restricted	Direct High
Level of communication	Mainly internal and hierarchical	Wide-ranging, as needed
Sources of communication		
<b>Administrative Roles:</b>		
Importance and nature of contracts	Carefully written contracts needed	Contracts often unnecessary; usually going beyond formal contracts
Importance of rules	Clear rules essential	Getting the job done paramount
Key guide to management actions	Policies and procedures	Whatever is needed for business success

Functional Roles:		
Selection	Separated from business strategy and of marginal importance	Integrated with business strategy, a key task of HR
Pay	Job-based, relatively fixed	Performance-based and flexible
Working conditions	Separately negotiated issue	In harmony with strategy and organizational culture
Labor-management relations	Traditional collective bargaining, adversarial in nature	Individual contracts, cooperative in nature
Job categories	Many	Few
Job design	Tightly defined division of labor	Broadly defined, focused on teamwork
Training and development	Specialized, with tightly controlled access to training	More generalized, with development of a learning organization
Change Management Roles:		
HR management's role	Transactional in nature, change follower	Transformational, change leader
Dealing with conflict	Temporary control, minimize specific conflicts	Manage climate and culture broadly
Nature of HR interventions	Focused on procedures	Wide-ranging and cultural
Important frames of reference to guide action	Norms and traditional customs	Strategic values and mission
KEY HR SKILLS		
	Traditional HRM	Strategic HRM
	Specialist	Generalist
	A good policy and procedure writer	A good communicator
	Current focus	Current and future focus
	Monolingual (speaks 'HR-ese')	Speaks the language of business
	Management-hierarchy-focused	Customer-focused, good customer relations skills
	Few financial or marketing skills	Understanding of these aspects of the business
	Focused on the internal organization	Focused on the internal organization and the broader society
	Factual communicator	Persuader
	A nationalist	An internationalist

Source: Fisher, C. D. – Schoenfeldt, L. F. – Shaw, J. B. (1996): *Human Resource Management*, pp. 818–819.

4. According to McKenna and Beech (1998), its strategic role is that the human resource activities must harmonize and the corporate strategy as well.

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5. Poór (2003) summarizes the strategic traits. It shows that on which level the human resource must be managed. The role of top management is prominent in decision making and the relation of the external competition strategy and HRM decisions (internal strategy) is bidirectional. The declaration of organizational and individual interests is also important, and the long term approach of HR. Some factors emerge such as structure, values, culture, quality, commitment, competence, development; and they sign that the function must be managed on higher level.
  6. According to Vámosi (2004), the most important strategic trait that it is a long term planning. He emphasizes that the harmonization of functional strategies is necessary to attain the corporate strategy and it is important to reflect the general purposes as well. Hereby, he mentions the contribution to management aims, the change and development of professional knowledge and behaviour, the increased appreciation of employees among the most important human strategy goals. SHRM has got an important role in formation and development of corporate culture, is part of the internal and external communication system, and operates the human resource systems and also active participant in maintenance of working relations.
  7. According to Bakacsi and his co-authors (2006), the development is in these three new steps:
    - a) *the growth of top managers' role*: the long term value growth and the need for measurement of effectiveness appear, the task of HR managers becomes emphatic in order that the strategic goals and the competitive edge come true. For these tasks, the knowledge, the organization learning, skills, abilities and culture come into focus. Byars and Rue (1991) prognosticated this phenomenon 15 years ago, that the managers had to completely have a grip on the business, be adept at everything, know the corporate strategy and plans, cooperate with the managers and support the strategic goals.
    - b) *critical role in enhancement in corporate competitiveness*: it is a critical factor in a static and dynamic sense, in the maintenance and rise of long term competitiveness, urges the proactive attitude and points out that the human is the key of the challenge fulfilment in this changing world, thus the attainment and retention of competitive edge also up to them.



- c) *the boost of integral role*: it puts a premium on the internal and external integration as well, and emphasizes the professionalism of the function.

To sum up, the following traits are the important criteria of SHRM:

- refers to a long time
- realization of organizational and individual goals
- collaboration and common decision making with the top management
- reflects the general corporate purposes
- combines external and internal strategy into integrative role
- active participation in strategy realization, framing of corporate culture, maintenance of working relations
- play a part in the formation and maintenance of long term competitiveness

I think, **the strategic human resource management is an integral part of corporate strategy; participates in the corporate goals realization integrated way and framing in the long term competitiveness by means of its value added, building upon the human resource potential.**

SHRM model of Bakacsi (2006) demonstrates well the strategic role of the function. It can be seen that the SHRM has got a central place in the model. This means **coordination tasks** in two directions: on the one hand, the challenges of external environment must be answered to, as fast, proactive, creative as possible, and it can be attained with the basic competitive edge of the company, it may be cost, culture or competence. On the other hand, human resource activities have to reflect the business strategy policies and it is important that each field facilitates the corporate strategy. In fact, these four tasks strategically integrated into HR and it is important that meanwhile the organizational and individual desired behaviour also be realized.

I suppose, principally this model shows the strategic task of human resource and role in the organization. It takes into consideration the environmental challenges with that the strategy has to comply by all means. **Focusing the core competence**, it has to define the ‘core labour’, and hereby contributes to added value growth of the organization supremely. In this way, it can attain **long term permanent competitive edge**.

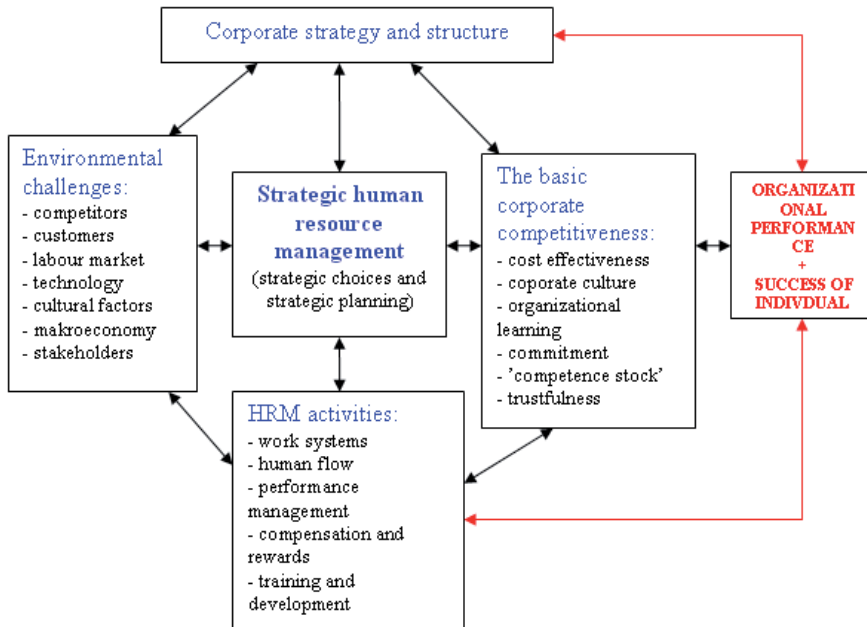


Fig. 1. The model of SHRM

Source: Bakacsi Gy. – Bokor A. – Császár Cs. – Gelei A. – Kováts K. – Takács S. (2006): *Stratégiai emberi erőforrás menedzsment*, p. 51.

The mutual relation of corporate and HR strategy shows the internal integration: neither of them can come true without a mutual support. Every factor are necessary for the success, neither of them can be left out. They are in relation with each other, affect conformation and promote realization of them. Ignoring any factors, the message of the model is injured and the final goal will not come true. Taking this fact into account, the defined purposes will be attained: the appreciation, proper compensation, self-realisation of employees; meanwhile the performance goals in the organization will be in accordance with the expectations, and the image of organization as employer (employer branding) also gets better.

The above are proved by a recent article<sup>4</sup>, too, that **the human resource is strategic if 'it speaks the language of business', and its direct principal is the CEO.** This signals that the company which has the best business results, also sets an example in human resource activities; with the help of performance evalua-

<sup>4</sup> Kettészakadt a mezőny?, Figyelő Trend, 2007., VII. évfolyam, 2. szám, pp. 4–6.

tion, talent management and motivation, the employees know what are their roles and tasks; and with good compensation and promotion are offered.

Its strategic role is well proved by the **7S model of McKinsey**, which divides the factors that influence the organizational into hard and soft factors.

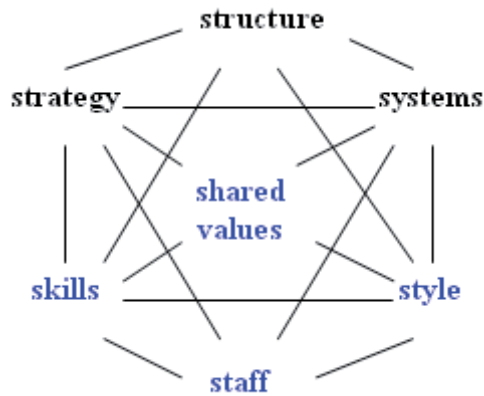


Fig. 2. The 7S model of McKinsey

It is important relation with the corporate **strategy** because it can appraise a structure, analyse its efficiency, observe persons, give advices to change it. In addition, its regulator role comes true in practical-legal, economy, and management, social and cultural dimensions.<sup>5</sup> Besides, every soft factor is in touch with human resource, thus it must be dealt with to the proper strategy implementation, by all means. This way, its role is essential in formatting, altering the **corporate culture**. A good strategy takes into consideration not only the objective facts but the expectations, needs, value systems of employees, too.<sup>6</sup>

## Conclusions

The importance of human resource is not put into question. It is caused by the constant changes that affect the companies and individuals as well. The needs of both are higher, more complex than in the eighties.

<sup>5</sup> A HEM funkcióinak fejlődése, Humánpolitikai Szemle, 2006/2., pp. 84–91.

<sup>6</sup> Gyökér I. (1999.): Humánerőforrás-menedzsment, Műszaki Könyvkiadó, Budapest.

Still, analysing **the Hungarian** situation, the following are **characteristics**:

- The place of HR in the organizations is dual because it is mainly in the first line, but still has classical administrative tasks as well.
- The functional managers often decide by their own opinion, they are inconsistent
- The difference between companies with Hungarian or foreigner ownership, is huge, regarding the corporate culture and work systems of human resources
- The proactive approach exists in few companies
- The management cannot see the added value of HR
- Individual working is still typical, and this detains the organizational learning.

I think, the main problem is that the HR is concerned as provider, not as business partner in the companies.

On the whole, I have ascertained that the HR is essential in corporate strategy and it has significant role in long term competitiveness, realization of individual and organizational goals, long term value growth. The Hungarian practise unfortunately lags behind the European one, but development is certain even if the slow changing of leadership culture. This is proved by the increasingly number of Hungarian cases.

## **ROZWÓJ ZNACZENIA HR – OD P/HRM DO STRATEGICZNEGO HRM**

### **Streszczenie**

Globalizacja wpływa na zmiany w funkcjonowaniu spółek i pracowników. Ciągłe zmiany w środowisku sprawiają, że **czynnik ludzki** ma szczególne znaczenie w społeczeństwie konsumpcyjnym, konieczna jest bowiem szybka adaptacja do zmian, a ponadto zmniejsza się czas reakcji i elastyczność na zachodzące zmiany. Strategiczne znaczenie czynnika ludzkiego ujawnia się przez kompetencje, stałe uczenie się i zmiany. Celem artykułu jest zwrócenie uwagi na znaczenie HR i udowodnienie, że takie działania pozwalają na uzyskanie długookresowej przewagi konkurencyjnej.

*Tłumaczenie Tomasz Bernat*