

STRATEGIC HUMAN RESOURCES MANAGEMENT: CHALLENGES AND OPPORTUNITIES

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Abstract Recent events (COVID -19 pandemic, the Ukrainian war) not only have an impact on the business operations of organizations, but have also a broader impact on individual work processes in organizations. One of these is strategic human resource management, which includes the connection of personnel management with the policy of the organization. The article represents an scientific explanatory study, developed on the information collected from the literature from journals and books related to strategic human resources management. It tries to discover connections and relations between strategic HR management and employee performance, engagement, and communication. The conclusion of the literature review is, that employee performance, as the key element of strategic human resources management, cannot be analyzed without a thorough knowledge of communication and employee engagement.

Keywords::

strategic
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employee
engagement,
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management.

1 Introduction

Modern business environment requires utmost flexibility and readiness to change to compete with the increasing number of competitors worldwide. Due to rapid development of technology, strong influence of globalization and liberalization, COVID-19 pandemic, it is now harder than ever to contend on the current market. Times of uncertainty trigger a significant amount of tension among the population. Crisis of any kind causes a sense of insecurity, substantially intensifying the stress level among the employees. Today seems like the entire world needs strategic guidance more than ever, after the latest events that shook the planet- COVID-19 pandemic, and Russia-Ukraine conflict. Confident, wise leadership can have an immense impact on motivation, engagement, and ultimately on performance of every organization. Strategically-oriented management can pursue for the long-term plan even during the turbulent times we are witnessing. Strategic approach to the human resources arises as essential to restore peace of mind of employees.

The term „Strategy“ was originally a military term, implemented into business by Peter Drucker back in '50s. It is defined as the determination of the basic long-term goals and objectives of an enterprise, and the adaptation of courses of action and the allocation of resources necessary for accomplishing these goals (Chandler, 1962). Two key elements of strategy are strategic objectives and a plan of action. Strategic human resources management is considered an applied discipline, directed to emphasizing the importance of efficient management to the human resources of organizations. Organizations with better congruence between their HR practices and their strategies perform better. Numerous researchers have found a strong connection between HR practices and related outcomes, primarily productivity (Arthur, 1994) (Gerhart, B., Milkovich, G. T., 1990).

Going back in time, traditional understanding of HR management was related to personnel management and administrative tasks, solely focused on the command and control system. That perspective was followed by a different approach, emphasizing competitive advantage through factors like interest, cooperation, investment in labor (Lengnick-Hall, M., Lengnick-Hall, C., Andrade, L., Drake, B., 2009). It evolved into an integral part of every organization, becoming its key component for normal functioning. Defined as “the pattern of planned human resource deployments and activities intended to enable the firm to achieve its goals

(Wright, P. M., McMahan, G. C., 1992). Nowadays, shifting to strategic thinking and strategic approach to the human resources management is crucial to remain competitive on a highly turbulent market. The latest disruption caused by the COVID-19 pandemic has thought us about the importance of strategic management of people, when the basic comprehension of work has suffered a dramatical change. Human resource leaders have been fundamental for the appropriate response of organizations worldwide, guiding organizations through a major shift in understanding of work context- working onsite versus working from home (Collings, D.G., McMackin, J., Nyberg, A.J., Wright, P.M., 2021).

This review discusses the concept of the Strategic HR management, its features, characteristics, and some key challenges related to performance, employee engagement and communication. It highlights the key issues related to these three concepts, emphasizing their effects to modern HR managers.

2 Development of the Strategic human resources management

During the early stages of strategic human resource management, researchers have recognized three key points of the topic: Micro human resources management (managing individuals and small groups through recruitment, selection, training, performance management, as well as managing work organizations), Strategic human resources management, and International human resources management (Lengnick-Hall, M., Lengnick-Hall, C., Andrade, L., Drake, B., 2009). Early studies were focused on contingency perspective, based on the theory that management efficacy is dependent on various situations and behaviors. In one of the very first papers on SHRM, Tichi et al. discussed about the connection between the organization performance and the HR department, arguing that HR activities have a crucial influence on the performance of individuals, directly affecting the overall productivity (Tichy, N., Fombrun, C., Devanna, M., 1982). Other scholars also recognized that certain HR practices are likely to lead to improved performance if matched with specific conditions (Lengnick-Hall, M., Lengnick-Hall, C., Andrade, L., Drake, B., 2009).

During the '80s, among very few HR management researchers at the time, Miles and Snow had set the stage for the others by establishing the foundation for further research by defining the basic types of strategic behavior named Defender, Prospector, and Analyzer. Such approach describes the Defender-type organization

as stable, with narrow focus, with limited market realm. Prospectors tend to experiment, continuously seeking for new opportunities, while Analyzers operate in two areas- one stable, another turbulent. Today we are witnessing that modern companies are using the preliminary strategies, slightly adjusted and improved. Therefore, the Defenders can be recognized as the companies that focus on cost efficiency, Prospectors tend to develop broad and varied product lines with decentralized production, while Analyzers combine elements of both, using diversified product line a divisional structure (Miles, R.E., Snow, C.C., 1984). Researchers have deepened the strategic management research during the '90s. Expanding the understanding of strategy and its relation with the HR management, Wright and Snell explained three conceptual variables that must fit with the corporate strategy: HR practices, skills, and behaviors, and their correlation with flexibility. They defined flexibility as the range to which the human resources possess skills that provide options for behavior modifications in order to remain competitive (Snell, S., Wright, P., 1997).

In general, majority of the HR management-related studies include terms Strategic human resources management, Human capital management, and Talent management. Understanding these concepts, relationships, their scope and application to the HR practice is critical for any performance-related research. In that regard, this research will discuss some of the key HR management challenges related to employee engagement, communication, and performance in general.

3 Methodology

This is an explanatory study developed on the information collected from the literature from journals and books related to strategic human resources management. It tries to discover connections and relations between strategic HR management and employee performance, engagement, and communication. Using systematic literature search, the researcher explores numerous articles from the 20th century about the evolution of the Strategic human resources management, followed by an analysis of more recent papers on the aforementioned issues in a semi-systematic manner, using content analysis technique.

4 Challenges

There are many challenges in the strategic human resource management. Recently, there are four of them, which are very important: employee engagement, communication, strategic planning and performance management.

4.1 Employee engagement

Employee engagement came out as one of the most potent mechanisms for improving organizational effectiveness. Frequently overlooked as a research topic, employee motivation and engagement can significantly boost efficiency of the employees, directly leading to superior financial results. It is defined as „employee’s choice to willingly and fully invest their authentic selves physically, cognitively and emotionally in their work roles that promote connections to work and to others, personal presence and active, full role performances“ (Kahn, 1992). Martins and Nienaber have created a six-factor employee engagement scale:

1. Team orientation represents engagement at individual level, reflecting team members’ willingness to render support, to be well-organised and to take personal ownership of their job responsibilities.
2. Organisational satisfaction represents engagement at individual level and includes aspects such as a meaningful, enjoyable, inspiring job and general feeling of job satisfaction.
3. Effectiveness of managerial aspects represents engagement at team/unit level and refers to the dimensions such as trust, support, feedback and performance evaluation. (The dimension’s name was adapted from immediate manager to reflect the meaning more clearly.)
4. Team commitment represents engagement at team/unit level and refers to cooperation, collective solving of problems, the ability to adapt to change and doing more than is expected especially in terms of the quality of service they render to customers.
5. Organisational commitment represents engagement at organisational level and involves commitment to the organisation, taking pride in the work that is being done for the organisation, congruence between personal and organisational values and positivity about the organisation’s future.

6. Organisational strategy and implementation represents engagement at organisational level, and the aim of this dimension is to determine if employees are encouraged to develop new ideas, if initiative is encouraged and if employees are involved in implementing strategy.

Deficient engagement leads to poor atmosphere at the workplace, ultimately resulting in inferior financial performance. Possible reasons for inadequate engagement are: lack of confidence, lack of competence, lack of leadership (Hogan, R., Chamorro-Premuzic, T., Kaiser, R.B., 2013), or lack of resources (Nienaber, H., Martins, N., 2020). Lack of confidence combined with poor leadership and inadequate skills results in the detachment between strategy and performance management (Hogan, R., Chamorro-Premuzic, T., Kaiser, R.B., 2013). Further, lack of resources considers primarily the unavailability of human resources- skilled people who can positively influence the others. Unavailability of people also refers to lack of competence, interpersonal and leadership skills, resulting in disengaged employees (Nienaber, H., Martins, N., 2020).

The importance of engagement-related elements, such as motivation and communication in mobilising employees to endure is evident (Nienaber, H., Martins, N., 2020). Nienaber also explains relationship between competence, autonomy, and relatedness, indicating that relatedness stands for a feeling of being connected to a few people within an organization. Hogan et al. also describe competence, autonomy, and relatedness as the levers of motivation, instinctive to all humans. (Hogan, R., Chamorro-Premuzic, T., Kaiser, R.B., 2013). They further describe the levers of motivation as a need to advance by learning and doing the job (competence), the urge for meaning to be productive (autonomy) and the need to get along with coworkers (relatedness). Therefore, if any of the basic human needs for those three levers are not met, it results negatively on both physical and mental well-being of the employees. The lever of motivation activates a psychological presence, which drives engagement, further facilitating strategy implementation and ultimately organizational effectiveness (Nienaber, H., Martins, N., 2020).

Management uses strategy to fulfill organizational goals. The key issue is the gap between planned and accomplished performance, which puts organizational competitiveness in jeopardy (Ansoff, 1988). That gap can cause a waste in terms of effort, people, material, space, and time. Scholars discuss about the factors that cause

the gap, as well as the ways to prevent it. Numerous authors have listed poor planning, meager implementation or lack of control as the key causes of the issue. Despite a vast number of researches on strategy and implementation, those gaps still exist. Employee surveys from a few years ago show that only 24 percent of the global workforce feels engaged at work, which leads to financial losses ranging between \$483 billion and \$605 billion per year (Gallup, 2017).

4.2 Communication

Communication is a process of transmitting and receiving meaningful information. It plays a crucial role in establishing a shared understanding, necessary for strategy implementation (Van der Merwe, M.M., Nienaber, H., 2015). All employees must be aware of the key information related to them to be able to contribute to reducing the performance gap. Lately, the cost of communication has been dramatically decreased, while increasing speed and efficiency. According to Suparna, frequent and efficient communication is essential to success of organization of any size, whether it is a small company or a multinational corporation (Suparna, 2017). In addition, low morale, poor productivity, interpersonal conflicts and excessive turnover are the adverse effects of deficient or inadequate communication (Chukwuka, 2015). Without efficient communication, management function of planning, organizing, directing, and monitoring cannot be implemented (Asuelimen, I.B., Omohimi, I.M., 2019). An organization's mission, vision, and goals are foundational to its organizational performance, and when these guiding principles are shared at every level on the organizational ladder, they will be embraced by an engaged workforce (Al-Qudah, S., Obeidat, A.M., Shrouf, H., Abusweilem, M., 2020).

Besides pure information sharing, communication is crucial for other critical processes- notifying, convincing, and encouraging, which directly influences employee engagement and performance in general. Thus, communication has four purposes: control, motivation, emotional expression, and information (Oribabor, 2000). It positively affects efficiency by clarifying what to do and how to do certain tasks. Further, communicating the other way around, from subordinates to their superiors is highly important for better understanding of people's needs, emotions, goals, plans. Besides open and functional two-way communication, researchers provide a few other recommendations to improve communication within an

organization: 1. Use more than one channel for organizational communication (Managers should not depend on a single channel, but establish a multiple channel communication throughout the organization), 2. Repeat important messages, 3. Focus on listening (Majority of people are actually poor listeners, while being unaware of that fact), 4. Get your message across (Speak clearly and correctly), 5. Handle communication problems (Asuelimen, I.B., Omohimi, I.M., 2019).

Through its effect on human resources, it directly influences organization performance in general. The importance of communication for basically any improvement within an organization is immense. Numerous major studies from 1990s until today have listed communication as the number one factor for performance improvement (Alexander, 1985; Porter, 1998; Tait, A., Nienaber, H., 2010). Among factors like better rewards, enhanced strategy development, management buy-in, performance monitoring, empowerment, accountability assignment, improved talent management (recruitment, development and retainment of the skilled staff), management development, consequence management, environment scanning, reevaluation of goals, communication is voted as the first or the second most important factor (Van der Merwe, M.M., Nienaber, H., 2015). However, research on strategic human resources management solely regarding communication is very scarce. Rare papers on this subject are usually limited to communicating financial information throughout the organization (Collings, D.G., McMackin, J., Nyberg, A.J., Wright, P.M., 2021). Discovering how effective communication affected businesses, especially during the pandemic, could be a decent opportunity for an effective research with potentially very insightful results.

4.3 Strategic planning and Performance management

Strategic planning is a process of defining a strategy or direction, making relevant decisions on allocating resources to pursue that strategy. It is a process of creating specific business strategy, implementing it, and evaluating the results, in relation with the long-term plan of the company (Plotnikov, V., Fedotova, G., Popkova, E., Kastyurina, A., 2015). It helps to set an ambition for the business' future and determine how best to achieve it. Its primary purpose is to connect three key areas: mission- defining a business' purpose; vision – describing what a business wants to achieve (Kaufman, J.L., Jacobs, H.M., 1987). It is essential to learn, research, analyze

and evaluate the factors of human resource management activities affecting the work result.

Human resource management is the strategic approach to the effective management of people in a company or organization such that they help their business gain a competitive advantage (Nguyen, D.t., Ha, V.D., Dang, T.T., 2020). HRM planning and the implementation of strategic management tasks leads to improved human capital capacity since there is a direct relationship between human resources planning and organizational performance (Abdallah, A., Phan, C.A., 2007). Researchers came to the conclusion that it takes a highly engaged workforce to be successful in meeting organizational goals. Thus, HR staff performance significantly contributes to the overall measurement of effectiveness. Leading organizations are keen on the strategic planning of their human resources, informed and guided by their strategic planning process (Al-Qudah, S., Obeidat, A.M., Shrouf, H., Abusweilem, M., 2020).

Recent trends in the competition have forced business organizations to reconsider not only their plans' content but also the entire planning process to move towards strategic planning (Shehadeh, R.M., Al-Zu'bi, Z., Abdallah, A.B., Maqableh, M., 2016). Collings et al. challenge few assumptions related to traditional HR management, critical for employee performance. They argue that strategic management has a different impact across different employee groups. Further, they challenge the assumption about physical presence in a workplace, triggered by the ongoing crisis related to COVID-19 pandemic. They bring out the importance of corporate culture and leadership, using the examples of the performance of certain firms during the pandemic (Collings, D.G., McMackin, J., Nyberg, A.J., Wright, P.M., 2021).

The dominant perception of organizational performance is that it is one of the main concepts in management, including a wide range of methods developed by experts to describe and measure organizational performance (Abdallah, A., Phan, C.A. & Matsui, 2009). HR is the key element of organizational performance and goal achievement in organizations. Due to the rapid changes and challenges facing organizations, there is an increased need for the strategic planning of HR to help organizations meet these challenges (Al-Qudah, S., Obeidat, A.M., Shrouf, H., Abusweilem, M., 2020). Practically all processes and activities within strategic human

resources management are directed towards improving employee performance, whether directly or indirectly.

5 Conclusion

The purpose of this article is to summarize three key challenges related to strategic human resources management- employee engagement, communication, and performance. Strategy is the tool used by the management to fulfil organization's goals by efficiently governing the employees. The ultimate goal is a sustainable financial gain, which can only be done through thoughtful strategic planning of internal resources, while constantly adapting to the external environment. This literature review suggests that employee performance, as the key element of strategic human resources management, cannot be analyzed without a thorough knowledge about communication and employee engagement. Besides other integral aspects such as compensation and talent management, the aforementioned factors are the foundation for any corrective actions for minimizing the performance gap.

As previously mentioned, significant contribution to the field of Strategic human resources management could be done through an in-depth research on the communication and employee engagement relationship with strategic human resources management.

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