

HR strategy – necessity or fad for business sustainability?

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Abstract. *The present paper pleads for the awareness of HR strategy importance, in terms of proper design and implementation, as they definitely could impede or sustain the development of an organization. By making use of G.VALI, the model of organizational culture dynamics, we look for revealing the impact that (non-)existence of HR strategy, its alignment and coherence could have on the organization success. As proven by human experience, all types of strategies could work and be effective in certain conditions. Even more, no one can say that one strategy is better than other. However, in the same way, there is no guarantee of some strategies success. In this light, the difference lays in the handy and clever interlock of the country specific advantages and firm (-to-be) specific advantages. For achieving this specific aim, vertical (alignment) and horizontal (coherence) integration of each functional strategy must be ensured.*

Keywords: HR strategy, alignment, coherence, functional strategy, organizational culture, G.VALI model.

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Introduction

We pass an intriguing time of information overabundance always available to anybody. As a society, we still record rather over-qualified labor force, due to the general habit of looking for at least the bachelor degree, and nevertheless to the numerous universities striving for survival on the market, and therefore enrapturing and attracting the high-school graduates.

As hiring opportunities, after years of distraction, we presently undergo a process of job requirements standardization, the focus being on the soft skills that 20-30 years ago used to be disregarded. And we also live a time of boosting the entrepreneurial spirit and enhancement of the SMEs activity. Given these features, one may say that strategic thinking should have been progressively imposed itself as a valuable tool able to sustain or impede the success of a business.

Unfortunately, even if there is a propensity of superior managerial staff towards capitalization of strategic thinking at the overall business level, when it comes about its downward spread by means of functional strategies that compose it, both enthusiasm and awareness lose ground. Consequently, unless they somehow implement coherent functional strategies also aligned to the generic business strategy, both already

functioning companies and start-ups with great potential could be deprived of their best outcomes.

On the other hand, as proven by human experience, all types of strategies could work and be effective in certain conditions. Even more, no one can say that one strategy is better than another or guarantee some strategies' success. In this light, the difference lays in the handy and clever interlock of the country specific advantages and firm(-to-be) specific advantages. For achieving this specific aim, vertical (alignment) and horizontal (coherence) integration of each functional strategy, whatever they are, must be ensured.

Therefore, the present paper does encourage decision-makers to focus on the logic and consistency of the business itself, on what are the requirements necessary to satisfy, rather than on what is fancy and glamorous as concepts and practices.

Prerequisites of the integration process

Strategy, its creation and downward propagation

Over the years, many analogies have been made between chess and military strategy, as well as, later on, chess and business strategy. The simple explanation lies in the fact that not only the military actions, but also the business ones are concerned with competition and a whole list of tactics to be applied in order to succeed in dealing with adversaries. Besides the survival that both parties are looking for, this is also about identifying the most suitable *strategy* for assuring the gain. The means is the critical resource found at hand, no matter if we refer to tangible resource (assets, capital) or intangible, such as human resource, knowledge, etc. By wisely using them, the competitor on the market - or the battlefield - may gain such a great advantage that the others will be daunted.

As in chess, a good strategist does not come into the business with a single pre-set strategy because this will most likely lead him to failure. Having a single focus in mind causes rigid attitudes and possible loss of opportunities. Instead of striving alone to find the most ingenious and effective strategies that are currently at work in some other organization, the managerial staff should take a holistic view of their own organization and look for integrating business drivers, processes, technology, knowledge, human and organizational factors.

In the end, every organization's best chance for success is not copy-pasting the other organizations' strategies, but creating its own customized one. This, with outstanding implementation, is an undeniable sign of good management.

Basically, irrespective of the definition, the essence of the business strategy is considered to be about identifying the most effective way of going ahead, and therefore making the right decision in picking the most suitable resources and methods to make that plan happen. Conceptually, it is not an easy thing to do. Practically, because of the people involved that everything is ultimately reduced to, difficulties keep escalating.

Thus, since strategy is the bundle of decisions and activities undertaken for reaching long-term objectives, a structured strategic thinking is more than recommended.

The first step before anything else is the objective assessment of the competitors' strengths and weakness, as well as of the opportunities and threats provided by the extrinsic factors. This reveals the opportunity still available for a new comer and its possibility to establish a foothold on the market. Then, the vision and mission together with the firm(-to-be) strategic objectives, and its strengths and weaknesses must be addressed (figure 1).

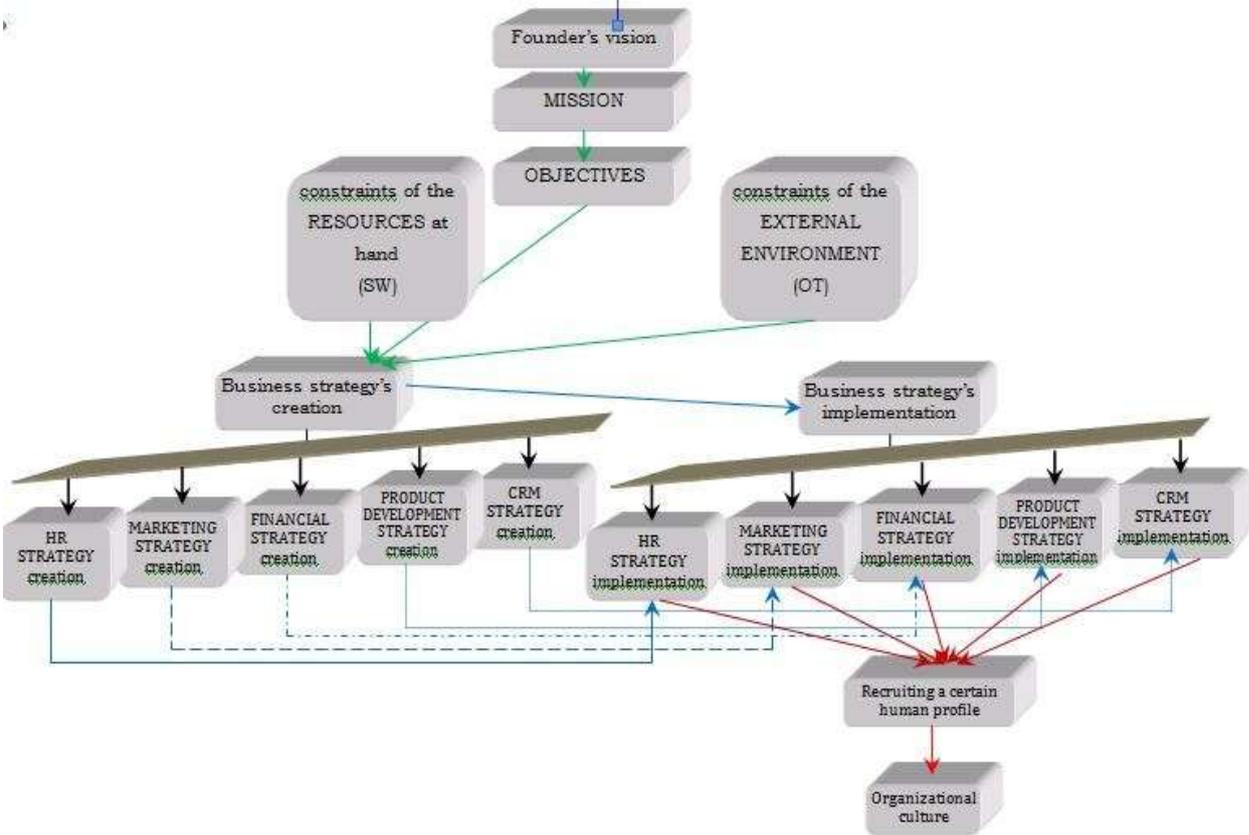


Figure 1. Strategy creation and downward propagation

Source: Authors' own contribution.

And thereby the *strategy creation stage* is reached. This actually focuses on setting the strategy that not only makes sense, but also provides the organization with a roadmap to success. At this point, decision-makers must consider which one of the known generic strategies best matches their business, the market needs and stakeholders' interest. Known as the stage of *doing the right thing*, it is supposed to be the primary concern of the Senior Executives and Business Owners, as well.

Given the various departments that a company may have, a downward propagation of the business strategy creation occurs. Thus, each of the existent department develops its proper functional strategy meant to sustain the upper-level.

As it can be seen in Figure 1, things do not end here, but on the contrary. The blue arrows indicate the coming *strategies implementation stage* at all levels.

Even if seldom overlooked, this is much more important than the previous one, as a great strategy, perfectly conceived, is worthless if people fail to carry it out properly. Difficult to be abridged and pointed out when it starts and finishes, it actually regards and folds on the approximately entire activity of the organization.

Best known as the time of *doing things right*, this stage is the primary concern of Senior Executives and lower management, however reaching even the smallest employee (Digman, 1997).

The strategy type, whatever should be, brings out the need for a certain human profile of the company's employee, to whom the employees' recruitment and retention reverberates. These, at their turn, shape in time the organizational culture, as well (Ghinea, 2016).

Strategy's levels and alignments

One can say about three different tiers of obtaining and maintaining the alignment: corporate level, business-units level and operational level. Thus, even if alignment of strategic initiatives is ultimately the outcome of the entire organization's effort, some sensitive junctions caused by the bundling effect exerted among the parties are noticed on these tiers.

If the *corporate strategy* replicates the general perspective of the organization in terms of what products or service markets to compete on, which geographic locations to operate in and it is designed to meet the stakeholders' expectations, etc, the *business-unit strategy* provides solutions to how the company needs to compete successfully in a particular market and it is concerned with achieving synergy through coordinating and integrating unit activities so they fit the organizational strategy (Porter, 1985). Aside, a *functional strategy* is concerned with coordinating functional areas of the organization such as finance, production, research and development, marketing, human resource, etc. Therefore each department contributes to the individual business level strategy and the overall corporate-level strategy.

The operational strategy purpose is to ensure an efficient use of the specialists within the functional area and must be aligned with the business strategy and the corporate one. In order to act as a whole, collaboration and interconnectivity must exist in the company. Each and every single action or assignment must be integrated and find the appropriate echo. At least in theory, the integration of strategies happens through the collective awareness and effort of all the organizational units and functional departments, each of them working separately on different activities, but all focusing on a common purpose. As we have already stated, it requires appropriate linkage between two dimensions: the vertical and horizontal one (Figure 2).

The *vertical integration* (or simply *alignment*) considers the counterpart business units' and/or the operational strategies that are integrated with the business generic strategy and back it up.

In other words, vertical integration tries to connect the organization to all the business units, from top to bottom. Whenever a company has its generic strategy formulated, each business unit, division and/or department must identify and define its own strategy for supporting the former one.

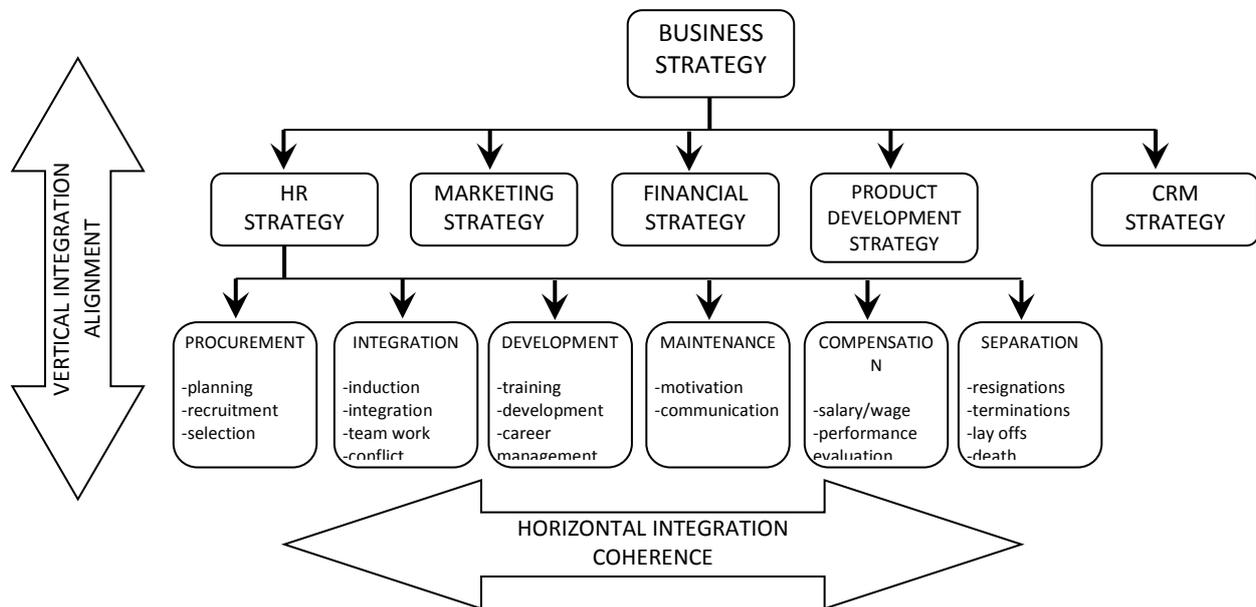


Figure 2. Vertical and horizontal integration of a functional strategy (in this case, the HR strategy)

Source: Authors' own contribution.

Related to the *horizontal integration (coherence)*, as figure 2 above shows, this is concerned with the mutual support provided by operational functions of an operational strategy. They all have to contribute together to the attainment of the organization's strategic objectives.

Now, what it has been said seems to be easier stated than done, mostly because of the multitude and variety of the involved people. At a glance we recall the various departments that a company may have and remember that each of them must develop functional strategies perfectly coherent and able to sustain the generic strategy. That means that whatever the latter one aims, the functional strategies have to actively contribute to it. If, by any chance, the structure of the organization includes different business-units, things tend to become even more complicated.

HR strategy alignment

Basically, *strategic human resources management*, SHRM, is the process of linking human resource function to the organization's strategic objectives with the ultimate aim of facilitating the latter's achievement. Consequently, an *HR strategy* refers to a designed and subsequent implemented set of internally consistent practices that ensure the organizations' human capital contribution to the achievement of business objectives by facilitating competitive advantage.

Although SHRM literature is rooted in manpower planning, it belongs to some of the most influencing management theoreticians (Ouchi, 1981; Peters and Waterman, 1982), which perceived the importance of people effective management as a source of competitive advantage and accordingly encouraged academics to emphasize the strategic role of HR function.

Even if not infrequently was argued that HR practitioners embraced SHRM as a means of granting greater respect for their field, the logic of introducing this concept emerges from management confidence in people’s knowledge and capabilities as they could provide significant competitive advantage whenever the technological benefits will vanish.

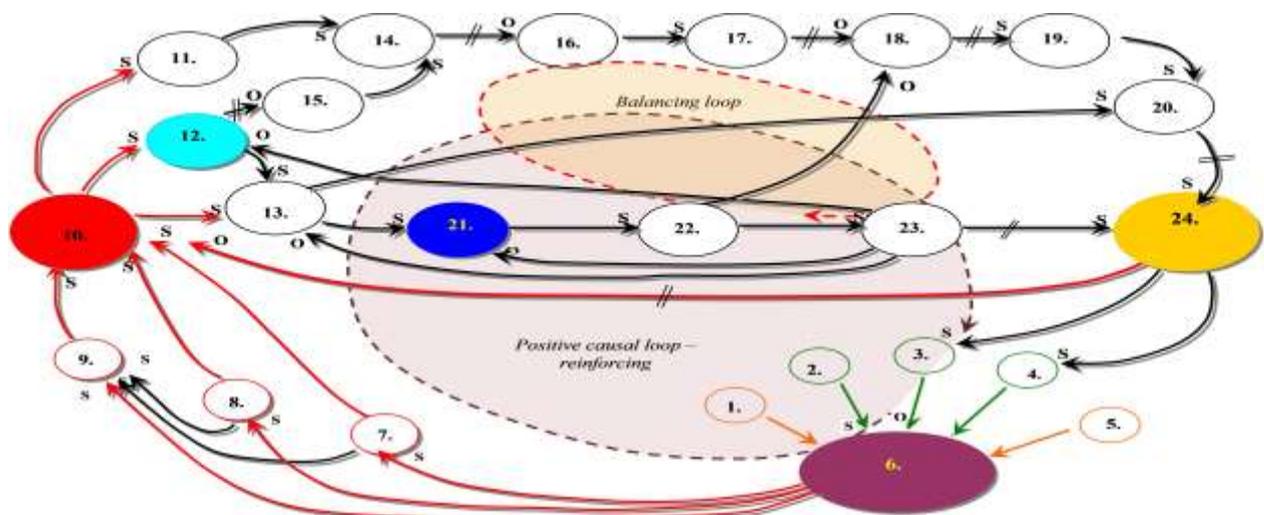
However, for being more than hype, HR strategy must not only exist, but also ensure that: a. company’s employees have the right abilities and skills to support the strategic objectives of the organization, b. people attitudes and behaviors are considered adequate and rewarded, c. HR department itself is structured in a way that supports the corporate strategy.

Therefore, HR operational functions like recruitment, retention, compensation, training and development of employees must be created and deployed within the organization without contradicting, but completing and mutually supporting each other, and conjunctively reinforce the company’s overarching strategy.

Methodology of research

Starting from the idea that any organization, irrespective of its complexity, behaves as an adaptive complex system (Forrester, 1999, p.9), we repel the perception of the organizational culture as a static element meant to only assure tradition and continuity within an organization, and we hereby *advocate the necessity of continuously guard the alignment and coherence of the HR strategy.*

To this end, we recall *Gradual Value-Added Leadership Integrator* model, G.VALI (see Figure 3), conceived for exploring the organizational culture evolution within an organization, whatever should be (Ghinea, 2016).



- Where:
- 1 - cultural advantage;
 - 2 - family education;
 - 3 - school education;
 - 4 - self-education;
 - 5 - innate features (native patterns of feeling);
 - 6 - Individual World Map (IWM, individual representation of reality);
 - 7 - enthusiasm;
 - 8 - ability to develop a vision / mission;
 - 9 - motivation;
 - 10 - leadership skills;
 - 11 - intrinsic motivation;
 - 12 - ICT adaption/assimilation;
 - 14 - degree of creativity;
 - 15 - quantity and quality of tacit knowledge;
 - 16 - level of individualism;
 - 17 - competitive environment;
 - 18 - team work;
 - 19 - number of rules and regulations;
 - 20 - bureaucracy;
 - 21 - business processes;
 - 22 - fear of the unknown;
 - 23 - resistance to change;
 - 24 - change of values, beliefs, behaviours.

Figure 3. G.VALI model of organizational culture dynamics

Source: Authors’ own contribution.

This is the outcome of an extensive theoretical research grasping more than 300 scientific articles from different fields such as: organizational culture, information technology, business processes, management and leadership, vision and mission, systems dynamics, modeling and simulation (Ghinea, 2015a; Ghinea, 2015b, Ghinea et al, 2015c). Going beyond the revealed leadership – organizational culture interdependency, the model imparts:

- a. constant adjustment of the organizational culture parts, as they respond to the propagation of causal impulse triggered by the decision-maker;
- b. constant readjustment of leadership manifestation shaped by the influence of organizational parts themselves and organizational culture depictions’.

The overlap of influences exhibited within an organization and highlighted in the studied scientific literature, graphical representation of the social system embodied in was achieved.

For better exploring its functioning, this model was transposed into the tenet of TRUE simulation software. Thus, by running the simulation, changes of leadership were proved likely to impact the whole organizational system dynamics, including its culture. On the other hand, rather numerous continuous inter-conditioning were pointed out within and outside the organization. This is why a solid understanding of both existent organizational interconnections and multiplier effect of its parts is required.

In compliance with the above findings, the 3D modeling of the organizational culture dynamics was conceived (Figure 4).

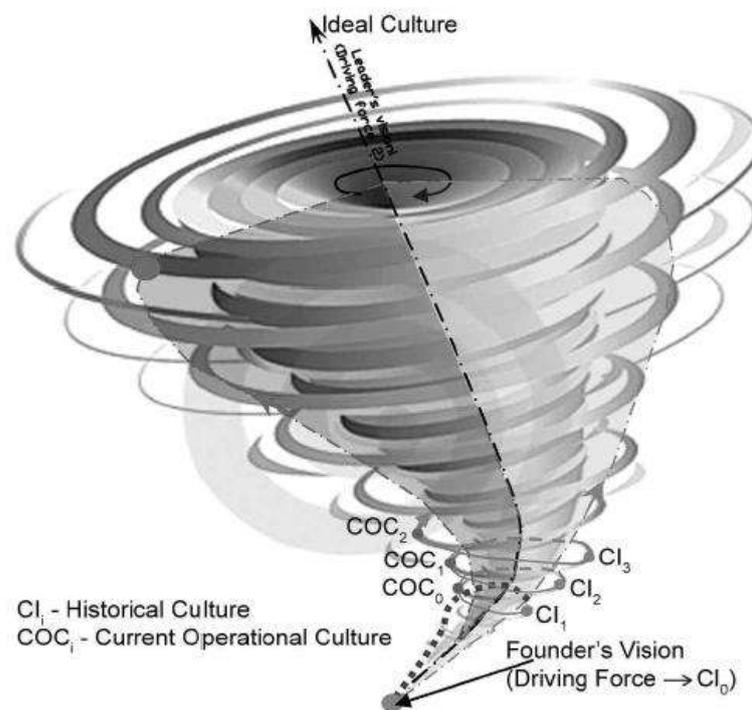


Figure 4. 3D modeling of the organizational culture dynamics

Source: Authors' own contribution.

Given the leader's influence not only on the essential features of the organizational culture, but also on the evolution track that the latter is urged towards, to him was assigned the triggering power of outlining deliberately or not the organizational culture. Thus, if a start-up is considered, the founder is assimilated to the

leader and the driving force consisting of his vision occurs once the business is conceived. Along the time, the organizational culture gradually enriches in terms of number of heroes, prominent personalities, innovative solutions that greatly influence the organization evolution by means of behavioral requirements related to both leader and subordinate position.

On the other side, as it is shown in Ghinea (2016, p.100), socio-political and economical reality causes the unforeseen deviation from the guiding rules adopted during its launch, leading towards a so-called *current operational culture* (COC_i). This, along the time and due to the evolution and adjustment, overpasses the initial vision of the founder, leaving it behind as a *historical culture* (CI_i).

Thus, gradually, the current organizational culture (COC_i), left behind, renews its status becoming a historical one (CI_i), and making room for a new brand current organizational culture (COC_{i+1}), "imprinted" by the new (type) of leadership. The ascending movement goes on towards an *ideal organizational culture*, making a leap each time that one or more intrinsic and/or extrinsic factors act on the organization system.

The more extensive, diverse and intensive organization history, the more numerous cycles CI_i – COC_i.

Shaping the evolution of organizational culture dynamic behaviour on the revealed perpetual ascending oscillation between historical organizational culture and current one, we thus assimilate it to the tornado concept.

Discussion

As all the companies seek for competitive advantage, they all have also to continuously monitor the effectiveness of their chosen generic strategy, as well as the vertical and horizontal integration of each functional strategy apart. However, we leave aside the external factors that could sometimes require the total or partial readjustment of the generic strategy, and we presently focus on the HR approach.

Due to the simulation of *Gradual Value-Added Leadership Integrator*, we consider the organizational culture as open, teleological system seeking for its ideal state, similar to a living organism. This itself provides the organization with an item of change that imposes along the time some HR strategy revisittings upon the following reasoning.

Being the epicenter of people management, irrespective of its size and structure, human resource department has as prior duty to attract and retain the most appropriate human capital. Staffing the entire organization and not only its own department complicates decisions, as it has to take into account, up to a certain extent, all the functional strategies. Ultimately, the HR strategy is shaped by what type of people the other functional strategies require for achieving their own objectives (see orange arrows in Figure 5).

Forwards, for the efficiency sake, an objective assessment of the HR strategy capability to support the generic strategy has to be pursued. Nevertheless, HR strategy coherence has to be at high concern, given the reverberations that its implementation has on the other functional strategies' (thicker orange arrows in Figure 5). Any mismatch between people's profile that HR department staff with the organization and demanded skills, knowledge and behavior jeopardizes the firm (-to be) success.

On the other hand, working together over longer periods of time causes sharing of values and opinion related to the organization's conduct. Thus, without even knowing, employees daily contribute to the creation of common thinking models and behavior patterns which in conjunction with tradition capitalization form the organizational

culture (Hill and Jones, 1998; Nicolescu and Verboncu, 1999). The intriguing element is that exactly the culture shaped by more or less adequate staff subsequently “guides and constrains the behavior of its very own members by means of its shared norms within the respective group” (Schein, 2004, p. 8), so that, at the end of the day, some disruptions might appear. These can cause discrepancies at all levels.

It generally happens whenever there is no relationship between employees and management throughout the company or when the strategic objectives of the HR function are (not longer) the same with the corporate ones (lack of alignment).

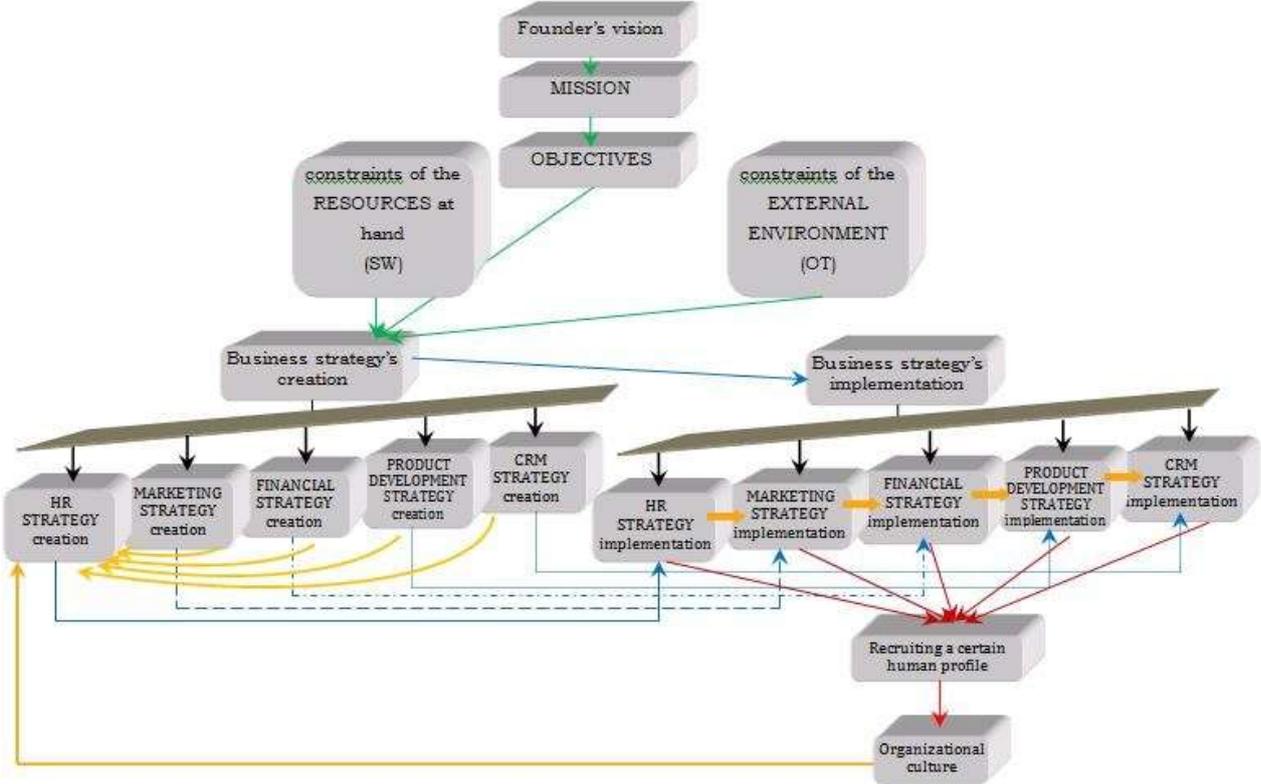


Figure 5. HR strategy reassessment caused by organizational culture dynamics

Source: Authors' own contribution.

However, it is not only the average employee’s appropriateness which is sensitive. Sometimes, managerial staff misfits the organization, as well. Far away of being totally unpredictable, to a certain extent, this is also the liability of HR specialist as recruiter. As organizations often count more than one leadership positions, a cornucopia of visions, values, beliefs and distinct behaviors trying to shape the organization upon their own image and likeness could lead at least to stagnation, if not even confusion. A more visual depiction would portray more organizational culture tornados disputing the organization taking over (Figure 6).

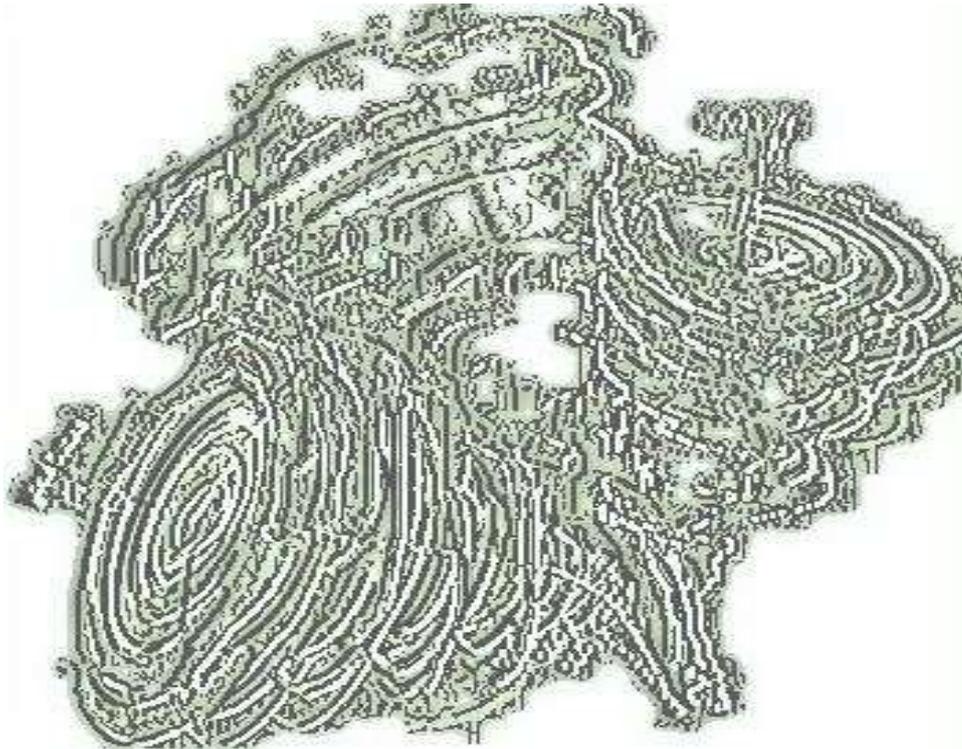


Figure 6. Tornadoes junction

Source: Authors' own contribution.

In spite of all these, where internal and/or external conditions of the organization are generous, firms afford to neglect aspects pertaining to the organizational culture and even to exercise poor management, without facing immediate negative consequences. This can only confirm the words of Kwantes and Boglarsky (2007, pp. 204-230): *“since the organization continues to function efficiently (despite its lack of coherence in vision, strategies misalignment, and dysfunctional organizational culture), decision-makers will claim the credit, attributing them to their own behavior and/or management style, and failures will be considered to be due to external factors”*.

However, instead of being gone with the wind, successful entrepreneur, manager and/or HR specialist does not neglect to foresee the evolution of his own organization and of the world itself, and take advantage of. Afterwards, it is not futile to envision the desired outcomes and to work in a coherent manner to achieve them.

Conclusion

A sound HR strategy, skillfully implemented, identifies the goals and the direction that managers and employees at every level need to take in order to define their work and make their organization successful. Such a strategy provides the organization with the appropriate people able to identify, understand, and make use of their competitive advantage. In contrast, without a clear HR strategy the organization is rudderless. As the organization flails about in the absence of a clear, coherent and consistent generic strategy, dashing off in one direction after another as opportunities present themselves, and never achieving a great deal, the same happens in the case of HR strategy: the organization will become just a congeries of human typologies, having difficulty in understanding each other and in achieving common ground.

In other words, in order for a business strategy to achieve its desired outcomes it needs to be integrated within all the functions and systems that compose the

organization, including the HR function. In order for the HR strategy to be successful it needs to be built on the ground of business strategy and guided by principles and values aligned at the company's ones. There is a relationship of interdependency among the business strategy and the HR functional strategy, such that whatever it is requested on one side will definitely find a resolution on the other side.

Regardless of the general opinion, there is no such a thing as the "best strategy". The generic strategy chosen by the company and/or the one selected by the HR function can only fit the organizational goals and vision. Besides this, there is the competitive advantage of having the most talented and capable persons in roles of decision making, who know how to effectively work with strategies, so that to recruit and retain the most appropriate employees, keeping them motivated and productive, such as in the end the mission statement should be accomplished and the people should be satisfied with their job.

In this light, even if frequently perceived as a child's game, the most difficult assignment is the one of the HR department. Far from being superfluous, it must staff the entire organization with the appropriate people when the departments themselves are not very convinced of the personnel type that they need most. Actually, because of the impossibility to avoid the human factor, the (non-)existence HR strategy and its coherence and alignment becomes an essential factor for the company's success in the market.

Moreover, not being capable to keep a balance between a general-united approach and a customized one tailored on each level and/or department's specific needs, strategy will definitely lead the company to a lower income, if not to bankruptcy.

Concluding, Strategic Management of Human Resource could create an indestructible competitive advantage in front of the competitors, as the methods used by a company to hire appropriate people, and subsequently motivate and manage the gathered human capital are not only hard to understand, but also difficult to copy and reapply by its rivals.

If a company creates a winning HR strategy and implements it successfully, having the support of both the management team and of the employees, this will definitely cruise along for a significant period of time without encountering serious issues (Society for Human Resource Management, 2006).

The (non-)existence, size, organizational structure, as well as the involvement of the HR department in the organization "life" go hand in hand with the adopted HR strategy and thus they are closely linked to the overall strategy of the organization. Given the fact that the secret of success does not reside into the generic strategy type, but into its implementation (which is characteristic to each organization apart), the attempt to impose from outside the organization ways of HR tasks impartment, HR department reduction, or even inducing the idea of the HR specialization gradual suppression, all these are just utopias or simple fads. Trends have always existed. Beyond that, it is important that the choices made by the organization in terms of its own structure and/or functionality to sustain its efficiency and effectiveness on the long-term.

Strategy is not fixed but fluid. Strategic management is continuous and iterative. But as long as there is a clear alignment between what the company dreams to achieve and what the HR department is focusing to recruit, hire, motivate and retain in terms of

skilled and capable human capital, the owners of the business can rest assured that from internal perspective the success is guaranteed.

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