

# Personnel management vs strategic hrm flashcard



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“ Over the past decade a shift has occurred away from ideas of ‘ personnel management’ towards HRM and concepts of people management” (Pass, S. & Hyde, P. , 2005) This shift has been essential, as with the globalization of the market and more competitors, firms have found it more and more difficult to gain competitive advantage. In order to adapt to this changing environment, the firm’s traditional management system evolved to a more strategic approach towards human resource management. “ Strategy is about building sustainable competitive advantage that in turns creates above average financial performance”. Becker, B & Huselid, M. , 2006) (Wielemaker, M.

et al, 2005) states that before the shift, firms were seeking competitive advantage from outside, such as in costs of goods and trade prices. But a new belief argues that the principal source of competitive advantage actually lies within the firm itself. It is now thought that the main sources of competitive advantage are dependent on people. This new ideology has caused the role of human resources from being supportive, to being strategic. As (Wielemaker, M. t al, 2005) stated the role of traditional personnel management was mainly supportive and repetitive.

Tasks such as training, recruiting and compensation were the usual roles of the human resources department. (Pass, S. & Hyde, P. , 2005), argues that now, with strategic human resources management, the role of the human resources department has become more one of to ensure strategic integration, long term planning and a transfer from human resources responsibility to line management. From this, it can be concluded that

strategic human resource management now focuses more on its internal people. It can also be argued that it is now regarded as a significantly more important role than previous, where the role of personnel management was seen as an option, it is now seen as a crucial part of a firm's success.

The purpose of this essay is to critically evaluate the initial, traditional style of personnel management to the more recent, strategic approach to human resource management. In order to achieve this, each approach will be closely analysed. First, the history and attributes of traditional personnel management will be overviewed. To help understand why there was a need for a shift' towards strategic human resource management, the weaknesses of the traditional personnel management will also need to be investigated.

Finally, the factors that make the strategic personnel management a more successful way of obtaining competitive advantage will be analysed, along with any problems the new system may have. From these findings, it will be possible to conclude how much of an advantage the internal employees really are to their firms, and what difference strategic human resource management has made to today's market. Initially, personnel issues were handled by the accounting department of a firm. (Van Marrewijk, M.

Timmers, J. , 2003) states that when the issues of recruitment, terms of employment and industrial relations became too time consuming, a new separate department that dealt with employees was created. This was the start of personnel management. The first academic resource that acknowledged this change was written in 1920 by Orday Tead and Henry Metcalf. (Kaufman, B.

, 1999), states that these authors deserve to be credited as co founders of the field. (Kaufman, B. , 1999) believes that the creation of a new personnel management department was also due to the perception that it would be a ‘ solution’ to the labour problems at the time. The attributes of having a separate department for personnel management signified that the accounting department would have had more time to concentrate on making profits.

Also having a separate department would have meant that the employees working in the new personnel management department would have been better qualified to undertake such tasks as recruiting and training. The accounting department would have had very limited knowledge and skills regarding these tasks, and therefore it can be argued that it is likely that the new department hired and maintained better quality staff. However, as a whole new department was created, this would have produced a need to acquire more employees, which would have caused a significant increase in the company’s expenses. Also, as the idea of having a separate department was recent, apart from recruiting, training staff, negotiating and compensating, the department did not do much else. Traditional personnel management did not recognise that individual employees had different needs, and did not consider them as an asset, but merely as a tool to complete various tasks. Traditional personnel management also did not adapt to new changes, or to the increased diversity in the workforce.

The way the personnel were managed was based on the way it had always been done. (Kanter, E. , 1983) illustrates the old mindset to human resources: “ Many companies have the tendency to do just that: rather than

consider the underlying goals or principles, which are often very simple, they prefer to repeat an elaborate system that somebody else used". This proved to be an issue, as (Kim, P. , 1999) states ' the cause of yesterday's success may be the cause of tomorrow's failure'.

For example, a recruitment technique that was proved to be successful in the past, may not achieve the same results in today's environment. This could be due to other firms gaining competitive advantage through the creation of a more efficient technique, or also to the new workforce diversity being unable to adapt to the past technique. As (Lengnick-Hall, C. & Lengnick-Hall, M. , 1988) also noted " traditional models focus on matching people to strategy, but not on matching strategy to people.

" This was the main issue with traditional personnel management. Bechet, T. , 2000) Summarises clearly why there was a need for change: the organisations that used the traditional approaches of personnel management found that they were ineffective, and that the potential of a firm was not fully reached by using those. (Kim, P.

, 1999) states that the causes to this are the changes in the modern global economy, which highlighted the numerous challenges facing human resources. The industry became more and more competitive with the new firms entering the market and it therefore became harder to be successful. Cook, D. & Ferris, G, 1986) highlights that traditional management had so far neglected to view the personnel management department as a strategic asset, as equally important as financial and technological assets. Due to that finding, as (Nkomo, S.

, 1988) noted, a significant amount of attention had now been taken to the strategic aspect of human resources, as it has been regarded as a way to link organisational goals and strategies to the human resource objectives and programmes. (Lengnick-Hall, C. & Lengnick-Hall, M. 1988) confirms this by stating ' achieving competitive advantage through human resources requires that these activities be managed from a strategic perspective. ' It can be concluded that it was at that time that firms began to realise that people were a firm's most important asset and best source of competitive advantage.

Especially in an ever changing environment. It is important to note, as (Kanter, E. , 1983) explains, that strategy involves more than developing strategies for the whole organisation to use as part of a business plan. The strategic human resource function also concentrates on the internal department planning, and aims to always improve the human resources management side and adapting it to the current issues.

Strategic human resource management therefore also focuses on how it should be readjusted to adapt, who else should be involved and what the issues are. From the shift of personnel management to strategic human resource management, it can be argued that many improvements within firms occurred. First, as recruiting and training approaches were modified to fit each new situation, the firms became significantly better at adapting to the constantly evolving environment, and to the workplace diversity. (Kim, P. , 1999) stresses that adapting to the workplace diversity is crucial to gaining competitive advantage, as " globalisation implies that accepting that cultural

diversity in management composition and management style contributes to the competitive advantage of the global agency". By adapting to the workplace's need, employees felt that they were more valued and this would have led to a higher job satisfaction. The importance of this, as (Van Marrewijk, M. & Timmers, J. , 2003) confirms, is that ' Financial success is strongly correlated with employee fulfilment.

' Another result of employees feeling more valued in a firm would increase their motivation to work efficiently. As (Van Marrewijk, M. & Timmers, J. , 2003) also states that ' motivated personnel has a phenomenally higher productivity than employees who have mental dismissal'. So employee satisfaction and job motivation are two internal sources of competitive advantage.

A good example of how people can be the biggest source of competitive advantage is highlighted by (Lengnick-Hall, C. Lengnick-Hall, M. , 1988). The authors cite the example of the computer industry. The authors elaborate that this industry is very competitive due to the low switching costs between manufacturers.

Firms had found it difficult to retain client due to the low switching costs, meaning that they could change company very easily. In order to overcome this, IBM used its employees as a source of competitive advantage. The firm had taught programming skills to the customer's employees, which created value to IBM as customers felt they were better cared for by IBM. This resulted in customers gaining a stronger tie with IBM. However there are issues with strategic human resource planning. In this instance, as the

customer has a stronger tie with IBM, this would cause the customer to be more demanding and expect very good service.

Over time, this may be too costly for the company to provide and therefore would not be an efficient source of competitive advantage. Another weakness of strategic human resource management is, as explained by (Van Marrewijk, M. & Timmers, J. , 2003) the splits attitude. Strategic human resource management sometimes has to work against the interest of employees.

An example cited by the authors is when the firm's profit drops. For the best interest of its shareholders, the company will have to lay off staff. This would not be positively accepted by the employees. However, if the company did not lay off staff, the company would be in financial trouble and the shareholders would not be pleased.

And unfortunately, as (Perez, D. , 2001) states, downsizing has become a way of life and a necessity to remain competitive in today's market. When comparing traditional personnel management to strategic human resource management, Hoque and Noon, as noted by (Pass, S. & Hyde, P. , 2005), argued that there are four differences between personnel management and human resource management. The authors have found that firms which have a human resources department have more qualified specialists, are more involved in strategic planning, are willing to delegate tasks to supervisors and therefore these firms are more likely to perform better.

As (Cook, D. & Ferris, G. , 1986) also adds, there is proof that the highest performing firms all employed a strategic orientation. By strategic



orientation, it is implied that they had longer term goals, consistent with the organisation's strategy and more 'horizontal integration among the different activities within the human resource function.' In summary, it can be concluded that both methods of management contain strengths and weaknesses, and therefore neither is perfect.

However, by evaluating each option, strategic human resource management has proven to be the best way to gain competitive advantage by using a company's argued most important resource: its people. As (Ropo, A. , 1993) confirms that "The internal dynamism of the HR function serves as the most critical mechanism to keep the integration process going after it has been started under favourable organisational and strategic circumstances."

Another advantage of strategic human resource management over personnel management is its ability to adapt to new situations. Rather than using the same method for an issue, strategic human resource management analyses the situation, and creates a whole new custom made strategy which will fit that particular issue. This strategy has proven to be essential in today's changing environment, especially with globalisation significantly increasing the diversity in the workplace.

The best advantage for firms that only use the traditional methods of personnel management instead of strategic human resource management is the cost saving. Instead on spending a lot of time analysing each situation and trying to satisfy each employee's needs, it uses a model that was proven to already work for a previous situation. Also it can be argued that it is 'safer' than strategic human resource management. If a situation arises,

instead of trying to find a strategy that ' could' work, they use a previous technique which has worked in the past.

This means that from the past success of that technique there would be less risk of it failing. Something that can be noted about both approaches to management is that, as stated by (Van Marrewijk, M. & Timmers, J. , 2003) both start from the belief that individual employees can be controlled. Both techniques imply that they can be controlled by means of authority, agreement or temptation.

As previously stated, both approaches see employees as resources and not as people. An improvement could be to perhaps enhance better communication between the employer and employee, and also to encourage more equality. This would make the employees feel more valued and, as they would communicate more, strategic problem solving would be improved. Employers would understand issues within the firm better, which would make the organisation more effective overall. Reference List Bechet, T. (2000), ' Developing Staffing Strategies That Work: Implementing Pragmatic, Nontraditional Approaches', Public Personnel Management, Vol. 29, No. 4, Pp. 465-477. Becker, B & Huselid, M. (2006), ' Strategic Human Resource Management: Where Do We Go From Here? ', Journal of Management, Vol. 32, No.

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