STRATEGIC HUMAN RESOURCE MANAGEMENT
IN STRATEGY IMPLEMENTATION
– ITS RESULTS, PROBLEMS AND FUTURE TRENDS

Introduction, posing a scientific problem

Numerous phenomenon of globalisation, such as disappearance of borders and internalisation, have brought important changes in the life of companies. Fusions and alterations of organization structure emphasize the importance of corporate culture. Because of the continuously changing diversified environment, the development of consumer society, faster procedures, and the human factor comes into fore more and more. Adoption of changes, decreases of reaction time flexibility, the constant willingness of reform have come key important. One thing has been certain: the permanent change. These phenomenons have brought that the organizational long term competitiveness is determined by cost effectiveness, flexibility and reduce of reaction time. These factors are continuously reshaping the role of human, because the performance targets of companies cannot be realised without properly qualified and motivated staff. It is an expectation of nowadays that the employee should be properly motivated, inquiring, creative, flexible; should have updated knowledge and be able to renew.

In the same time, the expectations of human related to workplaces are also altering: they have been more complex, there has been a need for constant
development and working with higher responsibilities, the self-realization; so the role of relational incentives has increased.

The role of human importance is becoming more and more important because realisation of every corporate target is up to them. As the role of human has been appreciated compared to other inputs, every factor concerning it has altered as well. Motivation, compensation, career management have improved more than in the two previous centuries. There are expressions coming into fore such as empowerment, knowledge sharing, e-learning, employer branding, organizational learning, core competence, cafeteria system etc.

Therefore, the human resource strategy becomes one of the most determined functional strategies. We can speak about its strategic role since the eighties. In spite of this, it is a problem that lots of companies have not recognised this in Hungary. They believe that the most important influential factors of success are the cost effectiveness exclusively, the fulfilment of financial purposes, or the dominancy of other factors of productions. The process-improving and cost-reducing measures solve only the operative problems, but do not have competitive edge in long term. The measures improving effectiveness have to be the constant task of managers which contains the value growth, active and dynamic management and development of strategic map.\(^1\)

Still, it has not been recognised that the condition of target realisation is the human. According to an HR-survey in 2006 in Hungary, it is not even univocal what the HR expression is. In case of 22% of respondents, there is not representative of this profession, in this case, the entrepreneur itself could fulfil these tasks or there is outsourcing. Half of the respondents have human resource strategy, but the other side do not even consider the function strategically important\(^2\) According to a survey, also from 2006, the third most important investment factor is the pay morale, and the qualification is also the third one among the satisfactory factors.\(^3\) These facts show that human factors are really regarded very important.

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\(^1\) A megfelelő vállalati stratégia kidolgozásának feltételei és módszere, BME OMIKK, Vállalatirányítás, 2007/04., pp. 5–11.

\(^2\) 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, pp. 8–11.

\(^3\) Bérezési tanulmány 2006/07, BME OMIKK, Humánerőforrás-menedzsment, 2007/1., pp. 54–55.
The aim of this paper is to present the point and role of HR in the organization, then its strategic traits, supreme role in value creating process, the importance in creation and maintenance of competitive edge, and, eventually, some probable future tendencies.

Corporate and strategic human resource management (SHRM)

Paradigm changing: from the traditional HRM to strategic HRM

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

1. In the Personnel Administration (PA), the function was confined to do only the administrative tasks which means the today’s labour affairs.

2. Then the place was given to Personnel Management (PM), when human resource activities became independent and the labour affairs and personnel function divided.

3. The novel approach of it was the Human Resource Management (HRM), because 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. ‘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.’

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.

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4 Korén, A. (2007): The Development of HR Role: from P/HRM to Strategic HRM.
The main features of SHRM are the following:

- it is a corporate approach to employees,
- there is a consistent relation with the organizational conditions and strategy,
- the corporate strategy implementation is in focus,
- organizational and employees’ needs are also taken into consideration,
- the strategic human activities should harmonize with themselves and the corporate strategy, too,
- it shows that on which level the human resource must be managed,
- is prominent in decision making,
- structure, values, culture, quality, commitment, competency, development come into fore,
- long term planning,
- it is important to reflect the general purposes as well,
- the increased appreciation of employees,
- it has got an important role in formation and development of corporate culture,
- it has essential role in the internal and external communication system,
- it is an active participant in maintenance of working relations,
- the top managers’ role is growing,
- the need for measurement of effectiveness appears,
- the knowledge, the organizational learning, skills, abilities and culture come into focus,
- it has very important role in the maintenance and rise of long term competitiveness,
- the proactive attitude,
- challenge fulfilment in this changing world,
- attainment and retention of competitive edge in long term,
- integrative role,
- collaboration and common decision making with the top management,
- reflects the general corporate purposes,
- combines the external and internal strategy,
- active participation in maintenance of working relations.
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.\textsuperscript{5}

**SHRM model** of Bakacsi (2006) demonstrates well the strategic role of HRM.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{shrm_model.png}
\caption{The model of SHRM}
\label{shrm_model}
\end{figure}


The model emphasizes the following traits of SHRM:
- it is central-placed in the corporate strategy,
- it means **coordination tasks**: into the challenges of external environment and the core competences in the same time,
- as fast, proactive, creative as possible,
- it should reflect the business strategy policies,
- it has to define the ‘core labour’,
- it contributes to added value growth of the organization supremely, this means **long term permanent competitive edge**, 
- the mutual relation of corporate and HR strategy,

\textsuperscript{5} Korén, A. (2007): The Development of HR Role: from P/HRM to Strategic HRM.
it is proved by an article that the human resource is strategic if ‘it speaks the language of business’, and its direct principal is the CEO.

Its strategic role is well proved by the 7S model of McKinsey. It is emphasized that soft and hard factors are also vital. On the one hand, HRM has very close relation with the corporate strategy. On the other hand, the corporate culture as an important soft factor is also essential. The values, expectations, individual needs of the staff are crucial to satisfy to meet strategic and corporate goals; especially in long term.

The place of HR in the organizations and formation of HR strategy

The determination of strategy is on three levels:
1. In which business area should we operate: (on the level of group of companies, corporate level).
2. How to compete? (what kind of strategy should the business unit have).
3. How can we support the competition strategy of the business unit? (functional level, the aim is the maximal utilization of resources).

The integrative role of HRM is presented by fig. 2.

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Fig. 2. HRM integration in the strategic plans of business unit
According to a Hungarian survey, the adjudication on where the HRM is situated in the organizational hierarchy changed as the following in the last couple of years:

Table 1

<table>
<thead>
<tr>
<th>The HRM department in the organizational hierarchy</th>
<th>1997 (%)</th>
<th>1998 (%)</th>
<th>1999 (%)</th>
<th>2000 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First line</td>
<td>61</td>
<td>49</td>
<td>65,5</td>
<td>61,1</td>
</tr>
<tr>
<td>Second line</td>
<td>30</td>
<td>34</td>
<td>19</td>
<td>24,1</td>
</tr>
<tr>
<td>Third line</td>
<td>10</td>
<td>15,5</td>
<td>6,2</td>
<td></td>
</tr>
<tr>
<td>There is not HR manager</td>
<td>9</td>
<td>7</td>
<td>0</td>
<td>8,6</td>
</tr>
</tbody>
</table>


It can be seen by the Table 1 that, in most of the cases, the HRM was always situated in the first line, while in case of one-fourth of respondents, the function can be found in the second line.

It is important that full integration could come true among the corporate, business units’ and functional strategies’ levels; they should harmonize, intermediate identical values. Actually, this gives the strategic trait of human resource.

According to a survey, 70.4% of Hungarian companies had written HR strategy in 2000. This rate is only 18% in case of German companies, and 71% of the Norwegian ones. This analysis indicates that there is weak correlation between the place of function in the organization and the existence of formal strategy. The French, Spanish and Italian practise deviate from the average, because the HRM is top managerial position in case of them, still, the existence of HRM strategy is not typical.6

The steps of human resource strategy’s formation:
1. analysis of the starting strategy state, the comparison of requirements and present state,
2. run of the probable external environmental and internal organizational factors,
3. opinion of managers about the current situation of human resources, thorough analysis of functions, the comparisons of abilities, competencies to scopes of activities,
4. determination of targets,
5. planning of the necessary alterations, elaboration of part tasks for them or introduction of stabilizing arrangements, analysis of cost-intensives, taking into consideration the organizational effects,
6. planning of the necessary time,
7. introduction, continuous communication during realization,
8. feedback, modification in case of necessity.

There are two typical strategic practices that are important to emphasize by Poór (2003), the best fit and best practice. The first one (best fit) analyses that which human resource choices can mostly contribute to certain business strategy types. For instance, if the target of an organization is to introduce cost-focused strategy, then the enterprise rather recruits from inside; the accurate job descriptions and working under continuous control will be typical. The effectiveness of this vertical realization is not always obvious. The other practice (best practice) is an often used method. This horizontal integration rests on the organizational learning, which target is the continuous, constant perfection; the faster proactive solutions than competitors’, and with this, the human resource can contribute to maintain the competitive edge with continuous high performance.

The support of managers is indispensable for each strategy; without this, it cannot come true or just very hard way. Not only the top but functional managers also play an important part in it because they also have to understand the human resource language because some tasks, such as performance evaluation or formation of training plan, belong to their everyday activities. According to a recent survey, they are really interested that what the consequences of their decisions are concerning the employees.7

Additionally, there are some general, long-term choices that should be made by top management, and this sets the strategy orientation. By Bakacsi and his co-authors (2006), the most important are whether they recruit from inside

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or outside (‘make or buy’), systems are built upon scope of activities or individuals, prefers the competency- or result-oriented approach, and the individual or team is the determinant.

**Results, possibilities for measuring and problems**

**Results, possibilities for measuring**

Since it is non-tangible, abstract resource, the direct measuring is very difficult because of the complexity of the function, accordingly, to searching for only financial result cannot be realized.

![Figure 3. Possibilities for measuring of human resource](image)

The term **employer branding** is increasingly coming to the front: which means a conscious brand building strategy that is for the environment and employees as well. Its primal target is to emphasize the values and philosophy of the company, to facilitate the identity with the enterprise. According to a survey, 67% of respondents think that the clarification of employer values in this manner, so the ‘internal brand’, can improve the image of employer.⁸

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Today, in the 21st century, there are numerous requirements related to HRM.

- The utilization and building into everyday use of possibilities given by digital technique is opportunity and also requirement in the same time.
- The effective use, treatment, develop of the obtained amount of data, aggregation of knowledge, because the gathered knowledge of people duplicates yearly present-day.
- Continuous monitoring of changes, treat them as challenge, and taking of its service to corporate success, because the reaction time may be the condition of survival.
- Improvement of external (with buyers) and internal (in the team) communication, making it effective. It can come true by different forums, decision preparation talks; so that the bi-directional communication could really come true. It is important that the target should be the result-oriented working, instead of the intensity-oriented working because the opinions of buyers are the gage of success. This way, the measuring standards can be built into the work evaluation.9

Problems

- (During introduction or modification of every strategy, opposition may occur. Its reasons can be:
  - individual: for example fear of the new, unfamiliar; insistence on habits, dependence on others, misunderstanding and lack of trustfulness, economic reasons, different evaluations
  - organizational: threats of power position and influence by changes, organizational structure, resource limits, effects of earlier investments, agreements and arrangements in the organization.10
- (By Kővári (1998), the problems are the ignorance of market realities, overestimation of possibilities and the awkwardness of implementation itself.

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- It is also typical, that several times, questions concerning human resources, such as training, are decided ad-hoc way, by fits and starts, and are not controlled posterior.11
- (Besides these, there are mistakes that cause the loss of employees:
  - inconsistent requirement system is practised in case of recruiting and selection,
  - orientation is neglected,
  - concurrent fulfilment of employer expectations and numeric targets are required,
  - unidirectional communication.

The under mentioned factors can all improve competitiveness if they pay sufficient attention on them.12

The above mentioned problems need solutions by all means. The posterior reaction to changes is not sufficient any more. They have to get ready consciously to surmount the changes in the organizations, to work out a strategy and introduce it. To achieve these aims, the continuous bidirectional dialogue, involvement and persistent participation of employees are indispensable. The constant refinement, perfection of communication strategy is necessary. The employees must be informed why we vary, what we vary and who are touched and in what extent. Public speeches, forums, workshops, departmental or individual conversations, intranet opportunities are all good solutions. All of these cannot be realised without the constant support of managers and the appropriate corporate culture.

**Human resource management of ‘tomorrow’**

Several requirements are set up, by globalisation, challenges of information- and knowledge-based society, for managers, employees and the organisations as well. According to Dr John Sullivan, it is advisable to maxi-

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11 Tükör a szakmának, Figyelő Trend, 2007., VII. évfolyam, 2. szám, p. 11.
mize the productivity on global level and exploit the corporate advantages of geographical and cultural differences innovative way.\textsuperscript{13}

- **Managers** have to alter as much as the employees. The following factors come into fore: ‘humanization’ of managers, the importance of professional and general knowledge, openness, sensitiveness, flexibility, handling changes, the ability of active listening, culture building, behaviour culture, understanding of difficult facts, creative atmosphere, learning organization, international studies\textsuperscript{14}, handling conflicts, organizer skills, good listening and sensitive problem-solving skills, determinate appearance, diplomatic sense, handling pay-questions, outplacement: the further care about the dismissed employee.

- **Employees** have to accept that: they may work in the other part of the world even the following day, cooperate with colleagues with foreign languages and cultures, adapt flexibly to changes, and bear the permanent uncertainty.\textsuperscript{15}

- Concerning the **organizations**:
  - *The pyramid is getting flattening.*
  - Strategic allowances come into existence because of the exploitation of *synergic effects.*
  - *The stakeholder theory* comes into fore instead of shareholder theory.
  - *Benchmarking,* copy of the best practice, is spreading.
  - The absence of *organizational learning* will mean competitive disadvantage more and more because it is very important that how the company can welcome the changes; and this makes the organizations be creative and innovative. For instance, to introduce a technology as a first is very risky but, with appropriate preparation, the organisation can obtain time- and power-advantage.\textsuperscript{16}
  - The term *knowledge sharing,* the ‘share the good practice’-principle becomes known. If someone has got excellent abilities, good ideas in

\textsuperscript{13} A stratégiai HR XXI. századi atyja: Dr. John Sullivan, Humán Erők, Vezetői Tudás Évkönyv, 2006., (letöltve: 2007.07.09.).


\textsuperscript{15} Vámosi Z. (2004.): Humán erőforrás menedzsment, LSI Informatikai Oktatóközpont, Budapest.

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a certain area, then it must be shared so that the others could benefit of this. This is stimulated if the common work is evaluated and not the individual performance.\textsuperscript{17} All of these are confirmed by the forecast of a Hungarian magazine, called Figyel\’\'o, that ‘…in the next 3–5 years, the knowledge management, formation of learning organization and the motivating incentive systems will be the most important in the life of corporations.\textsuperscript{18}

– The radical alteration of corporate procedures (\textit{BPR, reengineering}) may be useful/necessary because the company can get rid of the activities beyond the core competence this way.\textsuperscript{19}

– During the employment, the general expectations are the \textit{multiple skills}, teamwork, and empowerment.

– Beside the traditional employment methods, some \textit{alternative working patterns} such as part-time working, teleworking, job sharing, saving hours/personal accounts and term-time working, flexitime are spreading.

– \textit{The information-supported HR} becomes natural. So far, it has been used mostly for only payroll calculations and personnel registrations. The changes are well-described by table 2.

\begin{table}[h]
\centering
\caption{Typical fields of software usage}
\begin{tabular}{|l|c|c|c|c|}
\hline
 & 1997 (%) & 1998 (%) & 1999 (%) & 2000 (%) \\
\hline
\textit{Wage administration} & – & 59 & 85,2 & 89 \\
\textit{Personnel administration} & – & 24 & 85,2 & 76 \\
\textit{Word processing} & – & – & 77,8 & 75 \\
\textit{HRM communication} & – & 20 & 63 & 63 \\
\textit{Correspondence} & – & – & 63 & 75 \\
\textit{In/Outplacement} & – & – & 63 & 73 \\
\textit{Working hours administration} & – & – & 63 & 38 \\
\textit{Education, training administration} & – & – & 40,7 & 43 \\
\hline
\end{tabular}
\end{table}


\textsuperscript{17} Mindenki asztala, Figyel\’\'o Trend, 2007., VII. évfolyam, 2. szám, pp. 24–26.

\textsuperscript{18} Kettészakadt a mezőny?, Figyel\’\'o Trend, 2007., VII. évfolyam, 2. szám, pp. 4–6.

\textsuperscript{19} Stratégia és rugalmasság: http://www.treningkereso.hu/strategia_rugalmassag_swot.html (letöltve: 2007.07.10.).
Nowadays, 85.2% of the companies use software to decrease administrative tasks; and the introduction of different human modules is also expectation. In the future, the importance of recruiting on the internet and online job interviews are growing, ignoring the geographical engagements and raising the innovativeness.

- ‘Balance of work and private life, diversity in workplaces, inequality, measuring and evaluation of HR functions will be the future trends.
- The employment policy targets in European Union are also set which are involved in the European Employment Strategy, Treaty of Amsterdam, Luxembourg and Lisbon Process, Wim Kok Report.

Findings, conclusions

The main aim of the paper was to point out that the social and economic changes in the past decades centred the human resources. Its necessity is underpinned by several factors:

- The continuous technology changes, knowledge growth, changes of labour force and life quality require different mindset of managers, employees and the organizations itself.
- In the modern society, the management with information, improvement of change management and communication abilities, acquiring of customer-centred philosophy, team efficiency, ‘personal and organizational sustainability’ are necessary.
- The unbelievably competitive environment made the corporate competitiveness a key factor of survival. According to a study, asking top managers, the highest challenge today is the permanent continuous growth (52%), the fastness and flexibility (42%), client loyalty (41%). Then, the

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questions related to innovation are the next ones (30%), and only after this, the internal knowledge transfer (23%) and training of young managers (26%).

- The expectations for the quality of workplaces are continuously growing, the life long learning almost becomes cliché, the flexible working organizations, work models are spreading, and the support of old age activity are realised on European level as well.
- The speed-up of changes is a challenge for managers as well, the technological orientation is not sufficient competitive edge any more, and the importance of light factors is increasing.

Beside these general tendencies, analysing the Hungarian situation, I have ascertained the following characteristics:

- The place of HR in the organizations is dual: it is mainly in the first line, but still has classical tasks as well such as administrative or well-fare tasks to fulfil.
- The direct manager often decide by their own values concerning employees, corporate culture, and future.
- The difference between companies that belong to Hungarian owner and foreign one is huge, regarding the human resource practices. For example, the first ones spend one-fifth of EU average on training, the second only one-thirtieth. Nowadays, insistence on the familiar is cost-intensive and dangerous, the entrepreneurial model become general: independent thinking, interpretation, less bureaucratic boundaries. The thinking brain has become the engine of the economy. According to the estimations, if the value of production tools assets of production is increased by 10%, the productivity will increase by 4%; but, if the qualification of employees is increased by 10%, then it will increase by 8,5%.
- To my mind, the main problem is that the top management often consider HR as provider, not as business partner in the companies.
- The proactive approach has not come true yet.

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The management often cannot see the added value of human resources for business success.\(^{26}\)

Instead of team working, the individual working still dominates. This hampers the spread of organizational learning, which reason is the fear of position.

It is typical that our we are socialized to our deficiencies and concentrated on what not to happen. However, the weakness cannot be the base of improvement, so the strengths have to be focused because a persistent can be created, core competence can be achieved this way.\(^{27}\)

On the whole, I have ascertained, that the human resource has essential role in corporate strategy realisation, because in the formation and maintenance of long term competitiveness, in realization of individual and organizational goals, in the prove of long term value growth it participates integrative way, focusing on effectiveness mentality continuously.

Analysing the current situation, it can be seen, that the Hungarian practise unfortunately lags behind the European one, but – with the slow culture changing of leadership – the development is certain; and it is proved by more and more practical Hungarian examples.

“To get together – it is starting.
To stay together – it is improvement.
Also to work together – it is success.”

\(\text{(Henry Ford)}\)

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\(^{26}\) Kettészakadt a mezőny?, Figyelő Trend, 2007., VII. évfolyam, 2. szám, pp. 4–6.

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Summary

The permanent change is the key of the survival in modern world. It is valid for employers, employees and organizations as well. For a company, to be competitive, it is not enough to concentrate on only financial factors and cost-effectiveness. Without skilled, creative, flexible employees, the main goals cannot be realized.

That is why the human resource gets more and more importance in organizations. From the personnel administration, via personnel management, then human resource management, to strategic human resource management, its role was continuously enhancing. Its strategic importance came into focus in the eighties. The emphasis is on competencies, permanent learning and reformation. Still, there are lots of organizations which have not discovered it so far.

The aim of this paper to prove that its strategic traits promote the organization to attain and maintain competitive advantage in long term, and it has got an essential part in the business strategy, by its ability to added value creation.

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